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ECONOMIC COMPETITIVENESS AND GLOBAL SUSTAINABILITY

ECONOMIC SAFETY AND RECOVERY OF ENTERPRISES

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Abstract

In the paper there are included strategic approaches of business managements in improving decision-making processes and improving of economic security of business bodies. In the nowadays socio-economic conditions, there is a need of maintaining the functions and existence of small and medium enterprises, which used to be described as an engine forces of a regional development inside regions and countries. To be able to help them we need to find the best indicators describing the economic safety of such enterprises, to influence them further. The aim of this paper is to identify unbalanced states of business bodies. On detail of SMEs there are shown critical areas and determinants of economic backwardness in the years 2007 – 2012 and problems of economic security of the business entities. Evaluation of the results of the investigation of 123 SMEs in specific conditions of the Slovak Republic is a part of the analytical section. The synthetic part of the paper includes indicators for identifying economic risks, unbalanced conditions of business subjects, economics and surveys of economic security of companies. At the end there are included specified methods for recovery and sustainable development of economically backward enterprises. Underlying data were obtained from the information sheet of Ministry of Agriculture and Rural Development, Ministry of Finance and Statistical Office of the Slovak Republic. The obtained data were verified and completed by a verification research in 123 small and medium enterprises of the agricultural and food sectors. The presented paper shows a result of the survey of business bodies according to their economic safety. It turned out that a prerequisite for favorable business conditions is the identification of factors of differentiation of enterprises, the application of critical infrastructures and achieving of economic security of companies. The article shows also a need of continuous monitoring of the external and internal environment, detecting the causes of economic backwardness of enterprises and creating a secure business environment. We propose to use indicators of the economic security of small and medium-sized enterprises together with other economic instruments in the context of intra management to deepen intra-economic system. This will increase the efficiency of business management and sustain economic prosperity of SMEs.

Keywords: economic differentiation; intra-economic management; economic safety of business bodies; indicators of economic safety; critical infrastructure; reengineering; recovery; revitalization.

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1. Introduction

Economic and social development of society requires a flexible business structure, firm rules and effective tools of macroeconomic management of business entities.

Slovakia's accession to the European Union therefore required the adaptation of business structures and public administration to a common European policy. Transformation and restructuring of the economy have forced business entities and public administration to adapt to the economic mechanism of activating the business and growth of the Slovak economy.

Slovakia has ranked among associated countries with the highest gain value of those macroeconomic indicators as the dynamics of economic growth, positive numbers of on-year increase in gross domestic product growth, net value added and labor productivity. Increasing the employment of the working population and modulation of market economy qualified Slovak Republic qualified for entry into the Eurozone from January 1, 2009 as its valid member.

The rise of the Slovak economy slowed down the world economic crisis, insolvent enterprises and a significant slowdown of financial and material flows, with the result that in 2009 narrowed to - 4.7%. Series of positive results in the Slovak economy has proved already in 2010. However, the economy is not helping the population yet. The growth of the current economy is according many economists still weak to create new jobs. To create this it is necessary a long-term economic growth of 3-4% and creation of a safe business environment, application of critical infrastructure and enhancing in-house economic regimes in all types of Therefore, according to Gozora, V. (2013) it is necessary to establish an effective instrument of economic management and indicators of enterprise security, recover economically lagging businesses and eliminate regional disparities in economic and social environment. The aim of this paper is to identify the determinants of unbalanced conditions and causes of economic differentiation of businesses, establish indicators of economic security and propose methods of recovery of economically backward enterprises.

1.1. Research materials and methods

The aim of this paper is to identify unbalanced states of business bodies. On detail of SMEs there are shown critical areas and determinants of economic backwardness in the years 2007 – 2012 and problems of economic security of the business entities. Realization of that aim sought to undertake a survey in the file of sectors of agriculture in the years 2007-2012. Underlying data were obtained from the information sheet of Ministry of Agriculture and Rural Development, Ministry of Finance and Statistical Office of the Slovak Republic. The obtained data were verified and completed by a verification research in 123 small and medium enterprises of the agricultural and food sectors.

The analytical part of the paper we focuses on:

- Identification of the factors of unbalanced state of business subjects and reasons of their economic differentiation;
- Strategic approaches of business managers in decision-making processes and to assess the economic security and health businesses.

In the synthetic part of this paper we proposed indicators of economic safety and methods of recovering of backwarding business subjects. To obtain and process data we used the method of analysis, synthesis, comparison and query method. To quantify the results we used the method of common mathematical and statistical relationships and numerical calculations.

2. Determination of unstable states of business subjects

Economic differentiation of enterprises is determined by the external unbalanced state of the internal environment. Therefore, the solution of corporate imbalances is an integral part of doing business in all fields of economic activity.

Business environment in Slovakia has its own specifics determined by geographical, socio-economic and socio-political conditions. Therefore, each region or territorial-administrative unit in relation to business subjects is

specific and different in regional macroeconomic indicators. Split determinants of external and internal environment are presented in Table 1.

Table 1. Determinants of unstable states of external and internal environment of business subjects

Serial No.	Determinant – content		Scale		Ranking of determinants
			Number of points	%	
1.	Determinants of internal and external environment	Production imbalance	55	16,56	3
2.		Economic imbalance	43	12,95	4
3.		Price imbalance	72	21,69	2
4.		Replacement imbalance	22	6,63	7
5.		Regional imbalance	85	25,60	1
6.		Ecological imbalance	27	8,13	6
7.		Knowledge imbalance	28	8,45	5
1-7	Totally		332	100,00	-
8.	Determinants of specific environment	Worsening of business conditions	80	26,84	2
9.		Slowing of material and financial flows	85	28,52	1
10.		Worsening of environment	32	10,74	4
11.		Elimination of production and market products	76	25,50	3
12.		Labour shortage	25	8,39	5
8-12	Totally		298	100,00	-

It has been confirmed that SMEs are more flexible and achieve higher productivity, but they are illiquid and often highly indebted. At the same time there is shown that modified economic indicators is not possible to apply to entities in all sectors and branches of the national economy. Persistent specifications of enterprises and self-governing units also require specific approaches to evaluate economic performance. In this context, it is reasonable that profit in the short term should be supplemented by the indicator of cash flow. It appears the fact that the profit as the resulting economic category ceases to serve as a source of corporate finance and there more apply available financing resources and cash flows.

Significant impact on economic differences there have direct foreign investment funds and financial support of European Union funds and funds from national sources. As a result of these flows economic scissors opened more and some self-governing regions have moved to lower rungs. Direct effects were found in individual districts as a results of supporting funds.

Special contribution to economic differentiation of business subjects there have according Hudáková (2011) human factors and executive decisions. In that regard, it is confirmed that the risks immediately cause imbalances and deepening economic differentiation of business entities. In addition to the above determinants of the economic differentiation there are involved other factors given in Table 2.

Specific role in achieving the synergistic effect of mentioned determinants play a successful cooperation between corporate management and local government communities. Small and medium sized enterprises have different position on the market in connection to fact that they “usually do not have the same levels of funding available as do the larger firms” (Hudáková, 2015, 1049).

One of the key factors for developing business subjects is a secure environment in which they are established. So that companies can fully develop their functions, to achieve business objectives and economic prosperity, you need a secure environment with minimal business risk. A detailed analysis of the security environment of businesses is a key step in the implementation of strategy for solving the generalized differentiation of SMEs in specific environment. A similar view have Filip, P. and Kováč, M. (2013).

Table 2. Determinants of economic differentiation of business subjects

Serial No.	Determinants	Number of business subjects - respondents	%	Serial No.
1.	High competition of business subjects in branches and sectors	188	58,20	8
2.	High investment cost and expensiveness	202	62,30	7
3.	And cost and price fluctuation	236	73,06	5
4.	Growth of unforeseen costs	223	69,04	6
5.	Difficult acces to domestic and foreign markets	239	73,99	4
6.	Delays in material and financial flows	256	79,20	1
7.	Quality of human resources	250	77,40	2
8.	The lack of available funds	242	75,92	3
1.-8.	Avarage	230	71,20	-

Source: Gozora, V. et al. (2013). Final research report of institutional project research. Regional disparities in small and medium enterprises, VŠEMVs, Bratislava.

3. Economic safety and recovery of enterprises

3.1. Indicators of economic safety of small and medium enterprises

Economic security of business subjects represents production-economic conditions of the factors of transformation in which businesses reach their full function, meet the corporate objectives and support the employment of the local population. It also creates many financial resources that are necessary for extended reproduction. In other words, we understand the economic security as the border amount of resources that are necessary to operate the business.

The role of corporate managers is to systematically monitor the activities of enterprises and through indicators to assess the economic situation. The indicators of economic security are generally production-economic indicators that reflect the level of enterprise security. Thresholds of mentioned indicators are critical normative values.

Regular monitoring and intra controlling must become instruments of intra-economic management and economic security indicators shall indicate the stage reached in time with thresholds security business environment. Based on the survey results and personal experience of the management of enterprises ther is recommended to apply the following indicators of economic security of enterprises.

a) The rate of profit in relation to the total cost, or total capital. Limit should remain at 10% of viability. The above profit margin is recommended to use in the longer term. In short comparison we recommend to use indicators of cash flows because at the reimbursement for long-term liabilities there is better to use production and distribution of funds.

b) Indicators of debt ratios, activities, liquidity and economic efficiency, indicators of trustworthiness and credibility of enterprises. Value added productivity. Liabilities must not exceed its capital base.

c) Indicators of quality of human resources.

Quick diagnostics of the degree of economic security of enterprises will achieve greater economic security and sustainable business administration. Systematic monitoring of the economic situation of small and medium-sized enterprises will enable enterprise managers' sufficient information to take informed decisions and apply effective methods of managerial work.

3.2. Treatments of economically backward enterprises

Despite of the monitoring of activities, companies can get into economic crisis. Specific environment adversely affects the business and is a major cause of the economic backwardness of businesses. The result of long-term exposure is economic stagnation, deepening economic backwardness or liquidation of the company.

Solving of these conditions requires to apply systematic measures that will enable to increase economic efficiency and to ensure the sustainable development of enterprises. Based on the results of the works by Šimák, L. (2012), Kucera, A. (2008) and Gozora, V. (2008) there can be economically lagging businesses revive in the following methods:

a) *Reengineering*. The essence of the method is complete or partial conversion of the enterprise to achieve the highest degree of customer satisfaction and stated objectives of the entity. The subject of restructuring may be corporate structure, manufacturing programs, tools of intra management and corporate strategy and tactics. The subject of reengineering may be the whole business body or only lagging branches. From the point of view of the object may be subject reengineering entire company or just lagging branches.

b) *Reviving the company*. It's a longer-term method through which we can recover the whole enterprise. The legal basis for the remediation process is the law on bankruptcy and property settlement, which in Section 4 allows you to develop a recovery program for the company. The subject of rehabilitation projects may be corporate structures, production programs, financial loans and commitments to creditors.

c) *Revitalization*. It is a long-term method of recovery of lagging enterprises. The part of the revitalization process is the adoption of substantive measures to liquid liabilities to creditors to eliminate interest and contributions to the insurance companies, the lifting of sanctions and penalties. Restoration projects are the holders of substantive measures. Negotiation with creditors and ensuring of the required financial resources is the condition for successful revitalization.

d) *Bankruptcy and property ownership*. The essence of this method is the cleaning of the enterprise of financial burden, of long-term liabilities by various forms of sales of assets, financial settlement of creditors, members or shareholders of the company. The cleaned enterprise may begin in the new economic conditions and ownership relationship with a new management qualitatively new phase of business.

e) *Association of backward enterprises* with economically strong businesses. Affiliation of economically weaker subjects can be accomplished by acquisition or economic leasing of companies, entering to free or restricted associations of economic activity in case of loss or maintaining legal and economic personality.

In addition to the above methods it is possible to use operational measures to eliminate crisis or emergency situations caused by a delay of material and cash flows, marketing and monetization of products, lack of staff or secondary effects of natural disasters as mass mortality of livestock, currency devaluation and trade embargo.

4. Conclusions

The result of the survey of business bodies is the need of continuous monitoring of the external and internal environment, detecting the causes of economic backwardness of enterprises and creating a secure business environment. It turned out that a prerequisite for favorable business conditions is the identification of factors of differentiation of enterprises, the application of critical infrastructures and achieving of economic security of companies.

The effective tool for achieving a secure economic environment can be designed indicators of economic security with thresholds of selected economic indicators.

We propose to use indicators of the economic security of small and medium-sized enterprises together with other economic instruments in the context of intra management to deepen intra-economic system. This will increase the efficiency of business management and sustain economic prosperity of SMEs.

Within treatment methods of revival of business bodies economics we recommend to apply the method of reengineering and improvement of enterprises under the Law on bankruptcy and property settlement, the method of revitalization as well as other methods of recovering companies.

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TOO BIG TO SAVE: DOES BANK CONCENTRATION MAKE ANY DIFFERENCE

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Abstract

This paper provides the analysis of the economical literature on the influence of the banking concentration on financial stability. The research studies two main problems: the view on the concentration in the banking sector as well as the banks *too big to save* problem, encountered mostly in European countries. After analyzing the economic literature, this paper provides two main views on the concentration in banking: *concentration-stability* and *concentration-fragility* views, as well as the arguments both for and against the large banking corporations. The second part of this research describes the banks *too big to save* problem, the different views on this problem, and examples in Europe as well as possible solutions for it.

Keywords: banking concentration; financial stability; banking system.

1. Introduction

In recent years, while the whole world has slowly started to compensate for the economic losses during the both financial and economic crises, there are more and more discussions on the concentration in banking system. Some authors like Matutes and Vives (2000), Murdock and Stiglitz (2000) and others claim, that the size of banks in countries have a positive influence on financial stability. Other authors, like Boyd and Nicollo (2005), Cetorelli *et al* (2007) say, that a large concentration in banking sector leads to even larger financial instability. What is more, some banks can be so large, that even though they are considered too big to be allowed to fail, they are too big to save in their home country. The main problem of the study conducted is the influence of the size of banks on financial stability. The object of the study is the concentration in banking sector. The objective is to compare the different views on the size of banks and their influence on financial stability. This paper compares the two different views on the concentration in banking sector called *concentration-stability* and *concentration-fragility* views. What is more, it studies the influence of large banking conglomerates on the financial stability. The paper also introduces the *bank too big to save* doctrine, the empirical evidence in economical literature and its' possible solutions.

2. The view on the bank size: pros and cons

Both the financial and economic downturn in 2008, and the falls of the US biggest financial corporations like Lehman Brother, Washington Mutual or AIG resulted in the debates on the banking system in countries and the influence of the concentration in banking sector. Still, the idea of a relationship between concentration in banking system and the financial stability is sparsely debated in appropriate scientific literature. What is more the economic theory and empirical evidence provides us with two totally opposite views on the influence of banking concentration on the financial stability.

There are two main views on the size of the banks and its influence on financial stability. The first view proposed by authors such as Matutes and Vives (2000), Keeley (1990), Besanko and Thakor (2004) and others is

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called “*concentration-stability*” view, which says, that the larger the banks the more stable and less vulnerable to economic downturns they are. The second view called “*concentration-fragility*” view, proposed by such authors like Boyd and Runkle (1993), Mishkin (1999), Boyd and de Nicolo (2005), on contrary, claims, that the size of the banking corporation can be a disadvantage as well as a burden for the government when impacted by the economic fluctuations.

The *concentration-stability* view focuses mainly on the advantages of large banking corporations, with many foreign subsidiaries and branches. According to Uhde and Heimeshoff (2009), highly concentrated and less competitive banking markets are often associated with a lower probability of banking failures. There are a few reasons, why the large, concentrated banks can have a positive influence on the financial stability:

- The first argument, proposed by Keeley (1990), Hellman, Murdok and Stiglitz (2000), Besanko and Thakor (2004) called a *charter value hypothesis*, which is defined by Uhde and Heimeshoff (2009) as the benefit that accrues to bank equity holders and managers from future operations, that has an important influence on the bank’s financial soundness. This view suggests that a bigger franchise values provide higher opportunity costs when going bankrupt which will deter risk-taking behavior of the bank’s management since equity holders will not encourage excessive risk-taking that might jeopardize their franchise. The *charter value hypothesis* proves that a higher charter or franchise value may deter excessive risk-taking behavior by the bank’s management.

- The second argument on the favor of *concentration-stability view* is *credit rationing* pointed out by such authors like Besanko and Thakor (2004), Boot and Thakor (2000). According to Uhde and Heimeshoff (2009), given a low level of contestability it is assumed that a monopolistic bank will tend to carry out “*credit rationing*” since fewer but more qualitative credit investments will increase the return of the singular investment. On the contrary, in the increased competition in the banking sector, there is an agency problem pointed out by Jensen and Meckling (1976) saying that under the cover of deposit insurance funds and/or public guarantees bank managers may be more vulnerable to take excessive risks in order to compensate the loss of monopoly rents by means of possible higher investment profits. This problem is called *gambling for resurrection*.

- The third argument in favor for this view is the *comparative advantage in monitoring services* in the concentrated banking systems proposed by Caminal and Matutes (2002). The model suggests that banks will invest more in monitoring and less in credit rationing if the market becomes more concentrated and less competitive. This is because the possibility to switch between banks for clients is becoming the more difficult the more concentrated the banking system is, meaning that the relationship between the bank and the client becomes more important. Moreover, according to Uhde and Heimeshoff (2009) larger banks may reduce the scope of moral hazard and adverse selection problems in credit lending more effectively since they hold a comparative advantage in the provision of monitoring services.

- The fourth argument pointed out by Matutes and Vives (2000), Boyd de Nicolo and Smith (2004) claims that monopolistic banks may use higher profits to build up a *capital buffer* that protects from external macroeconomic and liquidity shocks. This hypothesis was proven by Allen and Gale (2000) who provided a model of contagion with a perfectly competitive banking sector. The results showed, that the banking system with perfect competition is more prone to encounter problems and go bankrupt during the economic downturns, compared to the banking system with imperfect competition.

- Fifth, the large banking corporations may get advantages of *the economies of scale and scope* (Diamond 1984), Boyd and Prescott 1986) because large banks may loan portfolio risks more efficiently than smaller banks. This is why the concentrated banking systems are less likely to suffer from economic downturns, because not only they have the possibility to better diversify their loan portfolio, but may additionally obtain *economies of scope and scale* by geographical risk diversification.

- The last argument in favor for the *concentration-stability view* is the *supervision of banks*. By authors like Allen and Gale (2000), Uhde and Heimeshoff (2009) with a small amount of banks in the country it is much easier for the government to monitor the activity of banks. Allen and Gale (2000) confirmed this argument during their study of USA, UK and Canadian banking systems, which showed that the history of higher financial instability for the USA banking market comprising of a large number of banks, while UK and Canada, having a more concentrated banking system suffered from less financial instability.

The second view on the concentration in banking system is called *concentration-fragility view*, proposed by authors like Boyd and Runkle (1993), Mishkin (1999), Cetorelli *et al* (2007) This view shows, that the concentrated banking system with a few big banking corporation can have a negative influence of the financial stability:

- The first argument against large banks is pointed out by Boyd and de Nicolo (2005). It states that the *higher interest rates on loans*, which is offered in banking system with less competition, may force the clients to take on more risky investments in order to compensate for higher interest rates. This also can make more clients go default, which would decrease the financial stability.

- The second argument for *concentration-fragility view* is proposed by Boyd, de Nicolo and Smith (2006) and shows that monopolistic banks have an incentive to *reduce liability reserves* due to economies of scale and scope from payment-transactions and thus are more prone to suffer external liquidity shocks.

- The third argument against the concentration in banking system is the fact, that politicians and supervisory authorities are usually more concerned about single bank failures in concentrated banking systems. This is why larger banks are often more likely to receive public guarantees or subsidies rather than smaller banks, which is discussed as the *too big to be allowed to fail* doctrine by economic literature. Because of the guarantees granted by the governments larger banks may take on excessive risks, because a large bank is more likely to be bailed out by the government.

- Fourth, Cotorelli (2007) states, that the effects of both functional and geographical diversification can result in *reduced managerial efficiency*, less effective internal corporate control, increased operational risk and an extensive oversight that may be prone to supervisory failures.

- Finally, Uhde and Heimeshoff (2009) say that the idea that a few larger banks would be easier to monitor and control by supervisory authorities may be true regarding the total number of banks in a market. However, bank's size can be positively correlated with complexity. The increasing size of the bank may be associated with lower transparency since the size allows banks to expand across multiple geographic markets and business lines, using sophisticated financial instruments and building up complex corporate organizations. This is the reason, why it can be harder for the supervisory authorities to control and monitor large banking conglomerates. This difficulties in monitoring can result in regulatory and supervisory failures and endangers the financial stability in the country.

To conclude the arguments for both the *concentration-stability* and *concentration-fragility* views it can be pointed out, that some arguments can be used for both views. As an example can be seen the economies of scale of scope, which on one hand, reduces the costs as well as the risks taken by the bank, while on the other hand reduces the managerial efficiency which can result in large failures. What is more, the arguments for both of the views can be considered quite sufficient. It is also important to bear in mind that the world does not necessary function according to the scientific or economic theories, sometimes social elements, like tradition, morality or emotions can have a huge influence in the market. For example Ernst&Young have conducted an analysis of the financial crisis' influence on customers' banking preferences. The study showed, that due do financial instability, bank clients started to diversify: keep their assets in a few different banks, this reaction supposedly caused more competition in the banking sector.

After analyzing the economic and financial literature it can be stated, that there are still too little researches as well as scientific evidence on the correlation between the concentration in banking system and the financial stability. This is why it is important to further study this problem as well as make empirical researches in order to prove or deny the existing theories.

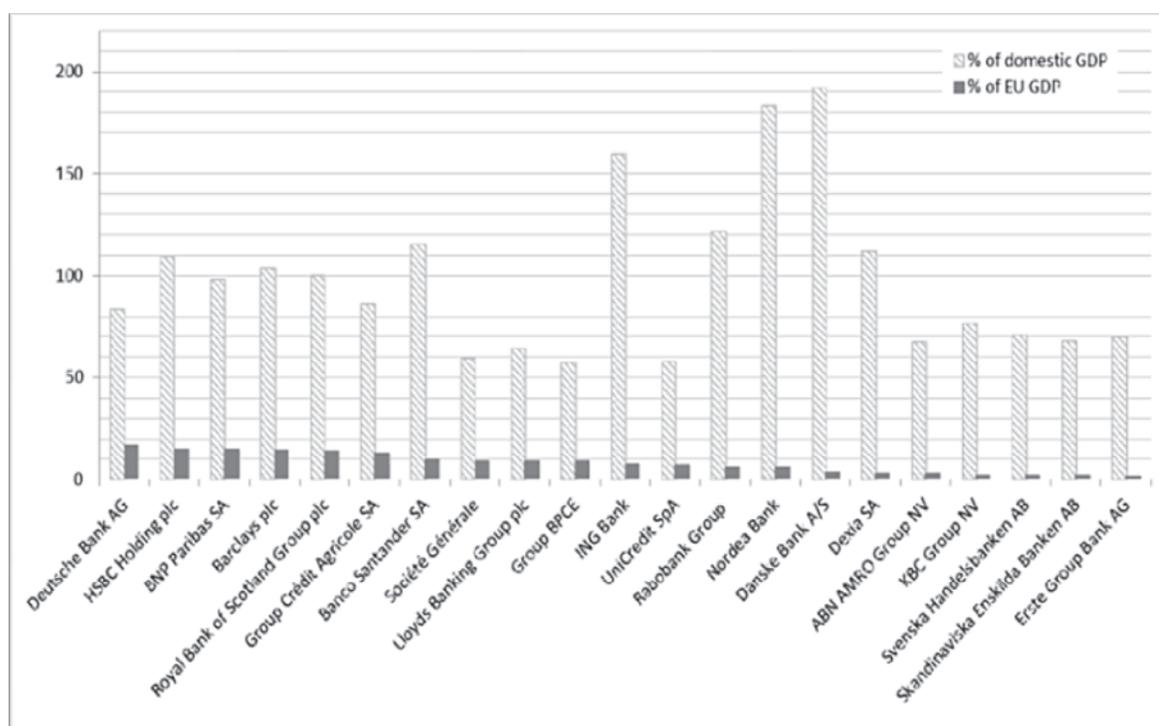
3. The "too big to save" problem

Before the start of the financial crisis, banks all around the world were expanding fast: with the help of international funding, it became possible for some individual banks and overall banking systems to reach enormous size relative to their countries' GDP. As an example can be taken Island, where the overall banking system reached around 9 times GDP at the end of 2007, before a spectacular collapse of the banking system in 2008 (Demirguc-Kunt and Huizinga, 2013)

It is often stated, that large banking corporations are less prone to go default or encounter financial problems, because they have a huge influence on the financial stability and by the government are considered as *too big to be*

allowed to fail. This is one of the reasons, why the government would usually bail the big bank out instead of letting it go default – the bankruptcy of a large banking conglomerate can result in vast financial losses not only in the country of its' residence but also in other countries where it has branches and subsidiaries. This can lead not only to financial, but also a vast economic crisis. However, according to Millstein (2011), when bailing a bank out, in the short term, governments cannot walk away from support for the banking sector without putting their own immediate funding needs at risk and potentially triggering the collapse of private credit formation with disastrous effects on the real economy. This makes the government more cautious about their intervention in the banking sector.

According to Schoenmaker and Werkhoven (2012), Millstein (2011), Demirguc-Kunt and Huizinga (2013) large global banks may remain *too big to save* for their respective home country. As a reference for determining if the banks are too big to be saved most authors take the percentage ratio of total banks consolidated assets divided by countries nominal GDP. Figure 1 shows the largest by consolidated assets banks in Europe and their relationship to the countries, in which they reside, nominal GDP, as well as the percentage of EU total GDP.



Source: Schoenmaker D. and Werkhoven D. (2012).

Figure 1. Largest by consolidated assets banks in Europe

The figure 3 shows that the biggest banking conglomerates in Europe are Deutsche Bank AG, HSBC Holding, BNP Paribas SA, Barclays plc and others. At the country level, some large banks in small to medium-sized countries can be considered as *too big to save*. As an examples we can take Danske Bank in Denmark (where consolidated assets account for 192% of domestic GDP), Nordea Bank in Sweden (183%) and ING Bank in the Netherlands (159%). In the large countries, like the UK, Germany, France, Italy and Spain the assets of the largest banks do not exceed much beyond 100% of GDP. What is more the figure shows that all the banks are not *too big to save* at the EU level, because even the biggest banks do not exceed 17% of GDP in EU. However this statement was strongly argued by Millstein (2011) who says, that given the level of eurozone government indebtedness and the relative size of Europe's banks, Europe's largest banks are now too big to save.

In their study Schoenmaker and Werkhoven (2012) propose two ways to solve *the too big to save* problem:

- The first solution to solve the problem is to share the burden national countries among the countries in EU. As large banking corporation usually operated cross-border throughout Europe, if sharing the burden, the burden per country would be much lower than the burden for the home country alone.

- The second solution is the advance to the proposed Banking Union. Supervision and resolution would then be done at the European level. While the Banking Union is in particular aimed at the euro-area countries, the out-countries have the possibility to opt-in. To solve the too-big-to-safe problem, opting-in may be helpful for countries with large banks, like Denmark and Sweden.

These solutions proposed by Schoemaker and Werkhoven (2012) may make a positive influence on the banks *too big to save* problem, however according to Millstein (2011), global systemically important financial institutions are not only *too big to fail* and *too big to save*, but most importantly, they are also ***too big to manage***. The risks they run are too complex for the small group of managers at the top of any one of these mammoth organizations to fully grasp, for regulators to supervise and for investors to understand and discipline. The European Commissioner Barnier (2013) confirmed this problem in his speech, where he said, that here may still be banks that are *too big to save*, and *too complex to resolve*.

Rohtsalu (2012) has a different view on the *too big to fail/too big to save* problem. She divides banks into two separate groups:

- Banks that are big in terms of their absolute size. According to Rohtsalu (2012) these banks are too big to fail. A large bank failure can have such a strong influence on the financial stability, that it can not be allowed to fail

- Banks that are big in terms of their systemic size: big relative to their home country's GDP - even though they may be rather small in international comparison. These banks according to the author can be considered as too big to save.

It can be seen, that different authors have different views on *the too big to save* problem, still the increased attention and publicity on this particular problem can be considered as a good sign as more and more researches analyze the correlation between the size of bank and the financial stability.

4. Conclusions

Concluding all the arguments for and against the concentration in the banking sector, which were described in this paper, it can be stated, that the economical literature does not provide one, exact answer to this question. There are two totally opposite views on the size of banks, called *concentration-stability* and *concentration-fragility* views. The main arguments for the advantage of large banking corporations are: charter value hypothesis, credit rationing, comparative advantage in monitoring, capital buffer, economies of scope and scale and the supervision of banks. These arguments show, why the large banking corporations can be held advantageous compared to smaller banks, as well as less influencing the financial stability. On the other hand, the main arguments against the large size of the banks are: higher interest rates on loans, reduced liability reserves, the too big to fail doctrine, reduced managerial efficiency, complexity of supervision. It should be noticed, that the arguments for both views can be considered as sufficient, which shows the need for economists to further study the problem of the bank size and its influence on the financial stability.

The study of the *too big to save* problem in the banking system, conducted on this paper, showed, that in some countries, especially in Europe, the banks have become so large and complex, that if they were hit by financial crisis the countries would not be able to bail them out. To analyze the ability of the government to save the banks, most authors use the ratio of the banks' total assets compared to the country's GDP. Some studies showed, that in several European countries the size of banks exceeds the country's GDP by more than twice the size. What is more, along with the *too big to save* problem most authors highlight two more problems in the concentrated banking system: *too big to fail* as well as the *too big to manage* problem. These problems are in urgent need to resolve, the government should take some action in order to prevent future financial instability.

All in all, it can be seen, that in recent years the problem of the banks size and its influence on financial stability became more and more highlighted, while the authors have different and often opposite views it still can be considered as a good sign in economical literature as more and more light has been shed on the analysis of the banking sector. The newly conducted researches may help us to realize the reasons, why the banks could have caused the recent financial crisis as well as prevent us from repeating our mistakes in the future.

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PRICE CHANGES BEFORE AND AFTER ADOPTING EURO AS THE NATIONAL CURRENCY. THE EXPERIENCE OF BALTIC STATES

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Abstract

This article aims to examine price changes before and after adopting the euro as the national currency in Lithuania and to compare the experience with those of Estonia and Latvia. Done primary analysis had shown that the adoption of the euro not necessarily increases the prices of products and services in the country. This fact is confirmed by the Lithuanian case in the first nine months of the transfer. The increase in prices is not as sharp as it might have been expected before the euro adoption. The experience of Estonia, Latvia and Lithuania could be useful for future ‘Eurozone family’ members.

Keywords: monetary policy; fairness; price changes; euro.

1. Introduction

The purposefully carried out monetary policy and meeting the euro convergence criteria (known as Maastricht Criteria) allowed all three Baltic States to join the Eurozone. Estonia, Latvia and Lithuania joined the ‘Eurozone family’ in 2011, 2014 and 2015, respectively. Despite the fact that the dates of joining are different, the situation in all three Baltic States could be compared from the perspectives of a ‘short-term’ period. The aim of this paper is to examine price changes before and after adopting the euro as the national currency in Lithuania and to compare the experience with those of Estonia and Latvia. This paper is based on the analysis of scientific literature, legal acts and statistical data. The first chapter discuss the requirement to conduct fair pricing policy and the second analyzes the changes of prices after the euro was adopted in Lithuania and previous experience of Estonia and Latvia.

2. The Requirement to Conduct Fair Pricing Policy

The support for customers from being touched by the unfair pricing policy is provided both on EU and on national levels (in our separate case in the legislation of Estonia, Latvia and Lithuania). Article 39 of the Treaty on the Functioning of the European Union (further – TFEU) sets the objectives of the common agricultural policy. One of the objectives is ‘to ensure that supplies reach consumers at reasonable prices.’ The prices should be reasonable not only for the particular types of products or services. The pricing policy should be fair in general. The new currency without support of other reasonable facts (for instance the increased prices of raw materials) cannot be used as a justification for higher prices.

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The competition law examines the practice of the fair pricing policy when the supplier of goods and/or services occupies a dominant position in the relevant market. Article 102 of TFEU states that abuse of a dominant position may consist in ‘directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions.’

There is a totally different situation from the point of view of competition law when the undertaking does not hold a dominant position in the relevant market. In this case, the assumption is that an unfair pricing policy can negatively affect the positions of such undertakings in the market and be a positive for its competitors. Here, the concept ‘market price’ cannot be obligatory for every single undertaking which is free to set independently prices for goods and services. When the market is not covered by a monopoly, the customers are free to search and choose the provider that is more convenient for them (for instance, proposes the same quality for lower prices). But it should be noticed that despite the size of an undertaking, the price discriminatory policy should be avoided.

Customers should be protected from unreasonable price manipulations. This requirement enables a wide range of authorities to participate in the monitoring process, which is aimed at determining whether the pricing policy is fair. Such authorities differ from one country to another. A permanent monitoring on pricing policy is essential. The transition to the new currency obliges the responsible authorities to observe:

- If the pricing policy is fair during the transmission period;
- If the pricing policy is still fair after the transmission period.

Providing monitoring and the complete assessment during the transmission period is easier because additional criteria is observed. Such additional criteria include the fairness of recalculation after the irrevocable rate already is fixed. During the transmission period, the fairness of the pricing policy should be monitored and assessed in spite of the size of the undertaking and its position in the relevant market.

In the Fourth report on the practical preparations for the future enlargement of the euro area, the European Commission stated that ‘it should be noted that fair-pricing does not imply price-freezing, nor is the objective to set up a rigid system of legal commitments combined with administrative enforcement measures.’ The European Commission also stresses the criteria of reasonableness. The requirement to keep a fair pricing policy cannot be understood as keeping the same price frozen. Any artificial price keeping could cause damage.

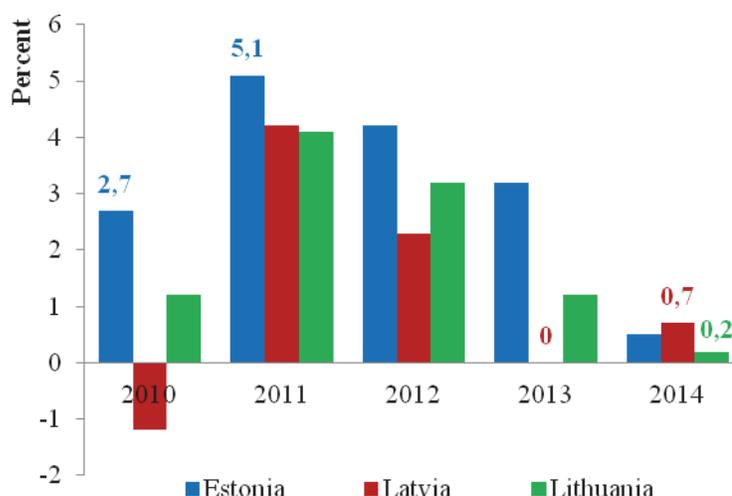
After the new currency becomes official, monitoring should be provided for an additional period. For instance, the euro became the official currency of Lithuania beginning January 1, 2015, and monitoring was provided until June 30, 2015. Transitional periods were also set in other countries that had adopted the euro. Lithuanian undertakings were invited to join the Memorandum of Good Business Practice during the Adoption of the Euro, which stated, ‘Those who have signed this Memorandum voluntarily undertake to ensure fair recalculation of the prices into euro and not to use the adoption of the euro as an argument to increase prices of goods and services.’ The possibility to voluntarily join the ‘good-practitioners’ is required in order to shape the fair business culture: ‘To avoid the possibility that the adoption of the euro might be used for an artificial upward adjustment of prices, an obligation to display prices in two currencies will be applicable six months prior to the euro changeover and traders must undertake to observe the fair pricing rules after joining the Good Practice Agreement’ (Communication Strategy for Adoption of Euro in Estonia, 2010).

The fair pricing and fair recalculation policies are tightly interrelated and should be overviewed together. The fair recalculation policy ensures that the undertakings will not manipulate with the prices and recalculation will be conducted in accordance with the irrevocable rate during the official transitional period. This allows customers reasonably to expect relative stability.

3. The Changes of Prices after the Euro Was Adopted in Lithuania and Previous Experience of Estonia and Latvia

The society in each country considers that the adoption of the euro as the national currency sharply raises the prices (Vilpišauskas, 2014). However, the statistical data shows that the price changes are not as high as society expected.

The consumer price index (CPI) measures the change over time in the prices of consumer goods and services acquired, used or paid for by households (Eurostat, 2015). Here are the statistical data of Baltic countries in the period 2010-2014 (look Figure 1).



Source: European Central Bank, 2015

Figure 1. Consumer price indices (CPI) in Estonia, Latvia and Lithuania

As the consumer price index in Estonia was 5.1 in 2011 (the highest increase in prices in food and non-alcoholic beverages – by 9.4 percent; alcoholic beverages and tobacco – by 6.3 percent; and housing, water, electricity, gas and other fuels – by 6.0 percent; meantime the prices decreased by 4.1 percent only of communication), in Latvia the CPI was 0.7 in 2014 (the prices of communication decreased by 1.8 percent, transport – by 1.1 percent; and food and non-alcoholic beverages – by 0.3 percent; however, the prices of nine other groups increased, mostly restaurants and hotels – by 3.9 percent; alcoholic beverages and tobacco – by 2.3 percent), so it could be expected that the price change in Lithuania will be ‘positive’ too, in 2015. One could predict that the CPI index in Lithuania will be quite slight (it may not exceed 1 percent) in 2015.

However, it could be emphasized that evaluating the average monthly price changes comparing to the previous period (in this case comparing to the previous month) during the first nine months of this year, the prices of four (food and non-alcoholic beverages; housing, water, electricity, gas and other fuels; transport; and communications) from twelve consumption groups decreased in Lithuania (look Table 1).

Table 1. Price changes by consumption purpose (COICOP) in Lithuania

Purpose	2015									Average per 9 month
	1	2	3	4	5	6	7	8	9	
01. Food and non-alcoholic beverages	0.4	-0.3	-0.4	1.4	0.2	-0.8	-0.7	-1.1	0.8	-0.004
02. Alcoholic beverages and tobacco	0.4	-0.4	0.9	1.0	-1.0	0	0	0.6	-0.2	0.243
03. Clothing and footwear	-8.5	-2.5	5.9	3	2.3	-0.8	-7.2	-1.6	10.5	0.114
04. Housing, water, electricity, gas and other fuels	-2.0	-1.0	0	-1.2	0	-1.1	0.2	-0.8	0.2	-0.295
05. Furnishings, household equipment and routine household maintenance	1.4	-1.2	0.6	0.4	-0.1	0.6	0	-0.4	0.2	0.052

06. Health	0.8	0.1	0.1	0.2	0.4	0.2	1.2	0.3	-0.1	0.238
07. Transport	-5.9	1.2	2.5	0.6	2.7	1.5	0.6	-3.5	-2.9	-0.429
08. Communications	0	-0.3	0.2	0.5	0	0	0	0.4	-0.1	-0.110
09. Recreation and culture	0.6	0.7	0.4	-0.1	0.1	1.0	0	0.4	-0.5	0.148
10. Education	0.2	0	0.1	0	0.1	-0.1	0	0.3	2.2	0.200
11. Restaurants and hotels	0.7	0.3	0.3	0.5	0.4	0.3	0.9	0.5	0.2	0.367
12. Miscellaneous goods and services	1.8	-0.8	-0.3	0.4	-0.7	0.1	0.6	0.4	0.2	0.148
TOTAL	-1.3	-0.3	0.8	0.7	0.5	-0.1	-0.5	-0.8	0.6	-0.024

Source: Eurostat, 2015

Besides that, prices did not increase as sharply as they might have been expected to during the first nine months of 2015. So we can state that the transition period goes fairly and quite smoothly in Lithuania. This fact confirms our previous analysis*, which showed that the softest transmission from the former national currency to the euro was in Lithuania. It was determined that there were only 4.41 percent (or 1491) infringements from 33828 examinations; while in Estonia and Latvia the infringements reached about 20 percent (in Estonia – determined 19.49 percent (or 1325) infringements from 6798 examinations and in Latvia – determined 20.89 percent (or 7744) infringements from all 37068 examinations).

Twenty-eight percent of the infringements showed that the recalculation of prices was not conducted in accordance with rounding rules (after rounding, the prices were more convenient for those who recalculated the prices) and 15 percent of the infringements showed that the recalculation of prices was not conducted in accordance with the fixed conversion rate (some legal entities displayed higher prices in euro) in Lithuania in the period August 22, 2014 – June 30, 2015 (Puksas and Karlaitė, 2015).

The distribution of consumption expenditures clearly shows the standard of living in the country. And one of the most important indicators in this area is the expenditure on food. The lower part of the comparative expenditure on food is spent by society – the higher is the living standard of country (Lisauskaitė, 2010).

In the Baltic countries, consumers spent a fifth of their expenditures on food and non-alcoholic beverages in the period before and after the adoption of the euro as the national currency (look Table 2).

Table 2. Final consumption expenditure of households by consumption purpose (COICOP)

Purpose	Estonia		Latvia		Lithuania	
	2010	2011	2013	2014	2014	2015 in 9 month
01. Food and non-alcoholic beverages	20.0	20.0	20.3	20.4	23.3	21.8
02. Alcoholic beverages and tobacco	8.8	9.0	7.9	7.7	7.0	8.4
03. Clothing and footwear	6.2	6.1	5.0	5.2	6.1	6.6

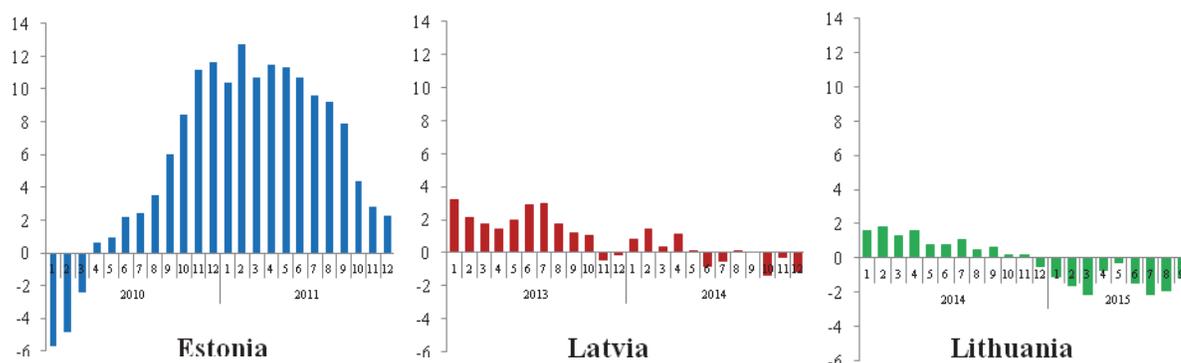
* Puksas, A., Karlaitė, D. (2015). The challenges and practice of Lithuanian national institutions ensuring fair transition from litas to euro. // Contemporary research on organization management and administration [Elektroninis išteklius]. Vilnius : Academic Association of Management and Administration (AVADA). ISSN 2335-7959. 2015, No. 3(1), p. 43-49.

04. Housing, water, electricity, gas and other fuels	19.9	19.6	22.5	21.8	16.4	12.1
05. Furnishings, household equipment and routine household maintenance	3.7	3.6	3.3	3.5	6.3	6.3
06. Health	2.9	2.8	3.8	3.8	4.9	6.3
07. Transport	12.1	12.6	11.6	11.3	15.0	15.3
08. Communications	3.8	3.6	3.5	3.3	2.5	2.8
09. Recreation and culture	7.3	7.1	8.5	8.7	7.5	7.0
10. Education	0.8	0.7	2.1	2.1	0.5	1.2
11. Restaurants and hotels	6.5	7.0	5.8	6.0	2.7	4.3
12. Miscellaneous goods and services	8.0	7.8	5.9	6.1	7.7	7.9
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Source: Eurostat, 2015; European Central Bank / Eurosystem; 2015

It is evident that food and non-alcoholic beverage expenditures are largest in Estonia (20.0 percent) and Lithuania (22.5 percent). In Latvia, these expenditures have a similar percentage (20.3 percent), but they are second to other spending (after housing, water, electricity, gas and other fuels – 22.2 percent of expenditures).

The following graphs (look Figure 2) show the percentage change in food prices compared with the same month of the previous year (shown is the data a year before and after adoption of the euro as the national currency).



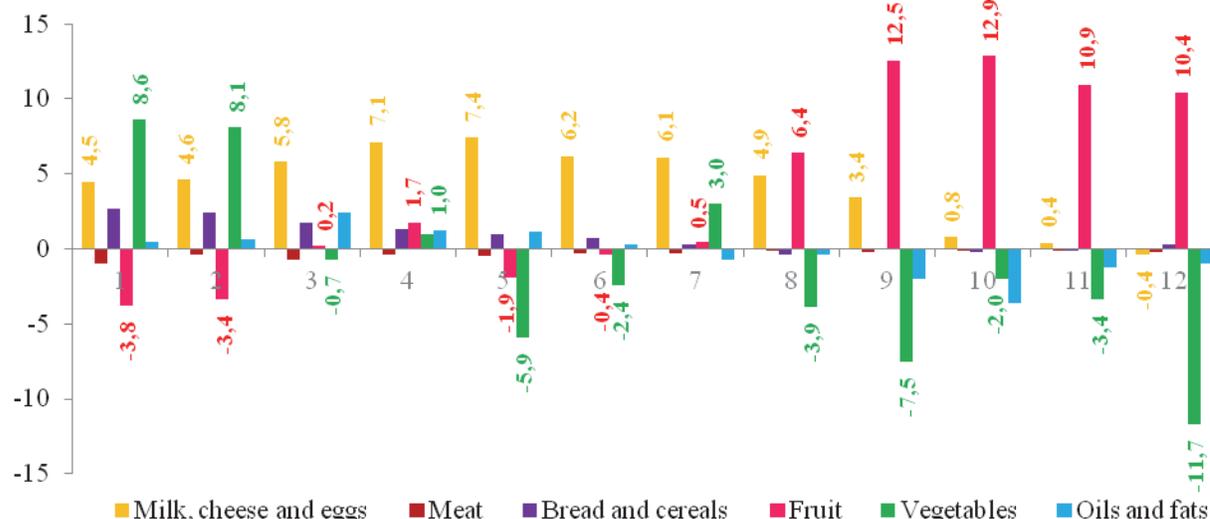
Source: Eurostat, 2015

Figure 2. Percentage change of food prices year before and after adopting euro (m/m-12)

The graphs show that the situation that appeared in Estonia in 2011 did not repeat itself in Latvia in 2014, or in Lithuania in 2015.

In Estonia, the prices compared to the prices at the same month a year ago were higher in April of 2014, and the higher increase is noted in January 2015 (12.7 percent). In Latvia, the prices were not significantly higher (the increases were noted in the range from 1.0 (September, 2014) up to 3.2 (January, 2015) percent comparing the year before, it should be acknowledged that difference is quite slight).

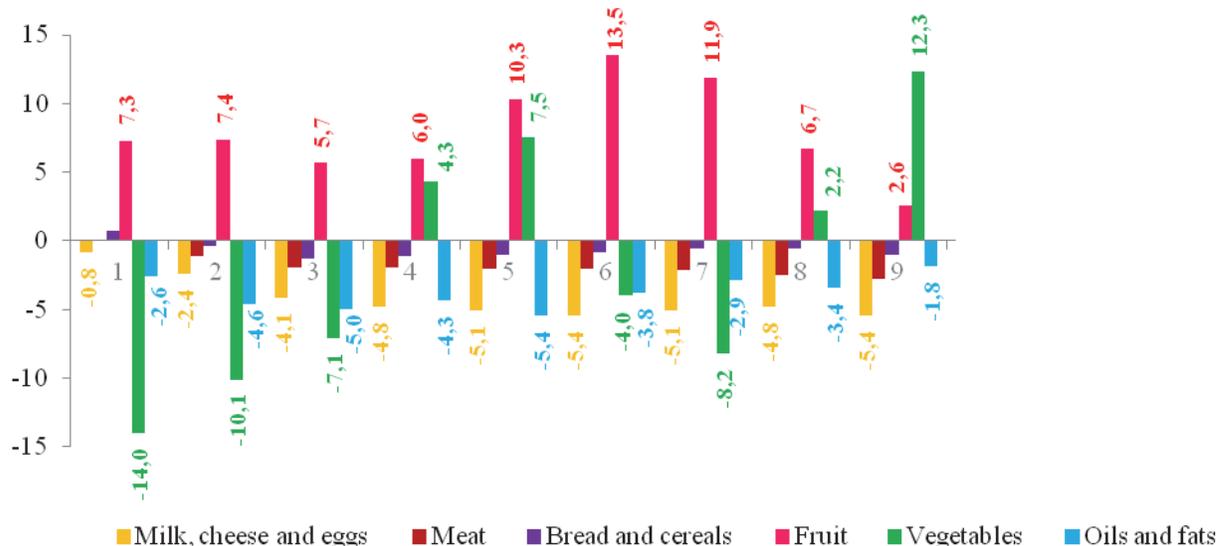
In Lithuania the food prices were increasing before the euro adoption (until November of 2014) and in December of 2014, the prices decreased. Further food price changes of several groups in Lithuania in 2014 are seen in Figure 3 and in 2015 – in Figure 4.



Source: Eurostat, 2015

Figure 3. Percentage change of prices of several food groups in Lithuania in 2014 (m/m-12)

The price of eggs, milk and cheese increased the most – by average 4.2 percent; and fruits – by 3.8 percent. Whereas, the lower prices in 2014 were for vegetables – by average 1.4 percent; and meat – by 0.4 percent.



Source: Eurostat, 2015

Figure 4. Percentage change of prices of several food groups in Lithuania in nine months of 2015 (m/m-12)

In 2015, the prices of fruit were higher– they increased by average 7.9 percent during the nine months, but all the rest of the examined food groups prices’ average decreased, e.g. milk, cheese and eggs – by an average of 4.2 percent; oils and fats – by an average of 3.8 percent; vegetables – by 1.9 percent; meat – by 1.8 percent; bread and cereals – by 0.7 percent.

However, in assessing the changes of consumption expenditures of households and prices, we need to pay attention to the wages of society, too.

Table 3. Average monthly wages in Estonia, Latvia and Lithuania, EUR / month

		2010	2011	2012	2013	2014	Change after euro adoption, percent	
Estonia	Gross	809.4	864.0	917.0	977.7	1036.3	6.8	2011 versus 2010
	Net	651.7	693.7	734.4	787.1	832.6	6.4	
Latvia	Gross	684.4	714.0	755.4	776.5	834	7.4	2014 versus 2013
	Net	473.7	492.5	520.4	540.6	599	10.8	
Lithuania	Gross	563.9	579.1	605.7	642.3	677.4	?	2015 versus 2014
	Net	439.0	450.1	469.6	496.2	527.2	?	

Source: Eurostat, 2015; Statistics Estonia, 2015; Central Statistical Bureau of Latvia, 2015; Statistics Lithuania, 2015

While the average net salary is about twice as high than the minimum wage (look Table 4), the expenditures on food and housing (water, electricity, gas and other fuels) are still high (the average is 40 percent: in Estonia 39.8 percent, in Latvia 42.5 percent, while in Lithuania 36.8 percent because of an increased amount spent on transportation).

Table 4. Minimum monthly wages in Estonia, Latvia and Lithuania, EUR / month

	2010	2011	2012	2013	2014	2015
Estonia	278.02		290	320	355	390
Latvia	253.77	281.93	285.92	286.66	320	360
Lithuania	231.7			289.62		325

Source: Eurostat, 2015

The National Parliament of Lithuania, was last elected in 2012, and the Parliament members are elected for a four-year term. Knowing that, it is easy to calculate the year of expected elections. It is usual that before the upcoming elections, the governing party actively participates in the discussions concerning the well being of the citizens. On September 22, 2015, Resolution No. XII-1942 was passed by Parliament. This resolution proposed an increase in the minimum wage to 437 Eur by July 1, 2016. It has been decided that the minimum wage, which is now 325 Eur, will grow to 350 Eur on January 1, 2016. The other growth is expected in middle of 2016 – the minimum wage is expected to become 380 Eur.

The euro adoption period in Lithuania has been quite short, so further research on this topic should be developed.

4. Conclusions

- The adoption of the euro not necessarily increases the prices of products and services in the country. This fact is confirmed by the Lithuanian case in the first nine months of the transfer. The prices of four from twelve consumption groups were decreased in Lithuania during the first nine months of 2015.
- The experience of Estonia, Latvia and Lithuania could be useful for future ‘Eurozone family’ members.

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REVISION OF INSURANCE MEDIATION DIRECTIVE: DRIVING FORCE OF CONSUMER PROTECTION

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Abstract

This paper describes Lithuanian insurance market – how active are insurance intermediaries, what challenges they face. Insurance intermediaries are key actors in the process of selling insurance products in the EU. Our study draws on a survey of 93 Lithuanian insurance broker companies in the EU context. We find that relative importance of the agents and brokers channels varies across EU member states. In Lithuania *in life insurance*, the agent channel is the most important, *in non-life insurance* – the broker channel. Insurance broker companies are licensed by the Bank of Lithuania. The activity of dependent insurance intermediaries—insurance agents—is not licensed. The European Commission has put forward a new proposal for a directive on insurance mediation which should provide for significant changes in practices of selling insurance products and guarantee enhanced level of consumer protection. Proposals will introduce a revolutionary change concerning a ban on commissions and fees for independent insurance brokers selling these types of products.

Keywords: insurance intermediaries; insurance mediation; intermediaries selling insurance; revision of IMD; insurance brokers; agents; consumers.

1. Introduction

The financial crisis has underlined the importance of ensuring effective consumer protection across all financial sectors, which can only be achieved with proper regulation and supervision of all financial service providers and agents that deal directly with consumers (Domaradzka 2012; Focht *et al* 2009; Kuhry, Weill 2010). The insurance mediation for consumers means:

- the act of advising on, proposing, or carrying out any other work preparatory to the conclusion of insurance contracts, or of concluding such contracts, and
- the act of assisting in the administration and performance of insurance contracts, in particular in the event of a claim.

Insurance intermediaries are key actors in the process of selling insurance products in the EU. They help insurers by facilitating entry into the market, helping new insurers reach a wide client base without having to incur the costs of building a distribution network, assisting with claims-related services and policy administration. They also help insurance customers by:

- identifying the risks customers face;
- ensuring that customers take informed decisions about the risks they wish to insure;
- designing new and innovative solutions;
- reducing customers' search costs;
- providing personalized advice;
- assisting customers with claims-related services and policy administration.

Insurance products are also sold directly by some insurance companies and bank-assurance.

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The insurance (and insurance mediation) market is a very competitive market. Insurance intermediaries foster competition in the local and EU insurance market. The total contribution in 2010 of the 27 EU MS intermediary sector, including indirect effects (spending of the intermediaries on wages and goods and services from other sectors), is estimated at 143 EUR billion or 1,2% of 27 EU countries GDP (*London Economics, September 2012*).

The current Insurance Mediation Directive (IMD) regulates the selling practices of all insurance products. It covers the regulation of general insurance products such as motor insurance as well as life insurance policies including those which contain investment elements such as unit-linked life insurance products. Adopted in 2005, the IMD contains principles that each of the 27 Member States has implemented in substantially different ways. Certain parts of it are in need of modification or clarification, and some important matters proposed today do not fall within its current scope (Méron, Weill 2010; Okura 2010; Schiller 2009; Spitzer 2014).

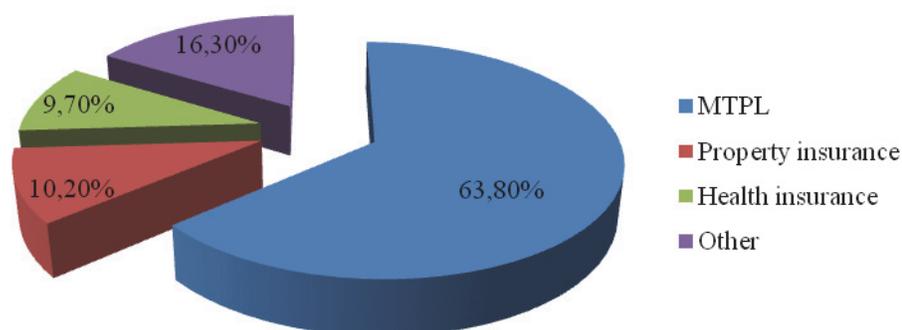
Despite the importance of insurance mediation, not much is known about Lithuanian insurance mediators - how active they are, what challenges they face, what makes them succeed or fail.

The purpose of this paper is to shed light on these questions, and in particular to provide an overview of insurance intermediaries activity in Lithuania by comparing its results with other EU member states.

2. Overview of Lithuanian insurance intermediaries activity

The number of Lithuanian insurance brokerage firms in 2015 year amounted 96. On 31 of December 2013, 101 insurance brokerage firms operated in Lithuania's insurance market. In 2013, two licences were issued to insurance brokerage firms and two licences were revoked. In 2013 the number of insurance contracts concluded by insurance brokerage firms exceeded 1 million. In 2013 insurance brokerage firms intermediated in the conclusion of 1,24 million insurance contracts and pension accumulation agreements - an increase of 9,7 per cent from 2012. As usual, insurance brokerage firms operated most actively in the non-life insurance market. With their intermediation, 1,23 million insurance contracts were concluded - 23,8 per cent of the contracts of this branch in the insurance market. As many as 99,8 per cent of the insurance contracts and pension accumulation agreements concluded via the intermediation of insurance brokerage firms were represented by non-life insurance contracts.

Mandatory third party liability (MTPL) insurance dominated the insurance contracts concluded (Fig.1) The portfolio composition of the insurance contracts concluded via insurance brokerage firms in 2013 was similar to that in the previous periods. The MTPL insurance group accounted for the largest share of total contracts – 63,8 per cent. Second in popularity was property insurance (covering the property insurance against fire or natural forces and the property insurance against other risks groups) and health insurance (covering the accident insurance and the sickness insurance groups). 10,2 per cent and 9,7 per cent of such contracts were concluded.



Source: Bank of Lithuania

Figure 1. The portfolio composition of the insurance contracts concluded by insurance brokerage firms of Lithuania in 2013 year

The assets of insurance brokerage firms amounted to LTL 74,5 million, equity capital—LTL 37,8 million. The assets and equity capital of insurance brokerage firms increased over the year—by 6,3 and 7,5 per cent respectively. On 31 December 2013 the minimum equity capital (capital cannot be less than EUR 16,803, or LTL 58,017) requirements were not fulfilled by three insurance brokerage firms, two increased their authorized capital after the reporting date and the shareholders of one firm covered the incurred losses. Six insurance brokerage firms had, until the end date of the reporting period, to bring in funds to cover the losses. The insurance brokerage firms' income from sales amounted to LTL 105,8 million. Although in 2013 one quarter of insurance brokerage firms operated at a loss; however, the entire sector's overall performance during the reporting period amounted to an LTL10,8 million profit. This was mostly driven by the 8,3 per cent growth over the year in income from sales. The income from sales of the five largest insurance brokerage firms accounted for 39,8 per cent of the total income of all insurance brokerage firms. By income from sales, the market leader among the insurance brokerage firms continues to be UADB B Aon Baltic. Its income accounted for 18,5 per cent of the total income from sales of all insurance brokerage firms. The aforementioned firm has retained its leadership positions by other indicators as well: its assets accounted for 33,2 per cent of the system's assets; in 2013 the firm earned 30,3 per cent of the sector's profits.

On a system scale, insurance brokerage firms held on separate accounts LTL 2,5 million more than were their liabilities to insurers.

Following Article 164 of the Republic of Lithuania's Law on Insurance, an insurance brokerage firm shall open a separate bank account for holding insurance premiums received from insurance policy holders, insured persons, beneficiaries and injured third parties as well as the funds of insurance undertakings designated for disbursement to these entities. Exclusive attention is paid to the implementation of the aforementioned provision of the Law, as the shortage of funds on the separate account raises both the risk of the use of other peoples' funds and the risk of non-settlement with the insurers on time.

At the sectoral level, on 31 December 2013 the requirement for insurance brokerage firms to keep the customer's funds in a separate account was fulfilled with an LTL 2.5 million reserve.

From 2014 minimum equity capital of an insurance brokerage firm and the professional indemnity insurance amounts changed. From 1 January 2014 the Board of the Bank of Lithuania-approved Decision No. 03-160 of 24 March 2014, "On indexing of amounts of mandatory professional indemnity insurance for an insurance intermediary and of the equity capital of an insurance brokerage firm", came into effect. In the aforementioned Decision the larger amount for the insurance brokerage firm mandatory professional indemnity insurance was laid down - EUR 1,250,618 for one insured event and EUR 1,875,927 for all insured events over the year, as well as the minimum equity capital -to EUR 18,760, or LTL 64,775.

Market shares of the various insurance distribution channels in the selected EU countries and in Lithuania are changing very diverse. The differences in insurance distribution channels across selected EU countries are illustrated in Table 1.

Table 1. Market shares of the various insurance distribution channels

Market shares of the various insurance distribution channels in the EU (in %) selected countries				
Countries	Insurance intermediaries (brokers + agents)	Banks/Post Offices	Direct insurance	Others
Austria	48	5	43	4
Belgium	73.4	6.3	20.2	-
Czech Republic	65	3	29	3
Denmark	15	5	40	40
Estonia	60	10	30	-
Finland	15	10	70	-
France	53	9	33	3
Germany	87	5	1	7
Greece	88	-	-	12.5
Ireland	75	-	25	-
Italy	91.5	2	6.5	0,1
Lithuania	36	0	48	15

Luxemburg	80	3	6	11
Malta	60	-	30	10
Netherlands	42	17	38	3
Poland	69.3	7.4	23.2	0.1
Portugal	70.6	9.9	12.6	6.9
Romania	60	10	30	-
Slovakia	59	-	-	41
Spain	61.53	8.48	18.21	11.78
Sweden	55	-	-	45
UK	Personnel lines - 42	Pers. -16	Pers.- 31	Pers.-11
	Commercial lines -88		Com. -9	Com.- 3

Source: National Associations, members of BIPAR (February, 2010).

In Table 1 we can see that number of intermediary firms does not appear to be systematically related to the size and income level of the various member states. This is because in some member states there has been a longer tradition for intermediaries to provide services to customers than in other countries. In Lithuania we can see that through insurance intermediaries are sold about 30 percent and by direct insurance – 48 percent of insurance policies. As in Estonia the number of insurance contracts by intermediators consist 60 percent and by direct insurance – 30 percent.

The relative importance of the agents and brokers channels varies across EU member states (Table 2):

- *in life insurance*, the agent channel is the most important in 9 EU countries (out of 15 with according to available data), e.g. Bulgaria, Germany, Italy, Lithuania, Poland, Portugal, Romania, Slovenia and Spain. The broker channel is the most important one in Austria, Belgium, France, Ireland and United Kingdom;
- *in non-life insurance*, the agent channel is the most important in 10 EU member states (out of 15 according to available data) e.g. France, Germany, Italy, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain; and the broker channel is the most important in Austria, Belgium, Bulgaria, Ireland, Lithuania and the UK.

Agents dominate as an intermediary channel, but even though the share of the agent channel in the intermediary channel is smaller in the case of non-life insurance than in the case of life insurance and in few cases (Belgium and Spain) the shares are more or less identical. However, in France, Malta, Austria and Slovenia, the opposite pattern is noted.

Table 2. Market share of non-direct sales channels in the EU countries at 2010 (life, non-life)

Country	Market share, %	Country	Market share, %
Austria	74.3	Latvia	n.a.
Belgium	80.6	Lithuania	55.7
Bulgaria	80.6	Luxembourg	92.9
Czech Republic	n.a.	Malta	87.0
Cyprus	n.a.	Netherlands	56.7
Denmark	n.a.	Poland	72.8
Estonia	47.7	Portugal	95.5
Finland	n.a.	Romania	77.2
France	78.2	Slovenia	80.1
Germany	96.8	Slovakia	70.8
Greece	n.a.	Spain	86.0
Hungary	n.a.	Sweden	n.a.
Ireland	60.6	United Kingdom	89.8
Italy	92.1		
Total	79.5		

Source: Insurance Intermediaries in Europe 2012 update, Report to BIPAR, Prepared by London Economics, September 2012

Agents dominate as an intermediary channel, but even though the share of the agent channel in the intermediary channel is smaller in the case of non-life insurance than in the case of life insurance and in few cases (Belgium and

Spain) the shares are more or less identical. However, in France, Malta, Austria and Slovenia, the opposite pattern is noted.

Table 3. Market share of agents and brokers in 2009

Country	Life insurance		None-life insurance	
	Brokers %	Agents %	Brokers %	Agents %
Austria	16.8	83.2	24.5	75.5
Belgium	13.6	86.4	14.5	85.5
Bulgaria	73.3	26.7	42.8	57.2
France	33.3	66.7	66.0	34.0
Germany	71.0	28.1	72.0	28.0
Ireland	17.2	82.8	0	100.0
Italy	94.3	5.7	66.9	33.1
Lithuania	77.2	22.7	32.1	67.9
Malta	50.0	50.0	65.9	34.1
Poland	86.0	14.0	78.0	22.0
Portugal	90.6	9.4	73.7	26.3
Romania	71.9	28.1	51.1	48.9
Slovenia	86.3	13.7	93.4	6.6
Slovakia	n.a.	n.a.	78.9	21.1
Spain	60.6	39.4	55.8	44.2
United Kingdom	24.5	75.5	8.5	91.5

Source: Insurance Intermediaries in Europe –2012 update, Report to BIPAR, Prepared by London Economics, September 2012

Independent insurance intermediaries—insurance broker companies—represent the interests of consumers by acting as intermediaries during the acquisition of insurance protection. Insurance broker companies are licensed by the Bank of Lithuania and must comply with the requirements established for this activity (capital adequacy, professional indemnity insurance, separate bank account, information provision to consumers and establishment of their needs). The Bank of Lithuania also organizes qualification examinations for insurance brokers - only persons who passed such examinations and became members of the Chamber of Insurance Brokers may engage in the activity of insurance brokers. The activity of dependent insurance intermediaries - insurance agents - is not licensed; insurance companies represented by these intermediaries are directly responsible for their activity.

3. Revision of the Insurance Mediation Directive

The current Insurance Mediation Directive (IMD) regulates the selling practices of all insurance products. It covers the regulation of general insurance products such as motor insurance as well as life insurance policies including those which contain investment elements such as unit-linked life insurance products.

The financial crisis has underlined the importance of ensuring effective consumer protection across all financial sectors, which can only be achieved with proper regulation and supervision of all financial service providers and agents that deal directly with consumers.

Adopted in 2005, the IMD contains principles that each of the 27 Member States has implemented in substantially different ways. Certain parts of it are in need of modification or clarification, and some important matters proposed today do not fall within its current scope.

Strong concerns have been raised about standards for the sale of life insurance products with investment elements (e.g. unit-linked contracts). Currently, less strict standards apply to those products than to non-insurance investment products (regulated under the Markets in Financial Instruments Directive (MiFID), currently under revision). This means that there is cross-sectoral inconsistency, since market participants are offering insurance-based investments in place of other investments.

Concerns have also been raised about the limited scope of the IMD, particularly that it does not regulate direct selling – that is sales of insurance products directly by insurance undertakings (without the intervention of intermediaries)- so there is not a level playing field for all players involved in the selling of insurance products. The revision of the IMD aims to:

1. Improve competition and create a level-playing field in the insurance markets.

2. Provide European consumers with better advice on the insurance products most suited to their needs, and clear information in advance on the status of the people who sell the insurance product and the remuneration which they receive.

3. Introduce simplified, less burdensome rules on free provision and establishment of insurance services. The new directive foresees the establishment of a single European registry for insurance intermediaries who want to provide cross-border services.

Currently, only agents and brokers are covered by the IMD. With the new proposal:

1. The scope of the revised IMD will be extended to all sellers of insurance products, including insurance companies that sell directly to consumers. Other market players who sell insurance products on an ancillary basis (e.g. car rental companies) will be included in a proportionate manner in the scope of the revised IMD.

2. Rules that address more effectively the risk of conflicts of interest, including rules mandating the disclosure of remuneration by intermediaries, will be introduced.

3. Improved requirements would apply to life insurance products with investment elements, covering sales standards, conflicts of interest, and a ban on commission for independent advice.

4. There would be mutual recognition of professional knowledge and ability, as evidenced by registration and proof of professional qualifications acquired in another Member State.

5. Special information requirements would apply where suppliers adopt the practice of bundling products together by informing the customer that it is possible to buy the two products separately.

6. Effective, proportionate, and dissuasive administrative sanctions and measures by competent authorities in respect of breaches would be required by providing guidelines to Member States.

The IMD revision proposes several improvements to deal with conflicts of interest between the seller of the insurance product and the potential client. For instance, customers need to understand the status of the person who sells the insurance product. The salesperson will thus have to clearly demonstrate the role in which he is acting (agent, broker, direct writer, etc.) by presenting a business card when selling the product. The seller will need to disclose the nature (based on a fee, commission or salary) and the structure (financed directly by the client or an undertaking) of his /her remuneration and what the premium encompasses in terms of services (claims handlings, advice, administration, etc.). At the same time, rules will be introduced to more effectively address the risk of conflicts of interest, including disclosure of remuneration by intermediaries.

"Mandatory disclosure of remuneration" means that the intermediary should disclose his remuneration to the customer. "On request regime" means that the intermediary needs only to disclose his remuneration if a customer specifically requests so.

The situation is very different in Member States. Some Nordic markets (Finland and Denmark) have prohibited intermediaries from receiving commissions from insurance firms, and therefore went further than introducing simple transparency requirements. Other countries (such as Sweden and the UK) already require mandatory disclosure for some insurance policies.

As for the remuneration disclosure, the Commission proposes a five-year transitional period. This means that a mandatory 'full disclosure' regime is envisaged for the sale of life insurance products and an 'on-request' regime (i.e. on customer's demand) for the sale of non-life products with a transitional period of five years. After the expiry of this transitional period, the full disclosure regime will automatically apply for the sale of non-life products as well. This timeframe is long enough to prepare and adjust their practices to the legislative change and to measure the impact of the suggested change in practice, whilst it is sufficiently short to put a full system in place in the foreseeable future. There is also a process for review and evaluation by the Commission of the Directive after its entry into force. This review shall in particular consider the impact of these disclosure rules on non-life insurance intermediaries that are small and medium-sized undertakings.

Some investment products are packaged as life insurance policies. These are high-risk products. The IMD revision introduces a more stringent regime for the selling practices of those products (life insurance policies with investment elements). Thus, the customer buying such a product will obtain information about the product's insurance coverage as well as the investment risks related to it. Enhanced requirements would apply to the sale, covering sales standards, conflicts of interest, and a ban on commissions for independent advice.

For non-life or pure life insurances, the new IMD would continue to have the features of a "minimum harmonization" legal instrument at European level. This means that there is the possibility for Member States to impose stricter requirements.

For life insurance products with investment elements, a new chapter will be introduced. This chapter refers to additional, stricter conduct of business requirements for those who sell life insurance policies with investment elements and will contain conduct of business rules similar to those laid down by MiFID II.

Consumers will benefit from the increased scope of the directive, which will ensure that they are protected no matter which sales channel they chose when buying insurance. They will also benefit from the enhancement of existing sales standards and the extension of those standards to new areas of protection, for example new regulations requiring that insurance sellers disclose conflicts of interest. By introducing improved and harmonized advice standards, consumers benefit by being able to compare offers in a simpler manner, even gaining the ability to compare offers across different distribution channels. This is likely to lead to an improved understanding by consumers of the services and products on offer. As a result, consumers will be inclined to compare offers and shop around for products and deals better suited to their needs. This reduces the cost paid by the consumer.

The benefits of a more stringent regime and increased consumer protection standards can be represented by calculating the reduction of "consumer detriment" ("consumer detriment" is calculated on the basis of the number of cancellations of life insurance policies before they mature, i.e. "early withdrawal" when consumers have bought products that are not suitable for their needs). Since consumer detriment could reach up to €1 trillion for EU27, only counting the sale of unit-linked insurance products, one can assume that even if a small percentage of reduction of consumer detriment could be attributed to improved regulatory standards, this small percentage will still represent a very high figure of benefits which greatly surpasses the proposal's administrative costs.

European insurance businesses will also benefit from greater consumer confidence and expanded business opportunities, including greater options for cross-border sales. Lower costs of operating cross-border and higher consumer confidence (and therefore demand) will increase sales. This should increase competition between sellers and spur positive innovation in the industry. Similar impacts could be expected from policy options that encourage insurance intermediaries' cross-border activity.

The current total costs to companies and authorities is estimated to be, in view of the large number of undertakings affected (about 1 million), a relatively moderate cost averaging about €730 per undertaking. Those costs will not be distributed equally between all undertakings – undertakings selling life insurances with investment elements will be affected more than those undertakings that only sell general insurance products.

4. Strengthening consumer protection requirements

For insurance investment products The Commission decided, in line with its earlier announcements, to propose a set of distinct rules for insurance investment products. These products are sold in many countries as unit-linked life insurance policies or other investments packaged as life insurance policies. In contrast to classic insurance products, investment insurance products entail investment risk for their purchasers and are therefore classified as high-risk products. Nevertheless, in many countries they are either not regulated or fall under general insurance regulations; as a consequence, insurance intermediaries are not being required to disclose to their customers the costs and risk associated with these products. Most mis-selling cases concern this type of products as consumers are often unaware of any risks involved and potential financial losses they may incur when buying these products. With a separate set of rules included in proposal, the Commission wants to address this problem and at the same time fit into a broader discussion on the 'Consumer retail Package' and the regulation of so-called packaged retail investment products at EU level.

5. Conclusions

1. On 31 of December 2013, 101 insurance brokerage firms operated in Lithuania's insurance market and the number of insurance contracts concluded by them exceeded 1 million.

2. Insurance brokerage firms operated most actively in the non-life insurance market. With their intermediation, 1,23 million insurance contracts were concluded - 23,8 per cent of the contracts of this branch in the insurance market.

3. The objectives of IMD were two-fold: to establish a single market for insurance mediation and to introduce minimum standards on consumer protection throughout the EU.

4. The financial crisis has underlined the importance of ensuring effective consumer protection across all financial sectors, which can only be achieved with proper regulation and supervision of all financial service providers and agents that deal directly with consumers.

5. The old Directive required only the minimum obvious for any professional conduct and thus provided a fairly basic level of consumer protection. Moreover, its provisions were written in a very general manner, thus allowing for a wide interpretation by the Member States. Lastly, the Directive was a minimum harmonization legal act, allowing for reinforcement of its minimum standards by the Member States.

6. There has been a great deal of negative publicity surrounding insurance industry in the years preceding the financial crisis. In particular, the controversy of brokers' contingent commissions has cast light on in transparent practices of insurance companies and intermediaries which proved to be in conflict of interest with their policyholders.

7. The new IMD will expand the scope of its application and thus creating a level playing field between different distribution channels. Consumers will definitely benefit from the same level of protection irrespective of the distribution channel through which they will buy insurance products.

8. In proposal will be a starting point for identifying, managing and mitigating conflicts of interest for classic insurance products and it will introduce a more enhanced regime for investment insurance products. The increased transparency on selling practices will help to avoid conflicts of interests and to regain consumer confidence and trust in insurance markets.

9. New requirements for insurance business will involve costs which might result in higher premiums for policyholders. Secondly, the mandatory disclosure of remuneration is a revolutionary step forward and will be a clear novelty for the insurance industry. However, it may incentivise intermediaries and insurance companies to look into new forms of cooperation and new commercial structures to circumvent this requirement.

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SURVEY OF INDIVIDUALS' ATTITUDES TOWARDS OVERCHOICE

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Abstract

The paper aims to analyse and evaluate individuals' attitudes towards overchoice. In the first part of the paper, the problem of overchoice is discussed and research in this field is reviewed. In the second part of the paper, methodology for studying attitudes to overchoice is formed: the most probable heuristics and biases are chosen, a questionnaire is composed, and the procedure of gathering and validating data is described. In the third part of the paper, survey results and statistically significant relations are presented, insights are provided, results are summarized and possible directions for future research are outlined. The results of the study identify the presence of overchoice in Lithuania and illustrate the relationship between attitude towards overchoice and personal characteristics.

Keywords: behavioural finance; behavioural economics; irrational behaviour; overchoice; paradox of choice.

1. Introduction

Economics is inseparable from understanding and formal modelling of economic agents. Nowadays, the prevailing paradigm of behavioural analysis, used in economics and political sciences as well as psychology, is rational choice theory, in which choices are thought to be purposeful and relating to one's preferences and values.

Rational choice theory is both convenient and attractive. Once we've established that motives for certain behaviour are rational and not incidental, we can model economic agents' behaviour and even predict their future actions. In addition, formal mathematical models provide theoretical results which have not yet been observed empirically, thus allowing to form new hypotheses. Rational choice theory is intuitive, clear, and logical, and it is validated by numerous empirical observations. This approach has been called "a comprehensive one that is applicable to all human behavior" (Becker, 1976, p. 8), it was thought that "economics really does constitute the universal grammar of a social science" (Hirschleifer, 1985, p. 53).

Despite the popularity of rational choice models, there has recently been substantial criticism of rational choice theory. In the second half of 19th century, discrepancies between theoretical models and reality were observed. At first scientists attempted to explain the inconsistencies by creating more elaborate models, but as the number of such observations grew (Shefrin, 2000), it became apparent that "these foundations [of rational choice theory] are less secure than we thought, and that they need to be examined and perhaps rebuilt" (Sugden, 1991, p. 783).

It was suggested that the issues of rational choice theory lay in its simplifications and neglect of psychological, social and other seemingly unrelated factors. Enriching microeconomics with insights from psychology lead to the birth of behavioural finance and behavioural economics.

Every day people face a widening selection of goods and services. With the rise of electronic commerce, it has become easier for niche products to find their consumers (Anderson, 2006), until total individualization of services with the target audience of a single individual is achieved (Arora *et al*, 2008). Similar expansion is observed among financial products as well: it is possible to save for retirement by investing in almost any stocks, bonds or funds (Iyengar *et al*, 2004). We make more choices than ever.

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Research into overchoice began at about the same time as other behavioural finance research, yet it received major attention only in this century. No overchoice related papers have been found in Lithuanian scientific literature, hence it is possible that this paper is the first of its kind. As a result, it aims to present Lithuanians' attitudes towards overchoice. It is done by:

- introducing the problem of too much choice and relevant research into the topic;
- briefly outlining the research methodology used by the authors of the paper;
- presenting research results and findings.

In this paper, systemic and comparative analysis of research literature, as well as comparison of theoretic insights, was performed. Surveying was used to obtain data, on which comparative and statistical analysis (descriptive analysis, Spearman's correlation coefficient, Pearson's χ^2 test, Student's T-test) was performed.

The study has some limitations. First of all, a sole method to collect data was used – a survey. Even though the importance of honesty was emphasized, it is possible that some answers were normative as opposed to descriptive (for example, because of excessively high self-evaluation of rationality or limited introspection), which could distort the results. In addition, after performing the study, it was observed that subjects report different attitudes towards overchoice when “casual” and financial situations are concerned, hence in future studies it might be beneficial to analyse them separately.

Limitations arise due to limited (or non-existent) research into the topic in Lithuania as well as limited scope of the study. In order to deeper the understanding of the problem of overchoice, future research might take the above-mentioned issues into account and improve on them by selecting a larger and more representative sample, carrying out experimental or observational studies or separately analysing “casual” and financial contexts.

2. Study of individuals' attitudes towards overchoice: theoretical approach

In order to better understand the problem of overchoice, it is important to note that in neoclassical microeconomics, an extensive choice is undoubtedly beneficial to the individual, the company, and the investor. On the other hand, as already mentioned, overchoice is becoming an acute problem in post-modern societies (Gourville and Soman, 2005): an individual facing information overload cannot make optimal decisions or avoid deciding altogether (Settle and Golden, 1974).

Table 1 outlines the advantages and disadvantages of ample choice which will be further discussed in greater detail.

Table 1. Advantages and disadvantages of ample choice

Advantages	Disadvantages
<ul style="list-style-type: none"> – Individual's freedom – Motivation – Need satisfaction and search costs – Desire for variety – Sales – Enthusiasm – Diversification – Niche products – Increased consumption – Perceived appeal and satisfaction 	<ul style="list-style-type: none"> – Economic limits of assortment – Overchoice <ul style="list-style-type: none"> ○ Preference uncertainty ○ Expected disappointment ○ Unmet preferences ○ Avoidance of conflict and compromise ○ Difficulty in distinguishing between variants ○ Maladaptive method of choosing ○ Growing expectations ○ Decreased life satisfaction – Limited capacity to comprehend information

Source: prepared by the authors based on Scheibehenne B. et al (2010) and analysis of scientific literature

Research has found the following advantages of choosing:

- **Individual's freedom.** The possibility to choose is a necessary attribute of independence (Taylor and Brown, 1988) and autonomy (Dowding, 1992). Nowadays it is accepted that people differ in many domains. A wide array of choices is more likely to meet each person's needs (Postrel, 2005). As opposed to this, limited choices of consumer goods, carrier paths or contacts may lead to isolation. It has been observed that in cultures where individuality is more valued, people aim for more variety (Kim and Drolet, 2003), and making certain choices lets them reveal their identity to other members of the society (Schwartz, 2004).
- **Motivation.** Research shows that students who are allowed to pick their own tasks, are more strenuous and perform better than when the tasks are chosen by the researcher (Zuckerman *et al*, 1978). In another study it was shown that patients recovered quicker and feel better when they are allowed to make trivial decisions (Langer and Rodin, 1976), and limitation of the ability to choose led to hopelessness (Taylor, 1979).
- **Need satisfaction and search costs.** Having a wide variety to choose from increases the possibility that the customer's needs will be met ("it's more likely that I'll find a shirt that I like if I choose from ten pieces rather than from three") (Schwartz, 2005); this increases competition among producers, reduces the price and raises the quality of the good (Dworkin, 1982). In addition to this, information search costs are reduced when the choice is made among many variants in a single location (for example, a shopping mall) (Hutchinson, 2005). A wide selection lets one form a general view about the quality of the good, which leads to confidence in one's decisions.
- **Desire for variety.** A wider selection of goods satisfy the individual's curiosity, need for surprise and novelty, as well as the need to renew oneself (Ariely and Levav, 2000). Some research even suggests (Ratner *et al*, 1999) that a music compilation with a lower mean quality but a higher deviation is rated as more enjoyable than one with a higher mean quality but lower deviation.
- **Sales.** For the producer, a larger selection of goods means more shelf space (Koeleijer and Oppewal, 1999) which increases visibility, attracts customers' attention and increases the possibility that she will chose his product.
- **Enthusiasm.** It was shown (Iyengar and Lepper (2000) that participants are more excited when choosing amongst a greater variety. It was shown that in a store, more customers were attracted to a stall with 24 jams rather than one with only 6 jams. In addition to this, customers are more interested in products with more attributes, even if they are trivial (Brown and Carpenter, 2000).
- **Diversification.** A diversified investment portfolio protects against market fluctuations – we don't "keep all our eggs in one basket" (Simonson, 1990), and, according to Modern Portfolio Theory, diversification lets one obtain a portfolio with lower risk than investing in its single element (Markowitz, 1959). The same is true for goods and services: consumers choose a wider array of choices as this lets them protect against future uncertainty.
- **Niche products.** Online trading reduced the costs involved in finding customers, transportation and storage costs. This led to an intense growth of niche product sales (Anderson, 2006), which proves that there exists a demand for such goods. This is only possible if the consumers are given the possibility to obtain these goods – i.e., if there exists a supply for them.
- **Increased consumption.** Empirical studies show that more food is consumed if a wider variety of it is offered (Rolls, 1981). This is true even when the food items are the same, only their appearance is different (Kahn and Wansink, 2004). This suggests that perhaps it is not the actual variety, but the perceived variety that influences choices.
- **Perceived appeal and satisfaction.** Some research suggests that floral compositions where a greater variety of flowers was used were deemed as more attractive (Oppewal and Koelemeijer, 2005).
Some possible disadvantages of ample choice are as follows:
 - **Economic limits of assortment.** The smaller the number of products made, the lower the cost (economies of scale) (Lancaster, 1990).
 - **Overchoice.** Empirical evidence suggests that too wide a choice leads to such feelings as regret, disappointment, reduce willingness to make decisions, reduced consumption. Many possible reasons for this phenomenon have been suggested:
 - *Preference uncertainty.* As the variety grows, individuals become less certain about their own preferences (Huberman *et al*, 2007).

- *Anticipated regret.* Regret about missed opportunities stems from thinking about what could have happened (Schwartz, 2005) and it increases in line with the number of choices (since the amount of untaken opportunities also grows) (Festinger, 1957). This feeling can be so overwhelming that it may stop people from choosing altogether (Carmon *et al*, 2003), especially when the choices differ on numerous attributes. For example, when choosing a pension fund, we may evaluate all the choices on the basis of investment risk, the fund manager's reputation, and the integrity of the fund. If a fund which is superior in only one aspect is chosen, other funds will suppose opportunity costs on other aspects, thus leading to disappointment (Schwartz, 2005).

- *Unmet preferences.* Individuals find it difficult to identify the option that best fits their needs and tastes (Huberman *et al*, 2007) if there exist no pre-existing preferences.

- *Avoidance of conflict and compromise.* Individuals avoid conflicts and compromises (Tversky and Shafir, 1992). This becomes even more apparent in overchoice situations since the increased number of choices increases the number of possible compromises (Shanteau and Thomas, 2000): if an individual does not have clear preferences, he is forced to compromise, choosing only some of the desired attributes (Fasolo *et al*, 2007), and this causes stress and discomfort (Sela *et al*, 2009).

- *Difficulty in distinguishing between variants.* As the assortment size increases, the variants become more and more similar to each other (Sela *et al*, 2009). Because of this, the anxiety to "choose incorrectly" increases (Mottola and Utkus, 2003).

- *Maladaptive method of choosing.* Some researchers suggest that people facing ample choice use incorrect strategies, i.e., they eliminate choices using incorrect criteria (Botti and Iyengar, 2006). Individuals are more likely to choose the default option, to delay choosing or avoid choosing altogether (Ybarra *et al*, 2012).

- *Growing expectations.* It is thought that increasing assortment increases customers' expectations and moves their optimal choices (Schwartz *et al*, 2002). People expect to find the ideal choice when choosing from a large variety (Diehl and Poynor, 2010). As a result, the probability that these expectations will not be met rises (Kuksov and Villas-Boas, 2010). This leads to people not trusting their decisions (Schwartz, 2004), (Hutchinson, 2005) and feeling more disappointed (Inman and Zeelenberg, 2002).

- *Decreased life satisfaction.* As has been mentioned, ample choice gives one the possibility to express his identity. It should be noted, however, that this leads to isolation, weakening of social ties and, as a result, decreases peoples' satisfaction in their quality of life (Lane, 2011).

- **Limited capacity to comprehend information.** People are not able to process the ever-growing information flow which makes choosing a tiring task (Hauser and Hauser, 1990) and causes confusion (Borniarczyk and Hoyer, 2010).

It is apparent that there exist both advantages and disadvantages of an ample choice, hence it is impossible to surely say if a "narrow" or a "wide" choice is more preferable when aiming for prosperity of an individual or the market. It is often said (Schwartz, 2005) that there exists a certain point above which additional choices only harm productivity and become a source of suffering, regret, and anxiety. It was shown (Shah and Wolford, 2007) that the initial increase in assortment size caused people to buy more (hence the impact was positive for the producer); however, as the assortment continued to increase, sales started to decrease after a certain point.

The paradox of choice raises questions about many a theoretical model – Rational Choice Theory, our cognitive models, Pareto efficiency. This phenomenon also raises more philosophical questions about choices – doesn't the increasing assortment decrease our freedom of choice? Are we choosing at all, or are we only facing an illusion of choice (Klein, 1999)?

It is clear that this phenomenon has both theoretical and practical implications, and the amount of both scientific and layman literature about this topic is increasing each year. For example, Polman (2012) noted that the degree of satisfaction is different depending on whether people choose for themselves or for others. People are more satisfied when choosing from a smaller array when making choices for themselves, which replicates the results of the "jam study" (Iyengar and Lepper, 2000). On the other hand, when deciding for other people, individuals are more satisfied when choosing from a larger assortment – hence a reverse paradox of choice is observed. This study showed that choice overload is dependent on the context, i.e., the large number of choices is not demotivating in itself.

3. Study of individuals' attitudes towards overchoice: methodical approach

In order to investigate the overchoice problem in Lithuania, a two-stage research was planned and performed. In the first stage, a pilot study was carried out. It provided the basic finding that individuals are aware of the problem of overchoice. Taking comments received in the pilot study into account, the survey was updated and distributed online, which meant that the responses were voluntary and respondents' anonymity and confidentiality were assured. 222 Lithuanian respondents took part in the survey, which ensured validity of survey results.

Questions used in the study were mainly based on the theoretical basis outlined in this paper, as well as foreign authors' research ((Fear, 2008, Iyengar *et al*, 2004, Johnson, 2008, Iyengar and Lepper (2000), Schwartz, 2005)): experiments conducted, questions posed and results obtained. Study questions focused on both "casual" and financial situations.

Individuals' answers to the question *Do you make decisions based on emotions or after a careful rational consideration? Please rate on a scale of 1 (fully rationally) to 10 (fully emotionally)* were used as the measure of their rationality.

Data obtained in the survey was processed using MS Excel.

4. Study of individuals' attitudes towards overchoice: results and basic findings

Analysis of data obtained revealed that overchoice was indeed an important problem in Lithuania: a great majority of respondents (68%) agree that they have faced an overchoice situation, and most of them (41% total respondents, 60% of those who admit to have experienced overchoice) evaluate it negatively. Answers to the questions *Have you ever felt that there is too much choice in a certain situation? What emotions did this cause you?* are depicted in Fig. 1.

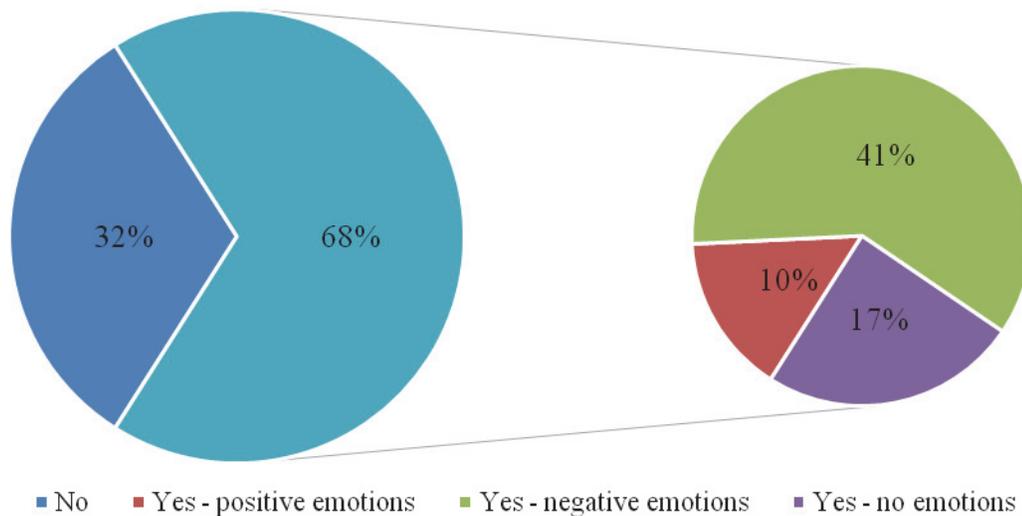


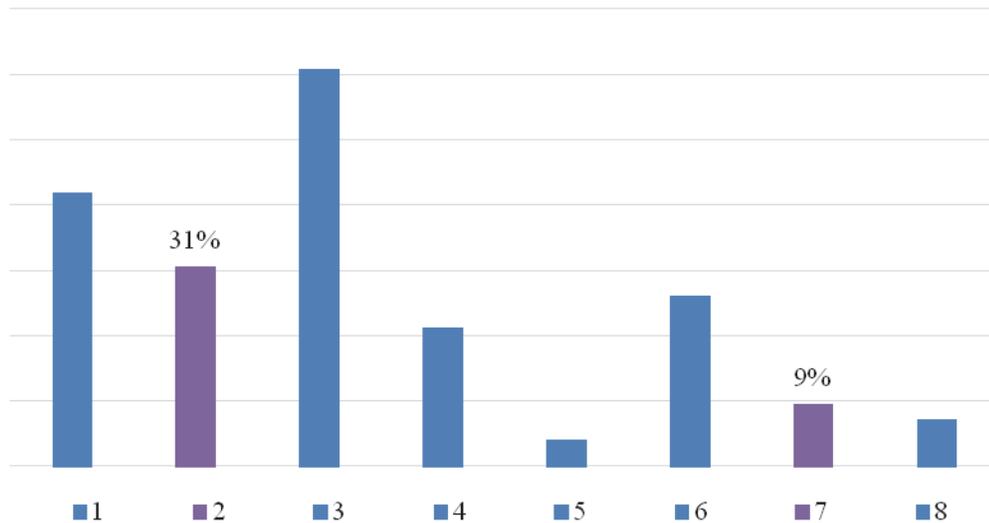
Figure 1. Relevance of paradox of choice

Source: prepared by the authors

Heuristics used in overchoice situations were analysed. The study showed that in such situations, heuristics are often used (most probably due to the fact that extensive cognitive effort is needed to process an extensive array of choices, hence rules for simplifying decisions are used), the most common being overconfidence in authorities (61%) and illusion of control (42%) (Fig. 2). Delaying the decision or avoiding choosing altogether was observed

in 31% and 9% of responses, respectively, hence it can be concluded that too wide a choice is related to disruptions in the decision process.

The research study also aimed to identify the relationship between respondents’ personal characteristics (age, gender, and self-reported rationality) and attitude towards overchoice. The results are summarized in Table 2.



Explanations:

- 1 - Attempt to analyze all the available information, despite time costs
- 2 - Delay the decision
- 3 - Consult a person I trust
- 4 - Choose the option I always choose
- 5 - Choose the default option
- 6 - Choose an option similar to what I always choose
- 7 - Refuse to choose
- 8 - Other

Source: prepared by the authors

Figure 2. Heuristics used in overchoice situations

Table 2. Relationships between personal features and attitudes towards overchoice.

Question	Gender	Age	Rationality
Overchoice		X	X
Euristics used in overchoice situations	X	X	X
Illusion of control	X	X	
Delay of decision	X		
Overconfidence in authorities		X	X
<i>Status quo</i>		X	
Default option			X
Similarity heuristics			X
Decision interruption	X		X
Delay of decision in overchoice situations	X	X	
Regret			X

Source: prepared by the authors

The results of the study show that age is closely connected to attitude towards overchoice: older individuals are less likely to state having experienced overchoice situations. In addition, younger individuals express a more negative attitude towards such situations. They are also more likely to act irrationally (especially delay their decisions or avoid choosing overall) in such situations than older individuals.

Individuals who rated themselves as being rather emotional (as opposed to rational) expressed more positive emotions regarding overchoice. However, their answers reveal more behavioural and cognitive biases.

Data analysis shows that males exhibit more overconfidence and illusion of control in overchoice situations than females, and that females are more likely than males to delay their decision.

5. Conclusions

Having reviewed research literature about overchoice, it became apparent that it is not trivial whether a widening array of choices is a positive or a negative trend: there are numerous arguments for both sides of the debate, yet it is certain that choice overload is important on both a theoretical and a practical level, for scientists, economists, finance specialists, as well as people making everyday decisions.

This theoretical analysis led to the creation of research methodology: to evaluate whether overchoice was a relevant problem, a questionnaire was prepared and an online survey was carried out.

The results of the survey showed that overchoice is indeed an important issue in Lithuania: most people admit to having been in a situation with too many choices, and most of them experience a negative attitude towards it. Younger individuals experience this issue more strongly than older ones, suggesting that the trend may continue in the future. Some links between personal features and behaviour in overchoice situations have been identified: the more rational the people are, the more likely are they to express negative views towards overchoice. In addition, it has been shown that in overchoice situations, males are more susceptible to overconfidence and illusion of control, while females are more likely to delay their decisions. However, other significant links between the number of choices and decision methods have not been found. Authors believe that this may be due to research limitations.

The study, being the first of its kind in Lithuania, suggests numerous possibilities for future research:

- analyse financial and “casual” situations separately;
- performing similar studies with bigger or more representative samples;
- carry out experimental or observational studies;

focus on one of the research findings – for example, different attitudes towards overchoice by different age groups, or different behaviour in overchoice situations between genders – and analyse it in more depth.

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SOCIAL INNOVATION IN SOCIAL RISK MANAGEMENT IN LITHUANIA

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Abstract

The purpose of the article is to analyse and discuss the concept of the social innovation in social risk management, and to provide examples of development and implementation of innovative decisions in Lithuania. Research is based on analysis of publicly available data of The State Statistics Department, Ministry of Social Security and Labour, The State Social Insurance Fund Board documents and professional publications.

Our societies are facing extraordinary challenges: increasing inequality, rising poverty rates, unstable economies, climate change and a raft of other issues. The speed of change is faster than ever, and the social and environmental threat is reaching a frightening level. New approach is required to reduce social exclusion, to carry out its prevention and to ensure equal opportunities, to protect citizens, employees, customers, and public from negative events and outcome. Success in resolving mentioned problems creates synergy in social security, which leads to sustainable economic development, and increase in the wealth of nation. Recently Ministry of Social Security and Labour developed a new approach on applying public-private partnerships in the field of social inclusion and employment, socially risky and excluded persons integration into labour market, promotion of equal opportunities, social integration, poverty reduction. An increasing influence of social networks is understood and some efforts to apply it in social protection were made. A few examples of successful projects in different fields of social security in Lithuania are provided. But it is still a lot of work to be done in order to create and maintain a culture of innovation, creativity and encouragement in social protection in Lithuania.

Despite of the growing interest in social innovation there is still not unified definition of it, hence it is difficult identify which projects or activities can be considered as social innovations. A wide range of approaches to social innovation and social risk management are discussed in academic as well as in political and public context. Today we still do not have detailed analysis of the various innovative approaches to social innovation and social risk management in an open economy and small country. These are just the initial threads of a theory to help us to better understand how to create environments that foster social innovation. Findings of this article are new social innovation information in this area, which can be useful for the future research.

Keywords: social innovation; social risk; social risk management; human resource development.

1. Introduction

The purpose of the article is to analyse and discuss the social innovation development in the social risk management in the Lithuania, analyse influence of social innovation and social risk management in the Lithuania to increases in the wealth of nation and Sustainable National Economic development. Only 20 per cent of the world's population has adequate social security coverage and more than half lack any coverage at all.

Interest in social innovation is growing. Our societies are facing extraordinary challenges: increasing inequality, rising poverty rates, unstable economies, climate change and a raft of other issues. The field of social innovation is a nascent but increasingly important one that evokes interest among practitioners, policy makers, and academics alike. However, a common understanding of the term social innovation itself has not yet emerged.

The European platform against poverty and social exclusion is one of seven flagship initiatives of the Europe 2020 strategy for smart, sustainable and inclusive growth. It is designed to help European Union (EU) countries reach the headline target of lifting 20 million people out of poverty and social exclusion. All EU member countries have translated the Europe 2020 targets into national targets and growth enhancing policies. These individual

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efforts need to be coordinated to achieve the desired impact on growth and better cohesion. In contemporary European policy discussion, 'innovation' is a term popularly used for finding responses to the pressure of global competition. In various forms of innovation, the accent is mainly given to technical and business innovation but less to social innovation.

Lithuania's State Progress Strategy "Lithuania 2030" has been worked out to encourage and consolidate ideas leading to better, more dignified and safer life. The world has been constantly changing, which calls for faster response to changes, better use of opportunities, easier adjustment and adaptation. Therefore, our social life, economy, and governance must resort on principles that adequately equip us to face new challenges. The Strategy was built on the principles of sustainable development, as well tangible and intangible national resources of state and social development. The society must recognize the rights of socially marginalized people, helping them to maintain dignity and play a full part in the society, be active participants as regards social inclusion policies and related actions; it also has to help combating the stereotypes and stigma, to preserve and enhance the quality of life, social wellbeing, especially as regards children, equal opportunities for all and social innovation can help.

In today's globalized world are increasingly highlighted uncertainties in the economy, finance and development of the country. Emerging countries only start applying the principle of sustainability of public finances. Globalization of trade in goods, services, and factors of production has the world community poised to reap the fruits of global comparative advantages. However, there is no certainty that improvements will be widely shared among individuals, households, ethnic groups, communities, and countries. Complexity of sustainability within public finances points at the importance of good management of time, risk and funds as well as at the necessity to grow revenues from high value-added technology innovations and social innovation, knowledge and technology-intensive activities or actions in the longer run. The corporate world and government, increasingly look to internal control and risk management to give calm and reassurance.

Bureau of European Policy Advisers (BEPA) for the European Commission formulated in its memorandum entitled "Social innovation as part of the Europe 2020 strategy" that "social innovation can offer one way forward to cope with the societal challenges and the crisis the EU Member States are facing" (BEPA 2009). The importance of social innovation and social risk management has been growing steadily over the last several years for a variety of reasons including legal, political, and medical liability, increased use of technology, and higher litigation costs.

The second paragraph is dedicated to theoretical background problems of social innovation, Social Protection and social risk management.

The third paragraph is dedicated to overview and analyse of social innovation, Social Protection situation in Lithuania, social innovation what is done.

The fourth paragraph is dedicated to overview examples of good practice in Lithuania.

The conclusions highlighted the social innovation, social risk management in Lithuania success stories and areas for improvement.

Contribution use general scientific methods, especially analysis, synthesis, comparison, induction and deduction. Essential sources of information were professional publications, data of the Ministry of Social Security and Labour documents, other Government and EU documents related to social innovation or public sector risk management.

2. Theoretical background

In order to understand the theory, it is necessary to get acquainted with the existing theoretical social risk management and social innovation (SI), research, with the latest social innovation techniques, systems.

The literature highlights the satisfaction of basic needs and situations of crises as two major drivers of socially innovative actions. Scientists use these insights to explore the conditions under which **social innovation** can lead to social transformation and sustainable place making. We define social innovation as the development and introduction of something new, be it an idea, device, or approach, with the intent of improving the human condition and responding to crises in urban education, poverty, and public health.

As a theme, social innovation (SI) emerged in the 1960s, driven by management theorists like Peter Drucker and social entrepreneurs such as Michael Young. Joseph Schumpeter pointed to two renewal factors: technological innovation and the role of entrepreneurs. The common point of reference in economic thinking is the publication in 1912 of the "Theory of Economic Development" in which Schumpeter acknowledged the role of innovation in other spheres of society than the economic - that is, in the cultural, social, and political life - recognizing its role in the transformative processor "creative destruction" (Schumpeter, 1934). Technological innovation can take on

several forms: product creation, new production processes, new organizations of production, new markets or new source of raw material or energy. Some economists go further, by asking whether social innovation could play a similar role tomorrow. In 1970, James Taylor defined it as “new ways of doing things in order to meet social needs.” It can involve two types of stakeholders: activists, and as in Schumpeter’s analysis, entrepreneurs.

SI is an outstanding paradigm that is attracting the interest of researchers, practitioners, and policy makers around the world (Andrew and Klein, 2010; Chambon, David, and Devevey, 1982; Harrison et al., 2009; Hochgerner, 2011; Howaldt and Schwarz, 2010; Mulgan, 2006; Murray et al., 2010). SI has been rapidly spreading to all sectors of society, associated with a diversity of activities in the nonprofit, social entrepreneurship, social economy, services sector, and in corporate social responsibility practices. The SI research is highly diversified and fragmented and included interdisciplinary approaches to SI from sociology (Chambon et al., 1982; Howaldt and Schwarz, 2010), social entrepreneurship (Bornstein, 2003), management (Harrison et al., 2009; Hochgerner, 2011), creativity (Mumford, 2002), political science (Chetkovich, 2011; Goldsmith, 2010), human development economics (DeMuro et al., 2007). The relevance of SI is reflected in the number of centers around the world devoted to its promotion in Canada 1986, Vienna in 1990, Stanford University 2000, London 2005.

Murray, R., Caulier-Grice, J. and Mulgan, G. (2010) describes the methods and tools for innovation being used across the world and across different sectors – the public and private sectors, civil society and the household – in the overlapping fields of the social economy, social entrepreneurship and social enterprise. It draws on inputs from hundreds of organizations to document the many methods currently being used around the world.

The Europe 2020 Flagship Initiative Innovation Union (EC, 2011) appoint turn in the political European Agency emphasizing the role of SI as an opportunity to shape Europe’s response to the new social realities, generating new solutions, connecting with citizens, and promoting public service reforms and improved quality of life (EC, 2011). The field of SI is a nascent but increasingly important one that evokes interest among practitioners, policy makers, and academics alike.

Social innovation discourses see in social challenges opportunities to make societies more sustainable and cohesive through inclusive practices, coproduction and pro-active grassroots initiatives (Grimm, Fox, Baines and Albertson, 2013). If SI is to be a useful concept for policy-makers, then it must tell us something about what adjustments are needed to develop an effective political economy that is social innovation ready. SI, based on solidarity and reciprocity, is an alternative to the logic of the neo-liberal paradigm. In policy terms, the promotion of social innovation will need to take account of the interplay between government policy, social and cultural norms and individual and social capacity (Fox and Grimm, 2015).

Within the research Dobeles, L. (2015) SI is defined as new, sustainable and effective solution to pressing social problems in the society, and as a result of social innovation is created the social value. Baker, S. and Mehmood, A. (2015) explores social innovation as a tool for the promotion of place-based sustainable development. The literature highlights the satisfaction of basic needs and situations of crises as two major drivers of socially innovative actions.

People’s participation in the innovation processes constitutes another difference between SI and other types of innovation. Andrew and Klein (2010) affirmed that citizen mobilization and citizen participation in decision making in all sectors of the society is crucial to SI and encourages self-organization of citizens to meet unsatisfied demands. SI discourses see in social challenges opportunities to make societies more sustainable and cohesive through inclusive practices, coproduction and pro-active grassroots initiatives.

The article is mainly concerned with evolution of Social process and its current application in the Lithuania. There have been several remotely relevant studies about the Sustainability of Regional Competitiveness: Development Considering Risk (Rutkauskas, 2008), risk management in Lithuania public sector, starting point, current situation and future perspectives (Kolisovas and Skarnulis 2011), analyse the development of the social risk management in the Lithuania (Balkevicus 2014). On the subject, social innovation, social risk management development in the Lithuania is not widely discussed.

Social risk management (SRM), it is a new conceptual framework designed by the World Bank, specifically its Social Protection and Labour Sector (Holzmann, et al. 2003). It has been espoused by other development banks, bilateral development institutions, and academic research centres. It is one of social innovations. Conceptually, social protection is shifting towards social risk management, using social innovation, to reduce the economic vulnerability of households with appropriate instruments and to help them smooth consumption patterns. For the poor countries, it is about moving away from unproductive coping strategies adopted by households (such as removing children from schools, delaying health care, selling livestock) that are buffeted by shocks (such as drought, cyclones, floods, conflict, terms of trade, policy reforms, health, unemployment, etc.).

Robert Holzmann, Steen Jørgensen proposes a new definition and conceptual framework for Social Protection grounded in Social Risk Management. The concept repositions the traditional areas of Social Protection (labour market intervention, social insurance and social safety nets) in a framework that includes three strategies to deal with risk (prevention, mitigation and coping), three levels of formality of risk management (informal, market-based, public) and many actors (individuals, households, communities, NGOs, governments at various levels and international organizations) against the background of asymmetric information and different types of risk (Holzmann, Jorgensen 2001). This expanded view of Social Protection (SP) emphasizes the double role of risk management instruments protecting basic livelihood as well as promoting risk taking. “Social Risk Management” which should allow for better design of SP programs as one component of a revised poverty reduction strategy (Holzmann, Jorgensen 2001).

Social protection, SRM, SI schemes contribute to sustainable economic growth by raising labour productivity and empowering people to find decent jobs. Injecting money into rural communities can have important multiplier effects on the local economy, stimulating trade in goods and services and encouraging more dynamic local development (Alderman and Yemtsov, 2012). The social risk management framework rests on the observation that the satisfaction of main needs and the management of risks, is not the sole responsibility of public authorities (De Neubourg and Weigand, 2000). It is important to pay considerable attention to labour market policy, including employment protection; it lies at the heart of social risk management and social policy and forms an integral part of the protection that societies offer to their members

Social innovation is becoming a core value of the EU flagship initiative Innovation Union, but it is not clearly demarcated as it covers a wide field of topics. To understand social innovation within European policymaking a brief outline is given of EC policy developments on innovation and on workplace innovation. Definitions of social innovation formulated at the societal level and the organizational or workplace level are discussed. With the growing sophistication in social policy instruments and the advances made in the analysis of their impact, it became clear that the analytical separation of social policy and social security policy from other policy areas is increasingly difficult.

Socially innovative initiatives at the community level can also be scaled upwards through the co-ordinating role of the state, while at the same time act as a pressure for more participatory forms of governance. Governance processes that enhance the role of both economic and social actors in the steering of social change help to infuse more open, democratic practices into social steering (Baker and Mehmood, 2015).

In development of modern Lithuanian countryside, special attention is given to development of rural areas, which is based on social entrepreneurship oriented towards development of social economy in countryside by strengthening competitive abilities of rural areas (Adamonienė and Pilipavičius, 2013). Despite the social innovation being defined and interpreted differently, it provides the social benefits for both local community and/or society in general. When accepting broader description of social innovation, it was concluded that social **innovation** is not the same as social entrepreneurship (Melece, 2015).

The literature analyses of SI allows describe the entire process by which new responses to social needs are developed in order to deliver better social outcomes. This process is composed of four main steps (Fig. 1).

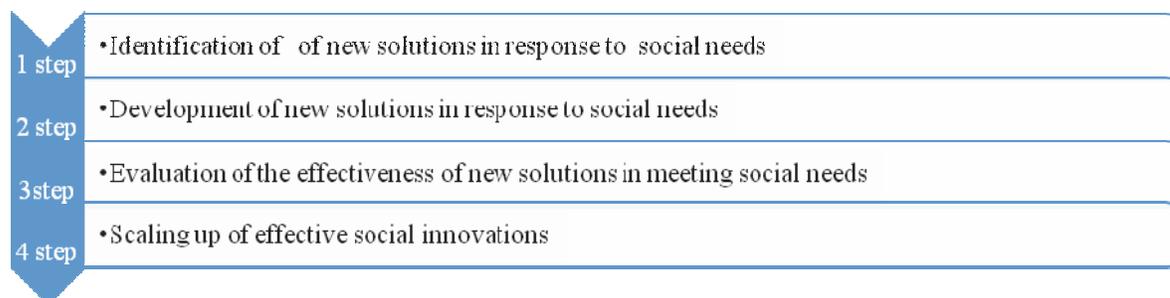


Figure 1. Process of Social innovation development, four main steps

Summarizes analyze SI can be defined as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It is aimed at improving human well-being. It represents new responses to pressing social demands, which affect the process of social interactions.

3. Social Innovation in Lithuania

Lithuania's State Progress Strategy "Lithuania 2030" has been developed to encourage and consolidate ideas leading to better, more dignified and safer life. The Strategy was built on the principles of sustainable development, as well tangible and intangible national resources of state and social development. The society must recognize the rights of socially marginalized people, helping them to maintain dignity and play a full part in the society, be active participants as regards social inclusion policies and related actions; it also has to help combating the stereotypes and stigma, to preserve and enhance the quality of life, social wellbeing, especially as it regards children, equal opportunities.

The Strategy identifies national development policies, which are understood and accepted by the Lithuanian people, communities, NGOs, business organizations, and government institutions. The Strategy does not set any specific goals or objectives for individual sectors of the economy instead of that stressing the need for fundamental change.

The Strategy was built on the principles of sustainable development, as well tangible and intangible national resources of state and social development: natural resources, rich history and cultural heritage, professional and qualification opportunities, high-engagement work culture, a stable legal system, good information technology and digital infrastructure.

Changes in societal culture, attitudes, behaviour and social values will determine the success of the country's development and help better preparation for the emerging challenges of global competition. Therefore, this Strategy seeks to promote fundamental changes in society and to facilitate the formation of a creative, responsible and open personality. Such a personality will promote innovative processes and lead to positive changes in entire life.

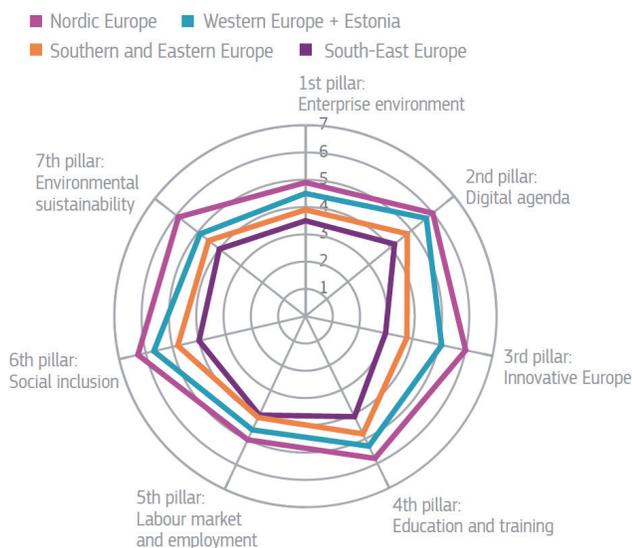
As mentioned above, despite of huge progress Lithuania still has a space for improvement in many spheres, including social. Ministry of Social Security and Labour is responsible for the design, organization, and coordination and monitoring of social policy in Lithuania. In addition to regular legislative activities the Ministry is also involved in direct project co-ordination. The Ministry is one of the founders of the European Social Fund Agency, responsible for administration of human resources development and other projects and programs that are funded from national budget, European Union and other funds. Most of these projects can be considered as innovations in the social sphere. During 2007-2013 period 2026 projects at total value of over 1 billion Euros were approved for financing by Agency, 1073 of them are finished, other are in progress.

Many projects were implemented by other important institutions – private or particularly private non-profit organizations, which are established in a few major municipalities. An example of such NGO initiative – Centre for social innovations, established with the purpose to promote, develop and implement innovative social initiatives and meets the disadvantaged social groups' interests. Centre was established in Šiauliai in 2008, it cooperates with many partners and programs: Leonardo da Vinci program, European Economic Area (EEA) and Norwegian financial mechanisms subsidy scheme 'Experience of communication and cooperation between local, regional and Euro-regional partners in Lithuania and Norway ', EU programs and joint programs with government and municipal institutions. Since its establishment Centre has already implemented 19 projects in areas like social integration of youth without labour skills, increase of life quality of disabled, elderly people, training and protection of vulnerable women. Ongoing projects deal with active involvement of vulnerable women into long-term care and work, effective social and occupational (re) integration solutions, vocational education and training of teachers, soft skills, etc.

Today many societies are facing extraordinary challenges: increasing inequality, rising poverty rates, unstable economies, climate change and other issues. The consequences of these phenomena especially painful for persons, belonging to social risk groups. Five social risk groups are identified in Lithuania: handicapped person, person dependent on psychoactive materials, prisoners and persons released from imprisonment places, vulnerable women, and national minorities. As mentioned above many projects have succeeded, but to reach a breakthrough in this field new methods are required. "Social innovation" is the increasingly common shorthand for this approach to public-private partnerships.

Effective social innovation in social risk management in the Lithuania is essential for promoting sustainable Lithuanian economic development. Effective social innovation and social risk management enable to support social innovation implementation in the fields of social inclusion and employment. Social innovation helping for social

risk and socially excluded persons integrate into labour market, thereby reducing their social isolation. Social innovation, social protection, SRM schemes contribute to sustainable economic growth by raising labour productivity and empowering people to find decent jobs. Injecting money into rural communities can have important multiplier effects on the local economy, stimulating trade in goods and services and encouraging more dynamic local development. Behrendt (2013) argued that investment in social security influence to inclusive growth and sustainable development. Higher income security affect aggregate consumption, allows people to take more risky decisions, match individual skills. As result it promotes productive employment and entrepreneurship, preserves human capital. All it leads to higher productivity, supports structural change, supports crisis response, macroeconomic stability and social cohesion. People rates of poverty risk among of working age (16–64) in EU states after social transfers Lithuania has highest rates of poverty risk both for disabled and not disabled people (Grammenos, 2013). In World Economic Forum presented Competitiveness Profiles by Region (Fig. 2).



Source: World Economic Forum

Figure 2. Region Competitiveness Profiles

Lithuania belongs to Southern and Eastern Europe, so our weakness is innovation and social inclusion to compare with Nordic and Western Europe. Lithuania seeks to follow Nordic Europe and learn, improve social innovation development.

Formally a person at social risk person is defined as a person over 18 years with emotional, behavioural, social problems and subsequently marginalized - mendicant, vagrant, destitute or (and) experienced psychological, physical or sexual abuse, domestic violence, or (and) alcohol abuse, narcotic, psychotropic or toxic substances, or (and) are addicted to gambling, or (and) engaged or willing to engage in criminal activities.

The main causes of homelessness are the following: economic like low income, lack or loss of housing; social - the lack or absence of social communication, the failure to preserve them; personal - the disease of addiction and other diseases, disability, personal lifestyle choice. In addition to the economic, social and personal reasons, it is possible to mention others: family - divorce, violence, conflicts with relatives; administrative - housing loss on debt, migration, criminal records, the machinations of real estate; random - natural disasters, fires.

For all these reasons, people find themselves on the street, because at some point failed to cope with the difficulties of life challenges. The inability to look to their life stories, as well as character traits of personality

features on - there is a strong correlation between becoming homeless and unresolved psychological problems. A large proportion of homeless people are addicted to alcohol, drugs or other toxic substances.

Other group of risk - children without parental care or living in social risk families. At the end of 2013 10,146 children were still without parental care. Each year, this number declines: in 2010 it was 11 130, in 2011 - 10,813 in 2012 - 10,542. This trend can be attributed to a decline in the total number of children living in Lithuania. In 2013 most of parentless children were mostly older school-age children. A number of children in social risk families is even higher: 2011 – 23335, 2012 – 22073, 2013 – 21303.

4. Examples of good practice

The goal of the project „My Guru“ was to support social reintegration of drugs dependent persons after medical treatment and rehabilitation.

As elsewhere, in Lithuania drug addicts are mostly very young persons from good families and upper social classes. In 2003 in Lithuania 4,689 people were officially registered as drug addicted, and the number, age and where they live has varied very little the last three years. But in reality there are ten times more dependent people who are not officially registered, and this number is growing dangerously. 82% of them are men and 94% live in urban areas. The population affected is very young – 23-24 on average.

The absence of proper professional skills, a patchy work history and the negative attitude of employers and society in general towards ex-addicts mean that even after successful rehabilitation programmes, they often take up narcotics again. Relapsing is a major problem, as even motivated people who have completed a rehabilitation programme have to return to a society where they face everyday problems, and meet up again with the companions with whom they used to take drugs. Reintegrating ex-addicts into society thus involves a complicated mix of psychological stabilisation, motivation, training and fighting negative stereotypes.

After successfully completing treatment in the residential rehabilitation centre patients are invited to take part in the project – to work in the salad bar "My Guru" as cook assistants, barmen, and waiters.

The *Mano Guru* restaurant is in one of the main streets of the Lithuanian capital and anyone can tell that it is popular because of the very stylish and fashionable atmosphere, good menu and exceptional service. It stands out by being alcohol and tobacco-free and attracts young, dynamic clients. Its popularity is shown by the fact that the Minister of Health used to have breakfast with journalists there every week. Seventy per cent of its employees are rehabilitated drug addicts.

„My Guru" a fashionable health restaurant in downtown Vilnius, offers young drug addicts a new start in life. For a six-month period, they can learn a professional skill while also continuing with therapy and/or education. They emerge with a qualification as well as an employer's reference that should equip them to find a permanent job. Thanks to its mix of grant and trading income, the enterprise is already in profit and is establishing a new business model that other towns in Lithuania are keen to copy.

The 'Overcome your addiction' project won support from the EQUAL initiative of the European Social Fund, and ran from 2004 till 2007. It was managed by a development partnership among the NGO Social Support Projects, Vilnius City Council, Vilnius Centre for Addictive Disorders and Vilnius Co-operative College. Its success owes much to the city council's commitment to addressing the plight of ex-drug addicts, which led it to make the necessary city centre premises available.

The project is a good model for the integration of persons facing difficulties in finding and holding down a job. Its success means that other municipalities are already interested in collaboration of this kind to create similar places for the work rehabilitation of ex-drug addicts or other socially excluded groups. If the proposal that has been formulated for the amendment of the legislation on social enterprises is adopted, it will open the way for this. The awards it has won demonstrate the project's success. In November 2005 it won first prize in the championship of the Lithuanian Social Services. The project has also been honoured by Vilnius city council, the Association of Social Workers of Lithuania, the Ministry of Social Security and Labour and other NGOs.

A Salad bar "**My Guru**" has got an award in a category of *Responsible and Inclusive Entrepreneurship* in 2011 European Enterprise Awards.

The enterprise is creating and testing a rehabilitation and social integration methodology for ex-drug addicts, which includes a motivation programme as well as practical skills training in bartending, cooking and waiting at

table. Graduates will be tested and, if successful, will gain the City and Guilds International Vocational Qualification (IVQ) in Food and Beverage Service. There is a parallel training programme for staff working with addicts.

Important and a tangible benefit of the project was the socialization aspect - project cultivated the dependent persons in communication skills, especially the "My Guru" project work with customers increased socialization with neutral persons, changing societal norms for dependent persons, has allowed dependent persons to overcome the sense of isolation and loneliness.

Recovery of social and professional skills of vulnerable rural residents

The project was implemented by NGO the Baltic Charity Foundation together with its partners - rural communities. Purpose of the Project was to increase the involvement of disadvantaged individuals into the labour market in rural regions.

Social exclusion between rural populations increased after 2008 economic crisis demotivating part of population to look for a job. Companies and other business tend to move to cities declining labour supply in countryside, small farms are disappearing. Sometimes people become dependent on alcohol and are becoming apathetic, dependant on benefits and social services. The project is designed to recover vulnerable, socially excluded resident's rural areas: long-term unemployed, social benefit recipients, social risk families, single parents or unemployed families with children.

Project implementation difficulties are related to the participants' motivation: they often are unmotivated; it is extremely difficult for lecturers to convince them to move, to start talking about the possibility. Some of them are already accustomed to live on benefits and they are averse to change their life. They are full fears, they do not trust in both themselves and their environment as well as in state institutions. The project has managed to change some provisions of interest to assist recover believe in their abilities and strengthen community support.

The regional communities appeared being interested in project delivery. Then communication with each candidate was held in order to try interested community leaders, examined the motivation to participate capacity to collect the required amount of people and to ensure smooth implementation of relatively long-term project. We chose those partners who are guaranteed a smooth implementation process in their communities.

The project involved the communities in different areas, which results in a total of 15 groups. The project involved 193 persons. Group seminars on motivation, social skills and self-development, entrepreneurship, ecology, gender equality, crafts, crop production, animal husbandry was organized at 446 hours in each community. In addition, each participant received 32 hours of personal consultation, which together with a psychologist or social worker analysed their personal ability to return to the labour market and the necessary development path.

Working with the target group, the result is two-fold: on the one hand, the participants heard a lot of different and useful knowledge, which can be used both to find work and to create their own business. On the other hand, learning together, they know each other better; practical tasks enable to try to work in a team. Thus appear strengthening community support and people facing greater exclusion are better integrated. Lecturers note that during the training the participants are opening up more and more trust in one another, and not spare each other tips and suggestions. Participants receive a lot of benefit from lecturers and from each other.

After participating in the project some participants are employed, some with obtained a business certificate and started individual activities. Most of involved in the project felt community recovery, strengthening, people became more mutual communicative, organize joint events. Participants, who had previously never engaged in animal husbandry or planted vegetables, now are successfully raising donated chickens and perhaps in each participants garden vegetables are planted. People who felt ostracized, worse than others, and now took courage, themselves became the event organizers, connect to the local clubs and began to use the computer.

However, reflecting on the nature of such projects in the future would certainly be worth the work not only with the long-term, but with recently unemployed individuals who have yet not lost motivation and ambition to achieve something, has not lost faith. Then intervention would be much stronger, and a good example would encourage other community members for better life.

Discover yourself

The project aims - to reduce the unemployed, education or training and training absent 15-29 years the number of young people in the implementation of early intervention and activation measures. The project involved young people to be involved in volunteering, providing motivation to integrate into the labour market or return to education. Project activities will be aimed at young people acquire the personal, social and professional competencies. Project activities should include about 35 thousand youngsters. Every young person will work under the individual plan, made according to his needs, education, qualifications, work experience, expectations for further career, with special attention being paid to the young person's motivation to work or study. The project is coordinated by the Social Security and Labour, will be administered by the Lithuanian Labour Exchange and the European Social Fund Agency. The project will be allocated 33 million euros.

Currently inactive young people will be provided with social, educational, psychological and motivation consulting and services and youth work organizations. Motivated unemployed will be given opportunities to integrate into the labour market by providing the missing skills and competencies. Activities are organized taking into account the individual needs of young people and through various forms of youth work and non-formal educational methods to promote motivation to work / study, increasing self-confidence and responsibility, allowing to discover themselves, to demonstrate their strengths and weaknesses.

5. Conclusions

- Social innovation can be defined as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It is aimed at improving human well-being.
- Effective social innovation and social risk management is essential for promoting sustainable (harmonious) development of the society in.
- Despite of a lack of long-term practice Social innovations play more and more important role in Lithuania, some projects can be considered as an examples of good practice in the field of social exclusion groups integration: "My Guru,,; "Living Library", "Social taxi,,,

6. Suggestions

A “library of good practices” in the field of social innovation has to be established by NGOs, government and academic institutions. Available information would support not only wider application of existing methods but investigation and development of new ones.

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CITIZENS' SECURITY AS LIFE QUALITY DEVELOPMENT FACTOR IN SELF-GOVERNMENT REGIONS

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Abstract

In the nowadays society, there exists a need to maintain and enhance a various kinds of services provided for fulfilment of citizens' needs. Security services have their special position among such services especially if they are provided by a public administration body. However to be able to enhance quality of such services there is a need to know at first their actual level, therefore it is necessary to find suitable indicators for their measurement. As the main purpose of the article existence we can identify a need of derivation of the most suitable indicators for such a measurement. Partial purpose of this paper is to deal with an uncertainty if citizens are able to assess the perceived level of security by their own. To be able to fulfil this purpose, there is a necessity to design an approach. The article is using basic scientific methods like analysis, synthesis, deduction, induction and comparison. The article uses various statistic methods and critical analysis. The case study in article results in incompetence of random citizens to assess security on their own due to a lack of knowledge. All findings mentioned in the article are original, the critical analysis of the municipal security services and its qualitative and quantitative characters is a unique method which was design especially for the mentioned survey. The article shows partial outcomes of a scientific research study focused on citizens' security measurement and is unique with its results – overview of security services divided into areas and qualitative and quantitative characteristics provided by self-government city for citizens.

Keywords: citizen; security; municipality; service; measurement.

1. Introduction

Security is becoming a new phenomenon, which has started to be accepted by citizens. They do think about it in various relations to their activities, work, home, family and we can see how they are subordinating certain behaviour formulas according to security as a factor of their life quality. Safe and organized environment is important not only in nowadays society but also in accordance to future progress and sustainable development. Therefore it is necessary to be able to characterize and measure if and how much human environment is safe or secured. To such a status, there are needed clear smart oriented objectives, which are able to be monitored according to their fulfilment.

Nowadays there is a lack of strategic documents solving security issues on the level of municipalities or self-government regions. In the short-term plan documents – Programmed Budgets, there is a significant step forward in these relations. However only if this document contains smart (specific, measurable, accessible, realistic, and terminable) aims which are able to be checked. To do such a measurement using data connected with the objectives, we need to know which are those the best measurable factors to express citizens' security relations. A similar view has also Hudáková (2010, 136) when assessing the actual legal status of security risk analysis on the level of municipalities as in incompliance with the international risk management standards.

There is a significant wide-social demand for creation of a suitable indicators reflecting the real level of fulfilment of the human needs connected with the security. Design of such a methodology of measurement of

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citizens' security level, should allow to individuals, public sector institutions, enterprises and various social groups to know these citizens' security factors, compare them. Such a possibility would create assumptions for improvements implementation.

1.1. Delimitation of research issues, methodology

Citizens' security is a qualimetric value, thus it is possible to express its qualitative characteristics by intersubjective assignment of semi-quantitative values. When this security of citizens is considered as a measurable quantity, then quality is its value.

The measurement is thus trying to quantitatively describe the qualitative characteristics of the reference object to a human as a citizen of a certain territorial unit. Decisive choice prior to the creation of a method for measuring the security of citizens consider choosing the appropriate areas on the administrative organization of Slovakia.

The selection was influenced in particular with regard to the competencies and roles of the different administrative bodies of territorial units, as well as due to their different positions in relation to the security services and the citizen as a reference object. The result of these defined criteria was a clear choice of self-governing bodies which made the reorganization of government attaches vital importance in relation to crisis management.

Building on the results of an expert study "Analysis of the impact of the reorganization of public administration at the level of crisis management at the local state administration and local self-government" in which the team of authors, using the analysis of competences and tasks, states: "Municipality occupies an important place in the system of crisis management. it represents the final point of public administration and on the other hand, the first point of contact with the public." At the same time, the authors refer to it as "relatively the weakest element of the security system" (Šimák et al , 2006 , p. 43).

To measure the quality of services provided for citizens in the area of security we are also looking for ways to result in a comprehensive characterization of security of citizens in the municipality. With respect to the definition studied the problem, objectives and tasks of the work, there comes to the fore the need for application of these requirements:

- Measurement of security with respect to the needs and expectations of citizens.
- Measurement of security in relation to existing municipal resources (personal, financial, technical, material and other) community.

- The proposed method needs to quantify the characteristic of the citizens' security quality in the municipality

The application of the requirements in the method has required to establish a procedure how to fulfil the sub-tasks for the basic objective. To facilitate the application of the proposed methodology there is needed to:

- Select criteria for measuring the quality of services in the field of security of citizens within the territorial unit of the municipality;
- Define a final set of "n" security services that a municipality should provide citizens;
- Identify the characteristics of each sub-municipal services in the field of security, which would allow the creation of indicators representing the quality of the service (security of citizens);
- Design methodology - algorithm for measuring the security of citizens in terms of the municipality as a territorial unit.

This article deals with the first three defined needs and it is focused on preparation of environment for creation of a specific method.

Based on the preliminary analyses and assessments of the current status in the solving issue on theoretical as well as on practical level (Kováč, 2013, 2014) we do formulate the main objective of the work and related tasks.

The main objective is to develop a suitable method for measuring the citizens' security level specifically applicable in the area of municipalities in Slovak Republic

We do believe that such a method could be later used also for another regions and countries as well.

To reach this objective following tasks were set:

- To analyse and evaluate documented approaches for citizens' security measurement;
- To specify requirements for a suitable method for such a measurement in conditions of municipalities as a basic territorial units;

- To prepare a case study validating applicability of the proposed methodology in specific conditions;
- To formulate recommendations of the proposed methodology in theory and practice.

Selection of municipality as an object of study, and as a specific territorial unit, we consider as essential in this paper. Continuing critical analysis of municipal competences and tasks in the area of security of citizens aims development of specific criterions for citizens' security measurement.

2. Theoretical backgrounds

Security can represent a wide variety of system aspects whether at the international, state, municipal or individual level. As Hakan Wiberg wrote: "There exist two border conceptual possibilities: security for whom and security against what." (Wiberg, 1996, p. 22). If we examine the security on all levels it is necessary for us to respond to these mentioned fundamental questions.

The basic definition talks about security as "a state of social, natural, technical, technological or other system, which in the specific internal and external conditions allows discharge of specified functions and their development in the interests of human and society." (Šimák, 2006, s. 8) In particular, reference on the further development separates security from stagnation or from such efforts which maintain the status quo, but hinders further development. In general we can say that security is a kind of balance of internal and external conditions of a system.

Currently, the area of security has grown to such proportions that the different definitions can be included into a number of categories. As German sociologist and city planner Ulrich Beck defined (Beck, 2004, s. 27), industry and social complexity have brought new risks. In connection with the need to develop the concept of human security towards the man of today society in developed country, it is necessary to deal with the development of post-industrial society.

Units of security analysis are different actors and reference objects. Reference object represents entities that are existentially threatened and may legitimately claim the right to survival. Securitization actors are actors, who declare reference objects as existentially threatened and are movers of securitization process. Functional actors - operate on the dynamics of security relations in the sector. They significantly influence policy decisions in the field of security (Buzan, 2005, s. 48-49).

In the sectoral understanding of security (sectors: military, political, economic, societal, environmental), there is a lack of human factor, understanding in the relation of his own security inside a country.

2.1. Tasks of public sector in security relations

Based on the block scheme according to Reškořík (Beňová, Neubauerová, 2005, s. 4), the first block is formed by sector of social needs – these are public administration, police, justice and army. These are called as a pure public goods, which are ensured by public authorities in relation to meeting security needs. These include: the protection of citizens, territory, property and the right to justice.

We are inclined to believe to Káčer, that the biggest challenge for the security system is a conflict between the public sense of security and complexity and unpredictability of risks (Káčer, 2011). Finding differences in the perception of security services is a public interest, where decision makers are also local government authorities.

Internal security, which directly concerns citizens is characterized as: "Accepted standard of democracy, economic prosperity, protection of citizens and application of standards that are ensured by a state and are one of its basic functions" (Šimák, 2005. s. 99).

Irreplaceable role in creating and maintaining the security system of the Slovak Republic have security services: Police Force; Military police; Prison and Court Guard; Intelligence services; The municipal police; The National Security Office; guards; Private security services (Kočan, Selinger, 2013, s. 8). The thematic focus of the work predetermines the need for closer grappling with legal services of the municipal police, which is under the territorial unit of the village closest to the citizen. The municipal police has a specific position upon its interdependence with the municipal government.

Of course we cannot exclude role of business entities in the security environment building. According to Gozora (2013) "it is necessary to establish an effective instrument of economic management and indicators of enterprise security, recover economically lagging businesses and eliminate regional disparities in economic and social

environment.“ However this is not possible to be done without application of system tools of citizens’ security measurement by public administration bodies.

2.2. Position of self-government in citizens’ security ensuring

Specific system in relation to which it is possible to define security is a self-governing territorial unit. Despite significant differences, the relationship between the European level and the local level does exist. This relation is confirmed in particular by the Committee of the Regions of the EU, which in August 2006 formulated a resolution on "The political objectives of the Committee for the period 2006-2008". In this document, the committee clearly declared their commitment to strengthening security in Europe. In this document, in paragraph 19: "it confirms that local and regional authorities are determined to contribute to the removing of the causes of insecurity and violence in all European cities and regions" (2006/C192/07). In this connection the committee proposes "to strengthen the institutional framework and give local and regional dimension more effective role in the Community's approach."

In this respect there stands out Requirement to establish a European monitoring center on urban safety which would provide particular information about policy development, data collection and processing that affects security.

Security is strongly tied with human, either as a reference object as well as the securitization actor.

Building on the irreplaceable role of governments in ensuring the security of citizens, we consider it necessary to point out the current system of integration of municipal police into the security system of the Slovak Republic. Functioning and activities of municipal police are governed by Act no. 564/1991 Coll. on Municipal Police, as amended. The municipal police is defined as follows: "The police security force, which is setting up by municipal council as a special municipal body whose public welfare activities are ensuring order in its territory." (Kočan, Selinger, 2013, s. 167) Municipal police is mainly engaged in providing local matters of public order. Specific is the status of the members of the municipal police, who are on the one hand public officials, on the other hand, they are directly financing by the municipality.

2.3. Subjective and Objective dimension of security

Security relations dictionary describes the breakdown of security on the so-called objective and subjective. Objective security is a real absence of any threat. The subjective security is a perception of such an absence. It is associated with confidence, based on perceptions and feelings, rather than on verifiable facts. Collective security is a security comprising a group of countries, sub-region (region), continent or the whole world. (Kulašík, 2002) To summarize these information we can conclude that security as a multidimensional value, depends on the environment against which we achieve it assesses. Any breach of security has two dimensions in relation to the Assessor's. Human security is comprised of threats that appear as objectively demonstrable threat and their subjective perception by human as a risk. Such interaction is conditioned by the size of the objective threat and also by the vulnerability of the entity. Thus, we can conclude that security has a subjective-objective dimension. Many experts are dealing with such a definition of human security, which would differentiate it from conventional threats. For example, Gary King and Christopher Murray in book "Rethinking Human Security" define human security as the an extremely important sphere of human welfare. (King , Murray, 2001 , p. 585). Jan Stejskal in "Human Security in the context of an extended concept of security" refers to the categorical view that it makes no sense to include topics such as human rights, human development, quality of life, sustainable development to security agenda. (Stejskal, 2005, s. 176) Despite the fact that security is not equal quality of life, security crucially influences our life quality.

2.4. Position and tasks of territorial units in human security

We decided to deal with territorial municipal units of villages and towns as territorial units with administrative arrangement that respects the decentralization of government and its shift close to the citizens themselves. Such a definition to territorial unit limits the role of securitization actors to citizens as the reference objects.

We consider security of citizens as a pure public good (no citizen could be excluded from the consumption of this good). In the municipal conditions, security is in various aspects provided by self-government unit as well as by state. In this paper we are dealing with those citizens’ security aspects which are provided by self-government

units. Security as a part of life quality we are going to understand as a service, which is provided by municipal self-government, this is based on the theory of new public management.

Definition of a service says that it is "any activity or benefit that one party may provide to another, is essentially intangible and do not result in its ownership. Production services may or may not be associated with tangible products." (Halásek, 2004, s. 9)

According to the authors Balážová and Papcunová: "In considering of any public service, management can evaluate the achieved results by using the following criteria: (Balážová, 2008. s. 71.)

- The quality of a service for customer, including the availability of service (eg. Time availability);
- The performance of the public service;
- The Cost of this service;
- The Customers' satisfaction and employees' satisfaction." Mateides, 1999; Mateides-Dađo, 2000 In Balážová, 2008, s. 9).

2.5. Summarization of partial findings deriving from the theoretical backgrounds overview

Based on the valid terms in crisis management issues, using the basic definitions of security in general (Šimák , 2006 , p. 8) , we can derive the security of citizens as a "state in which individual and collective rights as well as fundamental freedoms of citizens are preserved and allow further development of the citizen and his rights in his own interest or in the interest of the whole society. " It should be noted that such a definition is also tied to certain conditions - to develop and meet the needs within the democratic principles, in the compliance with applicable legal standards.

We consider as a priority those functions resulting for the municipality as a territorial unit in relation to citizens. In close connection to the described security system and in order to differentiate human security and the quality of life we present the following definition of specific threats to citizens' security:

- System Status that is arising and takes due speech gestures, actions and acts of violence that express the will to hurt someone or something, to damage or destroy (Filip 2006, 4);
- The phenomenon, event or entity that can destroy or damage the protected values (NATO MC 161 in Filip 2006, 5).

In the context of this study, it will be a citizen as a protected values - his life, health, property. It will be a non-military security threat, both intentional threats as well as unintended. It is essential to use security of citizens further in this paper only in the context of a special services which the competent public authorities provide to the citizens in the bordered territorial unit. To avoid equate security of citizens and the quality of we will consider these as such a services, as defined by the aforementioned definitions. Non-ensuring of such a security service will directly endanger the life, health, property of citizens in the relevant territorial unit.

After the re-design of the mentioned criteria for assessing the quality of service, the criteria for the security of the citizen as a public service are:

- Quality of services in the field of security for citizens;
- The real performance of services in the field of security for citizens;
- Cost spent by municipal government to provide services in the field of security;
- Citizens' satisfaction with the implementation of security services;
- Satisfaction of the municipal self-government with the predispositions and external support to ensure security for citizens.

3. Selection of citizens' security indicators in the condition of territorial units in Slovakia, using critical analysis approach

3.1. Role of territorial units in citizens' security survey

The mission of a municipality as a self-government body in the security of citizens is a provision of public services that leads to ensuring the protection of life, health, property and environment of citizens, as well as to the development of the security environment of the municipal territory.

In connection with the service quality measuring we consider it as necessary to identify a set of standard services that the municipality should ensure for the safety of citizens. To fulfill this aim, we have used critical analysis of the existing legislation concerning the performance of local self-government with respect to:

- General tasks arising for the municipality (which should generally be ensured by a self-government municipality in accordance with applicable legal standards);
- Other tasks to achieve the desired level of security for citizens.

The result of this critical analysis is a set of services which define the scope, functions and duties of municipalities in the security of citizens. In this context, the following areas have been identified which determine the security of citizens in terms of the mentioned criteria:

Civil protection, crisis management and economic mobilization; Transport and road economy; Finance and asset management; Culture; National defense; Fire protection; Business and consumer protection; Forestry, water management; Regional development; Social Affairs; Education, science, research and sport; General Internal Administration; Health; Environment.

3.2. Identification of determinants for measuring the citizens' security level in the municipal territorial units conditions

After defining of the territorial unit we have identified characters that best match the security of citizens. We followed the derived and specified criteria that were used in the selection of individual functions and duties of municipalities in the security of citizens.

These criteria determined the service useful in the proposed method. For successful measurement of the level of security for citizens it is also essential the identification of characteristics, which would become the basis for the selection of measurable indicators. For this purpose we used the initial phase of statistical project, the selection of qualitative and quantitative characters that represent the service under specified criteria.

Solving Issue: Checking the properties and attributes of the security of citizens in terms of territorial unit of the municipalities in Slovakia.

Monitored file: Municipal competencies and tasks determining community services in the field of security for citizens.

Base Unit: The service provided by the municipality in the area of security.

3.3. Critical analysis summarizations

Critical analysis of legislation determining the functions and duties of municipalities in relation to the security of citizens was conducted under the established criteria. Its result is a set of qualitative and quantitative characters, through which the relative security of citizens can be objectively measured. As we indicated before we consider that to measure the level of security of the citizens it is possible to use also quality indicators through the conversion of their evaluation to the semi-quantitative scale.

According to the developed critical analysis we can conclude that there exist a closed set of services provided to citizens in the security relations. This closed set of services is limited by a range of services provided by municipality in terms of security (which have to be in accordance with applicable legal standards). Results of the survey provide information on specific features of these services, and these are graded according to their nature into quantitative (numerically expressible) and qualitative (descriptive expressible semi-quantitative). Identified qualitative and quantitative characteristics can be further used as indicators of the citizens' security services quality. According to the fact that range of this article is limited we do not show all the results of the mentioned critical analysis. We find it suitable to show its context on an example of services in the General Internal Administration area:

Qualitative

- Quality of the crime prevention and internal order ensured in a city/village.
- Quality of services ensured by municipal police.

Quantitative features:

- Frequency and budget of the preventive actions made by municipality according to the par. 4 Act no. 583/2008).

- The financial support of the Red Cross in the tasks carried out under the Geneva Convention (under par. 4 of Act no. 467/2007).
- Number of offenses under par. 52 and 86 of Act no. 372/1990.
- The number of extraordinary events that occurred in the municipality in the current year.
- The number of provided emergency aids to the citizens in a sudden distress caused to them (in terms of par. 3/4 of Act 369/1990).

4. Survey on citizens' security perception

In connection to the objective of the creating study, we considered such method that would measure the level of security of citizens in terms of territorial units (municipality) through objective and subjective indicators. The objective indicators are clear upon the result of the critical analysis presented in the previous chapter. However in the context of the subjective indicators there exist doubts whether to understand these as "Citizens' satisfaction with the implementation of security services" or as "Satisfaction of the municipal self-government with the predispositions and external support to ensure security for citizens". It is therefore necessary to decide whether a citizen relevantly able to assess the quality of the service in security areas, especially functions and duties of the municipalities in different areas of security. In this regard, we have formulated the fundamental question of the survey:

"Are citizens/respondents able to relevantly assess the relevance and quality of services in the field of security in a municipality?"

5.1. *Statistic project in citizens' security perception*

Statistic problem:

- Perception of the security of citizens in the municipal territorial unit.

Statistic unit:

- Citizen of a municipal territorial unit.

Statistic questions:

- What is the dimension of the level of statistic characteristics:
- - Quality of services in the security of citizens at the municipal level?
- - GAP differences of expectations and perceived services?
- - Priority in the security area?
- What is the most common interval of the security service evaluation?
- Which group of citizens do assess the quality of services in all areas of security better - citizens over or under 25 years of age?
- Does there exist a correlation between age and security perception level?
- Does the difference in the perception of security depends on the quality of related security area?

Non-Statistic questions:

- Do citizens understand to the particular security areas in the municipal conditions?
- Do the citizens feel capable in assessment of security services in a municipal territorial unit?

Statistical characteristics:

- Age of the respondents (quantitative characteristics);
- Perceived service quality in the area of: Economic mobilisation; Civil protection; Crisis management; Fire protection; Flood protection; Protection of the public order and Crime prevention (qualitative non-direct polynomic characteristics);
- Gap between actual and expected service quality perception: Economic mobilisation; Civil protection; Crisis management; Fire protection; Flood protection; Protection of the public order and Crime prevention (qualitative non-direct polynomic characteristics).

5.2. Case study method and methodology

Based on the formulated statistic quantitative and qualitative questions we identified statistical features which became the basis for the compilation of the questionnaire. By using a quota selection according to the minimum level of secondary education and equal participation of respondents under 25 years (Y) and over 25 (A) years of age, 120 respondents were interviewed. We are aware that the number of respondents is not representative and serves solely to answer the main questions of the survey in a case study conditions.

The questions in the questionnaire survey were focused on three main subdivisions. One area concerns the prioritization of four security sub-areas (civil protection and crisis management; fire protection, flood protection, crime prevention and securing of a public order). Other questions included in the second group were bound to express the perceived security of the respondents within the range of 1 to 5, where 1 meant the lowest and 5 the highest rating on the given services. The third part of the questions were focused on analyzing the perception of differences in the expected service and perceived quality of services in the presented fields. From a wide range of statistical methods we used a simple sort and a group sorting by two statistical characters, levels and variability characteristics, correlation and regression.

Respondents were divided into two age categories, up to and over 25 years of age. The age limit was determined with reference to the results described in the previous study (Kovac, 2011), where the overwhelming majority of respondents identified national and physical security as the most important areas, but the two areas were significantly opposite in perception of respondents under and over 25 years of age.

5.3. Case study results

What is the dimension of the level of statistic characteristics?

- Quality of services in the security of citizens at the municipal level?
- GAP differences of expectations and perceived services?
- Priority in the security area?

In this statistic question we can see following statistic features: „security service quality“, „GAP differences of expected and perceived services“, „security areas priority“.

In order to obtain answers to the questions we selected relevant descriptive statistic functions in MS Excel. Table 4 presents the results. We have deliberately not interested in the variability characteristics, because of the variance, the minimum and maximum values are known - it is a limited set of variables in advance (semi-quantitative method).

From the level of the statistical characteristics we have chosen modus expressing the most common value.

Table 4. Level characteristics of the feature – citizens’ security service quality

	Civilná protection and crisis management	Fire protection	Flood protection	Public order protection and crime prevention (Municipal Police)
Modus	3,00	4,00	4,00	2,00

Directly on the results of the modus calculation modus builds the further statistical question: **“Which assessment of security services is the most often?”**

It is therefore a search of range with the most multiplicity. Since this is a numeric feature with the known variations (1-5), fixed minimum and maximum, we used a simple sorting. Individual intervals are then determined by possible answers of respondents on the semi-quantitative scale: 1,2,3,4,5.

As shown in Figure 1, the most frequent assessment of most areas are 3 resp. 4. However the evaluation of services in the areas of public order as well as civil protection and crisis management differ from this. The results in Figure 2 refers that respondents were in favour of a more positive assessment of services in the area of flood protection and fire protection. This situation could be related with a more significance on cooperation among

various national and cross-border international bodies as it is reflected in study of Filip (2014). In contrast, the lower rating prevailed in the context of civil protection and crisis management, and the lowest in the field of public order and crime prevention ensured by municipal police (MsP). There is the most common rating category 2 and 3.

Based on the composition of particular indicators we can refer following summarizations:

The "Civil protection and crisis management "consists of the components "crisis management", "civil defence and economic mobilization". Despite the fact that respondents were shortly instructed about the content of these sub-areas, 30 % of them expressed inability to directly assess the matter in questions about economic mobilization

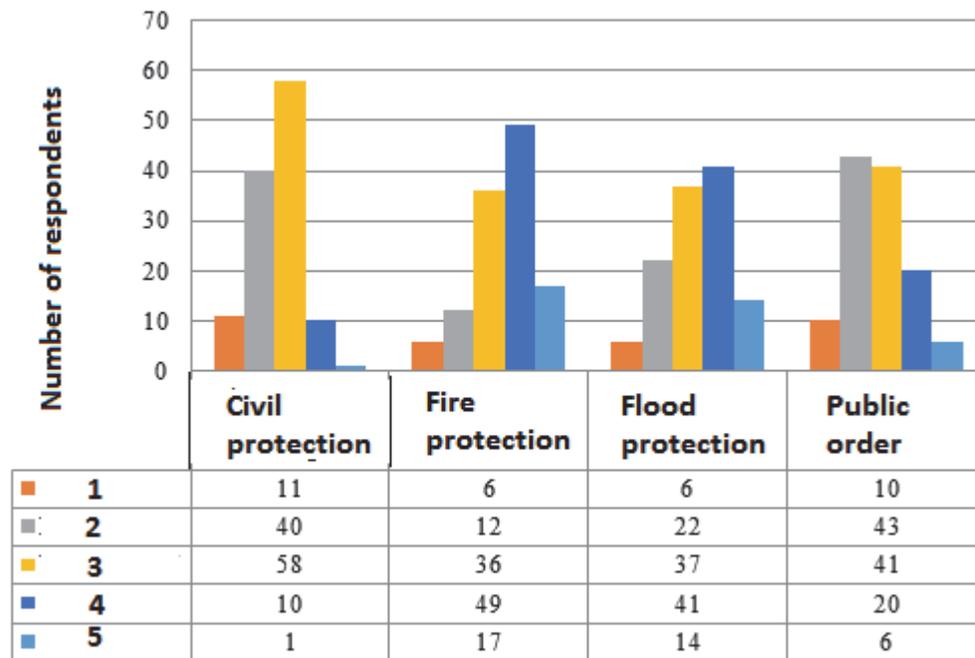


Figure 1. Semi-quantitative assessment of service's quality

Mentioned consideration is also supported by the imbalance of respondents in expressing the difference between the expected and the perceived services. Figure 2 presents the results of this question, where 0 means not feeling differences and recorded 1 recorded difference. In the subareas of civil protection and crisis management there was a rare consensus in response rate with a without differences. These results may partly reflect a hesitation of respondents, which is ultimately reflected in the subsequent personal interview with respondents who did not know exactly what a given area under area represents. In the area of fire protection, respondents expressed a positive change frequently, so did the protection against floods, but with a smaller difference against 0. Significant breakdown of the responses can be seen in the last study area - public order and crime prevention, where 87 % of respondents rated the service as a variant compared to their expectations, the absolute majority of them perceive this variability of as a negative.

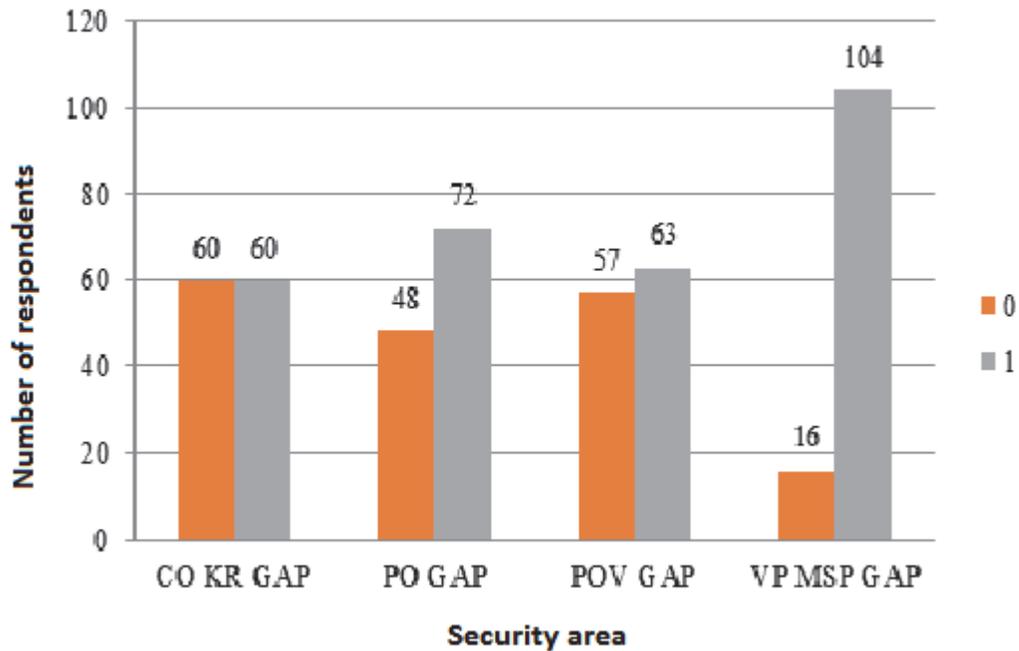


Figure 2. Modal interval of the selected feature (variations between current and predicted service quality)
 (CO KR – civil protection and crisis management, PO – fire protection, POV – flood protection, VP MSP – public order, municipal police)

Figure 3 presents the outcome of the significance assessment in the security areas by respondents, there were offered three options. Within the issue of civil protection and crisis management there prevails neutral evaluation of the quality of services. This is a controversial view, which could be caused by subjective factors like lack of information in this field. (Respondents often select the medium value when they are uncertain.)

In the field of fire protection we can see more clear results, where 92 % of respondents rated the service favorably respectively or as neutral and 70 % only positively. This can be attributed to the fact of a wide network of fire stations and prompt roll time of fire brigades.

Area of flood protection shows similar results. 84 % of respondents evaluated services positively or as neutral and 59 % in favor positively. However, 8 % more respondents evaluate them as insufficient in comparison to services in fire protection. This may be due to the nature of the flood threats, their duration and frequency of such incidents. On the other hand, the attention recently given to the prevention of floods appears to be yielding results, the positive assessment of the area and overall knowledge of the citizens.

Assessment in the field of crime prevention is similar like to civil protection and crisis management.

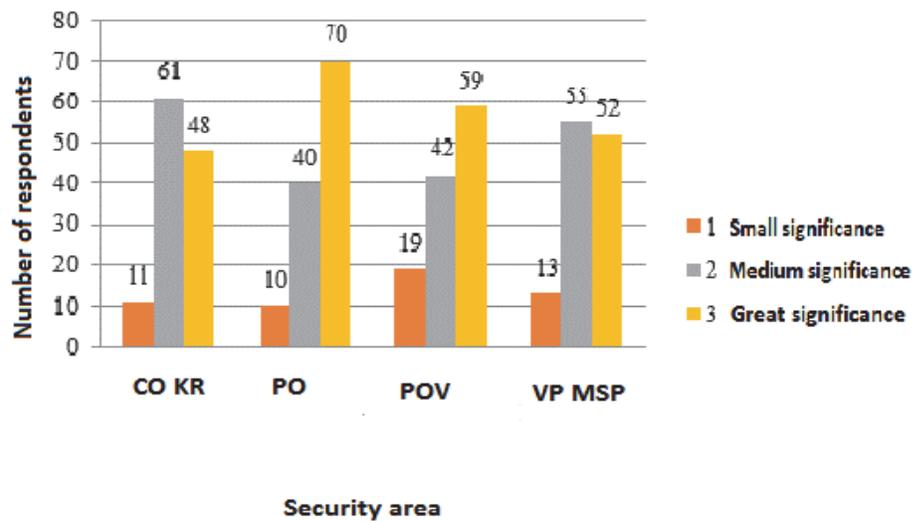


Figure 3. Modal interval of the chosen feature (significance of a security area)

Statistical questions about addition between age of respondents and results of assessment have not been proven. The carried out research showed that both groups of respondents divided in age groups under 25 and over 25 have the same opinion like the order of the various services in the field of security.

The first priority for was given into civil protection and crisis management in the both groups of respondents. The second priority was given into protection against fire, third - flood protection. Last place in the context of such prioritization attributed the prevention of crime and public order ensuring. As the most common reason was mentioned a limited number of municipal police members, as well as its emphasis only on punishments, with missing focus on prevention.

Crime prevention and internal order security services are specific against the other ones, because of their close connection to their usual persecuted types of measurements. This could be the reason why these services are not prioritized too much by the citizens.

5.4. Summarization of case study results

As it is apparent from the case study carried out in the perception of security of citizens, there are significant differences in assessment in relation to each area of security. Such a division perception of various services in the field of security shall be considered as natural. To assess the level of security for citizens on they own, there may also participate substantially subjective factors which are directly contrary to professional issues.

We can also observe lack of knowledge of security issues in the various areas by the citizens. Of course, higher professional skills are not expected for ordinary citizens, but for an erudite assessment is essential to know the contents of the surveyed services. The lack of knowledge is manifested in spite of the basic definitions in the questionnaire. Such ratings can therefore be regarded as a fulfilment of the basic hypothesis. Based on the case study, there is uncertainty in the ability of citizens independently evaluate their own security in the municipality. This is caused mainly by the lack of knowledge and prejudices in relation to the perception of the security aspects.

6. Conclusions

Security is to be understood as the sum of the political, social, economic situation, the legislation environment and environmental changes. Security of citizens generally represents purposeful activity carried out by the competent authorities of public administration for maintaining and meeting the security needs of citizens and their development in the interests of human as an individual and society.

One of the particular theoretical contributions of the presented paper to the development of the theory of civil security measurement is systematization of an environment conducive to ensuring an overall citizens' security in terms of territorial units in the Slovak Republic.

For citizens understandable and universal measure of the level of citizens' security would allow better knowledge of the factors of security in the place of residence or workplace. This knowledge will enable them to assess their needs, to make their own arrangements for increase of personal safety, and protection against threats and reduce the probability of their occurrence and their manifestations.

Constitute to sign a territorial unit with a low index of civil security could be negative at first sight. The possibility of change and real improvement through knowledge of the characteristics of the indicators in its formula and the possibility of influencing specific values are significantly positive.

Summarization of practical impacts of the paper:

- Identification and analysis of the key issues and related problems of an efficient civil security measurement in the conditions of self-government territorial units in Slovakia
- The results of this paper are able to be used as a basis for further research and as well in pedagogical work or directly for a sustainable development of some territorial unit.

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INTER-SECTORIAL NETWORK FOR GOVERNMENT'S COMMUNICATION OF CSR IN LITHUANIA

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Abstract

The implementation of corporate social responsibility (CSR) means is supported by government's strategic programs of the majority of European countries. Lithuania's accession to EU also encouraged State government to intensively communicate about an importance of corporate social responsibility (CRS). With the aim to foster a broader dialogue between organizations and general public, Government invoked an inter-sectoral network for CSR communication. The article reveals the role of the government in general and identifies the intersectoral network for communication of CSR in Lithuania. On the basis of their analysis, authors conclude that: i) in Lithuania, CSR communication is fragmented because of the incoherence of communication relations between different institutions and organizations; ii) development of a unified CSR communication and coordination platform available to public and business sectors as well as the society is essential for the transformation of CSR.

Keywords: CSR; inter-sectoral collaboration; Corporate Communication; Government; Lithuania.

1. Introduction

The striving to ensure a sustainable development is becoming a priority task of a civic society. Heeding the interests of the society becomes necessity in all organizational sectors, which is why corporate social responsibility receives more and more attention. Corporate social responsibility (CSR) could be characterized as respect to publicly recognized norms (Coombs, Holladay, 2013) and a unit of responsibility of organizational behavior, the main element of regulatory mechanism of which is of legislative nature. In globalized world, organizations seek to remain competitive on a long term. Thus emerges a commitment to be responsible for the consequences of work not only on legislative, but also on a moral level (Schmeltz, 2012). The cohesion of legal and moral responsibility is becoming a dominating basis of social responsibility in organizations.

Companies, especially big entities, understand it increasingly well that environmental protection and life welfare questions must be bestowed with a priority when seeking the societal life quality and are interested in the peculiarities of CSR application (Silberhorn, Warren, 2007; Bazillier, Vauday, 2014; Adelopo et al., 2015). Solving societal problems is not a prerogative of the government anymore. Idowu and Papasolomou (2007) indicate internal and external factors which motivate the organizations of any sector to develop the principles of social responsibility. Internal factors are the organization's reputation, results of economic activity and others. External factors are the stakeholders' pressure and influence of social and cultural environment. When creating a long-term connection with clients, external factors are especially important. The organizations are suggested carefully weighing the requests of stakeholders and making respective decisions (Marais, 2012), because CSR ensures the consolidation of relationship between the company and all groups of stakeholders (Navickas, Kontautienė, 2015). In a context of increasingly difficult external crises, well chosen social responsibility strategy may become a mean of sustaining a connection between internal and external environments of the organization (Bocean et al., 2014),

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but without paying respect to the stakeholders, the implementation of social responsibility may slow down (Ihugba, 2014). Social responsibility forms the basis for the sustainable development, and creates a long-lasting and balanced welfare on the widest scale. According to a research of Knudsen and Brown (2015), CSR helps to increase international competitiveness and to foster economic and political development.

In order for business to join the implementation of social responsibility, quite a few means on an international, EU and national levels have been created. The implementation of CSR means is supported by government's strategic programs of the majority of European countries (Bocean et al., 2014). The governments of a country introduce policies aimed at encouraging CSR (Steurer, 2010) and incorporate CSR into a policy framework with clear social and industrial objectives (Knudsen, Brown, 2015). In order for the government's goals in terms of CSR to be reached, inter-sectorial focus is a must. The goal of the article is to reveal the role of the government and identify the intersectorial network for communication of CSR in Lithuania.

2. Government's role in CSR communication

The first CSR debates on the aspect of government's role are observed in the last decade of the last century. The "pioneers" of CSR spread are thought to be the United Kingdom, Denmark and Australia. These countries stand out in the global context with their specific CSR public policy. The initiatives of these countries highlight the importance of government's role in CSR activity (Albareda et al., 2007). Social responsibility is becoming a connecting link between organizations, government and civil society. Therefore, if a unified mechanism of social responsibility spread was created, the challenges of globalization would become not so frightening (Albareda et al., 2007). In their study, Knudsen and Brown (2015) conclude "that governments seek to ensure that market forces are embedded in policy initiatives to mitigate and remedy their social and environmental consequences". CSR behavior has the greatest influence on labour practices, community development and environment, as well as human rights, consumer issues and other fields (IOB, 2013).

Swift and Zadek (2002) noticed that one of the government's roles is to motivate civic activity and ensure that business is accountable to the society in terms of CSR. Fox, Ward and Howard (2002) state that the government's role in CSR context is to inform and educate not only the business sector, but also the consumers, employees and investors as well as individuals regulating the implementation of CSR. In order for the good practice of CSR to be properly disseminated, government should support CSR networks and partnership of interested entities thus maximizing the positive effect of CSR on business and sustainable development of the society (CBSR, 2001). The researchers also agree that it would be enough for the government to define the vision of CSR and business roles in the society (Idowu, Papisolomou, 2007). This would serve as a basis for the betterment of society's life quality. With the help of CSR, a connection between the government and the society could be created, and the power of business sector could be altered (Sodano, Hingley, 2013). As a result, the government is bestowed with a role of social dialog developer in solving CSR questions between business and society (Diez et al., 2008).

As it may be seen, the government's CSR initiatives are not a goal in itself. They are meant to create good assumptions for both organizations and the society to receive reciprocal benefit. In order for the organization to choose CSR, everything must be absolutely clear – why is this choice made and how will the organization benefit from doing so (Duquet al., 2010). The organization can communicate about CSR itself or invoke a third party. It is important though that the source of information was not directly related to the organization. Therefore, the government may serve in the most favorable way: to help the society and organizations to understand the potential of CSR implementation into organizations' practice (Yoon et al., 2006).

Ways in which the government implements CSR seeking for international competitiveness varies in different countries (Knudsen, Brown, 2015). Speaking of different government practice it is observed that in CSR communication, the roles of public sector overlap. In addition, CSR application in different countries varies due to different legislative regulation mechanisms and society's willingness to accept CSR initiatives. As a result, if the good practice examples of other countries are used as a guide with no criticism, positive results should hardly be expected (Albareda et al., 2006). This means that the CSR communication applied by the government should differ accordingly to the nuances of specific government's legislative base, characteristics of the stakeholders and intersectorial collaboration experience.

3. Research method

Research is focused on delineation of subjects participating in the CSR communication process. Firstly, an analysis of Lithuanian Republic strategic documents defining CSR policy was carried out. This step allowed indentifying the main subjects of public sector responsible for CSR development in the government. The second step was to analyze secondary documents which were presented to the society, e.g. CSR implementation reports. Alongside, information presented in official websites of public sector subjects responsible for CSR was analyzed. This allowed defining the main characters in inter-sectorial network for CSR communication. The research was carried out in 2015.

4. Assumptions to and inter-sectorial actors of CSR communication

A seek to develop CSR and sence of community is clear in Lithuania's strategic documents. With regard to contribute to the strategies "Europe 2020" and "Lithuania 2030" which focus on creating a smart, sustainable and inclusive economy, Lithuania has approved CSR development vision and priority areas of its implementation. For example, the Lithuania's progress strategy "Country's Progress Strategy 2030" seeks to highlight the importance of responsible investment, responsible production and responsible consumption. In order to do so, it invites to seek more effective ways of CSR solutions, invoking the help of social and public sector partners. In another strategic document of the government "National Strategy for Sustainable Development", improvement of companies' social responsibility is attributed to the common tasks of sustainable development of the economy.

The social dialog and CSR 2015-2020 program define public administration institutions obliged to motivate the spread of CSR. The Lithuanian Republic (futher - LR) Ministry of Social Security and Labour is bestowed with a function of CSR motivation and entrusted to create a Social dialog program and CSR 2015-2020 program. With this goal in mind, "Social Partnership" department was established. Due to this reason, the role of LR Ministry of Social Security and Labour is especially important in the process of CSR communication. Along with LR Ministry of Social Security and Labour, CSR implementation is also taken care of by LR Ministry of Environment, LR Ministry of Education and Science, and Ministry of Economy of the Republic of Lithuania.

In terms of CSR questions, LR Social Security and Labour Ministry communicates with Lithuanian Association of Responsible Business (abr. LAVA) – a contact missive of United Nation Global Compact, the place of which was earlier held by the United Nations Development program and its curated National network of responsible business (abr. NNRB). Also, we should note the collaboration with the network of sustainable development and Corporate Social Responsibility specialists „CSR Network“, Kaunas University of Technology, and Mykolas Romeris University. In a communicational process on the issues of CSR, LR Ministry of Social Security and Labour is communicating with "EU Member States High-Level group on CSR". In this process of communication, a role of European Comission becomes clear. The European Comission organizes forums on the questions of CSR in which the representatives of this ministry take part. The role of CSR partners – consultants should also be noted. LR Ministry of Social Security and Labour communicates with private sector representatives when preparing CSR programs, such as "Deloitte in Lithuania" (JSC "Deloitte Lithuania and JSC "Deloitte business consulting" – together "Deloitte in Lithuania"), JSC "Ernst and Young Baltic" and Lithuanian subdivision of "PricewaterhouseCoopers International Limited". These companies providing audit, financial advice, risk management, tax, legal and other specialized services consult LR Social Security and Labour Ministry on preparing programs related to CSR development, which are also discussed by the Tripartite Council of the Republic of Lithuania.

Other bodies of Government also have a role in CSR communicationto to the general public and to the business: Ministry of Economy of the Republic of Lithuania communicates with business sector on the questions of CSR; LR Ministry of Education and Science invokes Lithuanian Chamber of Commerce as intermediate in the field. In addition, the abovementioned ministries invite non-governmental organizations and civil initiatives working in the fields curated by the ministries to join them in order to more effectively communicate with the society on the goals of CSR implementation policy.

As can be seen, the subjects of CSR communication network in Lithuania covers 4 categories:

- Public sector institutions. The public sector is led by the LR ministry of Environment, LR Ministry of Education and Science, Ministry of Economy of the Republic of Lithuania, LR Ministry of Social Security and Labour, and Tripartite Council of LR.
- Private sector organizations. Private sector is represented by “Deloitte in Lithuania”, JSC “Ernst and Young Baltic” and Lithuanian subdivision of “PricewaterhouseCoopers International Limited”.
- Non-governmental organizations. Non-governmental organizations are represented by Lithuanian Association of Responsible Business (LAVA), Kaunas University of Technology, and Mykolas Romeris University.
- Civic initiatives. The network of sustainable development and Corporate Social Responsibility specialists „CSR Network“ is attributed to civic initiatives.

5. CSR communication process on an inter-sectorial approach

Social partnership department’s, LR Ministry of Social Security and Labour, dialog with Lithuanian Association of Responsible Business (LAVA) and the network of sustainable development and Corporate Social Responsibility specialists „CSR Network“ usually takes place during meetings. Formal communication is characteristic when harmonizing legislative regulations with these organizations and consultants of private companies. Also, the representatives of the ministry often take part in high-level international group discussions. Forums organized by “EU Member States High-Level group on CSR” are distinguished.

For solving questions of CSR, work groups are created and forums and qualification events are organized in LR Education and Science Ministry with a goal to ascertain the needs of business sector and attempt to find decisions to fulfill them as well as to improve the quality of inter-sectorial communication.

In addition, with a goal to communicate CSR to the society, funds of European social fund agency are invoked to finance special projects. CSR ideas, principles and importance is explained in trainings, conferences, also by publishing methodical editions, disseminating the data of executed researches and organizing the contests of National Responsible Business Award.

6. Discussion and conclusions

When analyzing the documents and organizations’ information related to CSR communication, it may be seen that CSR communication between sectors does not have a unified collaboration platform created, all stakeholders would have access to which and could exchange equivalent influence. During the research it also became clear that the role of the government is not clearly defined in CSR communication:

- The most active participants of CSR communication process are LR Ministry of Social Security and Labour, Lithuanian Association of Responsible Business and the network of sustainable development and Corporate Social Responsibility specialists „CSR Network“;
- Compared to other institutions reflecting the government’s position (Ministry of Economy and Ministry of Education and Science), LR Social Security and Labour ministry uses the widest spectrum of means meant to communicated CSR to the stakeholders and society;
- Government evaluates CSR through the prism of legislative documents and State’s strategic goals and initiatives. However, it can hardly have an effect on business and non-governmental sector organizations. Stronger inter-sectorial collaboration is the most important factor for CSR development in Lithuania.

Appropriate CSR communication might be ensured by the creation of public CSR platform. It would create a real opportunity for all interested parties to be involved in the processes of CSR development and transformation.

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THE EFFECTIVENESS OF PUBLIC CONSULTATIONS IN EU COMPETITION LAW

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Abstract

Providing the term and deadlines to express external opinion and to receive the stakeholders' suggestions, the European Commission seeks to improve the policy and the legislation in the chosen field. The public consultations are also applicable in the field of competition law.

This research aims to assess the effectiveness of public consultations in EU competition law. The document analysis, systematic analysis and comparative methods were chosen in order to assess the involvement of stakeholders in the legislation process, the dynamics of public consultations in the context of all decisions in the field of competition law and the activity of stakeholders providing related opinions and suggestions. Additionally, research provides analysis based on data stating whether the European Commission took into account received external suggestions and the impact of such suggestions. This research fills current gaps in the analysis of the assessment of effectiveness of public consultations in EU competition law. The results of this research are applicable in order to improve the procedures of public consultations. The provided proposals aim to maximize the effectiveness of public consultations in the field of the EU competition law.

Keywords: competition law; public consultations; effectiveness; management; EU; impact; opinion.

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1. Introduction

The European Commission (hereinafter – EC) encourages the participation of a wide range of stakeholders in the legislation process on competition law issues. The involvement of stakeholders is assured through invitations to participate in the process of public consultations. Generally, as stakeholders should be understood persons and entities having not only the same kind of interest on issues but also legal relationship with the EU. The responses from outside the EU are welcome (for instance, policy on air cargo tariffs (EC. IATA 2004)), but initially, contributions are more likely expected from the stakeholders from the inner market. The invitations to express stakeholders' opinions and to provide external suggestions are published on a specialized competition website under the headings 'Official Journal' in the following sections: 'Antitrust,' 'Mergers' and 'State aid' (EC. Consultations). Generally, as a tool to improve legal relations through legislation, public consultations are preferable at any stage: from discussing ideas on the initial level to assessing already prepared projects of legal acts. Usually, they are relevant for such steps in the decision-making process: drafting, monitoring and reformulation (CGP 2009). The stakeholders are free to express their opinions and submit proposals all the time (Yoshizawa 2013). This should be understood as their opinions, and suggestions are welcome for newly prepared projects of legal acts, or for current legislation which does not work as it was expected. This research deals with public consultations on already prepared projects on EU competition law and covers only those projects which were submitted by the EC for public discussion. The dynamics of public consultations, the activity of stakeholders and the final results of the process are indicators of effectiveness and the impulse to improve the process of public involvement in EU legislation.

The EC is free and unrestricted to decide which legal acts on competition issues should come into force directly and which previously should be publicly discussed, analyzed and possibly amended (Fishkin 2011). The EC is not obligated to take into account all received proposals and suggestions: 'The launch of a public consultation procedure however does not oblige the European Commission to follow the opinions expressed by the interested stakeholders, since the Commission remains the only one responsible for its proposals and all political decisions taken' (Mariani and Pieri 2014, 427). It can be also explained by the nature of competition law – it is part of public law (Bishop and Walker 2010). But the EC is interested in receiving support for its decisions. The role of public opinion is growing because of official EU policy and the course of EU competition law to be customer-friendly (Whish and Bailey 2012). The term 'customers' should be understood in a broad way and cover all stakeholders. Article 11 of the Treaty on European Union states that 'The European Commission shall carry out broad consultations with parties concerned in order to ensure that the Union's actions are coherent and transparent' (Consolidated version of the Treaty on European Union).

The friendliness of EU legislation for customers (stakeholders) is reflected in providing the right to participate in the legislation process for every single citizen: 'Every citizen shall have the right to participate in the democratic life of the Union. Decisions shall be taken as openly and as closely as possible to the citizen' (Consolidated version of the Treaty on European Union). This right can be executed at least providing the possibility for stakeholders to express their opinions and to provide their suggestions. EU institutions are expected to 'give citizens and representative associations the opportunity to make known and publicly exchange their views in all areas of Union action' (Treaty of Lisbon 2007).

Asking stakeholders, as they are understood in the broad meaning, to express their opinions on already prepared projects of legal acts is one way to mark additionally the importance of their participation in the democratic process. It is hard to disagree, that 'citizen participation in shaping and implementing public policies is regarded as a critical ingredient of participatory democracy' (Golubovic 2010, 38). Such participation can be assured through representatives through direct involvement.

The same instruments of public consultations with stakeholders on the national level are also implemented by the majority of National Competition Authorities (hereinafter – NCA). For instance, such consultations are carried out in the UK (Consultations. UK), Germany (Consultations. Germany), Spain (Consultations. Spain), Lithuania (Consultations. Lithuania) and many other EU countries. Nevertheless, the rate of national consultations sometimes is limited because of the fact that some legal acts are transferred from the EU level after an already completed consultation process in the inner market, and the result is obligatory for EU member states if the legal relation exceeds the territory of one EU member state (MacGregor and Gecic 2012, 426-432).

Public consultations in the EU usually are open for a minimum period of 12 weeks. Such periods for citizens, businesses and non-governmental organizations has been launched since January 1st, 2012. Previously, the duration to express opinion and provide suggestions was 1.5 times shorter (at least 8 weeks) (Extension 2009). It is a reasonable decision of the legislator to foresee the minimum duration to receive contributions and leave the possibility for a longer period in case of more difficult and sensitive projects of legal acts.

2. The dynamics and content of public consultations

The Treaty on the Functioning of the European Union (Consolidated version of the Treaty on the Functioning of the European Union; hereinafter – TFEU) and other EU legal acts devote considerable attention to competition. The competition in the inner market is regulated by a series of legal acts (regulations, notices, etc.). The part of the legal acts enacted after the process of public consultations. EC ‘incorporates external consultation into the development of almost all its policy areas’ (Communication 2002). In order to create a clear picture of this practice, it is important to know how often the stakeholders were involved in the legislation process. There are two important factors that should be taken into account: a. the dynamics of public consultations (how often stakeholders were involved into process); b. the content of public consultations (an object for discussions).

The data on the dynamics of public consultation shows how often the EC involved stakeholders in participation in the legislation process (It is reflected through the count of public consultations in a chosen field of policy). This data aims to reflect stakeholders’ participation rate while forming and reforming EU competition policy.

However, it is not enough just to have stakeholders’ opinions the consultations should meet minimal standards (Communication 2002). The consultations should correspond to general principles which are participation, openness and accountability, effectiveness, and coherence. The attention should be paid to the content of public consultations, to possible contributors, to the source to spread information about the public consultations, to the time to receive responses, and to the source where the received contributions should be published and publicly opened (Communication 2002). There are no strict rules for formal consultations – contributors are expected to express their opinions on either the entire prepared legal act project or its separate provisions. Suggestions on content improvement are highly welcome.

During the period from 2004 to 2015 July (longer than a decade), the EC launched 165 consultations on important EU competition issues. The most active years asking for public opinion were in 2013, 2012, 2009 and 2006. Further, Table 1 provides data reflecting process dynamics.

Table 1. Public consultations during the period from 2004 to 2015 July (EC. Closed consultations)

Year	Started public consultations	Year	Started public consultations
2004	6	2010	11
2005	4	2011	15
2006	21	2012	20
2007	12	2013	24
2008	14	2014	13
2009	22	2015	
		(till 01-07-2015)	3

The current data is provided in accordance with the date when the exact public consultation was launched. This reference point should be taken into account because the duration of some public consultations allow formally assigning them to a couple of years (for instance, covered December-February, November-January, etc.).

The count of public consultations is related to the major changes in EU competition law. The link with the legal reforms is in the amounts of provisions changed and legal acts amended. From the amount of consultations which lead to the appearance of new regulations, it is possible to draw a conditional picture of competition law reforms in inner market (Patel and Schweitzer 2013; Ashiagbor, Countouris and Lianos 2012).

More than a half of public consultations from 165 cover ‘State aid’ issues. The results of formal division into categories provided by the EC are presented in Table 2.

Table 2. Public consultations by the policy activity during the period from 2004 to 2015 July (EC. Closed consultations)

Policy activity	Count	Policy activity	Count
State aid	85	Antitrust / mergers	1
Antitrust	57	Antitrust – financial services	1
Mergers	8	Antitrust – transport	1
Agriculture / State aid	2	Antitrust – energy	1
Merger control	2	Liberalization	1
Air transport	2	Private enforcement	1
Maritime transport	1	All areas	1
EU law	1		

Despite the above mentioned areas (such division into areas is provided by the EC), all public consultations can be divided into three main areas – ‘Antitrust,’ ‘Mergers’ and ‘State aid.’ Some consultations cover questions related to a few areas. The reason is in tight interaction between the areas and complexity of competition law issues.

The possibility to express opinions and provide suggestions covers not only the possibility to provide a comment concerning one provision. The stakeholders also receive the possibility to assess:

- Whole project of exact legal act;
- Full package of legal acts on exact competition policy.

Some competition related issues cannot be assessed in the light of one legal act – they should be assessed by the policy reflected in a number of legal instruments. For instance, in changing the main rules related to ‘effect on trade’, the EC will need to open public consultations covering the package from a few legal acts.

3. The activity of stakeholders and their composition

From the theoretical side, participation in the legislation process while avoiding the traditional lobbying procedure should be attractive for stakeholders with low political and financial power. From the other side, current transformation in the lobbying policy increases the role of public consultations (Mariani and Pieri 2014, 432-433). The involvement of stakeholders in the public consultation process should be assessed as a possibility to have a tangible influence on the final result (content of legal act). Taking into account the proposals of stakeholders and declaring this ‘attentive point of view’ should provide the partial relative calm for the institution which published the invitation to provide the opinions and suggestions. The reason is in sharing responsibility and publicly being held attentive to stakeholders. How does the mechanism of asking for public opinion work in reality? How active are stakeholders after receiving the possibility to influence the legislative process?

The analysis of responses allows a discussion about the contradictory picture, which should be explained further. The majority of public consultations received just a few contributions; some of them even were not noticed (EC. Closed consultations). Why is the activity of stakeholders in some cases so low? The first assumption could be that the projects of legal acts which are the subject of public consultations do not cover the areas which are vitally important for competition law. But the content analysis of public consultations allows for the denial of this assumption. Stakeholders had possibility to express their opinions and provide their suggestions drafting legislation in all areas. The second assumption is that groups of stakeholders were not interested in the exact questions of public consultations. In order to examine this assumption, it is important to distinguish the groups of stakeholders.

There are a variety of subjects having the possibility to participate in the process of public consultations as contributors. They can be divided into two large groups:

- Stakeholders, directly or indirectly interested in the advantages of legislation;
- Public authorities and NCAs.

The representatives from the first group are interested in the final result (law, legal relations) personally. The representatives of the second group are interested in the result because of their public functions. Both groups are supposed to be active in providing proposals and suggestions. The NCAs are expected to be active because their professional aim is to ensure a fair competition in the market by improving legislation and simplifying processes. On one hand, the contribution of NCAs is flowing from their mission and professional perspective. On the other hand, NCAs should understand the importance of public consultations because similar procedures are usually foreseen in national regulations. As it was mentioned before, such procedures are carried out in the UK (Consultations. UK), Germany (Consultations. Germany), Spain (Consultations. Spain), Lithuania (Consultations. Lithuania) and many other EU countries.

The analysis stakeholder contributions shows that the composition of active stakeholders depends on the importance of questions to be discussed, especially cases affect stakeholders or their clients personally. This is the reason why there is a high percentage (in comparison with NCAs) of contributions received from the legal offices. Usually, the contribution of legal offices is based on their previous experience dealing with the issue.

The responses show that range of contributors is wide (NCAs, other authorities, legal offices, companies, etc.). Some public consultations received even individual contributions. For instance, revising *de minimis* rules for agreements which are prohibited by Article 101 of TFEU but has insignificant effect on competition in inner market (Consultation. De Minimis 2013) were received contributions from Professor Georgio Monti (Monti 2013) and Saskia King (King 2013). Such responses are not less valuable in comparison with the responses from institutions (Monti widely is known as a competition law professional). In individual contributions, King even noticed that the prepared project was based on a decision of the EU Court of Justice in the Expedia case (Case C-226/11 2012) without proper analysis of its semantic content: 'It is not clear whether the Commission has sufficiently considered the issues involved regarding the *de minimis* doctrine and its relationship with the concept of object.' The strongest side of this contribution was in provided arguments. The main value of contributions is in the ability of stakeholders to provide reasonable opinions, suggestions, criticism and approval.

How did the stakeholders contribute to the invitation to express their opinions? The content of received contributions:

- Agreeing with the EC proposals (without additional suggestions);
- Generally agreeing with proposals of EC providing minor proposals how to improve them;
- Providing reasoned suggestions how exact legal relations should be regulated (proposals for serious amendments).

In this context a proposal should be understood as the project of a legal act. The majority of contributions were related to the exact provisions of particular projects. This means that projects received positive assessment with the proposals to amend one of few provisions. Taking into account that projects of legal acts were aimed to change legal acts which were in force, the contributors had the possibility to support their arguments with the data about success or failure of already practically tested provisions. On the other hand, EC projects were based on such assessment. Here, the experience of EU member states is also important.

The relatively poor activity of NCAs can be explained by a few options: 1. The NCA found that the issue is not actual for national legislation or practice yet; 2. the NCA seeks to prevent limited resources (human, financial, etc.) from participating in the process of EU public consultations; 3. the NCA supports the initial proposal of the EC and does not wish to waste time additionally expressing a supportive position. Other reasons are also possible but less expected. However, a supporting position is also a position and is preferable to be expressed by the NCAs.

What was a possible expectation from the NCAs? Each member state has at least one institution responsible for competition issues. The change of EU member states during the period from 2004 to 2015 is

- Before 1 May, 2004 – 15;
- After 1 May, 2004 – 25;
- After 1 January, 2007 – 27;
- After 1 July, 2013 – 28.

The activity of NCAs can be determined partly by comparing the count of EU member states and related NCAs with received contributions (responses). The part of public consultation even did not receive any contribution from NCAs. The point of view on EC public consultations is a separate question for discussion – if NCAs are not active

providing contributions for EU legislation, how can NCAs expect the high activity of stakeholders when they publish issues for national consultation?

The logic of activity for other stakeholders is different. They should be and sometimes are especially active on issues directly affecting their daily practice. Few consultations caused the high activity of stakeholders. For instance, during the period from 30 June, 2004 to 6 September, 2004, the EC received contributions from almost all main flight companies (EC. IATA 2004). The issue to discuss touched a few sensitive questions of their activity (e.g. passenger tariffs on scheduled air services). This consultation received contributions from Danish, Finnish, German and UK NCAs. French authorities also provided compiled responses. The global importance of such issues can be illustrated by receiving responses also from non EU public authorities (Jordan, Kuwait, etc.).

4. The effectiveness of public consultations on competition issues

Every single process requires evaluation in order to answer the following questions: a. if the process is still necessary and productive; b. how effective is it during the time of evaluation. Answering those questions is helpful to decide if it is necessary: a. to continue the process or to abandon it; b. to keep it as it is or to start searching how to improve it. In the narrow way, the effectiveness of public consultations could be understood as result of the assessment of:

- The factual situation before the law after public consultation came into force;
- The factual situation after law came into force.

In other words, the final process should be assessed by the contribution of the public consultation. However, this approach is partially flawed. The reason is in the narrowness of research. Usually, researchers forget about the complexity of the issue. It is not enough to assess the impact of contributions received to one single public consultation; other factors are also important (economic, political factors, etc.). Also, it is important not to forget about the impact of other legal acts. This is caused by the complexity of the legislation and interaction between their provisions (Whish and Bailey 2012). But such research would be relevant and useful in order to determine the effectiveness of the result of public consultation because the effectiveness of the process is enough to determine other factors.

The effectiveness of the public consultation process can be measured after assessing a number of relevant factors, including the assessment of:

- Initial content of legal acts' project;
- Activity of stakeholders providing proposals and suggestions;
- Reasonableness of provided proposals and suggestions;
- Final content of legal act;
- Other factors.

It is important to take into account the fact that if there were no changes to the project of a legal act, it cannot be explained as a failure of the public consultation procedure. The public consultations are not aimed to receive criticism – the positive answer (consent with the content) is also welcome. For instance, the public consultations were launched before adopting the new rules for the assessment of the technology transfer agreements under EU antitrust rules. The positive feedback allowed for the improvement of former legislation: 'The Commission has made incremental improvements to the current regime, which overall received positive feedback from stakeholders in the two public consultations' (CSWD, 2015). The improvements were assessed as to having an effect to 'stimulate competition and innovation'. The process of public consultations is still effective despite stakeholders mainly approving already proposed improvements. Generally, the process of public consultations could be compared with the reviewing process.

Based on the data about amended and non-amended projects of legal acts after the contributions were received, in some cases the EC took into account the proposals of contributors (EC. Closed consultations).

Contributions of stakeholders are reflected partly in annual Reports on Competition Policy (Communication from the Commission and the Commission Staff Working Paper). The mentioned documents also provide short information about selected public consultations annually, (For instance, the Commission Staff Working Paper 2014, which was prepared in 2015, states, 'Following extensive consultations with Member States and stakeholders, the new rules, contained in the new Risk Finance Guidelines and in the new GBER, entered into force on 1 July').

Usually, just a few public consultations are mentioned. But the most important source to analyze (excluding the analysis of the closed public consultations with the contributions received) is known as ‘Final Impact Assessment Reports’ (EC. Impact Assessment). Such detailed and logically structured reports are prepared for competition issues as well. The Impact Assessment Board also proposes the summary of public consultations, which is divided into sections ‘Context,’ ‘Overall opinion,’ ‘Main recommendations for improvements,’ and others. Despite the positive overall opinion, it is useful to analyze the section ‘Main recommendations for improvements.’

Together with the assessment of the above mentioned factors, it is important to state that the effective public consultation procedure is when:

- The possibility for stakeholders to express their opinions is provided;
- The terms and conditions to express opinion is convenient for stakeholders;
- Stakeholders are active in providing their contributions.

The current mechanism needs to be assessed in several ways. At least two components from the list above are fulfilled – the possibility to contribute is provided to stakeholders and the term (period of minimum 12 weeks) is sufficient to prepare contributions. From the side of the EC, the background for effective public consultations is prepared. The same conclusion rises from the analysis of ‘Final impact assessment reports.’ The activity of stakeholders could be higher. This could be said about the NCAs. Nevertheless, some public consultations received enough attention from the stakeholders.

5. Conclusions

Despite the traditional opinion about the nature of the competition policy (being part of public law), the involvement of stakeholders in public consultation procedures is constantly increasing. It is reflected as a growing possibility to express their opinions and submit suggestions easier and faster. The aim to involve citizens and other stakeholders in the legislation process reflects general EU policy.

The activity of stakeholders mostly depends on the importance of the issue for them. Such involvement is understood in the case of private stakeholders, but in the case of the public authorities and especially NCAs, a higher level of participation in EU legislation processes is expected.

There are a few cases when the NCAs were active in providing contributions during the public consultations. Usually, the poor activity of NCAs can be explained by a few options: 1. The NCA found that the issue is not actual for national legislation or practice yet; 2. The NCA seeks to prevent limited resources (human, financial, etc.) from participating in the process of EU public consultations; 3. The NCA supports the initial proposal of the EC and does not wish to waste time additionally by expressing a supportive position.

But the effectiveness of public consultations cannot be measured only by assessing the involvement of an exact group of stakeholders. It is important to assess if: a. the possibility to express opinion is granted; b. the terms and condition to express opinion are convenient; c. the stakeholders actively participated in public consultation process.

The main value of contributions is in the ability of stakeholders to provide reasonable opinions, suggestions, criticism and approval. Not only negative but also positive responses are welcome. The EC also provides convenient tools to analyze the responses of contributors. It is known as ‘Final Impact Assessment Reports.’

The analysis of EU legislation and practice states that all possibilities to participate in the public consultation processes are granted. The period of minimum 12 weeks is sufficient to express external opinions. The tool is provided, and the tool is effective (the EC is taking into account received contributions), but the tool is not as popular as it could be expected.

6. Suggestions

The possibility for stakeholders to participate in the legislation process from the formal side is granted. Their effectiveness of the process can be raised by spreading information about public consultations generally, and about the possibilities to contribute widely. Currently, information is available on the official website, and some external sources are reprinting press releases from the EC. Subscription to newsletters helpful in receiving information from the official source works in case of legal offices and NCAs. But ordinary possible stakeholders (companies,

organizations, etc.) do not subscribe to such newsletters or do not visit related websites constantly. Duplication of data in major information spread sources could be helpful in order to reach higher audience.

The annual Reports on Competition policy and other related reports should pay more attention to the contributions of stakeholders. It would be helpful to find information as about public consultations and about impact of received contributions there. The annual Reports on Competition policy should be illustrated with the data on the systemized overall opinion of contributions from ‘Final impact assessment reports.’

NCAAs should be highly encouraged to express their opinions for each public consultation. The experience of NCAAs and the opinions of experts working there is highly valuable in drafting the legislation for the inner market. The recommendation for NCAAs to be active in contributing to EU legislation can appear as a separate provision in a legal act.

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CHALLENGES FOR NETWORKED SOCIETY

EFFECT OF NETWORKED WORKPLACE ON EMPLOYEES' WORK-LIFE BALANCE. DIFFERENCES BETWEEN POPULATION OF MANAGERS AND STAFF

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Abstract

Technostress is examined on various aspects in the scientific literature – the connection with the individual's gender, age, education, length of work activities, etc. are reviewed. There are few researches on how technostress affects leaders and other workers. In this article, we aimed to investigate whether there are differences between work positions and socio-emotional effect of working after work hours. It was shown that due to the work position, managers have better preconditions to ensure their occupancy rate and, at the same time, to reduce technostress and to improve work-life balance.

Keywords: technostress; ICT; work-life balance; organization management; subjective wellbeing.

1. Introduction

Craig Brod described technostress as a health disorder arising from an individual's inability to rationally adapt to the environment filled with technologies (Brod, 1984). In contemporary discourse, researchers study the effect of technostress to the work efficiency and job satisfaction (Brillhart, 2004; Tarafdar et al., 2011; Ayyagari et al., 2011; Murray and Rostis, 2007; Van Steenbergen et al., 2009; Park and Jex, 2011; Peeters et al., 2013; Ragu-Nathan et al., 2008; Yu et al., 2009; Barley et al., 2011; Ungku et al., 2012), discover individual's reaction to technostress (Tarafdar et al., 2013; Brooks, 2015; Hung et al., 2015; Lee et al., 2014; Jena and Mahanti, 2014; Killion et al., 2014), analyze personal characteristics' influence to technostress intensity (Yin et al., 2014; Çoklar, 2011). Some studies discuss technostress link to gender and age (Van Deursen et. al., 2015), and only a few publications analyze an impact of leader behaviour to employees' technostress (Fieseler et al., 2014). There also exists a gap in discussion on differences of technostress in managers' and professionals' populations. Taking into account the manager's role in work load design and staff dependence on it, the article aims to investigate whether there are differences between work positions and socio-emotional effect of working after work hours. With reference to the results of a large sample factor analysis, our observations are taken in the context of technostress.

2. Theoretical background

2.1. Challenges in networked workplace

The networked workplace is becoming a Standard in modern organizations. In parallel, technological progress creates an environment in which constant quickening and widening of innovations seems not only rational, but mandatory. On the other hand, this model does not evaluate the human's physical and psychological abilities. Workers have to adapt to special pace of changes, maintain constant creativity, professional insight and work motivation. Researches show that fast pace of innovations overload workers psychologically and emotionally which can lead to an irreversible burnout. Researches on workers' emotional burnout show that negative

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consequences of overexertion may be felt for four to eight years and vary between physical and psychoemotional changes to cynicism in the aspect of work, clients, co-workers and other, i.e. changes in attitude (Leiter et al., 2013; Weber and Jaekel-Jeinhard, 2000). Due to this reason, organizations should be interested in searching the ways which can help to reach best results in the given situation. Andy Lake (2013) notices, that in organizations workers are becoming less observed by their leaders, i.e. in offices. As a result, trusting workers and believing that they do not waste time dedicated to work is becoming more and more important. Workers also have to reorient. New type of work organization requires new competences. Firstly, leaders have to develop their communicational skills because it is more often necessary to communicate with employees through technologized channels rather than directly. Also, all groups of employees need to learn how to effectively collaborate and manage misunderstandings, because when working in different geographical locations, employees know each other less and cannot overcome joint work challenges through ordinary means. Despite all the challenges, the organization's schedule must include attention to healthy work conditions and maintenance of balance between work and rest (Lake, 2013). In most occasions, it is specifically the work conditions made by the leaders that force workers to make unfavorable decisions on their health, e.g. not dedicate enough time for rest, not ensure adequate physical activity, restrain the relations with friends and reduce the intensity of interaction with family, abandon interests. Organization leaders still do not have an adequate understanding about the limitations of workers who work using modern informational and communicational technologies. This fact is supported by our survey of 1013 people who use ICT for their everyday work. 71 per cent of the questioned noticed that with the involvement of new technologies to complete assignments, leaders expect higher and higher results in decreasing period of time, but do not evaluate that the input and output information is being processed by people, not computers.

The conclusion is that organizations should parallel and responsibly look after the long-term assurance of employee productivity, understanding that the employee's health is an essential assumption of his efficiency.

2.2. Technostress as a consequence of networked workplace

Thanks to modern ICT, employees are potentially reachable anywhere, anytime. Employees experience organization's (work) interference into their personal space and time. Due to this reason, they eventually start feeling frustration and tension. Imbalance of work and personal life is evaluated as a consequence of technostress by the researchers. For example, a study carried out by Murrari and Rostis (2007) showed that e-mail, cellphones, message receivers and other mobile equipment cause stress because they allow work to integrate into time and place dedicated to family and self: modern employees widely use ICT to accomplish work assignments at home. When limits between work and non-work fade out, life quality decreases as well as workers' productivity.

Technological stress caused by informational communicational technologies may be defined as direct and indirect effect of technology use on person's behavior, thinking, provisions and psychology (Rosen, 1997).

One of the most quoted researches of the field, carried out by Taradar et al (2011) shows that the growing informational system of organizations (further – IS) directly affect the workers' psychoemotional wellbeing: as much as 80 per cent of the research participants admitted feeling increased tension caused by the use of ICT in everyday work. The authors of the research determined that the main assumptions of technostress appearance are: techno-overload, techno-invasion, techno-complexity, techno-insecurity, and techno-uncertainty.

Technostress assumptions indicated by Tarafdar et al (2011) became the starting point of modern technostress researches.

It should be noted that the assumptions of technostress are closely intertwined with each other and create a strengthening system. On the other hand, an important role is played by the characteristics of the technologies itself, which develop a psychological attachment and exaggerated expectations towards ICT possibilities. Ayyagari et al (2011) discovered that particularly usability, intrusiveness and dynamism of technologies cause a work overload, ambiguity of roles, privacy violations, work – home conflicts etc.

However, scientists notice that not all workers evaluate the situation when ICT has to be used intensively for a long time at work in the same way. Series of researches in organizations showed that the differences in the evaluation of situation are determined by both personal and organizational variables. Researchers separate internal and external factors of technostress that depend on the worker. For example, Brod (1994) links the probability of technologies used for work to cause stress for a specific worker with factors such as experience of technology use, worker's age, possibility to control the work extent and results, overall climate in the organization.

In general, consequences of technostress can be physical, psychoemotional and functional (behavior). Physical consequences include the development or exacerbation of chronic health problems, weakening of immunity, eye

and bone-muscle system disorders etc. Psychoemotional reaction to stress causing conditions includes employee's disappointment in work, depression, negative self-evaluation, slumped self-confidence, so called „computer anxiety“, panic attacks etc. Functional or behavior changes manifest in decreased productivity, deteriorated quality of work completion, absenteeism (truancies becoming more frequent, tendency to leave the workplace) etc. (Juul-Kristensen et al., 2006; Todman and Drysdale, 2004).

2.3. Work-life balance and subjective wellbeing

Wellbeing is a multicomponent concept focused on health in physical, mental, and social domains (Hird 2003; Buffet et al., 2013).

In academic literature, well-being is classified to objective, subjective and synthesis of both. Objective well-being is understood as a concept free of individual's feelings, preferences and estimations. Major domains of objective wellbeing are: health and basic survival, economic, environmental, cultural, social, and political (Xing and Chu, 2011), cited by Shulte et al. (2015). In contrary to objective well-being, subjective well-being typically refers to self-reports.

With regard to work, well-being could be described as an outcome of situation derived from work conditions, including such factors as stress, respect, work-life balance, and income, as well as workplace management, employee job control, psychological job demands, work organization, effort and reward, person-environment fit, and so forth (Schulte et al., 2015).

Park and Jex (2011) who investigated the overlap of work and personal time proved that by separating the work and personal life fields, creating more restrictions for carrying out work assignments after work hours may be beneficial for preserving workers' psychological, emotional wellbeing and most importantly their efficiency. Constantly being online causes annoyance not only to the person due to not being able to dedicate all attention to relatives, mode of life or rest, but also causes displeasure for his family members. Due to these intertwined reasons, worker's work out of work and after work hours becomes nonproductive because under these conditions the person is constantly being distracted by the environment and people around him who are not co-workers interested in the organization's goals. However, due to personal affairs being pushed aside, they have to be taken on later. Therefore, employees plan personal time at work, handle their personal affairs in electronic platform, communicate with friends etc. (Raišienė and Jonušauskas, 2011). A situation when employees wander between personal and work affairs both during work hours and after them. Researches by Van Steenbergen et. al (2009), Peeters et. al (2013), Park and Jex (2011) proved that frequent overlap of work and family affairs causes not only various tensions in workers, but also emotional exhaustion, depression, dissatisfaction in work and life in general. Researches show that those working 48 hours a week or more had greater health problems than those working less hours (Danna and Griffin, 1999, p. 372). Of course, these consequences affect the organization's, in which these employees work, opportunities to successfully develop activities and require more resources.

Newest researches revealed that managing perceptions regarding organizational support for work-life balance is more important than actual support practices (Stavrou and Ierodiakonou, 2015). This means that organizations must support work-life balance as a value and develop workers' comprehension on how to maintain high efficiency and good physical and psychological health.

3. Research methodology

In our research, we examined a proposition that *since work positions are linked to unequal possibilities to manage own work load, managers are in a more favorable situation compared to the staff in a context of work-life balance*. For the research we used a transactional approach, which deals with environmental demands and how these can be satisfied by an individual's resources and abilities.

The research was organized in two steps.

Firstly, we aimed to identify key factors and their defining variables that determine technostress in a particular population. The survey was composed of seven segments:

1. ICT in the organization.
2. Properties of job assignment organization and accomplishment.
3. ICT and personal time.
4. Dependency on ICT.
5. ICT and self-consciousness.

6. Satisfaction in work and personal life.
7. Socio-demographic data (gender, age, children, represented work sector at organization, work position at organization).

The survey participants were given a closed type questionnaire and asked to express their opinion. An inquiry of 71 questions was spread in the population with the help of a public opinion poll web-page. An invitation to participate in the survey was also distributed in social networks (Facebook, LinkedIn) and with chain e-mails. 1013 properly completed questionnaires were received. Survey participants represented sufficiently different organization sectors and work position (Table 1).

Table 1. Organization sectors and work positions represented by survey participants

Sector:	N	Position at organization:	N
Individual business owner	44	Head	140
Production	89	Professional	480
Services and facilities	514	Administration staff	215
Commerce	73	Operational staff	161
Education	142	Other	17
Public administration	124		
Other	27		
Total	1013	Total	1013

A principal component analysis (PCA) of the research data gathered during the research was conducted on the 71 items with orthogonal rotation (varimax). The Kaiser–Meyer–Olkin measure verified the sampling adequacy for the analysis, a KMO value of 0.932 was obtained. This shows that the *sample adequacy for explored factor analysis is superb*. The analysis has also shown that the Bartlett's test of sphericity $\chi^2(2485) = 34447.027$, $p < 0.001$ and is lower than the selected level of significance with a reliability of 95% and 99%. Hence, a conclusion is made that *the data is adequate to conduct a factor analysis*.

An initial analysis was run to obtain eigenvalues for each component in the data. 14 components had eigenvalues over Kaiser's criterion of 1 and in combination explained 60.605% of the variance. We finally keep 13 components, which explain 59.130% of the initial data dispersion.

The questionnaire scale internal consistency was evaluated using Cronbach's alpha coefficient. In our case, the Cronbach's alpha values of technostress factor scale fluctuate from 0.554 to 0.915. It can be stated that the internal consistency of technostress factor scales varies from average to very good.

In the next stage of the research, we analyzed survey results in the factor F7 - Socioemotional effect of work after work hours (Table 2). Answers of managers, professionals, administration and operational staff were separated.

Table 2. Questions in factor F7 – Socio-emotional effect of working after working hours

Factor	L	%	α
F7. Socioemotional effect of working after working hours			
When I'm working from home after working hours or on weekends, it causes frustration of my family	0.818		
When I'm required to work from home after working hours, it makes me irritated	0.792		
Working after working hours harms family and relations with friends and relatives	0.753	2.677	0.845
Although ICT provides me with a possibility to accomplish urgent assignments in the evenings, on weekends and during vacation, it reduces the quality of my personal life	0.723		

L – factor loadings, % - percentage of variance explained, α – Cronbach α value

The survey participants were asked to express their opinion by five-point Likert scale: „Strongly disagree”, “Disagree”, “Neither agree nor disagree”, “Agree” and “Strongly agree”, where the answer “Strongly disagree” was evaluated by 1 point and “Strongly agree” by 5 points.

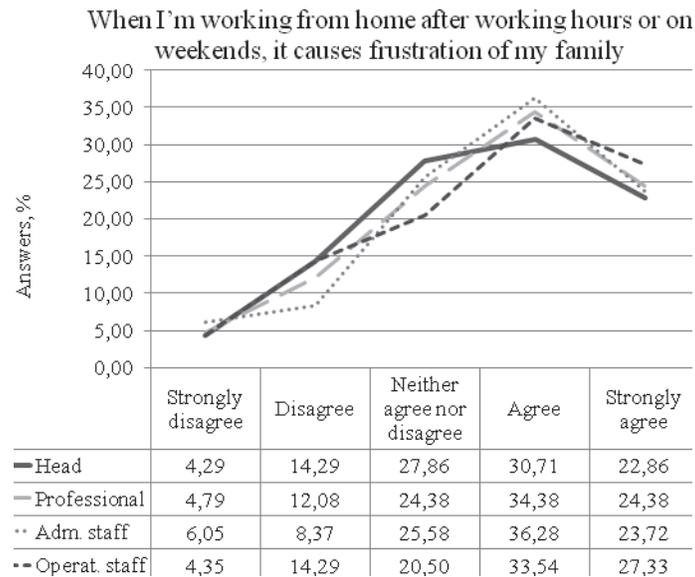
The score was calculated to percentage and illustrated graphically.

4. Research results

The factor F7 – Socio-emotional effect of working after work hours - consists of 4 statements:

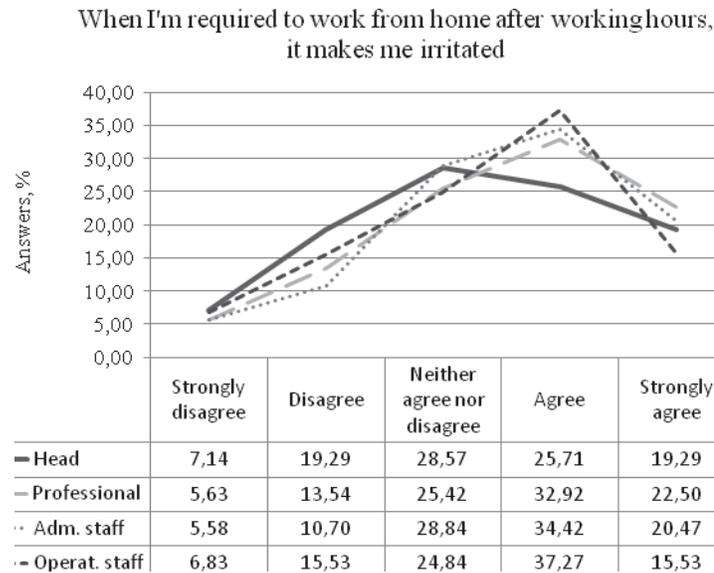
1. When I'm working from home after working hours or on weekends, it causes frustration of my family.
2. When I'm required to work from home after working hours, it makes me irritated.
3. Working after working hours harms family and relations with friends and relatives.
4. Although ICT provides me with a possibility to accomplish urgent assignments in the evenings, on weekends and during vacation, it reduces the quality of my personal life.

Research results reveal that working after working hours definitely negatively affects the person's family in all groups of employees. However, the relatives of leaders are least frustrated (marked by 54 per cent in leaders' group). In other groups, dissatisfaction of relatives was noticed by 59 percent of professionals, 60 percent of administration and 61 percent of operational staff (Figure 1).



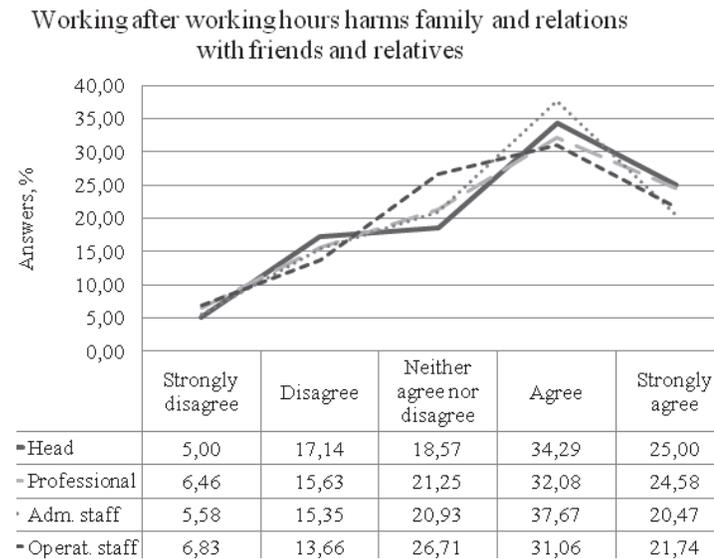
**Figure 1. The differences between work positions:
When I'm working from home after working hours or
on weekends, it causes frustration of my family**

Especially striking differences are observed between employees in different work positions when speaking of the irritation of individuals' themselves when they are required to work after working hours. As Figure 2 illustrates, this situation is stated unsatisfactory by 45 percent of managers, 55 percent of professionals and administration staff, and 53 percent of operational staff. As is known from decision making theory, people are more satisfied and likely to support their own decisions rather than orders. In reference, we may think that the decision to work after working hours is determined by external requirements and not by the employees themselves. Once again, due to leaders having more favorable conditions to make independent decisions (including whether to work during or after working hours), they not only support the statement least of all, but also disagree with it, which shows that the managers' situation in this question is more favorable than that of other employee groups (Figure 2 again).



**Figure 2. The differences between work positions:
When I'm required to work from home after working
hours, it makes me irritated**

All respondent groups understand well that working after working hours harms family and relations with friends and relatives (statement supported by 53 to 59 percent of respondents). Thus, it would be incorrect to state that managers or employees do not understand the importance of work-life balance. However, it is interesting that managers understand it best (Figure 3).



**Figure 3. The differences between work positions:
Working after working hours harms family and relation
with friends and relatives.**

The last statement approves the technogenic origin of the technostress we're investigating. The respondents evaluated the following statement: "Although ICT provides me with a possibility to accomplish urgent assignments in the evenings, on weekends and during vacation, it reduces the quality of my personal life". This statement was supported by 59 percent of managers, 54 percent of professionals, 55 percent of administration staff, and 47 percent of operational staff (Figure 4).

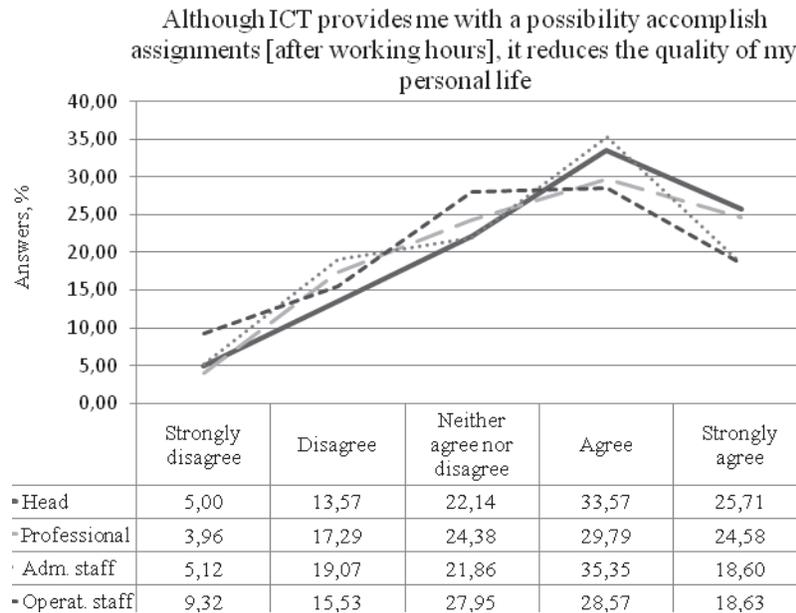


Figure 4. The differences between work positions: Although ICT provides me with a possibility to accomplish urgent assignments in the evenings, on weekends and during vacation, it reduces the quality of my personal life

5. Discussion and further research prospects

The research results highlighted a general tendency to the better work-life balance in the sample of managers.

We have found that managers more rarely agree that working after work hours causes frustration to their families. There is no rationale to think that managers' families are of higher tolerance to the non-existence of work limits. It is more probable that these results are determined by the fact that managers have better opportunities to control the scale of their assignments and work after working hours less often.

The research has also shown that leaders feel significantly less irritation when they are required to work after working hours. Due to manager's wider latitude in work load design, two assumptions might be held for further discussion: i) managers plan their assignments in a way as to work after working hours less, thus being irritate less if they have to work longer; ii) due to managers having full information on work situation and clearly understand the importance of their assignment completion in connection to the future work perspectives, it increases their motivation and willingness to dedicate time for work after working hours.

Based on the results of the research we may state that all groups of respondents understand well that working after working hours harms family and relation with friends and relatives. Thus, both managers and employees understand the importance of work-life balance well.

It is interesting that work with the help of ICT and wellbeing is linked together by managers even more so than employees. In future researches it would be beneficial to verify a theoretical assumption that employees see a problem not only in the intensity of ICT use as a mean for work, but in the work organization itself. If the assumption proves true, it would once more prove that managers should take on a bigger responsibility for employees' wellbeing.

Although stronger evidence is required, the main conclusion of this research is that employees' work-life balance in the networked workplace, which is a premise for technostress in itself, is closely related to the adequate

work load planning at organization. Due to the work position, managers have better preconditions to ensure their occupancy rate and, at the same time, to reduce technostress and to improve work-life balance.

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CURRENT ISSUES IN BUSINESS AND MANAGEMENT

LEAN MANAGEMENT IN SERVICES – A VALUE STREAM VIEWPOINT

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Abstract

The purpose of this study is to formulate a postulate for Lean Management methodology when it is implemented in services. This is a conceptual study based on an in-depth literature review. It considers value stream principles referred to service theory. Five premises are developed referring to the service value stream. These premises are in fact management challenges appearing when Lean methodology is applied to services. The study concludes that the Lean Management approach can play the role of a conveyor belt linking customer experience to organizational improvement efforts. The proposed premises show the directions for future research, and also make practical postulates for service management. The confrontation of the service value stream principles as they are understood by Lean methodology with the service theory brings a new perspective to Lean Management implementation within services.

Keywords: Lean Management; Lean Service; value stream; Lean principles; service science, co-production.

1. Introduction

Lean Management has successfully passed its practical tests, first of all in the automotive industry, and companies therein have experienced outstanding productivity growth in recent decades. Now, the manufacturing world is pretty experienced in Lean principles; tools as well as the transformation process. In service industries Lean Management has not been so widespread. The Lean methodology is being implemented by some service companies, and wider implementation is noticed in healthcare services (Burgess and Radnor, 2013). Lean Management transformation in service organizations faces some doubtfulness and dilemmas (Leyer and Moormann, 2014; Carlborg et al., 2013). The service concept is widely discussed in the literature, and authors present numbers of theoretical works specifying differences between goods and manufacturing processes (Grönroos, 2007; Vargo and Lusch, 2004). The basic Lean principles and deliberations on service concept form the framework of this study.

The aim of this study is to identify the distinguishing features of Lean Management when it is implemented in service organizations. The study is a conceptual work based on a comprehensive literature review including publications from both Lean Management and service science fields. The deliberation logic relies upon the value stream concept, which in Lean is a real axle around which rotates all improvement initiatives. Value stream principles are confronted with the fundamental service characteristics mentioned in the service literature. The output of the study is a number of premises which present the challenges faced in Lean implementation in the service sphere.

2. From Lean Manufacturing to Lean Service

Lean Management is a comprehensive approach to management. Its popularity started almost three decades ago with the fundamental work by Womack et al. (1990) entitled *The machine that changed the world*. The still rising popularity of Lean has demonstrated that “the machine” still works well, indeed it seems to continually accelerate. Undoubtedly, the popularity of the Lean approach has its origins in the unusual productivity increase gained thanks to it. Cusumano (1988) presents productivity indicators of Japanese and American carmakers over a period of thirty years. In the mid-fifties automotive manufacturers produced approximately 10 cars per employee yearly, but in the

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mind-eighties Toyota produced 60 items per head, Nissan 42, GM 11, and Ford 15. According to Piercy and Rich (2009), the gap in quality between Toyota and western automotive manufacturers is 1:100 - measured as the number of defects found in the first inspection at the end of the production line. The enormous size gap in productivity and quality which appeared between car producers became an outstanding causative factor in the spread of Lean within the automotive industry, as well as in other manufacturing industries.

Lean principles and methodology are also applicable in service industries. According to Suarez-Barraza et al. (2012, p. 362), managers from the service industry are becoming more and more interested in how Lean Service methods can be applied, and they desire success stories of its application so they can make use of Lean methodology to bring improvements in their own companies. At the same time, authors argue that in financial services there is only moderate Lean thinking (Leyer and Moormann, 2014). Carlborg et al. (2013) conclude that Lean principles influence the service productivity of different service types differently.

Supposedly, there is a huge potential for improvement in services in terms of quality and productivity. A research project reports, for example, that in Great Britain 86% of adults complained of receiving poor quality customer service (Acland, 2005), and most of them shared their experiences with others. According to research conducted on German, French and British customers of customer service centres only 6% of them rated the provided services as excellent (EMEA 2011).

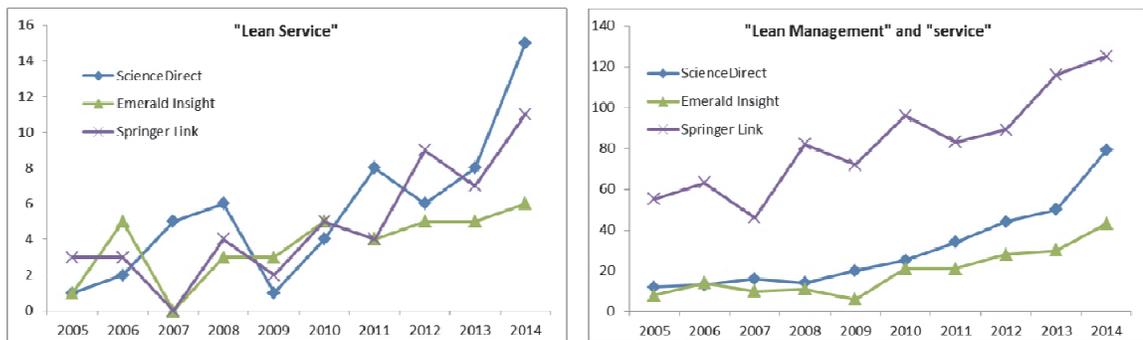


Figure 1. Number of publications in the last ten years (a) 'Lean Service', (b) 'Lean Management' and 'service'

Fig. 1 presents the number of publications on Lean in services in three widely known scientific databases: ScienceDirect, Emerald Insights and Springer Link. The search in three databases was carried out for two sets of keywords '>Lean Service<' and '>Lean Management' and 'service<' using the method 'search in any field' of database - title, abstract and keywords. In the last ten years there has been a noticeable increase in interest in Lean in services. Comparing the number of publications from 2005 with publications dated in 2014 there was a multiple increase in the number of publications in each database. This reflects the intensive work of science towards bridging the knowledge gap associated with the vital question for the service industry of how to apply Lean Management methodology in service organizations.

3. Value stream – a central point of Lean Management

The first western explanation of how Lean really works was provided by Womack and Jones (1996), and this book is still frequently read and cited. The authors (Womack and Jones, 1996) present five principles of Lean Management, which are as follow: (1) specify value, (2) identify the value stream, (3) make smooth the flow, (4) introduce the pull system, and (5) aim towards perfection. All the principles lead to having a smooth, fast and efficient value stream in a company. Another fundamental publication for Lean is Toyota Production System, by Liker (2004). Seven out of the fourteen Toyota principles formulated by Liker (2004) are focused on the appropriate flow of processes. In Toyota they believe that in most business processes only 10% add value, and the rest are waste (Liker, 2004).

The customer expects value, and if this is not delivered, s/he will not be eager to buy a product, and will eventually find another supplier. The value stream remains in close and direct connection with the customer's expectations and needs. According to Tapping and Shuker (2003), the value stream consists of everything,

including non-value-adding activities, that makes the transformation from raw information and materials to what the customer is willing to spend his/her money on. This is the cross-functional sequence of activities that is responsible for giving the customer what is required, when and where it is required, without hassle (Bicheno, 2008). Authors underline that this is not only a sequence from “door to door”, but is also comprised of suppliers and buyers/customers (Womack and Jones, 1996; Rother and Shook, 1999). In Toyota attention is devoted to three types of streams: material flow, information flow and flow of people in the production system. The analysis of the value stream is focused on what creates value (in the customer’s eyes) and what does not (Tapping and Shuker, 2003). There are also studies which indicate the fundamental meaning of the value stream in service industries (Jylhä and Junnila, 2014; Chadha et al., 2012; Piercy and Rich, 2009; Piercy and Rich, 2009a).

4. Value stream in the service context

The product carries the value from a company to a customer, and arises at the end of the company’s value stream, so that it is naturally an essence of value stream analysis. The value stream mapping technique, one of the most influential diagnostic Lean tools, starts its analysis from product families’ assessment (Womack and Jones, 1996). The manufacturing value stream aims to send a customer highly valuable goods. But a service is a process consisting of, to some extent, intangible activities very often performed in interactions between the customer and service employees and/or other elements (Grönroos, 2007). This implies that a service product is not an output of the value stream but an integral part of at least some steps of the stream. Authors argue that because of fundamental service characteristics, some unique problems for managers eventually occur (Haksever et al., 1999). In the following sections the crucial service characteristics and their consequences for value stream diagnosis and improvement according to Lean methodology will be examined.

4.1. Value as a starting point

Service theory is focused on value perceived by customers and Lean Management alike. In Lean Management value is considered very practically – value is something that a customer is willing to pay for (Tapping and Shuker, 2003). Service theory underlines the potentiality of value in what a company offers to customers. A firm is only a value facilitator (Grönroos, 2011) because it provides resources and processes for the customer’s use (Grönroos and Voima, 2013). It can only make value propositions that strive to be better than those offered by others (Vargo and Lusch, 2004). The service perspective underlines value as hidden in the experiential customer sphere. Value in use emerges outside direct interactions, and it is created through the user’s accumulation of experiences with resources and processes in social, physical, mental, temporal and/or spatial contexts (Grönroos and Voima, 2013). Researchers shed some light on value emerging in the service experience. Haeckel et al. (2003) state that customers desire intangible values more than functionality, for example a sense of control and enhanced self-esteem. Hunter (2011) argues that the foundations of excellent service are the manifestation of the core values of respect, compassion and hospitality.

Premise: Value, considered in Lean methodology, is primarily monetary in nature. The service perspective calls for noticing a very wide spectrum of intangible values emerging through the customer’s experience. While bettering the value stream, the service company, apart from providing what a customer is willing to pay for, should carefully observe all signs concerning customer experience.

4.2. Smooth flow – muda elimination

The Lean Management leitmotif is for a company to possess an endlessly smoother, faster and more agile value stream. Every obstacle which stops the flow, causes delays and slows things down is considered as waste – named from the Japanese *muda*. Muda is any human activity which absorbs resources but creates no value (Womack and Jones, 1996). Thiichi Ohno (1988) from Toyota proposed a list of seven muda: (1) defects, (2) overproduction – production not needed at the moment, (3) processing that is not needed, (4) inventories, like stock of parts in processing or goods, (5) unnecessary movements of employees, (6) unnecessary transport of goods, and (7) waiting by people. This list of muda has been an inspiration for many in looking for waste, and it has been expanded in many ways. The key issue in Lean is to recognize every possible kind of muda in a company. The paradigm of Toyota is to cultivate the ability to see muda (Hino, 2006).

The muda types mentioned by Ohno above may occur in a typical service company, but there is also useful inspiration to find new muda in services. For example, muda of overproduction – which in manufacturing means to produce more items than can be sold at the moment, and in services consists in doing work not required by customers (Emiliani and Stec, 2004). Services are perishable (Fitzsimmons and Fitzsimmons, 2008), and therefore one cannot make services on stock, but can do many more activities than is necessary to serve a customer. It eventually affects negative customer experiences and decries value in use for the customer. At the same time the above-mentioned service muda suits the idea of another muda mentioned by Ohno (1988) in Toyota's manufacturing context – muda of unnecessary movements of employees. Maleyeff (2006) also points out that the terminology used in services would be inconsistent with terms used in manufacturing systems. As an example he states muda of defects mentioned by Ohno, which certainly occurs in service systems, but is typically referred to as “mistakes” or “errors.” These examples show the necessity for individual explorations of the service value stream in search of hidden pieces of waste - muda.

Apart from reinterpretations of Ohno's muda, many authors are discovering sets of muda typical for service activity (Jylhä and Junnila, 2014; Bicheno, 2008; Maleyeff, 2006; Tapping and Shuker, 2003). There are generalized proposals as well as those having emerged from particular service sectors. Among quite a large number of specific service muda there are some presumably frequently appearing in service companies. Usually, the nightmare of services concerns delays, which cause time wasted, either directly in queues or in waiting for information to be transmitted (Maleyeff, 2006). Another muda consists in overloaded or underloaded employees in particular sequences of a stream (Jylhä and Junnila, 2014; Bicheno, 2008). These cause a great deal of trouble and cost. Due to the fact that a service cannot be stored (service is perishable), optimum utilization of service capacity becomes a serious management challenge, providing that the demand changes rapidly and there is not a possible to build an inventory (Fitzsimmons and Fitzsimmons, 2008). Demand variation and associated stream irregularity make it harder to detect and eliminate bottlenecks (Bicheno, 2008). Another issue is information flow. As Jylhä and Junnila (2014) state, information might be flooding, lacking or missing, and be difficult to find.

Premise: To keep bettering the value proposition it is necessary to continuously eliminate all shortcomings in the value stream flow. The company should reinterpret well known muda specified for manufacturing, but at the same time should intensively seek other kinds of waste restricting the fast and smooth flow of the value stream.

4.3. Customer participation in the value stream

One of a few characteristics distinguishing a service from a good is that the customer participates as a co-producer in the service production process (Grönroos, 2007). S/he takes active part in the performance of various activities occurring in the service process (Etgar, 2008). The co-production perspective changes the traditional company's question - “What can we do for you?” to - “What can you do with us?” (Wind and Rangaswamy, 2001). As active participants customers share responsibility for the process's outcome, measured in terms of quality and added value (Eichentopf et al., 2011). Fitzsimmons and Fitzsimmons (2008) suggest that the customer even acts like a temporary employee. So there is at least a part of the service value stream where the customer participates actively. Carlborg et al. (2013) suggest that Lean principles can be employed in the customer's part of the service value stream, and would bring opportunities to increase efficiency for a service provider as well as affect customer satisfaction.

Piercy and Rich (2009a) have identified a number of problems in the customer layer of the value stream in service centres. There were customers waiting for long periods in queues to speak, and during conversations staff often did not resolve customer issues, and put them back into long queues to speak to other operatives, or passed their files on for secondary handling at some point in the future. All of them are very similar to what happened in the inner layer of the value stream in services. Furthermore, authors (Piercy and Rich, 2009a) demonstrated how Lean methodology allowed the elimination or diminishing of similar waste in a cost-effective manner. Chadha et al. (2012) present how the customer muda of queue lengths and waiting time in hospitals can be reduced by Lean approach implementation, particularly by bottleneck elimination and capacity management improvement. Carlborg et al. (2013) state that in airline services flow speed through the stream can be increased by reducing waiting time at the gate and boarding time, which affect customer satisfaction.

Premise: The customer layer of the service value stream is equally important and should be improved, bearing in mind customer value manifesting itself in customer experience. The customer muda is similar to muda within the inner layer of the service value stream, and should be searched for intensively with customers' engagement and support.

4.4. Unpredictability of customer's expectations

Service co-production implies that it is produced and consumed simultaneously (Grönroos, 2007). Haksever et al (1999) underline that when humans interact results usually exhibit great variability and are not easily predictable. Eichentopf et al. (2011) analyze customer-service provider interactions, and discuss the “ex ante uncertainty” appearing during these interactions. Grönroos (2007) analyze service inseparability states that in quality control and marketing in the traditional pre-produced meaning have limited applicability, so they must therefore take place at the time and place of simultaneous service production and consumption. Moreover, in many services the design of the service is determined by the person who actually provides the service (Haksever et al., 1999). Therefore, the service value stream in the sphere of interactions with customers may exhibit a strong factor of unpredictability. According to research conducted by Jylhä and Junnila (2014), employees in the value creation process did not try to hide the fact that they do not always know what the customers require, or that they might have misunderstood the customers' requirements.

In a manufacturing company, in the vast majority of cases, it cannot produce a product simultaneously with the individual contribution of a customer. But Lean Management exhibits a clear tendency to make the cycles occurring between product execution and the customer's product requests shorter. The pull principle of Lean (Womack and Jones, 1996) means that a product is not produced before the order is placed – which is typical in most services (Carlborg et al., 2013). Whilst achieving a superior customer value proposition the service provider faces the challenge of how to get known individual customer needs and preferences in real time interactions during each service process. The moments of discovery by the service provider of the individual expectations of a customer can be the most influential for value in use. Therefore, standards which in Lean are understood as a cornerstone of management and a fundamental part of step by step improvement (Hino, 2006) in services should be understood slightly differently. Most services defy standardization (Haksever et al., 1999) because of their variability and unpredictability. A great deal of the output of the value stream in services manufacturing's meaning of standards should be replaced by standards of accumulation of the potential for interactive discovery and fulfillment of explicit and implicit customers' expectations. In service standards this is not a matter of how to behave, but rather of how to obtain knowledge and skills referring to how to deal with the customer in interactivity.

Premise: To provide a superior value proposal it is necessary for the service staff to know how to operate beyond schemes prepared in advance. Service standards should aim at grasping the best practices for serving customers in interactive, real time situations. This is not an issue of having frozen detailed behaviour paths, but rather the staff's ability to be attentive, responsive and prompt in acting with a customer. Excellent service discovers in short cycles what is really valuable for an individual customer in an individual service value stream, potentially bringing supreme value in use.

4.5. The human factor

Services are generally work-intensive, and most services are provided by humans for other humans (Haksever et al., 1999). In the service-oriented interpretation of business, humans are both at the centre and are active participants in the exchange process (Vargo and Lusch, 2004). Many scholars conclude that organizational culture has a positive impact on customer satisfaction and perception of service quality, as well as business performance (Furrer et al., 2000; Kanousi, 2005; Urban, 2009). Beitelspacher et al. (2011) state that service culture is customer-centric, aims at exceeding customer expectations, and is strongly focused on providing superior customer value. The concept of service orientation is proposed in the literature. This exclusively service concept manifests itself in staff attitudes and behaviours which directly affect the quality of the service delivery process, and determine the state of all interactions between a service organization and its customers (Lytle et al., 1998). The service value stream is work intensive and unpredictable to some extent, having the limitation of standardized activity routines and, therefore, organizational culture plays a vital role.

In Lean methodology kaizen is situated in the centre of the organizational culture sphere, and provides a strong idea of continuous improvement. The fifth Lean principle by Womack and Jones (1996) states that the value stream should aim for perfection. Miller et al. (2014) define kaizen as people-oriented problem solving, which implies the total engagement of the workforce, and valuing small changes as much as larger ones. In kaizen everyone has a role, from top management to shop floor employees (Bicheno, 2008). Doolen et al. (2008) have shown that kaizen has a positive effect on personnel's engagement in a company. Leyer and Moormann's (2014) research in the service industry reveals that if a service provider wants to become a Lean company, Lean thinking has to be

embedded in the minds of its employees. They state that employees' everyday behaviour pattern is much more important than using specific Lean tools and techniques. This demonstrates the importance of shared mind programming within an organization – organizational culture.

Premise: The cultural ingredient of kaizen is an absolutely crucial element in Lean Service. Kaizen provides an extraordinary opportunity for the deep engagement of all service provider staff in improving the service value stream, considering the service organization's point of view and the customer's viewpoint alike. In the service value stream kaizen should go beyond the traditional approach of 'leaning the flow', and focus its attention on raising customer value.

5. Conclusions

The study has taken the service value stream's point of view on Lean Management in services. The value stream is a focal point around which all the efforts toward Lean transformation is concentrated in any organization type. Virtually all system improvement activities are subordinated to the value stream because it carries the value to recipients. The paper was aimed at recognizing what kind of management challenges the basic Lean Management principles bring when meeting service delivery. This issue has still not been explored enough, but it is important for theory as well as practical Lean transformation in service companies.

The deliberations allowed the formulation of a few premises which cover the essential points where Lean methodology needs to take into consideration service dissimilarities in respect to manufacturing. They can be summarized as follow:

- The service value stream requires value to be followed in terms of customer experience
- The service value stream consists of many kinds of waste, typically service
- Waste elimination from the customer side of the service value stream supports customer experiences
- Standards employed are focused on the facilitation of value-intensive individual interactions
- Kaizen activities consider stream improvement and customer value increase

The premises above point out nodal points when 'leaning' value streams in services. They also provide suggestions for further research. For example, customer muda – pieces of waste existing in the customer layer of the service value stream have not been studied till now, likewise the methodology of engaging customers in their identification and elimination.

Piercy and Rich (2009a) note the lack of replication of the organizational side of outspread service quality measurement (Servqual and others). They suggest that the solution is marrying service quality measurement methodology to the Lean improvement toolkit, which may provide a better integration of marketing and operations approaches to service delivery. This thesis is also supported by the study presented above. Lean methodology must adopt what has already been achieved in the service quality and customer experience fields. It will eventually bring outstanding effects to service companies in terms of productivity and customer experience.

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IMPACT OF ETHICAL CULTURE OF ORGANIZATION ON ORGANIZATIONAL TRUST: A MEDIATING ROLE OF LMX

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Abstract

The aim of this paper is to conceptually argue a mediating role of leadership relationships on the impact of ethical culture of an organisation on organisational trust and its affective and cognitive components. As a result, a model of the interrelations between the discussed concepts is constructed and directions for further research are discussed.

Keywords: ethical culture of an organisation; leadership relationship; Lithuania; organisational trust; socio-cultural context.

1. Introduction

Trust is important for individual well-being (Solomon and Flores, 2001), organisational performance (Connell et al., 2003; Jones and George, 1998; McAllister, 1995; Whitener et al., 1998; Wicks and Berman, 2004; Wicks et al., 1999) and socio-economic development of the country (Fukuyama, 1995; Putnam, 1993; Uslaner, 2002). From an organisational perspective, trust is critical for minimizing uncertainty, risks and operating costs, enhancing employees' commitment and productivity, facilitating organisational learning, knowledge sharing and creation, organisational innovativeness and innovation (Chung and Jackson, 2011; Ellonen et al., 2008; Perry, 2004; Tschannen-Moran, 2001; Zanini, 2007). At societal level, the importance of trust becomes crucial when society members have to deal with its low level. As noted by Sztompka (1999), uncertainty and risk which result from lack of trust in the society are handled by developing coping strategies such as bribery, favouritism, excessive litigiousness etc. Socialization of individuals in a low-trust societal context affects their attitudes and behaviour in the organisational context, which raise obstacles to organisational development and national competitiveness.

In this paper, we regard organisational trust as a positive attitude held by one organisational member towards the other as competent, honest and benevolent (cf. Mayer et al., 1995) and continuously acting by fair-play rules, ethical norms and common values (Fukuyama, 1995). Such behaviour signals to the trustor that the trustee will not take an advantage of her vulnerability and dependence in a risky situation (Das and Teng, 1998; Lewis and Weigert, 1985; Six, 2007). Abilities and integrity provide rational reasons to trust and account for development of the so-called cognitive trust, and perceived benevolence as well as compliance with the same ethical norms and values constitutes the background for enhancement of emotional trust (Colquitt et al., 2011; McAllister, 1995; McAllister et al., 2006). In this light, organisational trust is an issue in post-soviet context where socio-historical processes conditioned a rather flexible attitude to norms and standards, lack of integrity, professional negligence among society members, which resulted in low trust (Ees and Bachmann, 2006; Ivanauskas, 2006; Pučėtaitė and Lämssä, 2008a; Rees and Miazhevich, 2008; Vasiljeviene and Freitakienė, 2002; Žiliukaitė et al., 2006). Therefore, building organisational trust is a practical challenge that calls for theoretically sound and context-sensitive models (Doney et al., 1998; Lämssä and Pučėtaitė, 2006; Li, 2012; Wicks and Berman, 2004).

However, there is little research from post-soviet context highlighting antecedents of organisational trust. Prior research in this context (Pučėtaitė et al., 2010) found organisational trust to depend on human resource

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management (HRM) practices that are based on the principles of fairness and justice as well as employee participation in decision-making and open communication. Another study on the effects of ethics management tools such as ethics codes, ethics training, ethics auditing etc. in Lithuanian organisations (Pučėtaitė and Lāmsā, 2008b; Pučėtaitė et al., 2010) indicated that the explanatory power of ethics management tools in relation to organisational trust is weak. However, in 2007-2008, when the above mentioned study was carried out, ethics management was still underdeveloped, which explains low power of ethics management tools on organisational trust.

Therefore, in this paper we **aim** to contribute to the academic discourse on the antecedents of organisational trust by addressing the above mentioned gaps and propose a conceptual model for empirically studying the interrelations. Although organisational culture and organisational trust are considered intertwined (Brien, 1998; Six, 2007; Vasiljeviėnė, 2000), there are few studies which explore the effects of the ethical dimension of organisational culture on the cognitive and affective components of organisational trust. In addition, we are interested in the effect of leadership, which we view as a dyadic relationship between leader and followers, on the interplay between these two phenomena. Prior studies provide evidence that leadership relationships enhance the effect of leader's traits such as competence and ability, based on which followers develop trust in organisations (Hernandez et al., 2014) and it can serve as an organisational practice that strengthens the role of normative rules and procedures on trust (Six, 2007). However, its role as a mediator has not been widely addressed. Therefore, with this paper we try to fill in this gap in the related literature.

2. Conceptual framework and hypotheses

Organisational trust has been referred to as the glue of societies (Fukuyama, 1995), basis for quality of interrelations (Lewicki and Bunker, 1996) and a source of competitive advantage in knowledge economy (Barney and Hansen, 1994; Zanini, 2007). In this paper, we focus on organisational trust from an interpersonal, co-workers' dimension as it is less explored compared to the studies of trust from the viewpoint of vertical relationships (i.e. supervisor-employee) in organisations (Tan and Lim, 2009). Moreover, based on prior research on organisational trust (Jones and George, 1998; Lewis and Weigert, 1985; McAllister, 1995; Whitener et al., 1998; Wicks et al., 1999; Young and Daniel, 2003), we distinguish between two types of the studied phenomenon, i.e. cognitive and affective organisational trust. They differ in the motives for the willingness to trust the other party. The cognitive component of organisational trust rests on evaluative predictions and calculations, such as a certain extent of experience and knowledge about the other actor, and the probability of the reciprocal behaviour (Tyler and Kramer, 1996). This kind of organisational trust implies that one party trusts the other because both have acted in a trustworthy, competent way in the past and can be expected to do so in the future (Gulati and Sytch, 2008; Ristig, 2009). In other words, cognitive trust involves a rational appraisal which helps the parties not to trust unwisely. Yet, cognitive trust is said to work best only in short-term and casual affairs. To achieve sustainable organisational development with a long-term orientation, affect-based trust is needed. The affective component is related to the emotional side of trust. This form of trust is often self-evident and tacit and results from an interaction over a long(er) period of time as relationships become mature (Gulati and Sytch, 2008; Thomson et al., 2009). It is built on values, standards, principles and involves a mutual expectation of fair and honest behaviour (Gulati and Sytch, 2008; Lāmsā and Pučėtaitė, 2006; cf. Barney and Hansen, 1994).

Organisational trust depends on the relationship between the parties and opportunities they have to learn about each other's capability to perform well in a particular social role or accomplish certain functional tasks. Based on the achievements, we develop cognitive trust in the person as a performer of certain social functions. On the other hand, if the person shares the same ethical values cognitive trust with regard to this person may be low, but affective trust in the personality may be high. Ethical values are important for developing affective trust as they resonate with the feelings of justice and fairness, empathy and care and incite willingness to reciprocate the other party. This mechanism accounts for development of mature and strong ties which contribute to positive organisational outcomes but may also have detrimental effects such as overlooking rule breaking or even lying (Grover, 2010)

The other concept used in this study, ethical culture of an organisation rests on the Corporate Ethical Virtues (CEV) model, a multidimensional construct proposed by Kaptein (2008). The model departs from a virtue-based

theory of business ethics (Solomon, 2004) that has its roots in Aristotle's virtue ethics and considers virtues as indicators of an ethical character. According to Kaptein (2008), the ethicality or virtuousness of an organisation can be determined by the extent to which organisational culture stimulates the organisation to act ethically and prevents them from unethical behaviour. The CEV model consists of eight virtues, i.e. clarity, congruency of supervisor, congruency of management, feasibility, supportability, transparency, discussability and sanctionability. Clarity refers to explicit expectations of an organisation to employees that they act ethically. This virtue in practice is embodied in ethics codes or any other institutionalised forms of values. Congruency of supervisors and management refer to integrity and the role models that supervisors and management show to the employees. These three virtues constitute the basis for organisation's self-regulation (Kaptein, 2008). Feasibility is related to resources allocated by an organisation so that employees would be able to follow the normative expectations. Supportability denotes organisational support and encouragement to follow the norms. A virtuous organisation integrates ethical principles that are declared in ethics codes or any other normative documents into its operational systems. These two virtues are self-providing as they enable employees to comply with ethical principles and values. Transparency is a degree to which consequences of employees' ethical or unethical behaviour are perceived by employees themselves and their colleagues. Ethical organisations are open, do not tolerate breaches of ethical principles and ensure proper internal communication. Discussability concerns employees' opportunities to be open and sincere when facing ethical issues and have a possibility to discuss them. This virtue rests on ethics management tools such as ethics training and ethics office and may involve internal whistle-blowing mechanisms such as an ethics hotline. The last virtue, sanctionability relates to the degree employees perceive that unethical behaviour is punished or rewarded in the organisation. Practising this virtue presupposes ethics auditing in the organisation and self-corrective actions striving for continuous improvement and prevention of ethical misdeeds.

Finally, our definition of the leadership phenomenon rests upon a leadership relationship theory, namely, leader and member exchange theory (hereafter LMX, Graen and Uhl-Bien, 1995; Uhl-Bien, 2006). The theory focuses on the two-way influence between leader and followers rather than just on leader's or followers' influence on the other party. It departs from theories of social interrelations (e.g. social exchange theory – Blau, 1964) and holds that interrelations between leader and followers may differ depending on the quality of the relationship. LMX theory distinguishes relationships between leader and the so-called "in-group" and "out-group" members which are termed, respectively, high and low LMX (Anand et al., 2011). High LMX or in-group relationships can be described by loyalty, respect, high trust and liking between leader and followers based on the performance of a social role while low LMX or out-group relationships can be characterized by following employment contract, managing by autocratic methods and low trust between the parties (Dansereau et al., 1975). To some extent, high LMX has risks of turning into nepotistic relationships, in particular in post-soviet societies where personal relationships or rudiments of blat, which has cultural analogies with quanxi (Rehn and Taalas, 2004; Ledeneva, 2008; cf. Nie and Lämsä, 2015) still make impact on business and professional relationships. However, as argued by Graen and Uhl-Bien (1995), although LMX views leader and followers' relationships personalised, the relationship is limited to the working context and does not include affective feelings which can be found in personal relationships; rather, loyalty, liking and respect in LMX rest on perceived competence and professionalism when performing one's social role played in the organisational context. Hence, LMX inherits characteristics of 'good leadership' which balances positive performance results (effectiveness), ethical ways of achieving them and personal characteristics which work to the benefit of all parties involved in a particular context (Ciulla and Forsyth, 2011; Hogan and Kaiser, 2005).

2.1. Ethical culture of an organisation and organisational trust

The impact of ethical culture of an organisation on organisational trust can be explained by *person-organisation fit* (Chatman, 1989) which is defined as congruence between individual and organisational values. Ethical values are of particular importance for this congruence. Prior studies have found that shared ethical values have a positive effect on person-organisation fit (Andrews et al., 2011). Ethical virtues and organisational practices which integrate them send signals to the trust parties to open up for relationship building and social exchanges, which presupposes the need for trust. As trust emerges in the presence of integrity, benevolence and openness, ethical culture of an organisation can serve as the basis for development of organisational trust.

Another theory that is helpful in explaining development of organisational trust by ethical culture of an organisation is *relational signalling theory*. It holds that human behaviour is goal-directed (i.e. framed) and context-dependent (Lindenberg, 1998; Six and Sorge, 2008). Organisational systems give a frame based on which employees make decisions and take actions. From a relational signalling perspective, following ethical norms and principles of an organisation is regarded as exchange of relational signals that allow individuals to make a decision to rely on each other and engage in self-regulation (Mühlau and Lindenberg, 2003). Ethical virtues which constitute ethical culture of an organisation such as feasibility, which empowers employees to follow ethical values of the organisation, or discussability, which gives a chance to employees to speak openly about moral concerns to the colleagues and management, or sanctionability, which ensures that people who compromise ethical values have no future in the organisation and those who follow ethical values have opportunities to be adequately rewarded, send a message to employees that they are respected and fairly treated. These signals ensure reciprocity which is needed for trust building and cooperation.

Such an organisational context builds a sense of inclusion where human dignity is secured. Positive feelings such as being respected and valued may account for stronger identification with the team (Ellemers et al., 2013) and organisational goals (cf. Huhtala et al., 2013), accounting for understanding of an organisation as benevolent and trustworthy and development of organisational trust. Working for an organisation with the same values may further increase an individual's identification with a group or an organisation and develop affectual bonds with its members (Williams, 2001). For example, Ruiz-Palomino et al. (2013) found that ethical culture of an organisation and person-organisation fit account for affective commitment and willingness to recommend the organisation to others. These studies indicate that congruence of ethical values incite positive emotions and can account for an individual's attitude to co-employees and the organisation as benevolent and trustworthy. Even though people may not interact directly with each other, experience with organisational systems operating by ethical principles and norms may be sufficient to build organisational trust.

For example, ethical values integrated in human resource management systems will guarantee that if any of the organisation's members violates its principles and rules, she will lose membership in the organisation and consequently all the privileges associated with it. In this way, an organisation sends a signal to individuals that there is a reason to follow the values and enjoy the benefits of trust and motivates employees to justify expectations for proper behaviour, which eventually builds organisational trust. Analogous situations can be characteristic of organisations in which ethical values are integrated into their management systems (cf. Six, 2007). In this respect, organisation's ethics code may be signalling even to new employees that the organisation may be worth trusting and induce trust.

Hypothesis 1: Ethical culture of an organisation has a positive effect on organisational trust.

Hypothesis 1a: Ethical culture of an organisation has a stronger effect on affective trust than on cognitive trust.

2.2. The mediating role of leadership relationship

Employees' perceptions of the quality of leader-follower relationships determine how employees perceive the whole organisation (cf. Hernandez et al., 2014: 1873). The LMX quality strengthens the effect of CEV that signals to employees that they are respected and cared about. If organisation's management and direct supervisors emphasize importance of organisational values and follow them in their decisions and behaviours, not only they as persons are perceived as fair and acting with integrity, but also leadership as an organisational practice serves as evidence of organisational reliability to employees.

LMX is characterised by a certain degree of reciprocity, loyalty, respect and interpersonal trust which stems from the excellence in accomplishing one's social role in the organisation. This characteristic is important for developing organisational trust in a post-soviet context. During soviet years, a hierarchical structure of organisations favoured abuse of power, opportunism, uncritical support to the ones in higher positions, mutual adversity and initial distrust that presupposed resulted low trust and a need for strict control (Pučėtaitė and Lāmsā, 2008a; Pučėtaitė and Novelskaitė, 2014). As LMX presupposes mutual obligations, reciprocal communication, fairness and justice, such leadership practices experienced in the ethical culture of an organisation, may have a resocializing effect and induce organisational trust. Belonging to an organisation where ethically sound organisational practices are complemented by leadership relationships and experienced fairness may enhance a sense of membership in an organisation, construct a moral identity and induce positive affect related to the organisation and its members, which can predict organisational trust (Cropanzano and Stein, 2009; Lerner, 2003; Williams, 2001). Based on that, we can assume that LMX will strengthen the impact of CEV on affective trust

particularly. LMX embeds fairness and respect which touch a human need for experiencing positive emotions such as recognition and self-esteem. Moreover, care, empathy, sensitivity, respect to and understanding of each other's needs, interests and feelings strengthen emotional bonds and motivation to reciprocate and act in benevolence to every member of the organisation, assuming that they are following ethical virtues in their decisions and actions.

Hypothesis 2: Leadership relationship will mediate the relationship between ethical culture of an organisation and organisational trust.

Hypothesis 2a: The mediating effect of leadership relationship on the interplay between ethical culture of an organisation and affective trust is stronger than the one between ethical culture of an organisation and cognitive trust.

The discussed relationships between the concepts are depicted in Figure 1.

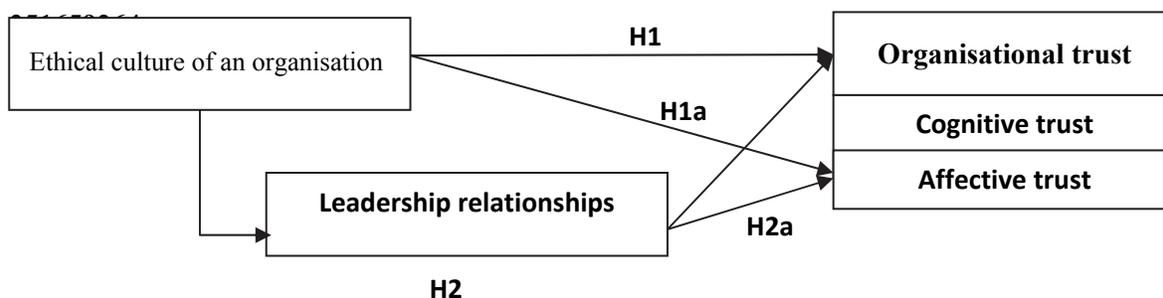


Figure 1. The hypothesized relationships between the concepts

3. Conclusions

In this paper we took a perspective to trust as a contextual phenomenon and attempted to make a contribution to the academic discourse on how organisational trust can be developed under the impact of ethical culture of an organisation and leadership relationship. To reveal the peculiarities of a socio-cultural context, we propose testing this model by analysing empirical data collected in private and public organisations. We assume that the effects of ethical culture of an organisation and leadership relationships may significantly differ in different sector organisations. Public organisations may have preserved much more scepticism towards ethical virtues and their institutionalisation in the organisational context compared to private organisations which may be following the beset industry or profession practice or standard and therefore be willing to ground their activities on ethical virtues. On the other hand, public sector in Lithuania may have still preserved nepotistic attitudes to employment practices, therefore, the role of leadership relationship may be ambivalent. On the one hand, it may play a very significant role in the high quality LMX, building affective trust based on close but nepotistic interrelations. On the other hand, as many attempts have been made in the country to eliminate such relationships, low quality LMX may be important, building cognitive rather affective trust. The background to raise such assumptions was provided by the study of Pučėtaitė and Novelskaitė (2014).

Our conceptual model is not without limitations. Post-soviet societies differ significantly between themselves due to other religious backgrounds, capitalist models or association with other countries. For example, differences in trust level in private organisational life and complying with ethical values can be noticed between Lithuania and Estonia as Estonians are more exposed to Nordic societies and doing business with their representatives, and Nordic contexts are characterised by high trust and respective attitudes and behaviours (Pučėtaitė and Lāmsā, 2008a). Therefore, testing the model in several post-soviet contexts may yield more reliable and generalizable conclusions.

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ETHICS INSTITUTIONALIZATION IN ORGANIZATIONS AS THE TOOLS FOR MANAGEMENT OPTIMIZATION AND HUMAN RESOURCES DEVELOPMENT

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Abstract

The paper tackles practical problems of corporate governance and the prospects of their successful solution. It emphasizes the necessity to tend to optimizing management/corporate governance by the means of business ethics while implementing due values in organization life through ethics institutionalization processes. It is also maintained that a new set of knowledge of scientifically- based ethics institutionalization processes and relevant human resource augmentation has recently formed. The potential of people behaviour in a workplace and in social order reconstruction are realized through implementation of ethics infrastructure tools in organizations, enterprises and institutions. The aim of this paper is to prove thoroughly that these means of human resource development, management optimization, improvement of social capital has not adequately grasped yet both by business community and by the public. The matters stands in this way since human resources are often interpreted only quantitatively without taking into account the quality of interpersonal relations system, and the decisive impact of moral environment] in organizations upon human abilities/inabilities, to perform vested functions properly, in socially responsible manner. In modern organizations during the processes of human resource formation or (re)construction the value management is widely implemented, when the values of responsibility, fairness, honesty, integrity, transparency, and trust are emphasized. These values stipulate the environment that promotes realization of human being positive properties and appropriate behavioural habits. It is supposed that acquisition of this knowledge should be purposively accelerated in Lithuania for the sake of management optimization, economic effectiveness and competitiveness of the nation.

Keywords: ethics institutionalization; management optimization; ethics codes; infrastructure; good governance; human resource management.

1. Introduction

The process of further consolidation of European Union presupposes for the new countries both compliance to appropriate economics, politics, social standards, and adopting certain values and principles. Eventually, related processes require specific knowledge of business ethics as management science. The results of numerous empirical researches in the West demonstrate that business ethics has not only a cultural value but also a functional one. It helps to develop organizational human resources that, in turn, optimize and humanize their performance and constitute a source for competitive advantage (Lundy, 1994). Global competition demands to modernise old methods of management, which can be achieved through institutionalisation of business ethics in organizations. It constitutes soft managerial technologies and meant to assure good governance on meso- and macro levels.

Western practice proves that moral values create an impetus for the country's economic growth. The researches have studied the phenomena of organizational ethics as well as the appropriate cause-effect relations. Their conclusion proves that the organizational causes of unethical behavior are rather typical, while the dysfunctions and shortcomings in organizations are oft-recurring. It was supposed that such inclinations from required norms should be corrected by management methods, i.e. by removing tools of adjustable, managed ethics. This kind of ethics actually is already integrated into the very managerial actions, i.e. modern management is ethics-filled. Today's

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competitive market demands such a management that is why the new scientifically-based, supported by ethics infrastructure managerial technologies are rapidly developing. Proceeding from the fact that people definite behavior is more stipulated by business environment, than they can cognize, detect the causes and master them rationally, i.e. to (re)model factors, to form new determinants and to change behavior. The new managerial systems developed from the codes of conduct and social standards in advanced countries have already formed not only theoretically but also in practice. Hence it is very topical for today Lithuania to overcome general backwardness in this aspect of managerial theory and practice to make possible real integration of scientific discoveries in junction of modern managerial science, applied ethics and practice of organizations.

However, in transition economies the processes of integration of social sciences innovative knowledge are rather slow. Economics and ethics have been viewed in isolation (or in opposite), not as supplementary sciences which allow to improve management practices by joining individual and organizational integrity with efficiency. First of all, ethics issues are not properly comprehended: they are detached from actual life due to the prevailing metaphysical understanding of morality, which is unacceptable for pragmatic people, i.e. business persons. Second, historically formed conditions for responsible ethical behavior are insufficient in Lithuanian reality.

In Lithuania a social cultural context sustains many factors, which impede formation of required values. During the recent decades of Lithuania's independence many critical changes took place in the country's economic, political, and legal spheres. Yet, changes in people's moral mentality, attitudes, assessments, behavior habits are not so obvious. There is an obvious lack of modern business ethics, inability to apply its standards in social, organizational, professional activities. Implementation of ethics principles and participation demands decentralization of the organization structure and delegation of power. Only under such conditions ethics tools can help to eliminate old obstacles for good governance. There still exists acute necessity to modernise methods of management through institutionalisation of business ethics and thus, applying good governance models into organisation business practice, to reinforce the power of values and principles. Thus ethics has become a kind of booster for an organization to form and maintain responsibility, integrity, trust and transparency, and thereby assures contribution to its profitability, efficiency and improvement of human resources. Hence, the aim of the paper is to analyse necessity to modernise management techniques through institutionalisation of business ethics, presenting it as the means of establishing good governance, the tools for management optimization, human resources development and economic growth.

Actuality. The level of socio-economic development in transitional countries determines the need for instrumentally creating organizational changes and HRM augmentation, to some extent it is assured by ethics management. In the paper authors analyses problems how the process of business ethics institutionalization can form organizational ethics and enable to improve soundly organizational performance, to change the actual state of affairs. Building of moral competence constitutes a sound contribution into the real solution of practical issues instead of creation of a sham image. The paper argues, ethics institutionalization processes make a path to integration of practice and declared principles, to bring the words (organizational "missions" or "visions") into line with real deeds through managerial techniques. It is a way to reach the integrity of the organizations' practice, and hence to win the trust of employees, clients, consumers and other stakeholders. Furthermore ethics management turns into the remedy for improving organizational culture and the quality of life.

The methods of case study, focus group discussion, narratives (as well as the methods of participant observance or deep interviewing is conducted) and mass media analysis have been employed in the researches. Cases are chosen on the base of approach to the issue, and the conclusions are drawn from directly observed facts and collected empirical data.

2. Business ethics institutionalization as a tool to reinforce the role of values and principles in corporate governance

Globalization of market relations, their complexity and diversity demand scientific knowledge in organization management. Business of advanced countries itself demonstrates an increased interest in not only economic but also social, ethical, cultural issues. The interest is rather mercantile since it supposed that organizational integrity and social responsibility makes positive influence on human resources development, economic effectiveness, and

establishes company business as legitimate in the eyes of its stakeholders. Business internationalization and technological advance stimulate integration of social and humanitarian sciences, in further search for the ways of optimizing organization performance. In the last decades business ethics has been employed as a strategic tool to optimize corporate governance and achieve company aims.

Business ethics institutionalization rests on arguments that self-interest objectively makes an organization to care about social welfare, communicate and collaborate with its stakeholders. Eventually it leads to building social contract, partnership-based relations among its stakeholders, implementing responsibility and accountability, and furthering trust, while gaining a license to operate, develop and obtain profits. One of business ethics characteristics is a balance between ethical behaviour and profitable performance. This is empirically proved by advanced companies that have introduced ethics programs as a tool for more optimal governance, building positive reputation and effective performance. Reputation is created by its actual behavior that demonstrates commitment to values, provide social responsibility and benefit to all stakeholders. In the long run the decision-making processes in organizations acquire its ethical dimension. It actually increases social capital of the company. Responsibility, integrity, honesty, trust are employed as instrumental values that ensure a long-term success. At the same time it is worth to warn against the attempts of some pseudo-scholars to diminish the role of business ethics or to simplify it to pure moralizing. Instead it should be stressed that business ethics negates any preaching in organizations and promotes teaching people to make better decisions (Gasparski, Ryan, 1996) create procedures, and promote new processes for realization that 'better decisions'. Ethics programs in organizations (or compliance programs) introduce behaviour regularities, causalities, models of moral relations, possibilities of behaviour corrections to the company people so that they could make decisions independently. It dissolves stereotypes, mental obstacles for ethics management and possible growth on meso and macro levels.

Ethics institutionalization obviously exerts corporate governance; it can reinforce the role of values and principles whole the companies develop their codes of conduct. Ethics codes become the means for effective management building. Its encouraged self-reflection, critical appraisal of one's own business conduct and the environment enable people to sense previously unseen moral issues. In this way self-regulation mechanism is being launched, and it constitutes the basis of orderly organization functioning. Formation of self-regulation is a painful and time-taking process in new EU countries where authoritative state rule ousted the need for self-control, self-reflexing, and leadership. In transition economy, when economic, political and other reforms are going on, significant changes in people's morality also take place. The lack of self-regulation mechanism in business life of Lithuania stipulates the fact that maintenance of order is often determined not by rules but by the will of individual actors, authorities and their power. Appropriate decisions are grounded by subject's will but not by objectivized standards. Abuse of power advances corruption, nepotism, distrust and slavish attitudes of the employee, unsafe workplace etc.

In Lithuania a lot of managers do not aware of the essence of ethics code and possibilities of its implementation in innovative management. Though we can mention organizations that have adopted codes of ethics, such facts are rather exceptions to the rule. In many cases even existing codes remain formalities, pure prescriptions, ideals of proper conduct without proper enforcement. Periodical scandals in mass media, numerous facts of corruption in Lithuanian society graphically display ignorance of ethics norms in many structures of a society. It is still taking place, though there exist a lot of official ethics committee, and a great number of organizations formally declared their ethics codes.

Business ethics tools instrumentally used principles, sets ethics standards, and can to optimize corporate governance, thus change people behavior and organization effectiveness. Ethics infrastructure helps to create physically and psychologically safe environment that is favourable to self-realization, develops the systems of communication, information sharing, and increases employees' loyalty to the organization. So Lithuania still needs intensive development of ethics infrastructure in organisations to increase their human capital that would enable the country on the way of its further consolidation in the EU structure. It is a challenge to which Lithuania has to answer adequately. Along with the theoretical and world outlook problems, that people in Lithuania face on their way to developing humanistic constants of social activity, there arise some practical obstacles that impede the whole progress. First of all the normative regulation system is seriously damaged that is resulted not only in sceptic and even cynical attitude to ethics (morality), but also in some social pathologies: low level of work force discipline, lack of integrity, organisational dysfunctions, lack of self-regulation and virtue of compliance, abuse of

power, nepotism and corruption. These shortcomings determine destruction of human resources and economic losses. Hence the new knowledge in HRM provides a framework for the prospects for successful solution of the problems in hand.

3. The obstacles to establish ethics in organizations

In general, business ethics opens new opportunities to organizations by creating safer, more reliable relations, reducing transaction costs and preventing opportunistic behavior. Though there is much skepticism towards business ethics in Lithuania. Yet, under the condition of market globalization and growing competition only the organizations that show care for their stakeholders can survive. In this way business priorities shift from satisfying stockholders interests, i.e. demand for profits to fulfillment of customers' expectations and employees need for more morally-rewarding, meaningful and motivating activities. Lack of ethical principles and values (integrity, fairness, responsibility, distributive justice, trust-based relations) in organizations' activity determines considerable extra expenses.

Company managers take on the responsibility for morality and efficiency of organizational behavior. Besides, their duty is to monitor the company environment and preclude any social or organizational pathology (e.g. corruption, mobbing, conflicts of interest, professional negligence etc.) that impedes the achievement of strategic goals. In this context ethics infrastructure is implemented in organizations to prevent and terminate the occurrence of socially harmful phenomena and prevent possible dysfunctions. In this way responsibility for ethical behavior is transferred from an individual to an organization (a social structure). And this is normal corporate responsibility of organizational performance, but not a return to collective responsibility which is also a subjective responsibility determined by a group's willpower and not by optimal factors.

Meanwhile, a general perception of collective work (teamwork) in Lithuania is often negative. Organizations showed that people working in a team are incapable of making strategic decisions, their self-image is the one of an object, not a subject, and they are more willing to delegate responsibility for the leader (Pučėtaitė, 2007). Organizational dysfunctions or typical defects, socially detrimental phenomena are often tolerated, considered normal, natural and thus irremediable. The criteria of honesty, integrity, reliability are applied in appraisal of individual, but not of institutional performance and most often in personal interrelations. Accordingly, the private premises, but not social ethical ones are more popular and acceptable in Lithuania. (ibid). That can be explained by the mental "heritage" that vertical relations are the most suitable in organization management. However, the background for effective decision making is horizontal relations, which are characterized by an attitude of a partner among team/organization members. Vertical relations also explain many of the pathologies in Lithuanian companies. Abuse of power, nepotism, mobbing are just a few among many dysfunctions sustained by old management traditions.

Meanwhile in modern formal relations moral right to decide and judge is transferred to objectified standards, norms, rules, laws codified by a company mission and a code of conduct. There are main attributes of good governance model that may be in line with ethics infrastructure: ethics codes, ethics committees, ethics officer (compliance officer or corporate responsibility officer), ethics or corporate responsibility auditing, hot lines, ethics maps, etc. Traditionally, the mentioned elements of ethics infrastructure are attributed to market system, when companies naturally, quite often through the pressure from customers and society at large develop self-control and decide to follow fair-play rules to deserve their social partners trust, positive reputation and obtain profit in the long run.

Yet cultural ethical factors do not transform that quickly as economic or political ones. The change of the former depends on a society, which has certain behavior modes and their appraisal, general cultural orientations, stereotypes, norms, principles, ways of thinking and speaking. Therefore, new phenomena and their implementation often conflict with the dominating moral norms and attitudes as they contradict traditional stereotypes. It is impossible to promote modern ethics management and make influence upon economic/social development without conciliation between pragmatic motives and moral behaviour, between effectiveness of business/professional activity and morality, between behaviour technology and ethics. More and more it is realized

as practical value, which entails sound economic, politic and social consequences. Nowadays we can observe the processes of *rational ethics* promotion in all fields of life.

Ethical values are perceived as a necessity and are gradually implemented in definite fields of activity. It is especially true for the organizations, which for the sake of business/professional success introduce moral values through the whole ethics infrastructure, develop ethics management (Watson, 1991; Weißmann, 2002; Wieland and Grüniger, 2002). Thus the rule (*value*) *utilitarianism* is realized in practice. At the same time in literature on ethics it is still dogmatically maintained as a *contradiction of utility and values*, profit and good, economics and ethics “To make morality and economics compatible is not easy: an attempt to examine *practical meaning* of ethics in economics most often result in moral appeals, idealistic rave or simply separation of the two spheres, which is based on reproaches to the other, unfamiliar sphere (the most acute form of these reproaches is “*economism*” addressed to economics or “*moralism*” arrogated to ethics). It comes out that business ethics of this form, independently from the sphere of activity in which it is applied, becomes nonsensical since its ascription to one or the other field exhausts possibilities of constructing consensus. Whilst, there is another way to attain compatibility, i.e. to identify ethics elements in typical structures of an economic system and organizations so that a common attitude could be formed. Ethics task can be description of “corridors” of economic activity in which activity or inactivity in economics is positioned” (Dietzfelbinger, 2002). Thus, ethical dimensions are instrumentally “embedded” into activity of organizations.

A necessity to implement a model of social, professional and business relations based on ethical criteria and standards have been determined by objective reality. It stems from the need to optimize corporate governance and performance. For new EU countries, realization of ethical standards facilitates the process of integration into the EU. Yet, ethics institutionalization is strategically important not only for becoming a “full-fledged” EU member but also, what is more important, for sustainable economic and social development.

Importance of integrating management and business ethics is not envisaged in the country’s strategic governance. Even well-educated organization managers believe that theories are utopias, and life has its own logics and laws. Too much attention and resources are invested into creation of a mystified image of a firm, as well as the state and society while a real situation that could objectively determine development of the desired image is not reconstructed. Yet, a need for ethical programs is developing in Lithuanian organizations. The importance of an ethics code that internally regulates the activities of professional organizations and individual spheres is growing. So far awareness of the need is very vague and rather intuitive. So far ethics code for many Lithuanians means an element of window dressing than an instrument of constructing order in the society and its structures. This also indicates scanty knowledge of managerial tools.

Western experience in implementing new managerial techniques with business ethics infrastructure is adopted inadequately. The process is limited to copying separate elements of the whole infrastructure. They are often unacceptable to post-socialist mentality and are hard to adapt to the local context. And even the hope for younger generations to come still cannot guarantee required changes.

The Lithuanian society is not well informed yet that ethics tools can be an effective means to overcome social or/and institutional shortcomings. That is general public is rather pessimistic or sceptic about possibility to alter the situation. It is unaware of the possibilities of modern ethics and just goes on with moralising or ideologizing social relations instead of searching real possibilities to form circumstances, conditions, situations that would enable social actors to resort to self-control according to social expectations regarding their organisation. That is, the society does not envisage the role of behaviour technology and its possibility to implement social ethical values by instrumentally forming behaviour, creating systems of social management (Weißmann, 2002) both in corporations and on a scale of the whole morally concerned civic society.

In this manner (re)modelling and (re)constructing of human relations on different social levels (*micro, meso, and macro*), balancing effectiveness, efficiency, optimal performance and humanism would enable development of human resources, increase competitive advantage of organizations. Thereby all this directed to the modernisation of management techniques, while “ethics codes become the means to reach effective management” (Moeller, 1984).

4. Realization of good governance model through establishing ethics infrastructure in organizations

Ethics codes launch self-regulation mechanism and help to establish good governance. The codes are usually

derived from a definite professional practice and are often called “the rules of good practice”. *Ethics codes*, which number is regularly increasing, display the signs of business interest in ethics as a means to optimize performance and establish a competitive position in the market. The codes settle certain moral norms, guidelines to attain company’s strategic aims. Nowadays family, school, church upbringing, the boss’s intuition does not suffice to solve complex problems of business world. Mere good intentions are not sufficient to make the right decision. Knowledge of business ethics is essential in today’s organizations to remain flexible in a hyper-competitive market. thereby, the codes of conduct are implemented as instruments of corporate governance (Vasiljeviene, 2000). They are like road signs in everyday routine to help in circumstances demanding prompt reactions and ethical decision-making.

The addressees of moral norms are not individuals who act in their own name but organizations and institutions – social agents with specific purposes, cultural, economic, social, political qualities. Their activity is objectively determined not always by organization management and leaders but social expectations and public interest. Consequently, these attitude changes originated a movement from individual ethics to organizational ethics that establishes appropriate values on meso level.

Commonly created and psychologically accepted ethics codes define individual roles and functions, organization activity becomes transparent. In this way a positive organization climate, fair play standards, satisfaction with meaningful work and personal as well as team/organization achievements, a sense of dignity and acknowledgement are created. They have a much stronger influence on performance optimization than individual moral norms. Individual skills and knowledge may be valuable; yet, if organization politics does not provide opportunities for their realization and development they do not increase an organization’s human capital. Individual norms may complement organizational values yet they cannot substitute them. Individuals come into organizations as social actors who find duties and responsibilities already ascribed to their functional roles which they have to perform. The management’s task is to ensure the environment that would promote the right attitude to work, strengthen responsibility for individual and team objectives, commitment to organization values.

During the last two decades ethics codes have embraced a number of imperatives that allow to realize consensual rationally-reasoned norms in organization management. Yet, this is possible only when codes are constructed in the milieu of horizontal, partnership-based relations, in the line of contract, participation ethics (Cluds, 1999; Cluds, 2002). Ethics institutionalization rests on a dialogue among all the parties concerned, people are given rights to express their interests and values, define universally applied rules. The ground to talk about ethics management rests on the fact that human beings have a social character and strive to find a place in a social structure which gives meaning to their lives (Hatcher, 2002). Hence, the advanced companies view their people not as a cost, a source of exploitation, but regard them as partners, self-regulating agents and care about their needs and interest and regular invest in HRM. On meso level ethics codes enable an organization to create a culture that grants a real (not illusionary, window-dressing-aimed) positive reputation. Changes in the market dictate new expectations or requirements to companies that adopt ethical standards to become good corporate citizens.

Managing ethics through ethics codes creates possibilities to evolve consensual-communicative virtues (Hatcher, 2002) on both macro and micro levels, and eventually optimise and humanize organization performance. The discursive process, during which norms and rules are formed, grants the participants a sense of ownership and can help to develop the value of compliance in organizations and in the societies of new EU members.

Codes create an *elementary order*, clarity (transparency) in relations, which is very important to Lithuanian society with its low trust level, is lacking in compliance of the rule of law and ethics norms. Order is created not for its own sake or as an authority’s whim. It is determined by a human desire for *life quality*. Employees themselves realize that a social order is a must to reach personal goals and they find that self-regulation assists to attain them. They voluntarily decline some of their freedom and accept responsibility for role functions ascribed by organization because orderly functioning of the system brings more personal benefit than a chaotic state. Therefore, a need for authoritative control and orders from the above is ousted. It is eliminated from management system as offence to human dignity.

Before implementation ethics management systems, the criteria of justice, equal opportunities, and objectiveness are purposefully integrated with HRM functions of recruitment, hiring, promotion, performance assessment, reward, and training. Thus, ethics institutionalization affects traditional human resource management (HRM) practices. The principles substitute the grounds for better decision-making, model psychologically safe and

creative atmosphere that encourages people to realize their skills, abilities, knowledge, build mutual trust. Consequently, they allow to implement other managerial tools, e.g. participatory politics, empowerment mechanism, which stem from ethics of contract, participation, care, trust.

Application of ethics codes and other elements of ethics infrastructure as management means, enables organizations to develop valuable, rare, inimitable and unsubstitutable human resources that grant a competitive advantage to a company (Barney, 2001). Contractarian, consensus-based organizational relations, trust, functional order, participation, information flow among the employees, teamwork etc. create the environment that leaves no space for nepotism, abuse of power, mobbing, etc. All this presupposes good corporate governance. Such a company helps to attract best workforce in the labour market. People usually are willing to work for companies, which are socially responsible, trustfully, show care and appreciation to their employees. Motivated and loyal workforce decreases control costs, uses other resources more rationally. In the long run value-based good governance optimizes total performance.

5. Conclusions

Business strategies that incorporate ethical dimensions are widespread today in EU since the most ways of economics optimisation run short. At the same time the standards of social responsibility that not only form humanized social environment, but also promote efficient and competitive economy, were put on the agenda.

Ethics institutionalization establishes pragmatic values what brings about important economic, political and social consequences. Modern ethics fills the gaps where law enforcement is not valid. Ethics codes and other elements of ethics infrastructure become a primary means to construct good governance, functional order in organizations and society in general. Organizations strengthen their awareness, while creating self-regulating behavior and thereby help to terminate management malfunctions. Ethics institutionalization can be used, and is used in reality as a constructive tool that mobilizes people to perform maximum. By defining individual roles, establishing partnership, based on relations among employees in organization, they provide a favorable atmosphere that motivates people to act responsibly and perform maximum.

Nowadays people carry out their labour activity in different organizations and institutions. That is why business ethics like any other mechanism of professional self-regulation is stipulated for the peculiarities of given organizations. That is why the responsibility for the proper behaviour – good work – is now being transferred from the person to the organisation he works in. That is the responsibility is “mounted on”, i.e. directly dependant on the environment that motivate/demotivate him to behave properly. The necessity to grasp and apply the idea of organizational (corporate) responsibility in enterprises determines purposeful institutionalization of business ethics. For this purpose it should be indicated what is to be done in enterprises in order to make it easier for employees to be decent (responsible, reliable, good-working professional) Besides one should definite conditions and circumstances, necessary for due motivation of a person to observe rules, norms and laws. The proper behaviour of a person is often constrained by a wrong management in the organization: it is directly determined by institutional order/disorder. “That is why the organization ethics as the objective of management is first of all related not to the personal virtues, but to the organization’s approach to values and their introducing to managerial and control structures <...> the key issue is whether the company management structures are able to be the incentive for moral behaviour of person’s both in organization and in community or vice versa? That is why a managerial ethics in strategic management is the objective of an organization and must be its important practical consequence (Wieland and Grüniger, 2002).

It should be admitted that organizations themselves are concerned of proper implementation of a system that realizes the power of values and principles in organizational performance and society life. Without formation of ethics dimensions in appropriate organizational network whatever augmentation/development of human resources is doomed. Scientific methodology in ethics increases human abilities to grasp proper morality of business life, and assist social actors in understanding the moral meanings of their business activity. On macro level ethics institutionalization allows humanization of social, economic and political relations as well as becomes an instrumental purposive means to form civic values, social order and welfare.

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PSYCHOLOGICAL DECISIONS OF POLISH RURAL ENTREPRENEURS: DAILY TARGETING VERSUS INTERTEMPORAL SUBSTITUTION

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Abstract

Psychological and managerial models mapping the life-cycle of labour supply usually predict a positive relationship between supplied hours of work and the changes in wages. Our paper describes this case using a sample of Polish rural entrepreneurs from Mazowieckie and Warmia-Mazury provinces collected in 2008. The wages of these entrepreneurs are correlated within days but uncorrelated between days (they can choose how many hours they can work every day).

Our results mainly show that computed wage elasticities tend to be positive (although not greater from zero). One possible interpretation of these finding might be that Polish rural entrepreneurs tend to “chase the profits” whenever possible across working days and opening hours, and that they follow the path of intertemporal substitution rather than set daily targets for themselves and their businesses.

Key words: psychology, management, labour supply, wages, intratemporal and intertemporal substitution

1. Introduction

Our paper focuses on testing the daily-targeting hypothesis of labour supply versus the intertemporal substitution hypothesis in case of rural entrepreneurs in two selected provinces of Poland.

In spite of some general economic heuristics seeing labour supply as the function with the intertemporal substitution properties, some evidence suggests that it might not be so. Especially in the case of entrepreneurs, self-employed businessmen and agricultural workers labour supply might follow different pattern: it might have negatively significant wage elasticity. In other words, this means that some groups of workers tend to have short time horizon in their decision about how much labour they will supply and the unexpected daily increase in daily income might lead them to the decision to quit work early (Chmielewska, 2010; Pomianek, 2014).

These conclusions lead us to setting up a framework in order to test this causality in case of small rural entrepreneurs in Poland. We concentrate on measuring the signs of elasticity of labour supply and finding evidence for the one of the labour supply hypotheses mentioned above.

The exercise described in this paper is of a special importance when defining the success of small and medium enterprises (SME) in Poland. The perception of success, the factors leading to the success are all dependent on the psychological motives of the entrepreneurs.

2. Intertemporal substitution versus the daily targeting hypothesis

Managerial and psychological models of labour supply tend to explain that the number of hours worked should react positively on the positive wage changes. Workers substitute labour and leisure intertemporally, i.e. working

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more when wages are high and consuming more leisure when its price (the foregone wage) is low (e.g. Lucas and Rapping, 1969).

For the consumer both consumption and leisure are goods. She chooses the point where the highest indifference curve touches her budget constraint. Usually in the economic theory it is assumed that leisure is the normal good and its amount should increase with the increase of income. The increase of wage is usually predicted to cause the consumer to supply more labour to the market. And finally, after a certain point, consumer decides to provide less labour and takes advantage of the higher wage.

The point that the consumers (or workers) tend to work more when the wages are high is the commonly accepted logic of Economics, however seems to be quite difficult to verify.

Various studies report estimated elasticities of the intertemporal substitution tending to be low and even negative depending the data collected (Mankiw, Rotemberg and Summers, 1985; Browning, Deaton, and Irish, 1985; Altonii, 1986). One work by Camerer et al (1997) studied the daily labour supply decisions of New York City cab drivers. In that case cab drivers, like many others privately-employed workers tended to have very short time horizons and were more likely to quit work when if receiving a sudden, unanticipated increase in daily income.

It is noted in the research literature that the ideal test of labour supply response to the wage increase should be in the context in which wages are “transitory”- relatively constant (correlated) within a day but uncorrelated across days (MaCurdy, 1981, p. 1074). Such data are available for example for rural entrepreneurs in Poland represented by the sample of small business proprietors. In analogy with Camerer et al (1997) it seems reasonable to state that rural entrepreneurs deal with wages that fluctuate on a daily basis (due to demand shocks caused by weather, conventions, holidays and traditions, etc.). On a busy day the entrepreneurs have a high turnover of customers and earn a higher hourly wage. This notion seems to be proved by some earlier studies concerning the labour supply of farmers (see for example Berg, 1961; Orde-Brown, 1946; Streimikiene et al., 2015) or self-employed entrepreneurs (Wales, 1973; Bilan, 2009; Belas at al., 2015).

The advantage of studying rural entrepreneurs is that apart from the rules and conventions imposed by the cooperatives, trade unions and entrepreneurial societies they are free to choose the number of hours they work each day.

Using the data on number of hours worked and the average wages per hour, it proves possible to investigate the relationship between wages and hours worked and thus find evidence for either the intertemporal substitution or daily-targeting hypothesis. According to the logic sketched previously an entrepreneur who follows the daily-targeting will keep the shop (factory, manufactory) open long hours on the day when the customers are seldom and close it early when the daily target is reached.

3. Empirical model of temporal substitution and labour supply

In order to see how the econometric model can be derived, let us re-write the equation of a well-know microeconomic model of labour supply with respect to wage in terms of elasticities:

$$\frac{w\partial L}{L\partial w} = \frac{w}{L} \frac{\partial L}{\partial w} \Big|_{ConstU} + \frac{\partial L}{\partial y} \frac{wLy}{yL} \quad (1)$$

i.e.
$$e_i = e_c + e_i(wL/y) \quad (2)$$

The gross wage elasticity of the supply of hours = compensated wage elasticity + income elasticity of supply of hours (weighted by the ratio between labour and non-labour income). Thus the estimated regression function takes the form:

$$\ln(L) = \alpha + \beta \ln w + c \ln y + \dots \quad (3)$$

Putting aside the considerations of initial income we can write:

$$\ln(L) = \alpha + \beta \ln w + u \quad (4)$$

In this case β can be interpreted as elasticity (see e.g. Maddala, 1992). This form (highly popular in econometric works) is called double-log specification (Verbeek, 2002).

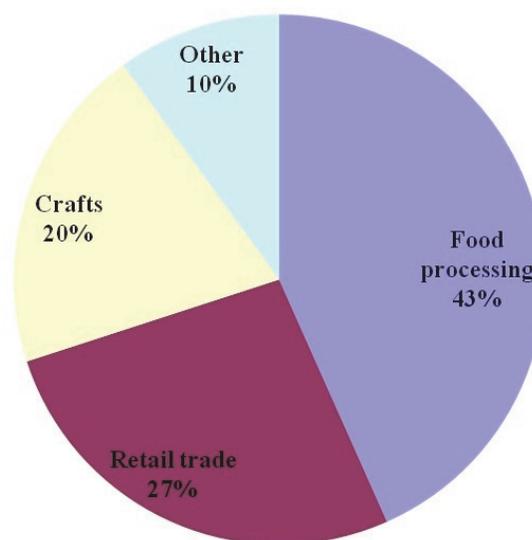
We calculate simple correlation between $\ln(L)$ and $\ln(w)$, where $\ln(L)$ is log (hours) and $\ln(w)$ is log (wages). In addition, scatter plots of log hours and log wages will be created to show the sign of the correlation. The negative coefficient β would signalize hypothesis of negative elasticity of labour supply. Once again, the model can be formally presented in the following way:

$$Y_{\ln(hours)} = \alpha + \beta_1 X_{\ln(wages)} + u \quad (5)$$

where Y is log hours, X_1 is log wages. β is the parameter to be estimated. α is an intercept of the model, stating that in case there are no wages paid, there still will be hours of labour supplied (especially when we analyze the small business proprietor or rural entrepreneur, it might be so: she or he will still be waiting for customers even if everything is against him, i.e. weather, temperature, etc.). It takes some time to realize that the day is bad and it would be reasonable to quit without making any profit.

4. Data collection

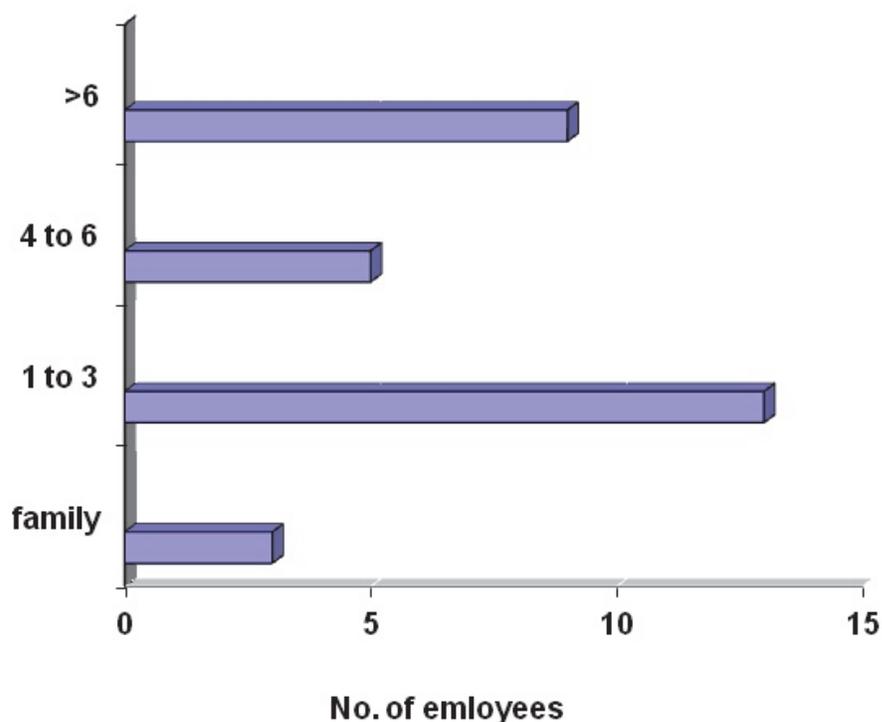
In order to verify the research hypothesis the data had to be collected using the surveys in the two selected provinces of Poland: Mazowieckie province and Warmia-Mazury province. The data collection proceeded by the means of an administrated survey questionnaire and was carried out in collaboration with the Institute of Agricultural and Food Economics in Warsaw and took place in 2008.



Source: Own results

Figure 1. Surveyed SMEs by type of business activity

In total, 30 randomly-sampled rural entrepreneurs (owners or head managers of the small and medium enterprises) engaged in retailing, services and food production were questioned. The questions in the survey mainly focused on obtaining the data on the entrepreneur's position, number of employees, income structure, position on the market and financial information regarding hours of work every day and average wages. Chart 1 and 2 summarize the structure of the surveyed SMEs (type of business and employment structure).



Source: Own results

Figure 2. Number of employees in the surveyed SMEs

5. Results and discussions

We use regressions for both datasets using the econometric model in the log-linear form that was described above. Table 1 below reports the summary of the main findings:

Table 1. Summary of the model findings: Week days and monthly averages datasets

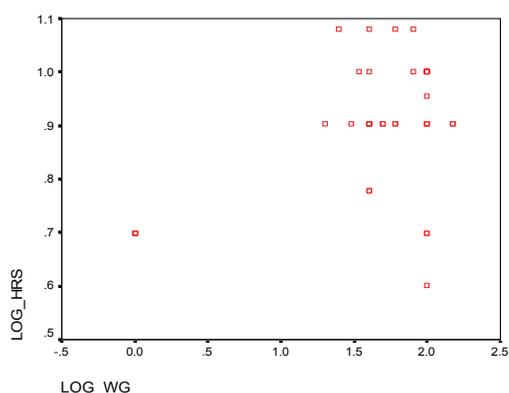
Sample	Dataset 1: Week days	Dataset 2: Monthly average
Log daily wage	0.449 (0.032)	-
Log monthly wage	-	0.383 (0.055)
Constant	0.742 (0.057)	0.773 (0.106)
R2	0.201 (Adjusted R2: 0.181)	0.147 (Adjusted R2: 0.118)
Sample size	210	60
Number of surveyed	30	30

Note: Dependent variable is the log of hours worked (average values). Standard errors are shown in parentheses

Source: Own results

It appears that in none of the two cases the beta estimates are negative. The determination coefficients are 18 and 11 per cent respectively (small R-squared are reported in a number of similar studies and are acceptable in this framework). This gives us grounds to reject the daily targeting hypothesis; moreover it seems that the determination of labour supply in the case of Polish rural farmers lies elsewhere but in the average wages.

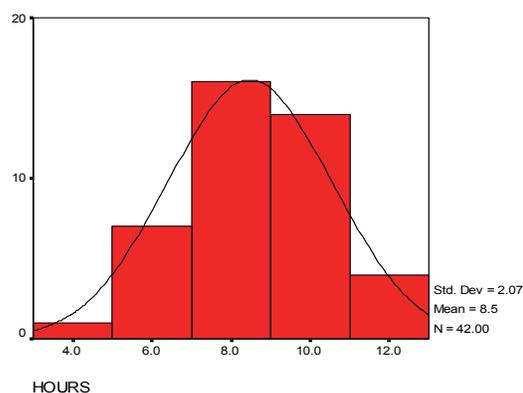
Below are the scatter plots and histograms for both datasets. We can see that hours worked and wages have a positive correlation: the increase of wages leads to increase of hours. Besides the histograms reveal that in both cases the average number of hours is around eight in the first dataset and around ten in the second.



Dataset 1

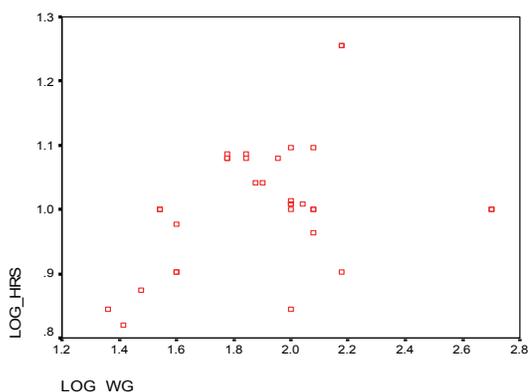
Source: Own results

Figure 3: Scatter plot (LOG_HRS)



Dataset 1

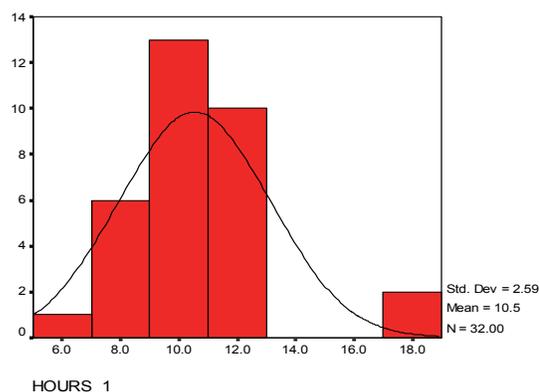
Figure 4: Histogram (Hrs of labour)



Dataset 2

Source: Own results

Figure 5: Scatter plot (Dep. var. LOG_HRS)



Dataset 2

Figure 6: Histogram (Hrs of labour)

6. Conclusions

Based on our estimations, it appears that the hypothesis of negative wage elasticities has no empirical evidence in the case of Polish rural entrepreneurs. Moreover, the results of our empirical model suggest that there is a tendency amongst Polish rural entrepreneurs to substitute labour and leisure intertemporally.

Therefore, it seems that Polish small rural entrepreneurs represented in our sample are likely to follow some other consideration that is different from the daily targeting concept. There are several explanations for that that come to mind: Firstly, it might be that Polish economy is still undergoing economic transformation and the accumulation of wealth and capital still represents the main motive for Polish businessmen thus making as much profit as possible the only goal that comes into their focus. Secondly, there might be some behavioural and perhaps psychological concern when the real incomes are concealed and the entrepreneurs are reluctant to communicate their real wages and labour supply preferences (which might have biased our model) because of the fear of fiscal or governmental control or other persecutions from the officials.

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SOCIAL NETWORKER – CHALLENGES FOR TRANSLATING SKILLS FOR NETWORKING INTO SKILLS FOR LEARNING AT UNIVERSITY

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Abstract

Contemporary students quite often are considered to represent the generation of Digital Natives (further on: DN) or Social Networkers (further on: SN). However, as the university teachers' practice shows, students are often reluctant to use the ample opportunities provided by technologies for social networking for their studies, therefore e-learning is limited in many cases. Therefore, the problem question is formulated as follows: Why students, who seem to be using social networking tools eagerly for everyday life, seem reluctant to use the same (or similar) tools for studies (for organising their own learning)? The aim of the paper is to present study, including theoretical considerations and empirical data on the paradox of the nature of studies of young students in higher education with the reference to social networking (as one of the forms of e-learning) as one of the channels for learning. The object of the study: the paradox of the nature of studies of young students in higher education with the reference to social networking as a form of e-learning. Methodologies of quantitative and qualitative research were used for the investigation of the paradox of the nature of studies at higher education when applying social networking as one of the forms of e-learning. This stage of study was designed as a pilot study, with the perspective to investigate further on the phenomenon of the paradox of nature of studies (why while using social networks so eagerly in everyday life young people seem reluctant to do so while learning in studies; that is, why their e-learning from that perspective seems quite limited). For the empirical study two methods were used. Students from three different universities were invited to participate. The method of questionnaire (on-line tool) was used for the quantitative methodology with a goal to identify, which specific SN tools young people use for their leisure time, for communication and for studies. Conclusions are provided, one of them being with a specific practical insight about the necessity for university teachers to help students in translating their SN skills into skills for authentic e-learning at university.

Keywords: social networks; e-learning; learning of digital natives; ICT-based learning tools; web 2.0-based learning tools.

1. Introduction

The paper is aimed at exploring the paradox related to the nature of e-learning for university students. The paradox is identified because, on the one hand, contemporary students quite often are considered to represent the generation of Digital Natives (further on: DN), or Socials Networkers (further on: SN). On the other hand, as the university teachers' practice shows, students are often reluctant to use available technologies for their studies; therefore e-learning is limited in many cases. Experience collected from three different universities raised the concerns addressed in designing and carrying out the study, based on qualitative and quantitative research methodology.

Problem question: Why students, who seem to be using social networking tools eagerly for everyday life, seem reluctant to use the same (or similar) tools for studies (for organizing their own learning)?

The aim of the paper is to present study, including theoretical considerations and empirical data on the paradox of the nature of studies of young students in higher education with the reference to social networking (as one of the forms of e-learning) as one of the channels for learning.

The object of the study: the paradox of the nature of studies of young students in higher education with the reference to social networking as a form of e-learning.

Objectives: paper will present theoretical considerations on the contents of the concepts, including e-learning; paradox, learning of digital natives; paper will present the logics and design, also procedures of the empirical study, based on the methodology of quantitative research and finally some data from the study will be presented together with conclusions and some insights for the enhancements of educational practices in contemporary higher education, namely for fostering e-learning.

Methodologies of quantitative and qualitative research were used for the investigation of the paradox of the nature of studies at higher education when applying social networking (Further on: Sning) as one of the forms of e-learning. This stage of study was designed as a pilot study, with the perspective to investigate further on the phenomenon of the paradox of nature of studies (why while using Sning tools so eagerly in everyday life young people seem reluctant to do so while learning in studies; that is, why their e-learning seems quite limited). For the empirical study two methods were used. Students from three different universities were invited to participate. The method of questionnaire (on-line tool) was used for the quantitative methodology with a goal to identify, which specific SN tools young people use for their leisure time, communication and for studies. Furthermore, the method of written reflections was employed in order to identify subjective perspectives of students (18 – 23 years old) on the way they conceptualize, interpret and attribute practical implications to the employment of technologies in their studies. All reflections were analyzed with the focus on possible subjective explanations of the fact, why young students do not employ available technologies to their full potential, though superficially, the generation of DN/SN is expected to be very flexible and productive at using Sning technologies.

2. ICT in daily life vs ICT in university e-learning

As DN or SN for that matter spend a very large part of their active life in the Internet, their preferred ICT tools are mainly related to the Internet, to cloud computing, and, mostly, to Web 2.0 technologies. The list of such tools is rather long, but we can point out, that these tools are heavily and successfully making use of Web 2.0 features as formulated by Tim O'Reilly (O'Reilly, 2006), starting from different aspects of collective intelligence and going further to dynamic data as the basis for web services, platform independence, etc. Therefore, we see DN/SN heavily using such shared content systems and collaboration tools as YouTube, Wikipedia, Flickr, Instagram, Google Docs, Google Sheets etc., social networks and communication tools such as Facebook, Google Groups, Instagram, Twitter, Skype, etc. Therefore, it would be natural to use comparable tools in the learning process, hoping for students to reuse their everyday out-of-university experience in the electronic space.

Meanwhile, Sning tools used in ICT based learning process in universities are not always compliant to the latest achievements in ICT technology development. For example, many universities in Lithuania are using the Moodle open source learning platform (<http://moodle.org>), allowing educators to create content-rich, dynamic online courses. Though the Moodle platform offers quite a lot of tools for collaboration, including tools for collectively creating a bank of records, a wiki of collaborative authoring of web documents, etc., the interactivity remains moderate. Moodle platform enables easy access to additional external tools, supporting the LTI 2.0 (Learning Tools Interoperability) specification. However, teachers preparing online course material for the Moodle platform very seldom exploit these advanced possibilities. There are several reasons for that. First of all, teachers are not willing (or just too busy with other commitments) to learn how to master those advanced capabilities, in most cases limiting themselves to just uploading electronic documents and allowing students to upload their assignments. On the other hand, some of the collaboration tools, offered in the Moodle environment, are much less flexible and attractive compared to those everyday collaboration tools, though in many cases they address the same functionality. Moodle wiki for collaborative content design can be taken as an example. A difficulty to use interface together with limitations in access management are the factors limiting the use of this tool by both teachers and students. Summarizing, most frequent problems with ICT based learning tools in universities include: lack of dynamic content; tools with limited functionality; inconvenient user interfaces, not resembling the interfaces of everyday services; teacher unwillingness to use advanced features of ICT tools, overall shortage of tools typical to social networks. All this taken together prevents the current university e-learning environments from developing into real educational social networks as students perceive them.

Also, the reluctance of students to use many different virtual social networking environments could also be the case. In this case, it would be relevant for the design of a virtual learning environment to rely on the integration of existing widely-adopted social networking environments and tools (e.g. Google Plus) as much as possible.

However, are these features the only ones to blame for the lower-than expected efficiency of students use of virtual study platforms and other ICT tools provided by the university?

3. Digital era and digital natives

We can already identify the signs of significant impact of the digital era. According to Palfrey and Gasser (2010), the “digital era has transformed the way how people live their lives and prelate to one another and to the world around them“ (239 p.).

Today the discourse of so-called 'net generation' or 'digital natives' – youth born in 1980s and later, spending a large portion of their lifetime online became wide-spread (Jones, Madden, 2002; Levin, Arafeh, 2002; Oblinger, Oblinger, 2005; Lenhart, Madden, Hitlin, 2005; Brill, Park, 2008; Bennett, Maton, Kervin, 2008; Jones, 2010). Modern web technologies enter daily life, their application goes far beyond the internal domestic environment, and their user gradually becomes a multi-tasker (Talbot, 2007). Therefore, it is reasonable to monitor their habits, their development and their impact on learning, and, specifically, on e-learning. Based on survey data, approximately 50% of adolescents in the US have their blogs (McLoughlin, Lee, 2008). According to a study, completed in Lithuania (Zibeniene, Brasiene, 2013), for middle-high and high school students use intensively the social networking tools: 95.3% of respondents had a profile in some Internet social network; 77.1% participated in social networks in order to find new friends and to communicate; and as many as 60.7 % respondents indicated that the motive for participating in networks was boredom and lack of engagement into other kinds of activities.

Combes (2012) criticizes the definition of Digital natives, submitting an analogy, that not everybody born when bicycles and cars were widely used is able to operate these vehicles. The author supports these statements with official statistics reports: drivers up to 25 years old are to blame for the largest share of car accidents. Drivers should not be able to manage vehicles mechanically, but, also, should learn the traffic rules.

Youngsters, who were born when alphabets were already created, did not learn to read and write automatically. Only communication, i.e. talking skills is acquired by small children without any substantial or at least evident efforts. And even then: some of them need specialist' help for that. Meanwhile, an alphabet, or language recording according to specific rules, and reading – these can also be considered as kind of information technology, used by mankind already for thousands of years. Younger generations are systematically learning this technology from their childhood. ICT is also created by humans, therefore, the younger generation should learn how to use it. Nowadays, a lot of software tools are designed, covering different user's needs. Social network access can be considered as one of the most widely-spread ICT, namely, Web, technology today. It is attractive for users, easy to master, however requires additional skills as well: information search, information management, the Internet etiquette, electronic data security, etc. M.Fraser and S.Dutta (2010) distinguishes between five types of social networks: egocentric (MySpace, Facebook, platforms for creating virtual identities, as well as for developing individual creativity and artistic expression); communal (replicating real-world communities); opportunistic (e.g., LinkedIn, vertical portals for doctors, scientists, stockbrokers, etc.) with members joining for rational reasons – business or professional contacts; passion-oriented horizontal networks, where members are brought together by common interests and hobbies; information-sharing portals (Youtube, Flickr), described not by membership, but by content.

Work with students, considered as DN/SN, creates new challenges for a university. It is important to take into account such criteria, as time, financial, ICT resources in possession. While integrating Sning tools for studies, it is essential to plan the whole learning process, take into account possible challenges (it should be noted, that each innovation can provides certain surprises), difficulties for students and ways for overcoming them; e.g., intended means of communication and student support measures should be made clear. Self-organizing environments not necessarily act as effective learning environments. Wisdom of uncontrolled crowd easily can turn into an inordinate, unstructured information flow, barely suitable for learning. However, control applied in this case, should not become a dictate. Therefore, application of Web 2.0 technologies is a challenge for e-learning designers and users (teachers and students), as it is necessary to design systems, structures and processes, that would be qualitative, professional in pedagogical sense and would form a virtual learning environment, implementing

horizontal learning with the use of group knowledge construction (Dron, 2007). Students, who are SN, know how social networks operate, and even know how to find information in the Internet, but still: teachers, librarians and parents have to teach them interpret the acquired information (Palfrey, Gasser, 2010).

On the one hand, the digital technologies that contemporary DN/SN like and use so much, where (at least up till now), developed by Digital immigrants (DI), that is, an older generation. On the other hand, in many cases DN/SN use those technologies for other purposes that it was originally intended; yet other technologies that had been considered perspective, became redundant, because users did not find them attractive. Davidson and Waddington (2010) state, that technologies used in everyday life by a typical contemporary student and his/her experience are often in dissonance with learning platforms and virtual environment offered by the university. Gros et al. (2012) conducted a research, showing that: “students perceive themselves as fairly competent in most areas (communication, creation, etc.), although the data does not indicate that these competences are necessarily reflected in the normal performance of academic tasks” (207 p.); elsewhere: <they> “create their own groups independent of the “official” communication spaces in the virtual campus” (203 p.).

Moreover, as B.Stachowiak (2013) presents the study of M. Jędrzejk (Poland), students, for the development of their final thesis use Wikipedia as the main source of information; furthermore, a number of such students increased in recent years: from 34 % of such students (2007) to 54 % of such students (2009). Margaryan et al. (2008) presents a research, revealing „low level of use of and familiarity with collaborative knowledge creation tools, virtual worlds, personal web publishing, and other emergent social technologies“ (22 p.). The results of a research carried out in the UK (Margaryan et al., 2008) showed that students’ attitude to learning is largely formed by the methods used by teachers. The research showed, that even for students, who can be considered DN/SN, traditional learning is still more attractive than ICT based learning, and that students tend to use a limited number of ICT based tools (most often institutional VLE, Google, Wikipedia, mobile phones, and, definitely social networks). The researchers found, that younger students use ICT based tools more actively, but none of those age groups tend to use technologies for studies. Summarizing, it can be stated, that young students, although able to use ICT based tools, tend to use teacher suggested methods for studies. Therefore, we can conclude, that the role of the teacher (though we name him/her as a digital immigrant), as a leader, is very important in encouraging students to use ICT based tools for studies. This means, that the teacher must learn how to use ICT based tools, because, otherwise, he/she will have nothing to offer to students.

4. Learning habits of digital natives

A number of studies that focus on employment Web 2.0 technologies for university studies increased; moreover, also, a number of scrutinized aspects increased. Employment of tools, based on Web 2.0 for studies, also the activities that are only possible with employment of tools based on Web 2.0 are analyzed, also, an attention to the tools for the administration and organizing everyday life of university came into focus of researchers in a recent decade. Tools based on Web 2.0 potentially enable students to learn non-formally and informally (Anderson, 2007). Valineviciene (2013) analyses the extent to which tools based on Web 2.0 are used to create and maintain learning environments and concludes that a wide variety of existing tools in principle enables creation of a huge number of learning environments, integrating tools based on Web 1.0 (which today effectively may be called traditional learning tools), and face-to-face learning opportunities, and, surely, Web 2.0 tools.

Now knowledge society is transforming into an interactive society or a society of two ways interaction (Milne, 2007; Talbot, 2007; Brill, Park, 2008). Interaction in a new development stage of ICT (web 2.0) is defined as the two way communication of people, interaction and group work through the application of new generation of ICT (Milne, 2007; Talbot, 2007; Davidson, Waddington, 2010). Here a comment is added concerning new challenges for programmers. As tools based on Web 1.0, Web 2.0, and even (the first signs are evident) 3.0, are more often used for studies, it is necessary to offer teachers and students new and easily maintained tools for monitoring, evaluation, assessment.

P. Anderson (2007) indicates 6 main ideas underpinning Web 2.0 tools. Firstly, the creation of individual contents becomes possible; individual creativity may be fostered. Secondly, tools may be used to rely and exploit a potential of huge number of people. Thirdly, the geographical and even historical boundaries for analysing data almost cease to exist. Fourthly, a participation is possible in data collection, analysis and generation. Also, an

amplification of generation of ideas is possible due to network. Finally, the net (tools based on Web 2.0) basically grounds the creation of a culture of openness. For the purposes of our analysis the following is important: those principles are very productive for creating effective, encouraging, user-friendly tools for learning environments: Wiki, RSS, even YouTube, Flickr, Slideshare, etc. S.Downes (2007) states that personal learning environment and technologies based on Web 2.0 may be used as synonyms. People gather into virtual learning communities and social networks where contents is both 'used' and 'created', and may be creation is happening even more often (Dron, 2007; Downes, 2007). Learning in networks is based on the principle of semantics, with the four main constituting elements: diversity, autonomy, interaction and openness (Downes, 2007). The principle of technologies, provided for learning, are of reciprocal nature: they are both based on principle of autonomy, and at the same time they only work if a learner is autonomous. The technologies provide opportunities for the shift of roles: roles on who is a teacher and who is a learner become fluid; the potential of the learning due to participation of great numbers of participants increases (Koskinen, 2010). It would seem that learning in networks may decrease a degree of input that a formal education institution (in our case: university) has for an overall array of learning opportunities of a contemporary individual. Because an individual, a student has all the stakes in his/her hands (Dron, 2007; Fraser, Dutta, 2010; Davidson, Waddington, 2010).

A comment should be provided here, and namely, the fact that concept studies and learning are not used as synonyms in this paper. While organizational status and setting, denoting participation in certain process is referred to, a concept of studies is employed. Concept of learning, on the other hand, refers to an authentic engagement in qualitative changes in one's competencies. Whilst a person may participate in studies, however, his or her participation may be of superficial nature, without authenticity and activeness that are characteristic to learning (Butrimė, Zuzevičiūtė, 2014).

It would seem that e-learning, using Web 2.0 tools may be characterized as a potentially creative, more democratic (in a way that it is really quite accessible once learners decide to engage in learning) learning, because non-traditional resources and environments may be used as sources for learning and contents is being created by employing an intellect of groups (large ones) of participants.

And however: in a context of so many opportunities - why students in higher education do not employ those and other tools, specifically designed for learning or tools designed may be for other purposes, but extremely useful for learning to a degree that one may expect out of a digital native/social networker?

The authors of this paper posit three hypothetical answers, which, however, are not mutually exclusive; rather they may interact. On the other hand, none of them may be true. And, finally, some other reason may explain the phenomenon.

Firstly, students in higher education may simply not be aware how to translate the tools they use for leisure, for getting to know peers and even to find intimate friends into tools for studies and, preferably, learning. As Jarvis (Butrimė, Zuzevičiūtė, 2014) states, learning is an utmost human behavior that incorporates basically everything a person does, provided, a person reflects on it at least to some extent. We learn, when we are with friends: we learn to be compassionate while someone we care about is sick, we learn in a family: keeping up hygiene and paying bills, and we learn in school, and we learn in a workplace: to be disciplined, to use new technologies and to interact in a genuine, yet respectful manner. We learn while we watch TV: we find out what is going on the world, and what new discoveries the Curiosity found on Mars; and we learn while participating in elections: we find out that sometimes a true victory is an honorable defeat. However, young people may not be aware that what they do in chat rooms (find out about new fashions in clothing, music and the youth-vocabulary (which resembles for adults a foreign language)), is actually, learning. They think they are having good time with friends, being popular or at least accepted (or trying to be popular or at least accepted); and however, they learn at the same time. They learn what they have to do or to know, or how they should behave in order to be popular or at least accepted. Therefore, a reflection, a discussion with students in school and certainly - in higher education - may help them to become aware of the fact, and then, hypothetically, become more inclined to use available ICT tools, virtual study-platforms, offered by a certain institution for studies and, consequently, for learning. The first hypothesis, therefore posits that young people simply do not see the link between something that they do for leisure and something that can be done for studies (and learning). They do not translate the skills of using ICT for leisure into using ICT for studies in a more structured, organizational setting of a given university.

Second hypothesis is strongly connected to the first one. It posits that young people may not see the link between a physical building of a university and virtual study-platform. It may be that young people just do not see the direct connection between a university 'x' and the closed circuit (we are using a term just as an analogy here) virtual 'y' study-platform it employs. The virtual study-platform may be as wide spread as FirstClass; or a specially designed, customized platform, let us call it 'PPP'. A young person is so used to using his/her spaces (Facebook, Instagram, Youtube and etc.) that he/she becomes almost blind to a virtual study-platform of an x organization. Young people do not conceptualize ICT powered space as sometimes being quite closed, as belonging exceptionally to this particular organization (e.g., even First Class, while employed by a specific organization has a list of users (members of this organization) with privileges, rights, and all the others have significantly less rights), and serving the needs for this 'x' organization. It may be that young people do not see a direct link between a physical building and its 'aura': virtual study-platform. This hypothesis stems from an experience of the authors of this paper: a number of times students ask teachers where will they find tasks, materials, and finally plead these to be published on Facebook. When explained, that even if the copy right aspect is disregarded, nevertheless, the Facebook cannot be used, because the system (some 'y' virtual study system that a particular university uses) must register their answers, register whether assignments were submitted in time, still student's demonstrate bewilderment and confusion. Students do not connect employment of ICT tools to organizational setting: responsibility, accountability, registration; de-registration and all the consequences for their status as a student.

Third hypothesis stems from the theory of the limited resources each person has. As McClusky identified (1974) each person having only a limited power G , the power that is needed to perform all the tasks a person is facing. We have only as much energy for an additional task, if some energy is still available after all the priority tasks ahead of us are completed (E (energy) = K (tasks) / G (power)). As materialistic as it may seem the theory, nevertheless, explains well the situation. With too many tasks and responsibilities, which describe well a contemporary situation of a 'multitasker', a person may just be overwhelmed with too many requirements and expectations. Even if young person has more energy than an older one, even then the constant and a multi-layered influx of information may be just too much even for a young person. And, as he or she starts filtering, even unconsciously, the first layers that get filtered out are virtual study-platforms, offered by a certain institution for studies and for learning, as they are least familiar to young people.

Surely, the hypotheses need further investigation, however, for the purpose of this study it was decided to hold on too main statements.

Firstly, each of the hypotheses may have some validity and some degree of input into understanding the phenomenon. Most probably, the interaction between all of them produces the effect that does not cease to surprise university teachers, and namely, a relative reluctance of students to use effectively a virtual study-platform available at certain organization.

Secondly, a multi-stage empiric study is needed in order to either substantiate claims, or reject them, and the qualitative approach might prove to be most productive. However, the study the results of which are presented in this paper was of quantitative nature, with the main focus on the first hypothesis. Authors of this paper design a multistage study to be carried out in the period of the next year with all the hypotheses in focus.

5. Procedure and sample of a study

In this paper results on a study where students were asked to reflect on tools that they use for their learning in studies, are presented. The on-line questionnaire consisted of closed type questions; also, two items were of the open nature, that is, they were asked for the reflections on the concepts and their own behaviors. Students of the 1 year in higher education were invited into a study, therefore they represent generation of digital natives/social networkers. A study was carried out in 3 Lithuanian universities, during December, 2014 - January, 2015. The research sample consisted of 138 first year students: 71 (51.1%) university X, 38 (27.5%) university Y, 29 (21%) university Z. 48.5% of social sciences students, 39.1% of medical students and 12.3% of veterinary students participated in this stage of a study. The study was specifically designed not include students from technical sciences or IT, because it would logical to expect that students from those filed will be competent and self-assured in this respect. The age of the participating students varied from 19 to 26. Students' experience working with

computers is from 5 to 16 years (10.29 on average). Students' experience using Internet is from 4 to 15 years (8.48 on average).

6. Results of a study: students on their competence and on e-learning

Students were asked, where they look for help when having problems in using ICT tools? (Fig. 1). Eight out of ten (83.3%) are consulting with other students, their colleagues. Seven out of ten (74.6%) are searching for information on ICT by themselves. Six out of ten (63.8%) communicate with their friends in social networks. Two out of ten (19.8%) communicate with teachers. Two out of ten (19.8%) communicate with university librarians. Codes (Fig.1) of students close answers: K1-Communicate with ICT professionals; K2-Asking about help of own parents; K3-Communicate with ICT students; K4-Students training in the ICT courses; K5-Communicate with University librarians; K6-Communicate with teachers; K7-Asking about help of friends in social networks; K8-Looking for information about ICT using; K9-Asking about help of colleagues students.

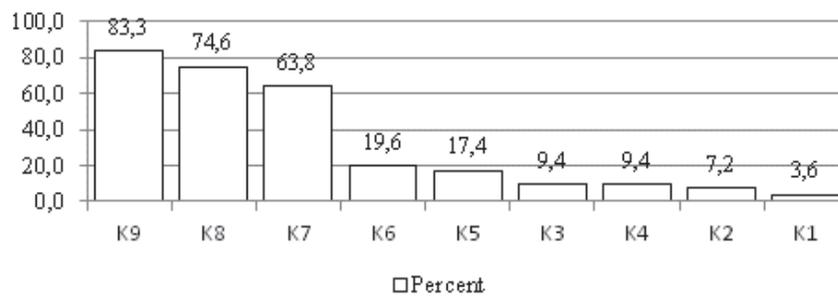


Figure 1. Where students look for help when having problems in using ICT tools?

Students were asked to name, what Web2.0 tools they were using (Fig. 2). Figure 2 presents the statistics on Internet tools, used by students every day. The first five positions represent communication tools, specifically, social network. All students use social networks every day: nine out of ten (87.7%) are using Facebook; three out of ten (27.5%) are using Instagram.

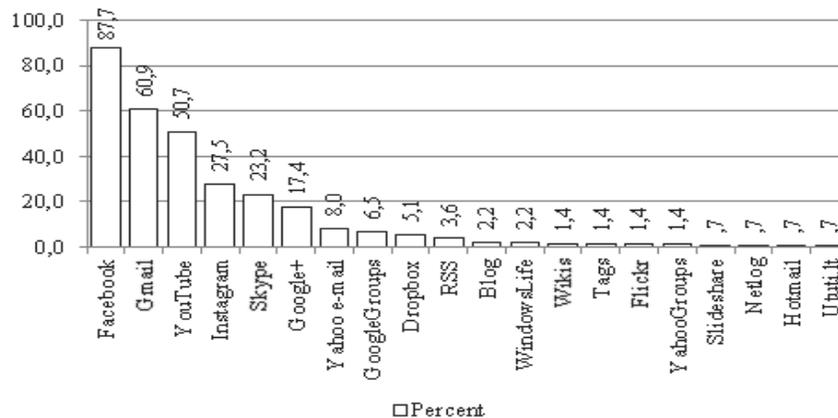


Figure 2. Students' use of social networks

Students were asked whether they used Internet based (or ICT) tools for learning before they entered university (Fig. 3, A). The question was whether they used tools even without teachers' instruction. The study reveals that using Internet for studies is limited (just a bit more than 30% of students reported them being important for their learning (Fig. 3, A). During the first part of the semester, a third of students (29.7%) (Fig.3, B) noted that if they had an opportunity to choose (traditional-Internet based tools); they chose Internet-based tools. In this group of

respondents a third was of those who reported having used Internet based tools before joining university; that is, for whom Internet tools were important for they individual learning.

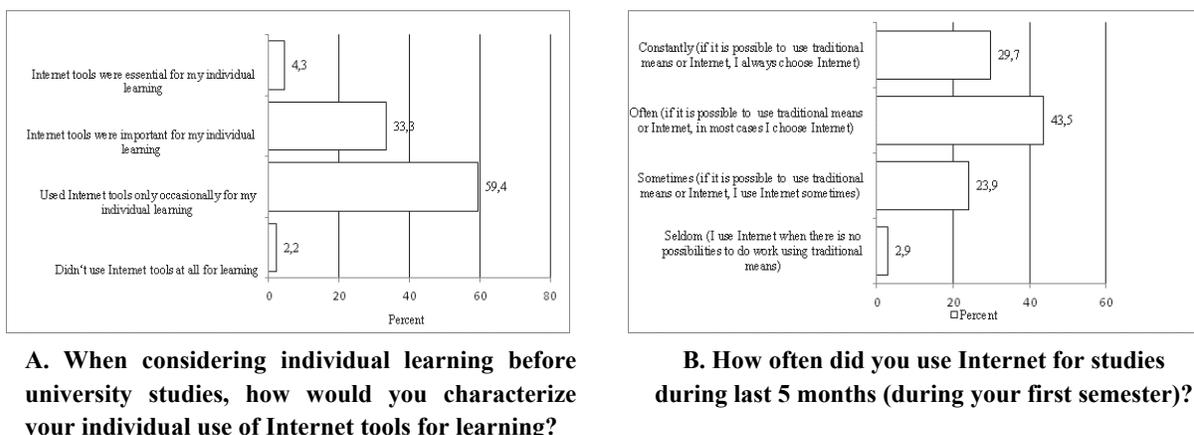


Figure 3. Students on using Internet (and its tools for learning during studies)

On the other hand, students' self-assessment on their competence to use Internet is also somewhat moderate, with slightly more than 30% announcing themselves being competent users (Table 1). Students were asked whether they thought that they used internet based tools for studies to a sufficient extent during the last 5 months (that is, during the first semester). Approximately two thirds (65.22%) of respondents responded that they were doing that to a sufficient extent. Answers in three different universities are slightly different: from 60.5% (u-ty Y) to 75.9% (u-ty Z) of respondents claim using IT opportunities sufficiently for learning. The sample was used to compare how students evaluate their own experience and competence for searching for information and the competence to use the opportunities of the ICT tools (Table 1).

Table 1. Students' evaluation of their competence to search for information (in Internet)

Students' answers	Students say, that sufficiently (N)	Students say, that not sufficiently(N)	Total(N)
Did not answer	2	1	3
Novice User(1)	8	6	14
Independent user(2)	42	29	71
Well mastered online tools user(3)	32	10	42
I am a web expert (4)	6	2	8
Total	90	48	138

Majority of students, who took part in the study, assess themselves as „independent users“ (slightly more than half, 71 students, Table 1) and „well mastered online tools user“ (slightly more than one third, 42 students, Table 1). Both groups include students thinking that their application of ICT in studies is sufficient, and also those, who think that their application of ICT in studies is not sufficient.

Results show that even during studies the emphasis for using IT is on communication (more than 92%) in contrast to a seemingly logical choice to use (analyse, apply) materials, published by teachers for the specific needs of the very students at focus (only 68% of choices indicated this task to be sufficiently performed), Fig. 4. Even for supplementary materials students do not look that often (60% of choices indicate 'sufficiently'), not to mention university on line courses or library.

Fig. 4 illustrates that both groups of students (those, who reported applying ICT opportunities for learning

sufficiently) and students (those, who reported applying ICT opportunities for learning not sufficiently) use ICT tools for learning during studies similarly

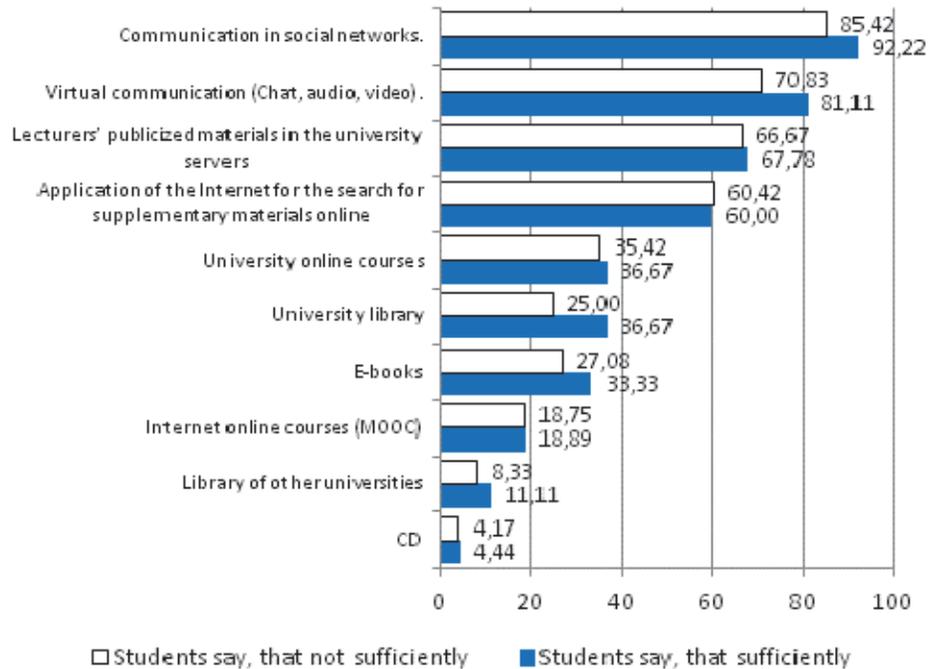


Figure 4. Students' opinion on the application of ICT in the study process (percentage of choices, not of respondents)

Students were asked two questions (Fig.5): 1) how do you rate your use of corresponding Internet tools? (Answers: not confident, gaining confidence, confident, very confident); 2) how you feel about using the Internet tools? (Answers: strongly dislike, dislike, like, very enjoyable). Students had to assess the following online activities: K1-Using Internet for studies; K2- Communication with friends and family; K3- Using e-banking and paying bills; K4- Filling in tax inspection declarations; K5- Buying and selling books, clothes and other things; K6- Knowledge management; K7- Time planning - using online calendar; K8- Entertainment online (movies, music, games and other) (Fig. 5).

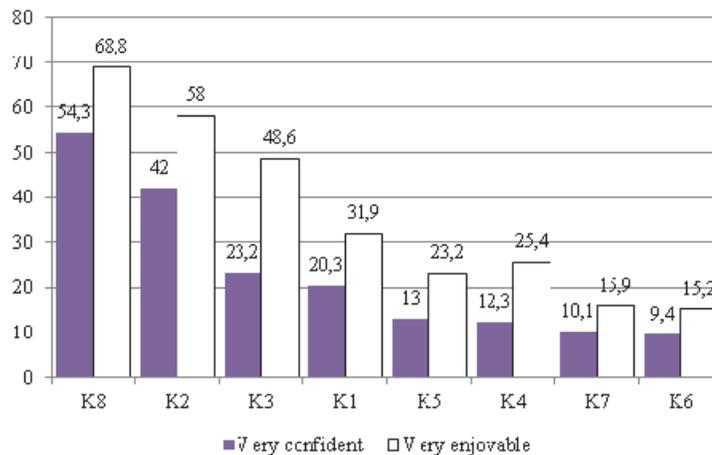


Figure 5. Students assessed their abilities of accomplishing different activities online and indicated whether these activities are attractive for them

Summarizing information in Fig. 4 and 5, it can be observed, that seven out of ten students (66,67% and 67,78%) are using electronic material published by teachers in the university servers, and six out of ten (60,42% and 60%) are searching for additional information in Internet. However, it should be noted, that learning from teacher-prepared textual materials cannot be considered as an active learning mode. This is traditional learning only with presentation in a digital form. Most students prefer learning from teacher-prepared material. Much less students are able and like to learn using Internet resources (when tasks are given for students to find necessary data, analyze them and filter the necessary information). This is illustrated in Fig. 5, where we can observe, that two out of ten students (20.3%) indicate, that they are able to very efficiently use Internet for studies, and three out of ten (31.9%) indicate, that they are very enthusiastic in doing so. Nearly six out of ten students (54.3%) are able to use on-line entertainment activities (movies, music, games, etc.) very well, and seven out of ten (68.8%) are very enthusiastic in doing so.

Therefore, it would seem that any of the three posited hypothesis may hide behind the data. Quantitative data, expressed in percentage and cases substantiates the experience that the representatives from the three different universities have on the situation. However, the reasons for the situation (which of the three hypotheses may be in force) remain to be clarified further on, using another methodology.

a. Students on the reasons to use and not to use ICT tools for learning during studies

As it was indicated above, the study had two parts, with the qualitative part focusing on identification of subjective perspectives. While analyzing students' written reflection, several categories were identified. The crudest categorization generated two categories of contributions: Obstacles and Strengths.

Further on we provide identification of subcategories and the examples/quotations of actual contributions (2 Table).

Table 2. Categories on students' subjective perspective for using or not using ICT tools for learning during studies

Obstacles	Strengths
<p>Lack of competence for using virtual study-platform T8 [4397-4525] (here and further on - a code for a respondent) „I just realized how much I still have to learn in order to use modern and innovative systems of information“.</p> <p>T9 [1054-1263] „I realized that I was confusing the ability to find and switch on a computer game with the competence to find necessary information for my studies“.</p> <p>T11 [1678-1821] „I think the system should be changed (Note of the authors of this paper: the virtual study-platform used at this particular u-ty X) into something less complicated. I think [university intranet] is very complicated“.</p>	<p>Students conceptualize concept ‘informational literacy’</p> <p>T13 [1844-2003] “...we discussed informational literacy even before this university, back in college. However, what is the meaning of this concept I understood only here, at university...”</p>
<p>Inconvenient interface of virtual study-platform T10 [14086-14175] „I think it takes too much time to learn to use the interface (Note of the authors of this paper: of the virtual study-platform, used at this particular university Z; therefore students may find the platform unattractive)“.</p>	<p>University’s intranet is used by both teachers and students T12 [9435-9685] “...I am really happy that this intranet exists, and that teachers use it, help us, give us information and that teachers are so patient with us...”</p>
<p>Weaknesses in administrating virtual study-platform of a university T10 [7304-7574] “Actually, I prefer this system to completely get off-line...I was not able to get on-line...ever. At dean’s office I was advised to contact some person CC, I contacted that person, and was re-directed to someone else... in the end, no-one consulted me properly...”.</p> <p>Students do not recognize university intranet as an integral part of a given university, its virtual subsidiary T10 [10264-10347] “...I think that both students and teachers will be more comfortable while using gmail...”</p> <p>T12 [8824-9237] “...There are so many more aesthetic and more convenient platforms, that people use, I don’t know why we use this one...”.</p> <p>T10 [145-313] “[University intranet] should be changed into something that students use, and which are more attractive to students... everyone uses facebook, gmail and google drive/dropbox instead of [university intranet].”</p> <p>T10 [13211-13355] “To write e-mails, so inconvenient... we should use gmail, and teachers too”.</p>	<p>University’s intranet publishes materials for studies T12 [6727-6786] “... intranet helps a lot, almost all materials are there, teachers publish almost everything...”</p>
<p>Technical problems</p>	

Students note more obstacles that they notice strengths in the system, which again re-iterates the concern of the authors of this paper, as well as of the researchers and authors of some other studies quoted here that students have to be encouraged and supported (paradoxically so) by teachers in order to use the ample and productive opportunities for learning during their studies.

7. Conclusions

While summing up the study, it is evident that at least three statements may be provided with a significant degree of confidence as tentative conclusions.

Firstly, the issue of students (Digital natives/Social Networks) not using the opportunities of the Internet based (or ICT- here the term is used as a synonym) tools for their own learning during studies is, if not universal, than, surely, wide spread. That it is evident from the studies both in the UK and in other countries, and also, from the experience of the authors of this paper and the results of an empiric study.

Secondly, the probable explanations, or, as it was formulated here, hypotheses seem to have credibility while analysis of the first data from an empiric study was completed. It would seem that students really sometimes fail to conceptualize the ICT tools being useful for learning (1 hypothesis), and they really (that was especially obvious during the qualitative stage) do not conceptualize university having a virtual subsidiary (virtual study-platform) as an integral part of a given university (2 hypothesis). The third hypothesis remains to be tested further on.

Thirdly, it is evident that the role of a teacher (Digital immigrant) at least for some time now and into the future, contrary to a wide spread rhetoric, remains important and significant. Both theoretical and empiric findings reveal a necessity to encourage students to use the opportunities that are there, and use those opportunities in a responsible and productive way. As one of the students put it with such an in-depth reflexivity: „I realised that I was confusing the ability to find and switch on a computer game with the competence to find necessary information for my studies“(T9 [1054-1263]). It is obvious that students, especially young members of higher education community, need guidance, ideas and support in daring acknowledging limitations of their own competence, in daring using ample opportunities for the benefit of the learning during studies and beyond.

Further on, based on the data from an empiric study, the following may be stated:

- First-year students are quite reluctant to leave the comfort zones of Facebook and similar social networks in order to explore learning possibilities embedded in other platforms, including the ones provided by a university. They are reluctant to communicate in university intranet space and teamwork environments: students do not follow assessment requirements, miss calendar events, are late in their reaction to teacher messages in virtual collaboration space, etc.

- The results of the study point to the need of increasing the level of interactivity and opportunities for social expression in the e-learning platforms offered by universities.

- The tentative results of the empirical study, especially, its qualitative part (written reflections) seem to indicate that young people do not conceptualize ICT tool as fitting to studies, to something that comprises an integral part of a university contrary to conceptualizing ICT tools exceptionally fitting their personal, communication orientated pursuits.

As for the final remark, it should be noted that once an empiric study provided significant and credible insights concerning the hypotheses formulated on the reasons for the reluctance of young students to use ICT tools for studies, it is worth continuing the study with an emphasis on a qualitative methodology.

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INTANGIBLE VALUE OF THE SPORT EVENT: THE CASE OF EUROBASKET2011

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Abstract

Sport event organizers seek to maximize the socio-cultural and economic benefits more strategically. The main impacts as tangible and intangible effects both positive and negative are important legacies. The article examines the correspondence of the *requirements* of the local organizing committee (LOC) members duties and responsibilities set by the International sport body and *reality*, i.e. the reflection of the requirements having concrete social context in a stage of the preparation of the European Basketball Championship for Men held in 2011, in Lithuania. Qualitative research using in depth-interviews with twenty LOC responsible persons for seventeen key areas was completed. The complexity of the coordination of EuroBasket2011 LOC activities lies in the fact that persons responsible for the specific areas were unique not only in their professional and personal experiences and delegated functions. They also had clearly to demonstrate the team work, understand the importance of the activities, limited space and time, thus generated intangible value both for national and international sport development.

Keywords: event management; legacy; intangible value; basketball; local organizing committee; experience.

1. Introduction

A long-term perspective implies a wider view of the role of event management that has wide reaching and long-term impact. Event organizers seek to maximize the benefits in the form of socio-cultural and economic impact more strategically. Therefore the role of Local Organizing Committee (LOC) meeting the requirements set by International sport federation and corresponding to the certain social context (in terms of space and time) becomes an important issue, especially for the planners of future events. Experience gained from different areas of event management gives not only deeper insights to the requirements of the necessary knowledge, skills and competencies of the responsible persons, but also makes it possible to interpret the research results and thus generate new qualitative level of knowledge.

Planning, Investment and Sustainable Legacy of Major Sporting Events was one of the two major issues presented and discussed during Informal Meeting of EU Sport Ministers on 1st October, 2013 in Vilnius (Lithuania).

The main impacts as tangible effects always were an interesting subject of investigations. Land regeneration, construction of facilities and infrastructure, economic development, etc. always is a two side issue – positive and negative (Cashman 2006; Kesenne 2005; O'Brien 2006; Mastermann, 2009; Preuss 2007; Preuss 2009). Intangible effects such as potential negative effects could be important factors warning about the challenges in preparing to host and hosting the major sporting events. While intangible positive effects such as political, social and cultural

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developments with an important *human resource involvement* is an essential factor for the extension of legacy of the major sport events in general.

Intensive stakeholder relationships in the structure and complexity of the network, affecting the social, personal and economic components of relationships and the connectivity among local and external stakeholders should be taken into consideration (Preuss 2007; Sallent, Palau and Guia, 2011). Networking and communication skills become more and more important for the staff members of LOC at national level in order not only to ensure the proper implementation of different tasks during the event organization process but also to fulfil certain rules and regulations from the International sport body.

Karadakis and Kaplanidou (2012) analysing legacy perceptions among host and non-host Olympic Games residents noted that intangible legacies, i.e. psychological legacies were valued mostly during and post-event for local residents. As Kaplanidou (2010) states that “legacy outcomes may be perceived as more significant factors for residents’ quality of life perceptions given their (i.e., outcomes) direct role in the exchange process when compared to abstract (intangible) legacy outcomes“. Therefore, responsible persons of the LOC play an important role not only to serve an event but they become key actors while sharing the gained experience for other sport events in the future as well as for the everyday life of any sport organization. Moreover, persons who remain in the sport industry after the event become sources of intellectual property channelling personal attitudes and professional skills to various other businesses. Individual ability to accumulate and concentrate knowledge, to reflect with a critical view on assumed duties and react to a certain situation with a flexible decision making arrangements demand the highest level of the mastership.

One of the interesting analyses of the London Olympic Games 2012 (The economic impact, 2012) once again showed the importance of the feel good factor, namely cultural effect – national pride aspect. Even more important as an improvement of the local residents’ labour market outcomes with long lasting effects, especially training to improve skill level was elaborated.

In addition, the trust from International sport federation side to certain country capability to organize and run sport event is based on many aspects, where the mutual understanding and confidence in people play a crucial role. Central and Eastern European countries, as transition economies, most of the times is under the question – how much major event costs and what price did the states pay to achieve positive results (Humphreys and Prokopowicz, 2007; Despiny and Karpa 2010; Despiny and Karpa 2013). The analysis of EURO 2012 showed, that a big spending of both countries (Ukraine and Poland) generating direct and indirect benefits are doubly matching the costs, but the investments in the human resource development and the added value generated as an intangible legacy is always positive issue.

This article attempts to examine the correspondence of the *requirements* to become the organizer of the European Championship by forming duties and responsibilities for the staff member of all key areas of the local organizing committee set by the International sport body and *reality*, i.e. the reflection of the requirements having concrete social context in a stage of the preparation of the European Basketball Championship for Men held in 2011, in Lithuania.

2. Method

Purposeful sampling method was used to recruit all EuroBasket2011 LOC staff members representing all areas of the activity. The Head of the LOC was not involved because his job was more related to policy decision making and responsibility for all things that happened during all stages of the event. Participants of the study were twenty LOC staff members: seventeen managers representing different areas of activity and three assistant managers. The average age of the participants were 33,5 years. Their positions at LOC were formed during the period from November, 2009 till May, 2011. Ten participants were male and ten female. All participants were Lithuanians.

3. Data collection

To capture the working experience of the LOC staff members a hermeneutic phenomenological perspective was adopted. This philosophical approach is the most suitable in order not only to find out how people interpret their lives but also are able to make meaning of their experience (Cohen, Kahn and Steeves, 2000). The method

combines official documents analysis with qualitative in depth-interviews with responsible persons. There was semi-structured interview organized during the preparation phase of the EuroBasket2011 event on July, 2011. The aim of the interview was to investigate into the compliance of job descriptions for each area of activity and actually performed functions with the requirements set forth in FIBA Europe Bid and Event Manual for the European Championship for Men (2005), i.e. to determine the *harmony and balance of necessity and reality*. The interview questions intentionally were general and structured into three parts: general questions (age, educational background, work experience, years of experience in basketball, experience in a certain duties, starting working day in LOC) questions regarding job descriptors and functions (main motivating factors, the attitude towards basketball, acknowledgments with instructions in FIBA Manual, agreement with current job descriptor), finally – questions about the expectations during the event and self-evaluation in ten points scale. The interview protocol served as a basis for presenting framework of the total research idea and follow-up questions for clarification and elaboration were added whenever it was necessary.

Interviews were conducted face-to-face during EuroBasket2011 test event in Klaipeda city according to the agreed schedule with informants in advance. Nineteen interviews audio-files in Lithuanian were transcribed, with an exception of the responsible person from marketing area due to partly commercial secret information.

4. Data analysis

4.1. Context of realization of EuroBasket2011

The right to hold EuroBasket 2011 was granted in 2004. EuroBasket2011 preparation and management arrangement period lasted seven years from January 2005 until December 2011. By the intensity and scope of activities EuroBasket2011 preparation period can be divided into the following stages: initial stage from 2005 till 2008; intensive stage 2009–2010 and implementation stage 2011 (Čingienė and Laskienė, 2014).

The progress and intensity of preparation for EuroBasket2011 depended on the processes that took place both on the level of the state and Lithuanian Basketball Federation. On the national level the preparation for EuroBasket2011 was influenced by the political situation in the country, i.e. the division of political power and influence and the change of key persons, Parliament elections (2008) and local government elections (2011); economic situation of the country, i.e. the economic boom and recession caused by the global economic crisis, as well as other processes.

The processes inside the Lithuanian Basketball Federation are related with the development of federation as non-governmental association, the use of accumulated experience and search for rational and optimal actions in both meeting the annual objectives of basketball development and concentrating the capacities as well as generating the ideas for the event (Čingienė and Špokas, 2011).

EuroBasket2011 was organized and held in accordance with the document approved by the Board of FIBA Europe – Bid and Event Manual for the European Championship for Men (hereinafter the Manual, 2005) that served as a basis for the Host Agreement between FIBA Europe and Lithuanian Basketball Federation guaranteed by the Government of the Republic of Lithuania.

The Manual (2005) defines the general conditions of the event administration, the provisions governing the activities of the Local Organization Committee (LOC) and LOC staff, relationship with FIBA Europe and the purpose of LOC. LOC appoints responsible persons by functions to organize the events and present the organizational structure to FIBA Europe. Although FIBA Europe could present the job descriptions for the managers of specific areas, EuroBasket2011 developed their own job descriptions.

The Manual (2005) provides that FIBA Europe shall review and approve the organizational structure at least 24 months prior to the first day of the event. The document reads that the same person in LOC organizational structure cannot hold more than one position; that the managers must be highly-qualified professionals of their field and have excellent spoken English skills. The Manual (2005) describes managerial functions in 12 key areas in order to ensure that FIBA Europe staff could provide assistance in organizing the event.

4.2. EuroBasket2011 LOC activities

Four stages of LOC building are distinguished. The beginning of 2010 when *the initial key areas* were developed: ticket pricing and sales strategy, marketing strategy, IT supply, vehicle supply and accounting procedures. The second stage started in October 2010 with the development of *additional key areas*: security planning and strategy, public relations policy planning, accommodation planning, and event planning. In the third stage, that started in January 2011, the *core areas of the event*: planning of competitions, preparation of arenas, recruitment of volunteers, accreditation policy making, economic and logistic issues. The fourth stage lasted from February till May 2011 was dedicated for the *reinforcement of two areas*, namely public relations and events.

LOC was formed in several stages due to both the objective reasons (financial capacity etc.) and the subjective reasons (assessing the actual progress of the process, coordinating interests of stakeholders, evaluating the need to start a specific activity etc.).

It should be noted that LOC was formed in compliance with the main requirement for expertise of key persons in the specific area and deep understanding of the specificities of that area. Only one LOC member was selected by holding a competition.

According to the experience in sport activities LOC members can be divided into three groups: 1) five persons have been involved in basketball since 2002; they were responsible for organizing and implementing FIBA Europe Under-20 Championship; 2) 9 individuals were related with sport sector as the present or former, active or passive participants; 3) 6 individuals entered the sport sector with relations with sport prior to the championship. The analysis of LOC members work experience showed 10 years of the average work experience and 5 years of position related work experience.

4.3. The analysis of relationship between the necessity and the reality of functions of EuroBasket2011 LOC members

In terms of the content analysis, the Manual (2005) provided managers and staff members of 12 areas, however, due to the country-specific background discussed before, the LOC of EuroBasket2011 had specific characteristics. Firstly, LOC covered five areas defined in the Manual: event management (director), competition, security, accreditation and IT. Secondly, three areas of activity are narrowed in the Manual, but were broadened in EuroBasket2011 LOC: 1) the area of *communication and TV manager* was broadened to media, communication and TV manager, public relations officer and public relations manager; 2) *hotel and transportation service manager* to hotel service manager and transportation service manager; 3) *administrative affairs and finance manager* to office manager and senior accountant. Thirdly, one activity area defined in the Manual was narrowed in EuroBasket2011 LOC: *advertising, sales and marketing manager* to marketing and sales manager. Fourthly, some activity areas described in the Manual, for example Competition arena and playground manager (one manager per area) was covered by the redistribution of functions in the organizational structure, however the responsibility lay with Arena Manager. EuroBasket2011LOC also contained Ticket Distribution Manager, Event (entertainment part) Head and Manager, Logistics Manager. Besides, additional Volunteer Group Manager's position was established. Although the Manual provides for three groups of volunteers selected by LOC and working during the competitions, such as cleaners, ball deliverers, and entertainment group, volunteer teams for each activity were formed in EuroBasket2011, and the entire volunteer corps was managed by two LOC members, namely the head of volunteer groups and volunteer manager, who followed the internal procedures set out in the Guidelines and Volunteer Guidelines.

In summary of the first group of four LOC activity areas (*EuroBasket2011 activity areas identical to the areas defined in the Manual*) we may state that the areas have a high degree of specialization, they entail the network cooperation process, where not only coordination skills are required but also responsible person's image, reputation and professional connections. The activities requires long-term experience and knowledge of the country's market (legal regulations, communication, structures of subordination etc.) to ensure the balance between the Manual requirements and specific business processes. Responsible persons demonstrated their ability to formulate and delegate the task to responsible LOC members in the cities and take timely decisions. As the aforementioned activities are regulated in detail in the Manual, it is likely that the previous experiences were taken into account. It

should be noted that close co-operation with the members responsible for the relevant activity areas (experienced and internationally recognized professionals) ensured the accountability and trust in FIBA Europe structure.

On the one hand, the activities are strictly regulated, require accuracy and thoroughness, therefore there is no room for creativity and improvisation of the responsible persons. On the other hand, the start-up activities are very intensive and require the maximum concentration with the least probability of errors, so there is a need for constant vigilance and readiness to respond to possible operational disruptions. Two areas (accreditation and IT) required additional activities.

In summary of the second group of three LOC activity areas (*EuroBasket2011 activity areas were narrowed compared to the activities defined in the Manual*) we may state that media, communication and TV was the most integrated are of the championship activities. On the one hand, the complexity of the activity stems from the complicated management system based on the agreements between FIBA Europe and FIBA World. The said agreements influence their application in the national context. On the other hand, the complexity of the activity is defined by the constant progress of technologies encouraging diverse possibilities of using the media and especially TV and Internet with regard to their applicability to a particular situation. Thus, the responsible persons without professional skills available value added of the long-term experience gives the added value to professional competences of responsible persons. The dual value of the outcomes specific to the said activity areas should be noted: the *instantaneous effect value* of the fact, the unexpected news, the coverage, etc. and *enduring added value added*, i.e. later evaluation of photographs, printed media, virtual information, etc. The complexity of the activity area is related with the working conditions of FIBA Europe media representatives, delivery and systematization of information, management of the entire process, delegation to different cities where events took place.

In the beginning of LOC formation there was one person responsible for accommodation and transportation services and that complied with the Manual requirement. However, the accommodation possibilities in different Lithuanian cities and the need to comply with accommodation requirements of the Manual brought up the need to separate catering services as a separate activity area. Persons responsible for accommodation and catering as well as transportation services had to overcome a new challenge – to manage the process of catering and accommodating a bigger number of teams than provided in the contract (24 instead of 16 teams). At the beginning of LOC formation there were two areas, namely Transportation and Accommodation, and Catering and Welcoming, with specific functions described. Taking into account the changed circumstance the responsibilities were corrected, the functions were redistributed to the areas Accommodation and Catering, and Transportation.

Administrative activities can be classified as technical event service area. On the one hand these areas have no direct relationship with the event; on the other hand their need and importance is evident in all stages of event arrangement. According to the Manual, part of the office manager's functions is directed to relationships with customs offices and obtaining the goods necessary for the event. However, the implementation of the said functions and their continuation together with the logistics, warehousing and other activities created the need to establish and define Logistics Manager's position pursuant to LOC Director's decision. Thus administrative functions were concentrated to office administration and servicing the responsible persons of LOC.

The definition of financial management is the clearest of all LOC activity areas; however the success depends on the harmony of the compliance with national legislation and compliance with international requirements. It should be noted that both office administration areas and financial management areas are more precisely defined by the legislative provisions applicable in the event host's country than in the Manual. It is also important to highlight, that both areas are especially important in the last stage of the event when the activity requires the greatest responsibility and accuracy. Moreover, both areas are LOC director's operational instruments / measures that ensure both the optimal support of internal processes and order and the relations with external environment: companies, organizations, private persons etc.

In summary of the third group of LOC activity (*EuroBasket2011 activity area expanded compared to the Manual*) we may state that marketing area is the essential link in the entire event empowering the commercial aspect of the event, and the quality measuring unit of this activity is generated income. As all marketing rights belong to FIBA World, this activity must not only perform the functions defined in the Manual and meet the expectations but also to maximize the potential of the local market. Such requirements create a specific requirement for the responsible person directed to the clear output of the activity, namely the amount of earnings. The progress of the event showed that marketing area is closely related with the media, communication and TV areas. The

Marketing Manager had to maintain the balance of relations between the basketball product and business world, between the interests of the national federation and responsibilities and assumed obligations. The content of the marketing area revealed the gaps of the national legal regulation, the maturity of national business and finally the potential of buying and selling the sport product in national and international markets. The level and the outcomes of marketing activity area became the test of the event entrepreneurship.

In summary of the fourth group of the six LOC activities (*EuroBasket2011 activity are defined in part in the Manual*) we may state that activities named in the Manual merely represent a set of technical requirement. Therefore, after the meetings with persons in charge of different activity areas, LOC director formulated the task to clearly define the functions, i.e. to clarify the content of activity. It turned out that Ticket Sales and Doping Control activities were clearly defined in the Manual, whereas Arena Management, Event Organization and Volunteer Group Management and Logistics Management activities lacked clarity. The functions were realized with the help of professional competence (know-how) and personal motivation (understanding why) of persons responsible for the specific activities. As the said activities are very labile / intensive / flexible, the persons in charge for the areas had greater than usual workload in doing additional activities. In summary we may state that such areas as Arena Management, Event Organization, Volunteer Group Management and Logistics Management activities should be more clearly defined in the Manual.

5. Conclusions

In summary, the Manual (2005) approved by the Board of FIBA Europe is an important set of rules governing the competition for hosting the event and event organization, but in the light of constantly changing political, economic and social context of EuroBasket2011 development it was difficult to forecast the change of the content of activities during the period since the contract award and realization of the event. It should be noted that in the case of EuroBasket2011, in some stages of the championship preparation and implementation the possibilities of the country did not meet the requirements of the Manual (2005), therefore some areas of LOC activities were expanded and the functions were redistributed. For example, LOC was supposed to have all members employed since 2009, however due to the Lithuanian social context only five persons shared the most important functions that were later delegated to other members in the gradual formation of LOC. The uncertainty of relations between FIBA Europe and FIBA World in 2004 and failure to sign the contract governing EuroBasket2011 marketing activities by LBF caused some hindrances in the preparation and implementation of EuroBasket2011.

The analysis of compliance of activity areas defined in Manual (2005) and actually realized in EuroBasket2011 in terms of functions substantiated the classification of activities into four groups and enabled to evaluate the functions by the level of specific competences required to perform the functions. All four activity areas of the first group defined in FIBA Europe Manual and realized in EuroBasket2011 require specific competences of high level. Deep specialization, networking and personal professional experience substantiate the fact of compliance. Previous experience is especially important for the compliance (first) and expansion (second) groups of functions. The need to expand the functions in different areas of activity was based on the high complexity of activity, ability to delegate tasks and react quickly. The necessity to narrow the important marketing area was substantiated by the necessity to focus the goal of the activity on the final output and maintain regular relations with stakeholders. Although activity areas of the fourth group require high level of technical competences, the limited definition in the Manual (2005) substantiated the high level of personal motivation.

In summary, we may state that the FIBA Europe Manual – a set of technical requirements – must be revised according to the goals set for activity areas, functions and necessary competences. The most challenging task for EuroBasket2011 organizers – responsible persons of LOC – was to concentrate the personal and professional competences and to retain the attention and speed in supporting and managing 24 national basketball teams. Four stages of the event process, 17 areas of LOC activities in 6 cities with different characteristics were managed.

The complexity of the coordination of EuroBasket2011 LOC activities lies in the fact that persons responsible for the specific areas were unique not only in their professional and personal experiences and delegated functions, but also had to clearly understand the team work, the importance of activities, limited space and time. The ability to

make decisions and to start specific activities and consequently assume the responsibility, adequately use personal and professional competences and ability to learn and teach others were the most important characteristics.

The survey about the preparation for EuroBasket2011 showed the need for further investigation in order to find out how persons in charge of different areas were able to perform their functions and to evaluate their positive and negative experience based on *knowledge* (knowing the functions defined in the Manual and performing additional functions, where necessary); *emotions* (personal evaluation of performed functions: acceptable and accomplished; unacceptable and accomplished; necessary and accomplished; necessary but not accomplished) and *behaviour* (the influence of mandatory and supplementary functions on the actions of the person in charge, i.e. the effect on the outcome of specific activity).

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DENTAL HEALTH BETWEEN POLICY AND RESEARCH: CASE STUDY OF THREE SCHOOLS FROM TIMISOARA

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Abstract

The purpose of this research is to conduct a social research on dental health behaviour in primary school children in order to propose evidence-based strategy for oral health policy. In order to achieve our aim we designed our research using quantitative approach and conducting specialized social survey using a sample of 772 children from 3 different schools from the area of Timisoara. Our research results show significant differences of dental health behaviour across class level and highlight the opportunity of conducting oral health prevention in schools

Keywords: dental hygiene behaviour; public policy; evidence-based; Romania.

1. Introduction

This paper started from a very pragmatic perspective. In Romania, it still does not exist a specific policy in oral health. In consequence, our main research question is how this policy should be done? Scholars in oral health have agreed that the most efficient policy in terms of public health is the prevention actions realized in young age. As example, the countries had chosen such a strategy - Sweden, Norway, USA, Great Britain or Germany - have obtained important effects in terms of oral health quality improvement. Focusing on children, it is an important condition for an efficient oral health policy, but not sufficient in order to increase the quality of oral health of the population. Oral health policy, as any other public policy should be realized in accordance with the social needs, values, behaviours and attitudes. In consequence, in order to propose an adapted strategy in terms of oral health policy, we focus our research on hygiene practice behaviour analyse among children from primary school.

The literature shows that oral self-care practice, individual belief and attitudes are considered as one of the most important factors in oral health care. The relation between psychosocial dimension and oral health behavior has been analyzed by several different studies (Ajzen and Fishbein, 1980; Freeman and Linden 1995). The results show a strong relation between oral hygiene behavior and on one hand the individual's attitude toward oral health and on the other hand on perceived influence of the others persons that are part of the respondent's social capital. Based on that literature findings, we will focus our analyze on two directions: the characteristics of oral health behavior and the influence of persons from the children's social capital in influencing the oral health behaviour. Another important aspect is that our study is exclusively realized on actions not on intention to perform behaviour. We consider oral behaviour not just a matter of “just teeth brushing and flossing” (Buunk-Werkhoven, Dijkstra and van der Schans 2011), but also as a complex and multidimensional process that include instruction, motivation, a matter

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of doing and specific effects. In this way, our study was oriented by the next research question: Who are the persons that instruct children on oral hygiene behaviour? When, how frequent and how long oral self-care practices are realized? How gender and level of education affects oral hygiene behaviour?

2. Main text

2.1. Method and data collection

The paper will explore oral hygiene behaviour of children from primary schools. In order to achieve our aim we chose to conduct specialized social survey. The research instrument was a questionnaire with 37 questions related to: informing about dental hygiene behaviour, person in charge with teaching, perceived level of knowledge about dental health behaviour, the reason of keeping oral hygiene, frequency, method and day moment of brushing teeth. In addition we evaluated complementary methods of keeping dental hygiene. The research sample was 772 children divided between 3 different schools from the area of Timisoara. The first school is from a rich neighborhood closed to Timisoara (n=207). The second one is from downtown Timisoara (n=326) and the third one is from a middle class suburb Timisoara (n=239). From the initial sample size of 791 interviewed children, 19 cases were dropouts because of the declared age of 6 or 11 years old. The instrument was firstly tested on a pilot sample of 20 children and afterwards optimized and adapted for 7-10 years old children. The University „Victor Babes” ethics committee approved the study and the school informed consent was obtained for each subject of our research.

2.2. Results

In order to analyze the oral hygiene behaviour as a complex and multidimensional process, we investigate the dimensions as: instruction, motivation, a matter of doing and specific effects. Our respondents declared in proportion of 90,7%(n=700) that at least a person talk with them about oral hygiene practice. Regarding the identity or status of these persons, they are the parents in 73,4%, the dentist 60,9% or just in 15% the teacher. That means that instruction regarding dental health behaviour are mainly realized by the family or by the dentist. On the other hand, a very important aspect that we can observe it is regarding the very small implication of teacher as school representative in oral health instruction.

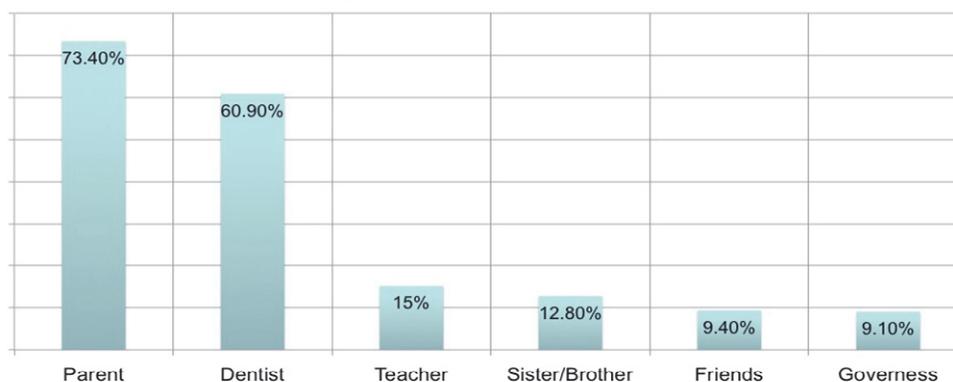


Figure 1. With whom did you talk about teeth brushing?

Tooth brushing is appreciated as being an important method for maintaining oral health. The universally recommended frequency for tooth brushing is twice a day. (Löe H, 2000). In order to analyze the tooth brushing frequency among primary school children, they were asked how often did they brush the teeth in the last week. Responses were ranged from never till three/more times per day.

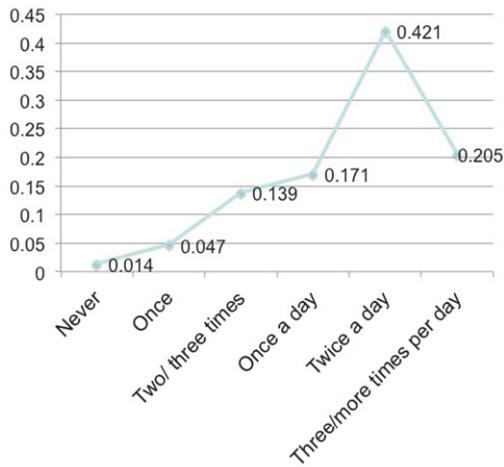


Figure 2. In the last week how often did you brush uour teeth?

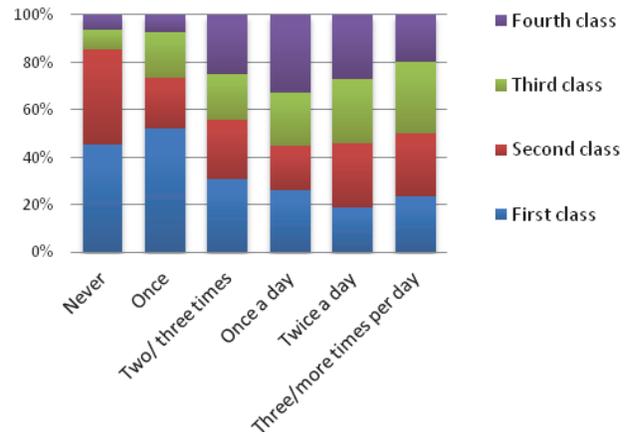


Figure 3. In the last week how often did you brush uour teeth? * Class

According to our data around 40% of the entire studied population brush teeth less than twice per day. This data are not necessary new because similar trends regarding the same issue was reflecting by Health Behavior in School-Aged Children (2008) where Romania is situated on the last fifth position in Europe. Even if we firstly expect variation in terms of gender or type of school the single significant difference are based on student’s level of education. Brushing teeth increase progressively with the level of education. How it can be observed in the Figure 3, children from first and second class declared that they mainly never or once brushed their teeth on the last week. From first to the fourth class people declared almost equally that they brushed their teeth two or three time during last week or once per day. When we look at the children that used to brush their teeth twice per day or even more, they are from the three or forth class. Based on that, we can assume that proper teeth brushing behaviour is more frequently at the children from the third and fourth classes.

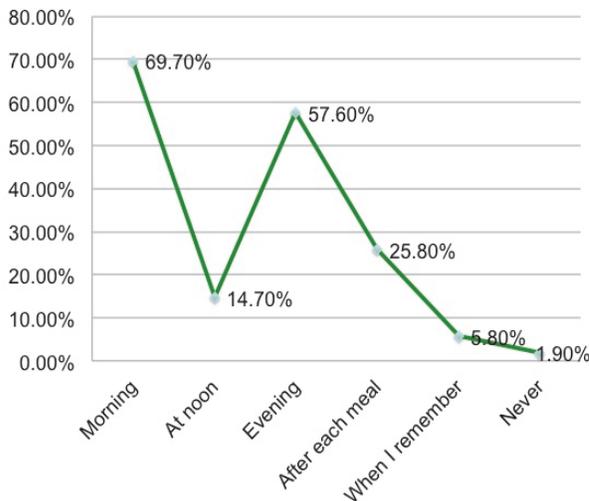


Figure 4. When do you use to brush your teeth?

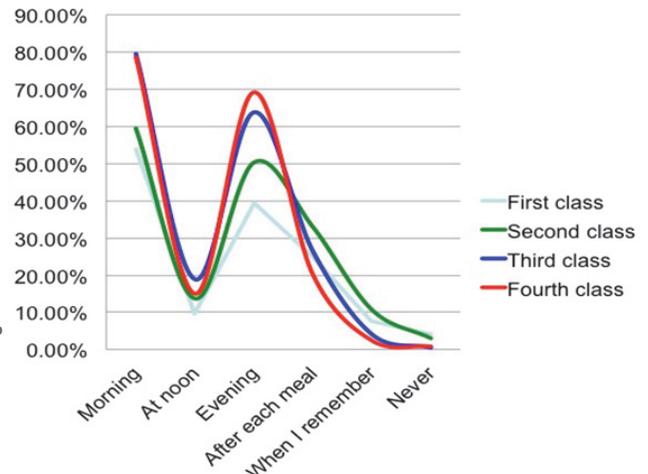


Figure 5. When do you use to brush your teeth? *Class

The day moment when people brush teeth seems to be mainly in the morning 69% and for only 57% in the evening (Figure 4). The variation of oral hygiene practice between children can be as well identified if we regard the moments of the day for brushing teeth. The third and fourth-class children declared that they use to do that in

the morning and in the evening. In contrast first and second-class children are the mainly categories that declare brushing teeth when they remember about or never (Figure 5).

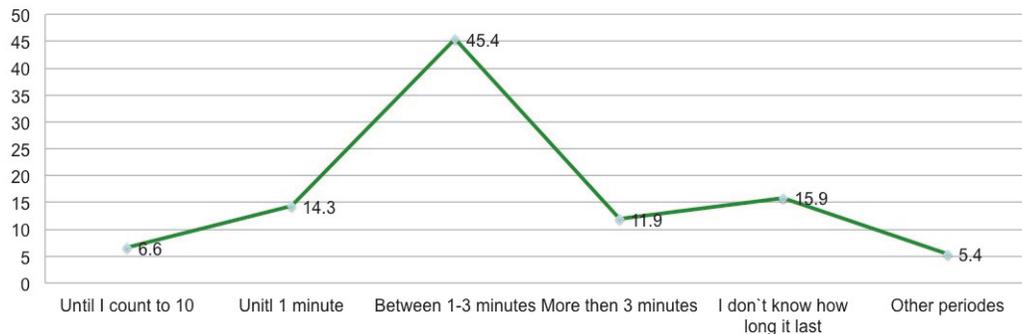


Figure 6. How long does it take to brush your teeth?

Not on the end, another aspect that we want to analyze in order to understand the oral hygiene behaviour was the period of brushing teeth. The figure 6 shows the general distribution of time accorded for brushing teeth by the entire sample population. 45,4% of our respondents declared that this interval is between 1 and 3 minutes and around 12% more than 3 minutes. All the others respondents used to brush the teeth less than 1 minutes or they cannot appreciate the period. Without under appreciating the percentage of children that brush enough time their teeth, around 45% are not in the situation of according the enough time.

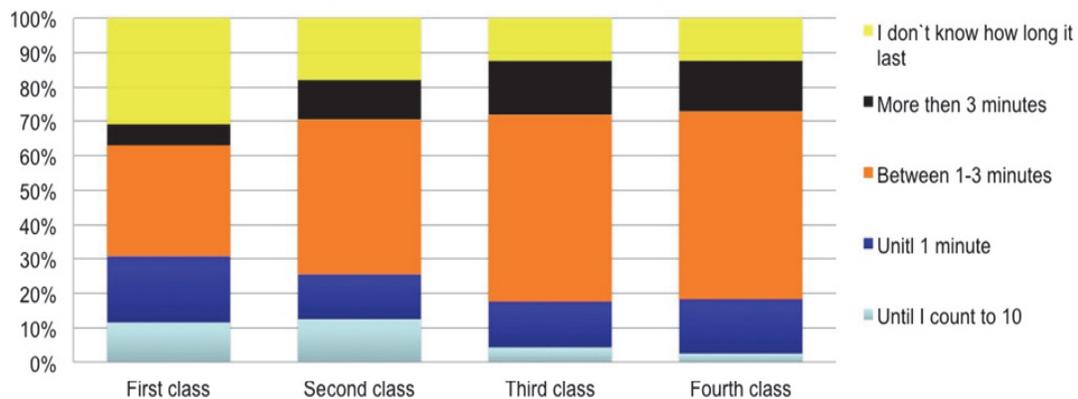


Figure 7. How long does it take to brush your teeth? *Class

If regard our comparative analyze between classes, once again we can observe a significant difference between first and second classes in relation with third and fourth classes. Our figure 7 shows very clear that the highest number of children that don't know how long it last or until 1 min are children from first class. In contrast, the rate of children that declared between 1-3 minutes or more than 3 minutes increase with the children level of study.

2.3. Discussions

Our research presents a general image regarding dental health behaviour of children from the selected area. Even if we initaly gave a specific attention to the comparative approach between type of school, and social demographic data of children, our research results show significant differences of dental health behaviour across class level. This significative difference can be observed in multiple dimension of oral hygiene behaviour: number of brushing teeth per day, period of the day for brushing and the period dedicated to brush teeth. Based on all this dimension we can assume a significative research results that children from the first and second classes are less informed and have a lower level of sanogenous dental health behaviour compare to children from third and fourth classes.

In terms of oral health policy this research results can offer at least evidence based responses for several question. Considering the gap of good practice in term of oral hygiene practice among the children from first and second class, we could assume that an adapted and based on social needs oral health policy should be mainly focus on children from first and second class. More than that, if we will corelate this research results with figure 1, we can have the answer for another question regarding the actors and place of implementation of such an oral health public policy. Considering the actual low level of implication of school teachers in oral health instruction and the very good and close relation between children from primary school and their professors, we are justified to consider school and the teachers as an opportunity for oral health promoting and prevention.

3. Conclusions

The level of education is an important factor in dental health behaviour. The lowest level of sanogenous behaviour of the children from the first and second classes associated with the reduced implication of teachers in oral health education highlight the opportunity of conducting oral health prevention in schools.

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BIOLOGICAL MODEL OF ORGANIZATION'S COMMUNICATION WITH EXTERNAL ENVIRONMENT

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Abstract

The article describes a biological model of the organization's communication with the external environment. Developing model it was noticed that organization reactivity system's activity could be explained with the help of human reflex arc. This insight allowed recognition of human nervous system's structure in an organization, when knowledge of physiology created a possibility to compare the principles of the functioning of human nervous system and organization. In future it may be useful for the study of organization's reflex development when there is the need for it to respond to the already known signals from the global environment and for the study of organization's reactions to the unknown signals.

Due to complicated direct research on object on the stage of phenomenon recognition, there was applied a theoretical modelling based on analogy development grounded by hermeneutical analysis. The analogy has been developed based on comparative analysis of the system of global environmental communication with the organization and anatomy models of human nervous system. The possible relation between two constructs has been interpreted using hermeneutics.

There was created a model of a system of global environmental communication reflecting biological nature of the organization, which explains how a signal transferred from global environment to organization becomes an organization's competitive response to the global environment.

Keywords: organization; communication; phenomenon; global environment; biological model.

1. Introduction

Analysis of human resources management discourse (Guest 1987; Boxall 1992; Shaw et al. 1993; Torrington et al. 2007; Armstrong 2006; Ulrich et al. 2007; Birdi et al. 2008; Martin 2009; Išoraitė 2011; Kaselis et al. 2012; Bratton et al. 2012; Shaw et al. 2013; Swart et al. 2014; and others) and review of organization's internationalization theory (Rosenbloom 2002; Leydesdorff et al. 2005; Dunning 2006; Jonkers et al. 2010; Nkongolo-Bakenda et al. 2010; Dwivedi et al. 2011; Babinska 2013; and others) enabled theoretical modelling of the system of organization's information reception from the environment and to develop the concept of an organization's ability to respond to organization's internationalization tasks in an organization of the public sector.

Answering to the question how this process works and why it can be as it is now, there were reviewed at least few theories of organization's nature from which biological organization theory (Milne 1970; Morgan 1998; Gazarian 2014 and others) allowed to relate the organization to its human nature and highlight structural variables of organization, interaction of which reveals the principles of organization's human functioning.

Having fathoming into theoretical statements on the management of human resources and internationalization, it becomes clear that in the process of reception of information from the environment and formation of response a hypothetical active role is being played by human resources assessment factor and organizational climate (Ahmadi 2012; Buys, Louw 2012; Purohit, Wadhawa 2012; Mathur, Nihalani 2011; Goyal 2010; Srivastav 2009; Kundu 2007; Kaselis, Pivoras 2012; Vilkelis 2011; Lobanova 2008; Pivoras, Dapkutė 2004; Vveinhardt, Skindaraitė 2012; Vveinhardt 2010; Purlys 2009; and others). Gathered information about them and their comparison to

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internationalization as a construct allowed an insight that information on organization's internationalization (till it becomes organization's response) has to penetrate through assessment of human resources and organization's climate (Papšienė, Vaitkevičius, 2013; 2014), which was used later for modelling of the organization according to a model of human anatomy.

Penetration analogy in this context was specially selected, because it is it that describes not only information's transformation from ... into, but also describes a transformation as a particular effort. Volume by taking efforts could be discussed here, however an argument that they are inevitable could be based on the philosophy of existentialism. From there a concept of freedom was taken to this discourse and though it is applied to describe a relation of the human and his/her relation to the surrounding world as a percept, having assessed the organization in prospect of biological point of view, yet the organization can be perceived as humanized. This point of view also can be extrapolated from the philosophy of existentialism as an analogy to contraposition expressed by existentialists regarding human's materialization chosen by rationalists. So, a criticism to organization's materialization spilled by biological point of view also can unlock possibilities to know the organization in prospect of existentialists' freedom. According to existentialism, freedom is what human would be not as a thing forming due to natural or social necessity, but would "chose" himself/herself, would form himself/herself by his/her every action and act (Berdjaev 2006).

In case of organization and assessing in prospect of biological point of view, the organization also is able to "choose" itself and forms itself. Namely, in this prospect there is revealed a sameness of human resources management as an instrument of self-formation, and organizational climate is revealed as argument of self-choosing in the analyzed context of human resources management and interaction of internationalization. Therefore the main problem of the research is what is the anatomy of an organization's information receiving process management in prospect of biological point of view and what simultaneous acting of human resource factors determines organization's reactivity to organization's internationalization?

The goal of the research - is to develop the theoretical model that would reflect the human nature of the organization's response to the signals of the global environment.

The research methods - theoretical modelling based on development of analogy grounded by hermeneutical analysis of interdependence between human reflex arc and the organization's response to the signals from the global environment.

2. Main text

2.1. Fundamental elements of model of organization's communication with external environment and their characteristics

In this case a system of environment communication with the organization is being examined as a latent variable that is operationalized by the cumulative interaction of three variables: assessment of human resources (Armstrong et al. 2003; Sakalas 2003; Thom et al. 2004; Jančauskas 2006; Stoner et al. 2006; Robbins 2006; Dessler 2008; Bakanauskienė 2008; Guest et al. 2012), organizational climate (Rekašiūtė-Balsienė 2005; Kundu 2007; Vveinhardt et al. 2012; Furnham 2012; Schneider et al. 2014) and organization's internationalization (Dowling et al. 1990; 2005; 2008a; 2008; Dunning 2006; 2010; Bennett et al. 2011; Melnikas 2011; 2012; 2012a; 2013; 2014). Two first variables were analyzed as individual factors performing a function of information mediator and as a cumulative factor which moderate a motive of information receiving in the context of human resources management, the third, organization's internationalization was important as a moderator that transforms a signal from the environment into stimulus of change.

Whereas human resources management and organizational climate as a factor of organization's adaptation to the changing environment are widely discussed in the literature (Dinu 2013; Martin 2009; Kundu 2007; Falcone et al. 2007; Krotova et al. 2005; Rekašiūtė-Balsienė 2006; Horton 2006; Venkateswara 2004; Pokropivnyi 2003; Coens et al. 2002; Dransfield 2000), thus using the method of phenomenological hermeneutics (Vaitkevičius 2013) have been identified the features of its use for the purpose of organization's self-defence. This is the reason why the human resources management and organizational climate in relation to the internationalization in this paper will be discussed as a feature of organization that allow to secure its identity.

This approach creates the possibility to study an assessment of human resources and organizational climate as a barrier that has to be taken by information incoming from outside to organization. Earlier published researches explored that organizational climate together with the assessment of human resources became reactive to the organization's outer and inner environment (Papšienė, Vaitkevičius, 2014; 2013). It leads to understanding that this additive part of the total organizational structure at the same time can act as a barrier for coming changes and as a system, which separates the wanted from the unwanted changes in organization. The limitation of previous researches is that assessment of human resources, organization's climate and internationalization were not analyzed in complex yet. The researches prior to this time have explored that organization communicate with its outer environment and since it uses the internationalization (Dunning, 2006; Dowling et al. 2008), form its organizational climate that is responsible for functionality of organization (Rekašiūtė-Balsienė, 2005; 2006; Dinu 2013), direct the personnel's efforts to achieve the organizational objectives using the assessment of human resources (Armstrong et al. 2003; Sakalas, 2003; Thom et al. 2004; Dessler, 2008).

The previous researchers explored enough about the features of any single construct discussed above, but it also revealed the need for theoretical modelling of their content's compatibility by assessing how organization forms and percept itself could be important for further study of organization's functioning principles. This importance actualizes from at least two perspectives.

The first perspective is that despite different authors do not analyze in complex the influence of assessment of human resources to organizational climate in the context of organization's internalization however, each of these factors separately is being discussed and disputed in literature wide enough.

The second perspective is that authors discussing each of these factors are taking the same common organization's model as a base. Therefore, it could be stated that all three factors are substantially coexisting in the same organization at the same time. Therefore, there should be a logically explained relation between them. Besides, while comparing all three constructs, the internationalization is distinguished as an external factor, while the management of human resources together with organizational climate are distinguished as internal factors of organization's development and identity that inevitably intertwined with external factor. The different philosophies can lead to the different causes of the nature of interaction between the inner and outer factors. For example the existentialism would ground the interaction of inner and outer factors as becoming important from the perspective of organization's internal need for the change, while from the point of view of rationalism their interaction would be seen caused by the external impulse. All this shows that till now not discussed the interaction between organizational climate, assessment of human resources and internationalization can be interrelated and have a common purpose.

All three constructs used for modelling in literature are named as important for development of the organization (Torrington 1989; Dendhardt 2001; Torrington et al. 2007). They describe a directness of organization's development (Seilius et al. 2006), its competitive potential (Fombrun et al. 1984; Kazlauskaitė et al. 2008; Išoraitė 2011) and its ability to establish itself and survive during market evolution (Keršienė 2008). A priori all markets in which organizations are acting irrespective of organization's type (business or non-business organizations) are developing. Markets differ only by the speed and scale of evolution. For example, markets in which business subjects are acting have a tendency to develop more rapidly than markets in which are acting organizations warranting social security. This is due to the different nature of organizations, which determines organization's inertness and resistance for changes.

Interrelation of market evolution and organization creates a need for modelling organization's communication with external environment, and allows answering such questions important to management science as: with help of what functional mechanism organization reacts to signals sent by environment; why organizations are forming response not to all signals sent by environment; and does the organization's response can be treated as unconditional and conditional regarding to the process how it respond, and can it be equalized to human unconditional and conditional reflexes.

2.2. Object of organization's communication with external environment and distinguishing features describing its identity

Human resources management as a tool of self-development by its subsistence is characterized by active features that not only performing the function of recognition but also describe directness of the organization's evolution (Guest 1987; Tyson 1995; Yaping et al. 2007; Dowling et al. 2008; Martin 2009; and others). This is because the assessment in own structure accumulates indicators of acquired knowledge, which at the same time are also serving as a reference point for achieved level assessment that exist as a human's capability criterion in the organization and at the same time creates an achievement motive which is expressed as an achievement argument for objective and acting as a projection of an organization's essence in its existence.

The nature of organization's climate in the organization reveals through its structure (Macumoto 2002; Meshcerjakov et al. 2002; Vveinhardt et al 2012). Namely from it is seen that organization's climate describes the organization's „mental and moral qualities - character“ and its „humanity“. Looking for perspective of existentialism, „character“ depends on the human himself/herself only. A human takes own decision and full responsibility for own actions, however he/she has a sense of responsibility and duty (for example the theory of organizational responsibility (Denhardt, 2001; Daft, 2012)). The same happens with organization as well. It is organizational climate that describes its character on which also depends organization's wish and disposition to change and adapt itself, which inter alia, can be related to the organization's sense of responsibility and duty.

Organization's sense of responsibility and duty are characterized by the feature when organization always remains responsible for itself and is under obligation for itself, not environment (Vaitkevičius, Stukaitė, 2009). Here, of course, it is possible to discuss on type of public organization (Bagdonas et al. 2000; Dendhardt 2001; Pollitt et al. 2003) where such organization should be sort of dependent on the environment, because it, for example, depends on: policy, legal system and so on. In this business case is not an exception. It is also influenced by the legal system and state policy, thus in case these and other conditions would be distinguished as contextual and assess only organization's decision making conditioned by its decision, then public sector organizations are more tended to uphold themselves as they are. Talking about it, it is significant, because such self-perception stimulates formation of an organization's identity, for which, for example, organizations acting in labor market clearly divided spheres of influence and responsibilities and are not duplicating each other, i.e. everyone exists with clear perception of own identity, responsibility and duty. Therefore, it is exactly the organizational climate of public sector organization that hypothetically should better protect the organization from external impact by preventing organizations from evolution towards the direction imposed by the external environment. Therefore, due to the latter feature public sector organization is developing much purposefully than business striving to use changing environment as much as possible and take many challenges proposed by the environment.

Generally analyzing assessment of human resources (Yee et al. 2009; Lobanova et al. 2009; Pivoras et al. 2004; Arthur 2008), organization's climate (Rekašiūtė-Balsienė 2005; Kundu 2007; Vveinhardt et al. 2012; and others) and internationalization (Dunning 2006; Nkongolo-Bakenda et al. 2010; and others), which, with own set of features, responds to attempts of the external world to penetrate public sector organization's existence in order to change the perception of its being, there is showed up an intentionality of interaction of human resource assessment and organizational climate.

This is a complex system of human resource assessment as a tool for self-development and organizational climate as organization's sensory tool that enables the organization to distinguish acceptable information from unacceptable one, and which enables organizations to process incoming information from the environment and makes the decision to react or no to the informational stimulus (Papšienė, 2015). During their comparison, it was noticed that their interaction in accordance to internationalization is revealed not only as a complex identity, but also as a condition of organization's resistance to the impact of the external environment. So, from one side, what allows an analysis of the ability of the organization to adapt to the changing environment, from the other side, it can be used for describing its mechanism of formation of motive of resistance and ability to remain uninfluenced by the environment. Therefore, looking from an organizational perspective, what creates existential presumptions to the organization at the same time creates a barrier for external factors that can distort perception of organization's being.

2.3. Development of analogue model for biological nature of HR communication with external environment in organization

Organization is a sophisticated system consisting of many structural elements that individually contact with internal and external environment, constantly act and actively respond to environmental changes. Ability to react to environmental changes distinguishes the organization from totality, stimulates organization to retain own type and forms a process of an organization's evolution: signal, reaction, and response. Similarly, in case of human nervous system, where brain consists of about 100 billion neurons and about 100 trillion synapses – the net of chemical reports' transferring formed from these elements is exactly the base of all human minds, physical activity and emotions (Neuronų jungtis (sinapsė) 2007).

Having linked the results of study of organizations functioning in conditions of internationalized market with models of human nervous system's structure and activity and having assessed all that in perspective of biological theory that states that every organization is exceptional and functions as alive organism (Milne 1970; Morgan 1998; Kreitner et al. 2012; and others), there was developed a hypothetical model of a system of global environment communication with the organization that is presented in figure 1.

The idea to develop the model that explains the human nature of the organization raised doing the research in public sector organizations (Papšienė, Vaitkevičius, 2013; 2014), where the interrelation between the organizational climate and human resource assessment have been studied. During this research have been found that organization intuitively manages its response to the information. This finding has been explored studying the when the human resource assessment creates the conflicts and when it act as a stimulus in the decision-making process. The answer has been found when the internationalization has been used as a factor that explains an impact from the global environment (Papšienė, 2015). This has led to the development of several models which explains how interdependence between organizational climate and human resources assessment becomes a barrier for incoming information from global environment or how it supports the incoming information flow.

To explain the developed models we have been looking for the answer in different disciplines like: human resource management, organizational sociology and psychology, strategic management, management etc. These disciplines have already developed the models that mostly explain how the organization operates and what processes are taking place in it. Some of them describe the behavior of the actors during these processes, but no one of them have been discussed the nature and intention of interdependence between organizational climate and human resource assessment. That was the true intention to develop a model of a system of global environmental communication reflecting biological nature of the organization, which explains how a signal transferred from global environment to organization and passing the organizational climate becomes an organization's competitive response to the global environment.

The Methods and Philosophy of Research. Because such cases has not been researched yet, therefore, have been decided to rethink the findings from already done research and using the theoretical modelling based on development of analogy, which is grounded by hermeneutical analysis of interdependence between human reflex arc and the organization's response to the signals from global environment, to develop the model that could explain the organizational climate's and human resource's assessment role in that process. For this modelling the concept of metaphysical materialism as a philosophical tradition have been selected (Hudson, 2001).

Principles of organization's reactivity system operation (TARGET (T)) could be explained with the help of human reflex arc (SOURCE (S)). It was the try to link the knowledge of anatomy that allow recognition of human nervous system structure and the knowledge of epistemology to the findings from the human resource management survey. This created a possibility to compare the principles of human nervous system and organization's operation (see Fig. 1 and Table 1).

During comparison, essential elements of nervous system, sensors (d), effectors (C), spinal nerves (B, D) and brain as a system (Swanson, Bota 2010) (see A) were extrapolated to the model of system of global environment communication with organization (see picture 1). As a result of the extrapolation there was developed a model of a system of global environment communication with.

The model shows that the signal sent by global environment can reach the organization by the several ways where one of them is internationalization system, another - the other sensors like sales, analytical information etc. Developing the model were no objective to explain all possible connections to the global environment, therefore

the attention has been focused to the explanation of the role of organizational climate (c^*). That's why the sensors as a critical category have no mark on the model. Other reasons for non-marking the processes like task, signal, sensitivity adjustment, information etc. it is because the selected model of human reflex arc (S) for analogy do not describe them in the source domain.

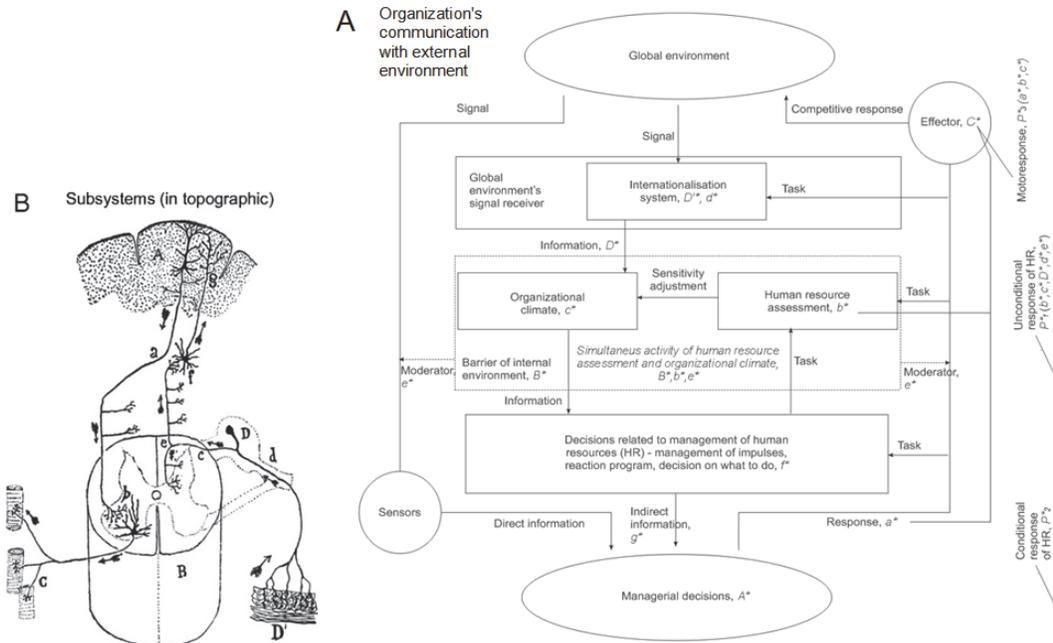


Figure 1. Biological model of organization's HR communication with external environment* (similarity modelling presented in Table 1)

The organizational climate (c^*) plays at least two very important roles in this model. First is, it supports the unconditional response of human resources (HR) (P^*1), as a second, it develops the barrier for unwanted information. In particular, case here is the need to note that the spinal cord does not support such behavior. It is because the model should not be the same as an original in other case they would not differ. The second argument is that the purpose of this comparative analysis was to find the possible similarities between the human reflex arc (S) and organization's communication with the external environment, but not completely relate them. The last one, the human anatomy is not the anatomy of the organization, but the humans create the organization so hypothetically the organization is about human nature, therefore despite some differences it can be of the same design as human anatomy. That is why the interdependence between the organizational climate (c^*) and human resource assessment

* (B) Seminal Cajal drawing (43) shows elementary network model of nervous system organization based on neuron doctrine and the functional polarity hypothesis. The former stated that the basic unit of nervous system organization is the neuron, a cell type usually interacting with other cells by contact or contiguity, not continuity; the latter stated that in typical neurons, information conducts from dendrites and the cell body (input side) to the axon (output side). This basic hypothesis allowed information flow prediction (arrows) in neural networks based on individual neuron shape. A, cerebral cortex; a, pyramidal cell > motoneuron axon; B, spinal cord; b, motoneuron; C, motoneuron axon branches > muscle fibers; c, spinal nerve ganglion cell axon; D, spinal nerve ganglion; D', skin; d, spinal nerve ganglion cell dendrite; e, sensory axon bifurcation branch; f, somatosensory brainstem relay; g, brainstem somatosensory > cortex axon terminals.

(A) Model developed using dialectic hermeneutic system of interpretation together with empirical research data from Human Recourse Assessment Impact to Organization Climate: Case of Lithuanian Public Sector Organizations study (Papšienė, Vaitkevičius, 2014) and from Network Model of Human Resource Evaluation and Organizational Climate Interaction Phenomenon study (Papšienė, Vaitkevičius, 2013).

(b*) at the same time reflect the memorization of the signal and reflex formation (B, b, e) in human reflex arc (S), and makes the barrier of the internal environment (B*) which is responsible for filtering the unwanted from the wanted information that comes from the global environment.

Table 1. Similarity modelling between the histology of neural centers and organization's HR communication with external environment based on Analogical Reasoning

Source domain (S)		Target domain (T)	
Symbols for source items	Set of accepted statements	Symbols for target items	Set of accepted statements
KNOWN SIMILARITIES*:			
<i>A</i>	Cerebral cortex;	<i>A</i> *	Positive analogy. MANGIERIAL DECISIONS
<i>A</i>	Pyramidal cell > motoneuron axon;	<i>a</i> *	Positive analogy. RESPONSE
<i>B</i>	Spinal cord;	<i>B</i> *	Positive analogy. BARRIER OF INTERNAL ENVIRONMENT
<i>B</i>	Motoneuron;	<i>b</i> *	Positive analogy. HUMAN RECOURSE ASSESSMENT
<i>C</i>	Motoneuron axon branches > muscle fibers;	<i>C</i> *	Positive analogy. EFECTOR
<i>C</i>	Spinal nerve ganglion cell axon;	<i>c</i> *	Positive analogy. ORGANIZATION CLIMATE
<i>D</i>	Spinal nerve ganglion;	<i>D</i> *	Positive analogy. INFORMATION
<i>D'</i>	Skin;	<i>D'</i> *	Neutral analogy. It is not known whether an analogue holds in T.
<i>D</i>	Spinal nerve ganglion cell dendrite;	<i>d</i> *	Positive analogy. INTERNATIONALIZATION SYSTEM
<i>E</i>	Sensory axon bifurcation branch;	<i>e</i> *	Positive analogy. MODERATOR
<i>F</i>	Somatosensory brainstem relay;	<i>f</i> *	Positive analogy. DECISIONS RELATED TO MANAGEMENT OF HUMAN RESOURCES (HR) - MANAGEMENT OF IMPULSES, REACTION PROGRAM, DECISION ON WHAT TO DO
<i>G</i>	Brainstem somatosensory > cortex axon terminals.	<i>g</i> *	Positive analogy. INDIRECT INFORMATION
Inferred similarity:			
<i>P</i> ₁	Unconditional reflex system (<i>b, c, D, d, e</i>)	<i>P</i> ₁ *	Positive analogy. UNCONDITIONAL RESPONSE OF HR (<i>b*</i> , <i>c*</i> , <i>D*</i> , <i>d*</i> , <i>e*</i>)
<i>P</i> ₂	Conditional reflex system	<i>P</i> ₂ *	Positive analogy. CONDITIONAL RESPONSE OF HR
<i>P</i> ₃	Motoresponse	<i>P</i> ₃ *	Positive analogy. MOTORESPONSE
<i>P</i> ₄	Memorization of the signal and reflex formation (<i>B, b, e</i>)	<i>P</i> ₄ *	Positive analogy. SIMULTANEUS ACTIVITY OF HUMAN RECOURSE ASSESSMENT AND ORGANIZATION CLIMATE (<i>B*</i> , <i>b*</i> , <i>e*</i>)

* Known similarities developed using phenomenological hermeneutic system of interpretation (Vaitkevičius, 2014, Vaitkevičius, Kazokienė 2013) when concept of the histology of neural centers used as a thinking logic for real authorial intention interpretation of organization's communication with external environment. Source domain (S) and Target domain (T) items are taken from Biological model of organization's communication with external environment (see Fig. 1).

Q The organization's communication with external environment functioning under the concept of the histology of neural centers, what mean that human nature determines the managerial decisions in organization.

*Q** (modal epistemic operator) Hypothesis is *prima facie* plausible that The organization's communication with external environment functioning under the concept of the histology of neural centers, what mean that human nature determines the managerial decisions in organization (*Q**) holds in the target because of accepted similarities with the source domain, despite known differences.

Other future that makes the barrier of the internal environment (*B**) comparable to the spinal cord (*B*) is that organizational climate not only separate the incoming information, but also together with instructions from human resource assessment (*b**) help to decide to respond to it conditionally or unconditionally. In this case it acts as a moderator (*e**) which is responsible for strengthening the incoming signal through the sensors, for response through the effector (*C**) which can be any particular actions of an organization that creates the competitive response to the global environment, and for request sent as information to the management level of human resources (*f**). The typical example of such request would be the personnel request for internship to learn new technological process, which in the future can become as a necessity to work in this position (a task for human resource assessment (*b**)), and which may result the company's interest in the use of it to strengthen its competitive advantage (indirect information (*g**)).

The human resource assessment's (*b**) role in this model is to direct the organizational climate (*c**) through increase and reduction of his sensitivity to the incoming information from the global environment. The example of such operation would be requiring the employees to learn English. If they do not speak English, they only reject all information that comes in English from global environment (act a barrier), if they speak English the decision-making process starts (act as the spinal cord (*B*) in human reflex arc (*S*)) and the organizational climate (*c**) together with human resource assessment (*b**), and internationalization system (*D**, *d**) starts acting as an unconditional response of human resources (*P*1*).

Inclusion of the management level of human resources (*f**) and the managerial decisions (*A**) to this process enabled to define the conditional response of human resources (*P*2*) that explains how organizations makes decisions which require consideration. In this model the unconditional response of human resources (*P*1*) can be related to the emotional response and the conditional response of human resources (*P*2*) to the deliberate response.

In the model the sequence of response (*a**), Human resource assessment (*b**) and effector (*C**) reflect the condition of motoresponse (*P*3*) that reflects the processes, which is used in delivering competitive response.

Summarizing it could be stated that with the help of created a biological model of the organization's communication with external environment, it was succeeded to describe qualitatively information acceptance model and its functions in organization, to reveal the mechanism of its actions in organization operating in internationalization's conditions. This discovery allows knowing organization better and helps knowing it better in organization's internationalization condition.

The model being designed because it was the need for the structure that would allow to explain how organization form reflexes needed for the fast its response to the environment changes. The performed research not only have led to it, but during it also were discovered the structure which explains how theoretically organization react to known and to unknown signals from the global environment.

3. Conclusions

The developed biological model of organization's HR communication with external environment explains how organization receives external signals, react to them and how barriers of internal environment distorting signals sent from the environment and decreasing organization's response is formed inside it.

For the biological model of organization's HR communication with external environment, development were used 12 variables describing known similarities in analogy and four describing the inferred similarity.

Performed modelling of the organization's communication with external environment created possibility to know better the organization and therefore to apply the measures of human resources management by accepting information from global environment more efficiently.

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SUSTAINABLE DEVELOPMENT AS AN UTOPIAN PARADIGM

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Abstract

The utopian consciousness is defined as the expression of opposition against the actual status quo with the simultaneous tendency of creating the alternative projects which are not found in the factual reality. Utopias usually are recognized as the negative concepts. They may often glare with the simple and artificial examples or faith of their believers expecting the realization of the imagined world. Utopists are often called dreamers or people who try to implement the unreal ideas into life. However, it cannot be forgotten that there is a meaningful difference between language and the expectations of utopian thinking. Though, utopia can be a perfect vehicle to change a wishful thinking into seeking the real historical alternatives within the boundaries of the existed social, economical, and political possibilities. If the history of the social thought improves that utopia can include the inspiring force, expose weaknesses of social order, criticize status quo, it should be asked if the idea of sustainable development does not consist some elements of the utopian thinking.

Keywords: sustainable development; utopian paradigm; environment; social justice; present and future generations.

1. Introduction

Utopian consciousness plays an indispensable role in social sciences. It shows urgent need of overcoming and reconstructing required *status quo*. There have been well-known social thinkers of the twentieth century who confirmed the necessity of utopia. In the situation of uprising global threats and human alienation it seems important to develop the type of vision which would tend to change present political and economical world order. Regarding sustainable development as the idea that emphasizes the necessity of obtaining such a growth which can satisfy the needs of present generations without depriving future generations abilities and satisfactions of their needs (Our Common Future, 1991; Zielińska and Kryk, 2007), it is undeniable that the concept consists obvious elements typical to utopian consciousness. *If the vision of sustainable development – as Z. Hull argues – belongs, in a big measure, to the utopian thinking than we need today such an utopia which reviles a possibility of using the nature and social as well as individual life in a different way* (Hull, 2003). Considering sustainable development as a type of utopian thinking it is necessary to emphasize that the idea does not deal with any idealistic visions of better world, but rather it concentrates on discovering such possibilities which would let its gradual realization. In order to regard the idea of sustainable development as an utopian paradigm, at first we should define the word “utopia” (Płachciak, 2011).

2. From illusion and wishful thinking to real historical alternatives

When the term “utopia” is used in a regular conversation, it often gets a negative meaning. This is so because the word has frequently been attached with illusionary simplifications, unreal examples and “naïve” believes of utopian thinkers seeking for better worlds. Generally utopists are defined as “dreamers” or people who try to

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implement illusionary ideas in life. In some cases the term “utopia” helps to describe political opponents encouraging to their populist programs or voting postulates. However, such an interpretation leads to serious misunderstandings. Even among social scientists this type of opinion is widely acknowledged. Their analyses are basically focused on fantastic sides of utopia or potentiality of misleading the masses. They often forget about its functional and methodological implications. Utopias are not only a literary form of expression, a product of fantasy or negligence of potential opportunities. In fact, as some global visions of the world, utopias can play an important inspiration of historical consciousness. Oscar Wilde assured that *<...> a map of the world which does not include utopia is not worth even glancing at, for it leaves out the country at which Humanity is always landing* (Bauman, 1976). Discovery of America for Europeans become “the Earth of unlimited possibilities”. It was a dreamlike place where better counter-world might be possible. In fact, American democracy has been an inspirational pattern for many political thinkers living in Europe since now.

The breakthrough for utopian thinking took place in the Age of Reasoning and Enlightenment. Since that time the “spatial utopia” was given more attention to than “timely utopia”. Different thinkers gradually discontinued to treat utopia as static reality separate from daily events. The world loses more its traditional dimension of spatiality. Now there are no undiscovered lands. The official borders between countries do not guarantee any inviolability against the influence of the outer world. The modern utopias, rejecting expectations of chiliastic ecstasy, come to real history, closer to the events and people now and here. The authors of such utopias do not accept that the social change would be the result of passive waiting. They believe in the active transformation of reality within the boundaries of social, political and economical potentialities. This idea of social transformation becomes familiar with Wallerstein’s understanding of utopistics, where illusion and wishful thinking are replaced by seeking some real historical alternatives for the present order of being.

The possible – as Wallerstein argues – is richer than real. Who should know this better than social scientists? Why are we so afraid of discussing the possible, of analyzing the possible, of exploring the possible? We must move not utopias but utopistics to the center of social sciences. Utopistics is the analysis of possible utopias, their limitations, and the constraints on the achieving them. It is the analytic study of real historical alternatives in the present. It is reconsideration of the search for truth and the search for goodness (Wallerstein, 1999). The Wallerstein’s concept of utopistics plays both the role of historical prognosis and the comprehensive vision of just society. It can be recognized as an attempt of making utopia as history-like or as an attempt of reconciliation a systemic comprehension of history with continually created and transformed by human reality. *Systems we live in – as Wallerstein writes – are equally the same, they are both systemic and historical. They remain the same over the time, though they vary from minute to minute. It is a paradox, but not a contradiction* (Wallerstein, 2007).

Equally, Ernst Bloch in his concept of “concrete utopia” draws the line which connects the factual reality with unattained futurity. According to German philosopher, if we expect a better world we should make decisions about it now. One of the features which differs “concrete utopia” from abstract thinking is that the former owns in some measure “detective” knowledge about things. Furthermore, the concreteness of utopia expresses its compliancy with development trend of reality. In other words the Blochian utopia is not just a subject for radical construction and projection into the future, but rather something existing at present. It is not the “no-place” of the Greek word etymology but it can be available in the image-traces. It manifests itself as the anticipation of futurity.

An interesting definition of utopia for our study presents also Z. Bauman. He points at four basic features: (1) *Utopias relativise the present. <...> Utopias pave the way for a critical attitude and a critical activity which alone can transform the present predicament of map <...> The presence of a utopia, the ability to think of alternative solutions to the festering problems of the present, may be seen therefore as a necessary condition of social change. <...> They offer the luxury of unleashing human imagination and leading it to the distant expanses which would never be reached if it were held down by the exactions of political game <...> The utopian vision, in this sense, breaks with historical continuity.* (2) *Utopias are those aspects of culture in which the possible extrapolations of the present are explored. <...> They provide answers <...> question <...> “What may I hope?” Hope supplies the missing link between practical and theoretical interests because it is intrinsically critical of the reality in which it is rooted.* (3) *Utopias split the shared reality into a serious competing projects-assessments. <...> A vision eutopian to one group may well be dystopian to another <...> Utopias, therefore, help to lay bare and make conspicuous the major divisions of interest within a society. The contribute to the crystallization of major socio – political forces, thereby converting differences of states into differences of action. They scan the opinions open to society <...> but by exposing their link to the predicament of various*

groups, utopias reveal also their class – committed nature. In other words, utopias relativise the future into a bundle of class – committed solutions <...> They portray the future as a set of competing projects. (4) Utopias do exert enormous influence on the actual course of historical events. <...> Utopias enter reality not as the aberrations of deranged intellects, but as powerful forces acting from within what is the only substance of reality, motivated human action (Bauman, 1976). In Baumann's studies utopia refers to an image of a future and better world which is: (1) felt as unfulfilled and requiring an additional effort to be brought about; (2) perceived as desirable, as a world not so much bound to come as one which should come; (3) critical of existing society – a system of ideas remains utopian and thus able to boost human activity only in so far as it improves human activity and it is perceived as representing a system essentially different from, if not antithetical to, the existing one; (4) involving a measure of hazard – for an image of the future to possess the qualities of utopia, it must be ascertained that it will not come to pass unless fostered by a deliberate collective action. The loss of utopia might be a disaster because it paves not only the way for critical reasoning but the most important it prepares indispensable conditions for braking with historical continuity and social change. Bauman outlines the functions of utopia in general and of utopia in modern socialism. He shapes the relationship between socialism and utopianism as obvious and predictable.

Karl Mannheim, believed that the utopian mentality is at the base of all serious social change. For German thinker the utopia consciousness stands against any possible compromises and it rejects an imposed social order in a specific time. In his book *Man and Society in the Age of Reconstruction* Mannheim is largely concerned about the matter of “planning for freedom”. This issue was significant especially in the time when all circumstances required a complete and profound restoration, and at the same time it could play a role of method for constructing a new society. Mannheim's arguments aimed at a shift from liberal order of laissez – faire capitalism which was founded on the unregulated trade cycles, free competition and ideas of competitive individualism to planned democracy.

If anything, today's utopia cannot be fixed in an exact location. It should not be also understood as a myth or daydream but rather as a powerful force that can shape the future human civilization. In some measure, utopian consciousness has always been connected with the biggest scientific discoveries. In physics the exploration of new galaxies and possible worlds is a norm than the exception. Genetic manipulation, cloning and other molecular biology's breakthroughs for ordinary people were only wishful promises some years ago. And for environmental scientists saving the planet from environmental disaster should be the subject of the intensive imaginary explorations.

3. Sustainable development as the idea of exceeding *status quo*

Accepting the fact that the idea of sustainable development belongs to the type of utopian thinking, some important assumptions at the beginning should be made. First of all, the concept of sustainable development cannot be regarded as an unrealistic vision of a social order, as it is received in the commonly accepted usage of the word. A certain proposition of such a suggestion presents Giovanni Sartori in his known book *The Theory of Democracy Revisited*. He argues that utopia is (1) an inner contradicted postulate; (2) a project of impossible reality and (3) it might be realized within the factual conditions according to the intentions of its author (Sartori, 1998).

An interesting commentary which shows an inadequacy of this definition gives Cezary Kościelniak (1997). Firstly, he notices that in treating utopia like an inner contradicted postulate as one of the basic indicators, Sartori forgets about the language which is used in different utopias. Referring to the typology by Piotr Przybysz, Kościelniak distinguishes three-fold scale of utopian languages. They are: literary, ordinary, scientific. An example of the literary utopian language might be *The Adventure of Gulliver*, the ordinary – *The Utopia* by Th. Morus, and the scientific – the Nozick's libertarian utopia. The less exposed to the contradictions are obviously the scientific utopias because their authors clearly present stated theses. Completely different situation is with the literary utopias. They contain the whole range of different metaphors, allegories which usually cause many problems with recognizing potential oppositions. Regarding the scale of the language in which utopia is written, the Sartorian assumption of the inner contradiction meets serious difficulties. It is really hard to accept an inner contradiction as a feature of a specific identification, because there are other types of the intellectual constructions where such attributes might take place. Secondly, Sartorian statement of the utopia as an impossible reality also gets an evident

inconsequence. Here he claims that we deal with such a consciousness that would never happen. It is true that utopias may include counterfactual elements which are not a part of the real world but it does not mean that they have not any possible chance to become a factual reality in the future. Here we should distinguish a strong and a weak counter-factuality. In the former case the utopian project in fact will never be accomplished in the world. But the utopias with the weak counter-factuality are essentially not able to receive their potentiality at present phase of the social, cultural, economical or political development, but it does not exclude their abilities to be realized within the optimal conditions for them in the future. The last Sartorian assumption also causes meaningful controversies. According to Sartori utopias are constructed in order to change our present world with the utopian reality. Kościelniak suggests that regarding the intention of actualizing utopia in the real world, the following classification should be considered: (1) The quest for total implementation of the utopian project. The attempts of realizing such intentions were known in the history and they usually ended with establishing the totalitarian systems. A good example is the concept of Lenin's classless society where a dictatorship of proletariat supposed to deliver people from the hands of exploiters, oppressors and capitalists. (2) The quest for partial implementation of the utopian project in the real world. The example of such a purpose might occur within the libertarian version of the Nozick's utopia where the main goal of the action is not to bring total change of the social structure, but rather there are expected only some desired corrections. (3) The lack of planning for achieving the utopian project in any spatial and temporal conditions. Here we can recall Hobbes' utopian vision of human evolution from the state of nature to the state of social order. The British philosopher does not suggest the returning to the state of nature, he only explains the way of forming the political society by certain analyzes of the ideal development path. This is an example of the escapist utopia.

Any attempts of questioning the utopian character of sustainable development, basing on the belief that utopia is an inner contradicted intellectual construct, as we can see, do not have any rational grounds. On the other hand we have to assume that if sustainable development contains some counter-factual elements, it does not mean that this idea would not achieve its potentiality in a real world. Th. Morus provides a good example of that possibility. In his utopian dream, he claimed for thirty-hour work time per a week, religious tolerance, general eligibility for social positions etc. Today those postulates we treat for granted, as something we should own, but that was not always so obvious. *Much less – as J. Kochan writes – we talk about the real theoretical achievements of those thinkers and reformers, about their scientific discoveries in functioning the capitalist society of those days, about completely new schematization and problematization of their social reality. After all, the utopian socialism does not only concentrate its attention on the empirical Owens' argumentation regarding nine and a half hours work day, liquidation an employment for children under ten years old, free education, fostering a safe and healthy working conditions. The utopian socialism, it is also a discovery of such phenomena as: cyclical nature of crises within the capitalist economy, tendency for the modeling wages, criticism on the chaotic functioning of the capitalist market, criticism on the family degradation, loss of morality. And other issues such as: social disadvantage of women, racism, monotony at work etc* (Kochan, 2008).

Furthermore, the functional programs of sustainable development, which have been created by the international authorities and organizations, do not give emphasis to the ideas of better worlds that might be an alternative for the present reality. Rather they are focused on finding such mechanisms which would allow them gradual implementation. Moreover, at the same time they accept the existing order of social structure what brings them closer to the correctional version of utopia. So the idea of sustainable development is not a ready project but it takes a form of plane (Goćkowski and Machowska, 2004). The utopian project is an edifying instruction which helps to achieve the intended social order. In some measure it plays a role of regulations establishing the norms of interpersonal life. Of course, the utopian project always mirrors a certain type of closed society.

Unlike, the utopian plan is a method of modeling a dynamic order, which is always ready for corrections, completions and getting a new reinterpretation. It is not the project of a new, completely different social order. Rather it continues the ideas of pluralistic democracy within the new reality. Planers do not intend to question or liquidate the structural certainties of democratic systems where the principle of debate depends on a mutual deliberation, and the autonomy is a result of given possibilities to manifest varieties of human identity. It is unquestionable that ordering a disintegrated contemporary pluralistic democracy should be provided by the integration of sovereign centers of inventions and activities. The planed society should remind a global wholeness with a special platform where different confrontation of ideas would be possible. In our case the concept of

planning reminds K. Mannheim's planning for freedom. *Planning in this sense* – as the German sociologist writes – *means planning for freedom. This means to control those fields of social growth on the security of which depends the smooth functioning of the apparatus of society, but at the same time consciously to leave free those areas that contain the greatest opportunity for creative development and individualization. This freedom, however, it is not the freedom of "laissez-faire", "laissez-alter", which can no longer exist today. It is the freedom of a society which, disposing of the entire coordinated social technology, has itself under control, guarding itself by its own free will against the dictatorial suppression of certain areas of life and incorporating the guarantees of those free areas into its structure and constitution* (Mannheim and Wollf, 2011). Freedom is the primary goal of development. The removal or lack of freedoms such as poverty, all sorts of discrimination and inequalities, neglect of public facilities, constraints of economic opportunities, social exclusion, state policies that limit freedom and so on, has always caused unbelievable devastations within the undeveloped world. According to Amartya Sen it is necessary to evaluate the status of freedom given to individuals so the effective developmental policies could be established. In acting this way the individuals need to be recognized as "agents of change" rather than "patients" diagnosed with "illness poverty". Of course, it would require assessing their capabilities and potentiality rather than their income levels. Free people can be actively involved in shaping their own destiny. They are not mere passive recipients of the benefits of the development programs (Sen, 1999).

If we consider sustainable development in the context of utopian thinking, we should still point at the role of theoretical models for both categories. Theoretical models are representations of the ways in which particular frameworks operate. In some sense they mirror M. Weber's ideal types or K. Marx' model of capitalism. *Those models, as W. Mejsbaum argues, in some measure, represent investigated reality, though this representation is not unequivocal in the sense that a scientific model represents unfinished (open) class of objects. The scientific models and theories prove their usefulness to a man who tries to find his homeland in the world. They let him anticipate the future events which would certainly cause favorable situations and protect against unfavorable affairs* (Mejsbaum, 2000). The theoretical models take forms of non-empirical as well as empirical constructs. The former ones have never existed in the real world and they can only be a matter of imagined reality. They are often called the models of hypothetical or conceived situations. At this stage they are not empirical yet. They become such when the things or occurrences, which are projected, become factual reality.

A characteristic feature of utopias from the methodological point of view is a certain deformation of the anticipated world. A good example of this may be the island described by Morus in his *Utopia*. There is an ideal social order, the citizens do not have their own private properties, and all people live within the perfect happiness. If we were able to compare this ideal image of the state to the external reality we would see it as a deformed, not as a real world. It could only remind us a good fiction. But such a deformation is a feature that clearly reflects the differences between utopian vision and the image of a real social world. It seems to play a significant role to the idea of sustainable development which is often criticized as a deformed and unreal picture of the reality around us. *The idea of sustainable development* – as W. Sztumski argues – *because of some difficulties with its realization, can only serve as one of the myths, which feeds society. In a big measure, among others, this is a result of a wishful thinking, but not as a practical action. It is the concern of many authors who critically assess this idea* (Sztumski, 2006). However, constructing theoretical models in social sciences we should remember about the idealization of preferred situation. Scientific models assume present facts and the phenomenon being modeled as strictly false, but in this sense make models easier to understand. Idealization may allow predictions to be made when none otherwise could be (Nowak, 1977;1996).

A typical feature of utopias which might denote the idea of sustainable development is just modeling a desired society. The authors of the Report *Our Common Future* write: *Through our deliberations and the testimony of people at the public hearings we held on five continents, all the commissioners came to focus on one central theme: many present development trends leave increasing numbers of people poor and vulnerable, while at the same time degrading the environment. How can such development serve next century's world of twice as many people relying on the same environment? This realization broadened our view of development. We came to see that a new development path was required, one that sustained human progress not just in a few places for a few years, but for the entire planet into the distant future. This "sustainable development" becomes a goal not just for developing nations, but for industrial ones as well* (Our Common Future, 1991).

In conclusion it should be pointed out that utopia at its final stage of realization usually becomes an ideology (political program). Unlike, the utopian project which tends to change and reconstruct a required *status quo*, the ideology is rather focused on preventing it. Many political parties base their doctrine on an ideology. A political doctrine is a rationally elaborated set of values, which may precede the formation of a political identity. It contains three essential elements (1) an expected image of social order, (2) a factual description of social condition from the perspective of the assumed social ideal, (3) the concrete methods which instruct how to pass from the factual state to the postulate ideal (Brzechczyn, 2013). Along with serious of declarations at the international level the concept of sustainable development came into existence and today it is universally accepted in all kinds of political programs both on the right as well as in the left. It plays a significant part of the important documents on the national and international level. But in the face of increasingly escalating sense of human alienation, constant widening the area of starving and malnourished, continuous making of wars, disturbing destabilization of natural resources in the global scale, it seems that we need something more than the ideological consciousness which preserves and protects *status quo*.*

4. Conclusion

The reflection on the principle of sustainable development within the context of utopian consciousness plays a meaningful role for the previous attempts of implementation as well as planning the new ways of understanding the integrated order of social, economical and environmental spheres. Appealing different neoliberal apologists and representatives of the neoliberal free market economy to the universal rhetoric of human rights, human dignity, or ecological sustainability not always correspond with their practical tendency of supporting, and in many cases even creating from its beginning the class power. The evident example of such a practice is a deepening poverty in many regions of the globe or worldwide disintegration of ecosystems.

The pursuit of the new and better solutions to the existing social order seems to be an indispensable challenge. It can turn out the negative tendencies and brake through the occurring difficulties in building sustainable economy supported by pro-ecological and pro-social activity. It seems that at present the idea of sustainable development plays such role. It shows that the accepted world order by many political leaders should be transformed.

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ECONOMETRIC ANALYSIS OF SOME CORRELATIONS BETWEEN THE GENERAL STATE OF CIVILIZATION OF THE NATION AND THE RESULTS OF THE ROMANIAN EDUCATION SYSTEM

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Abstract

The paper aims at highlighting some socio-economic effects generated by the educational output and the human and material effort made for education, on the degree of civilization in Romania. The research is based on selected indicators, according to the assumptions established by the logic of a productivity conceptual model of education, by using Fisher test and Student test. The results of the econometric correlations reveals the importance of the choices of those responsible for creating opportunities to improve the educational system, concerning the crime rate and offense rate.

Keywords: professional results of education; crime rate; human and material effort for education.

1. Introduction

Services optics require that the productivity of intellectual services (including education) to be seen in a wider than the usual economic approach (Jivan, 2014). According to the author quoted, all the effects must be considered: positive (earnings, revenues, benefits) and negative (efforts, factors involved, costs); they must be taken into account at the societal level, thus a more complex productivity approach could be conceived, which is the result of all outputs, outcome-sized and inputs from the individual units composing this ensemble.

That is why, this paper presents an empirical analysis of interdependence between professional results indicators of Romanian education system, human and material effort made for it, and indicators related to the long-term effects that can be seen at the society level in general, such as crime rate and offense rate. Such research shows its relevance and necessity in terms of recent economic developments, which have worsened conditions for resources allocated to education (Jivan and Weisz, 2012), at least in Romania. In this regard Sullivan et. al. (2012:37-59), question the rethinking of educational system on the upside its productivity by changing the optics on educational institutions as more than "factories for diploma" (Cheng, 2011), given the heterogeneity of inputs and outputs resulting from economic inequality (including different income students), their previous training, academic preparation and the strong connection between school performance, commitment and time variation of student motivation.

The indicators were selected in the available data, and grouped according to logical correlations (hypothesis established by the conceptual model). In the theoretical model, it was intended to test the two key assumptions: (i) the influence of professional results in education and, respectively, (ii) the influence of human and material effort made by society for education, on the society as a whole (in this case, on the degree of civilization, as expressed by crime and offense rates). In theoretical terms, Mateia (2013) and also Chilarescu (2014) believe that, to conduct empirical analysis of correlations, statistical methods such as Fisher test and Student test can be applied.

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Hypothesis testing was performed initially for a time lag of 10 years, but assumptions have been proven to have economic logic by reducing the gap period to 6 years, the intensity of the strongest indicators of influence being for a time lag of 2-4 years (in the other periods of gapping, the intensity is moderate or weak).

Test results confirm assumptions on finding the influences of education outcomes and efforts allocated to the educational system, in effects concerning the general state of civilization of the nation (represented, in our analysis, by growing the crime and offense rates).

The research did not proposed, for this phase, the development of forecasting data, so no calculations of parameters were made for such models.

2. The conceptual model. Methodology issues

The indicators were selected with a focus on the correlation between education (professional *results* in this field and human and material *effort* made by society for education) and civic-societal indicators, according to the conceptual model (see Scheme 1), the selection being carried out on the basis of indicators available online in Romanian National Institute of Statistics and the World Bank databases.

The conceptual model based on which the analysis was performed can be seen in Scheme 1. Professional results indicators (immediately measurable) of education were symbolized by *Prof*; human and material efforts of the society for educational purposes were symbolized by *Effort*; we symbolized civic-societal indicators (including the crime and offense rates) by *Civ*.

ASSUMPTIONS		RESULTS PRESUMED
<i>H1: Prof → Civ</i>	Educational Services Productivity	The professional results in education (considered as <i>input</i>) and civic-societal indicators are dependent on material and human effort made by the society for education (considered in this case as <i>outcome</i>).
<i>H2: Effort → Civ</i>		

Scheme 1. The conceptual model regarding the influence of the education system at the societal level

One methodological caveat concerns that the order of magnitude of data and units of measure are very different from one indicator to another – even in the same logical category (from the point of view of its role in respective correlations) – namely, there are expressions in different value units (RON, EUR) or physical (number of people, number of schools, physical units related material endowment, etc.). Therefore, for the correlation of effects and factors, standardization was necessary (see Table 1): we made the analysis based on standardized (normalized) data; standardization has relied on annual changes in empirical evidence.

Table 1. Recalculated statistical data (in standardized form)

Years	Professional results indicators (immediately measurable) of education (<i>Prof</i>)	Human and material effort indicators, made by society for education (<i>Effort</i>)	Civic-societal indicators (<i>Civ</i>)
2000	0.193484	0.543287	1.114477
2001	0.031869	0.810195	1.14934
2002	0.413248	0.758759	1.063254
2003	0.27326	0.614322	0.637555
2004	0.748104	0.58826	0.019056
2005	1.038744	-0.10078	-0.15772
2006	-0.0539	-0.22639	-0.24676
2007	0.540377	-0.2618	-0.25076
2008	0.341569	-0.11771	-0.63878
2009	0.205265	-0.31434	-0.70911

2010	-0.10802	-0.63157	-0.56797
2011	-2.16468	-0.86283	-0.71403
2012	-1.45932	-0.79941	-0.69854

Depending on available indicators (on the data in databases) and on the way they (and the correlations that might exist between them) may be logically suitable to the goals of our research, for this analysis, the structure below has resulted, concerning the indicators we used (Weisz and Jivan, 2014):

- **Professional results indicators (immediately measurable) of education (*Prof*)** – for which we were able to choose, within the limits of available data on sufficient long period – are: total number of graduates, the number of researchers in R & D, the high school graduation rate. Among them there are some *output* indicators (graduation, graduates, retired); but we have also included the long-term *outcome* indicators, like, the level of professionalism at national level (number of researchers working in research and development).

- **Human and material effort indicators, from the nation for education (*Effort*)** – to ensure the education system of society – are: (number of) schools, school laboratories, classrooms and school offices, workshops, teaching staff (number), gross average earning per employee in education (the latter meaning, therefore, expenditure for staff working in education).

- **Civic-societal indicators (*Civ*)** – they extend the scope of the impact of the educational system, both as conceptual area and the time horizon. We took into account those that describe, as a last resort, the degree of civilization of the population on which education services are meant to raise it, to make it appropriate to the present and future requirements, according to national and global evolution of human society: offense and crime rates, minor persons definitively convicted by the courts.

For this analysis, we were limited by the actual availability of statistical data, but where appropriate data exist, the length of string data, allow a rigorous study. We have chosen solely the indicators, for which we could verify correlations for sufficient extended periods, to ensure relevance.

The selection was limited by the need for time lag calculations (the effects are not expected in the same year but more often over approximately three years (how long a school cycle is), and even more (when several school cycles are considered). In our calculations, we went to a lag of up to ten years.

3. Overview of key data – as the base of research. Evolutions in the analyzed period

The presentation of indicators related to the first hypothesis, which means the correlation between the professional results of the education system (as a factor) and the outcome indicators at the societal level (as a result), it is shown in Table 2.

Table 2. Statistical data on *Prof* indicators

Years	Graduates (total number)	Researchers in R & D (mil. persons)	The high school graduation rate % (June-July session)
2000	651169	914.5826	86.49
2001	648389	884.1739	86.28
2002	693168	911.7482	86.71
2003	680079	944.3017	76.82
2004	722635	959.3304	84.6
2005	695427	1038.2	87.76
2006	679071	862.028	79.6
2007	784958	854.2902	82.08
2008	739432	882.9517	78.26
2009	704172	879.4198	81.47

2010	674713	904.788	69.3
2011	536747	737.3126	45.72
2012	605730	821.05	43.04

Source: World Bank Group, *Data Bank by Country*.

Available from Internet: <<http://data.worldbank.org/country/romania>>.

In the period we studied (2000-2012), *the high school graduation rate and the total number of graduates*, have developed oscillations that might be considered minor until around 2008-2009, namely long-term trend was relatively constant until then. Also the number of researchers in R & D has remained relatively constant; its decline, although slightly, but is noticed since 2006, the decline being more pronounced since 2010 (from 9.06% to 8.21%).

The decrease *in the number of graduates* began in 2007, and from 2008 it is very visible the decline – for the entire Romanian educational system: and *the high school graduation rate* is decreasing, the year 2011 registering very low levels, at all these indicators analyzed, although there were taken beneficial measures to the education system, such as computerized distribution of teachers participating in the tenure competition, increased investment from structural funds, with positive effects on the number of graduates. It explains the fact that the latter indicator has increased by about 13% from 2011 to 2012. But *high school graduation rate* has continued to decline after 2011.

Among possible explanations, we mention legislative changes imposed by the government without sufficient justification, including the way of developing and introducing the National Education Law no. 1/2011 (without proper preliminary debate at the societal and academic level). It is also important to remember the context in which were applied certain measures – namely the global economic crisis and its overall impact, intervening in the context a number of issues such as decreasing expenses related to education, and above all, a reduction in salary for teachers (see the second hypothesis examined in this paper).

Table 3. Statistical data on Civ indicators

Years	Offense Rate (no. of offenses per 100.000 inhabitants)	Crime rate (no. of people sentenced to 100.000 inhabitants)
2000	1577	336
2001	1519	370
2002	1432	375
2003	1274	353
2004	1069	320
2005	963	304
2006	1078	263
2007	1307	214
2008	1345	171
2009	1397	159
2010	1366	195
2011	1212	223
2012	1289	209

Source: National Institute of Statistics, *Tempo – online statistical data*. Available from Internet: <<http://statistici.insse.ro/shop/?lang=ro>>.

The presentation of the related indicators in the second hypothesis (correlation between human and material effort indicators made by society, as a factor, and the civilization degree indicators, as a result), is shown in Table 4.

Table 4. Statistical data regarding *Effort* indicators

Years	School establishments (total)	Classrooms and school offices (total number)	School Labs (total number)	School Workshops (total number)	Average gross nominal monthly earnings in education (lei or RON since 2005)	Teaching staff (total number of people)
2000	24481	125871	20620	9551	2705154	294938
2001	24304	128834	21103	9471	3966768	300108
2002	23679	129064	22065	8885	5309849	286670
2003	18012	129265	22459	8325	6566394	281272
2004	14396	127451	22435	8028	8940044	285861
2005	11865	125603	22689	7617	1110	281034
2006	8484	124915	23448	7234	1443	277318
2007	8230	124922	23730	6819	1601	276849
2008	8221	126478	25047	6669	2106	275426
2009	8224	122776	25755	6337	2654	268679
2010	7588	119570	26031	5989	2380	252953
2011	7204	116515	26106	5567	2517	247487
2012	7069	119188	26112	5387	2449	245174

Source: National Institute of Statistics, *Tempo* – online statistical data.
Available from Internet: <<http://statistici.insse.ro/shop/?lang=ro>>.

Table 4 highlights two main aspects: a) most of the indicators for education effort (*namely, number of school laboratories, workshops and schools, classrooms and school classrooms, nominal average monthly gross earning in education*) recorded a relatively constant evolution without significant changes; only in the case of *average monthly gross earning in education* there was a slight change in 2004-2005 – the period since was made the passing of the old currency LEU to the new parity of the national currency (RON) – and also in the case of schools, their number decreased from 2.44% to 0.82%; b) the teaching staff has significantly decreased between 2000 and 2012, from 294.938 persons to 245.174 persons, which is one of the factors that contributed to the decline in high school graduation rate and the number of graduates.

4. Empirical analysis. Correlations and related results presentation

In this study we used linear multifactor model with time lag, according to Hansen, B. (2015) estimators determined by least squares correspond to the objective pursued if the expected value of each estimator is equal to the actual value of the parameter and the variance of each estimator is as low as possible in relation to the number of samples.

Correlation analysis, a linear multi-factorial model for quantitative variables, is performed using multiple correlation ratio, the multiple determination coefficient and the partial correlation coefficients and determination. We used Fisher and Student tests for empirical analysis.

4.1. Regarding the influence of professional results in education indicators, on civic-societal indicators, we notice in the multi-factorial linear analysis that the ratios of correlation and determination coefficient from 0.80 to 1 are in the range, which means that the link between variable factors considered (the professional results of education) and the dependent variable (overall mediated outcomes at the societal level) it is very strong for a time lag of four years, and contrary.

Tabular value of distribution table (Fischer) is more than the critical F (calculated $F > \text{significant } F$) and *stat t* related to β is greater than the *critical t* (4,38 > 2,16), thus rejecting the null hypothesis with probability $p = 1 - \alpha$;

which means that the model has withstood verification is statistically correct, being useful analysis and forecasting of variable consequential (*Civ*); under these conditions, the study confirms the link between the resulting variable and influencing factor *Prof* for a time lag of four years.

Important to note is that the high school graduation rate and the number of graduates negatively affects the offense rate, the link is stronger for a time lag of four years, which means that the decrease in professional results in education referred for example in 2005-2008 (according to statistical data and econometric correlations) high intensity results in increased offense rate, in the next four years (2009-2012). Also according to econometric correlations, it was found that after four years of time lag, the professional indicators of the teaching system (*Prof*) and the offense rate is moderate.

In that what concerns the hypothesis which involves the economic and social point of view, highlighting the influence of the group of *Effort* indicators on the degree of civilization of the nation (represented in our study by the group of indicators *Civ*), in econometric analysis it appears that changes affecting the number of schools, classrooms and school offices and the number of teaching staff, negatively influences the offense rate, if we consider the long-term effect; it means that the decrease in the number of teachers or in the number of schools in the analyzed period had an adverse effect on long-term offense rate (thus rate increased): less human and material effort made by society for national education, factually and logically are correlated with adverse effects on the whole society, less educated people uneducated have a negative influence on the degree of civility and civilization in the long run term.

Table 5. Econometric moderate negative correlations on Civic-societal indicators (H1)

Number of Intensity position	Factorial Variable (influence)	Correlation ratio (<i>Multiple R</i>)	Coefficient of determination (<i>R Square</i>)	stat t corresponding to β	Calculated F	Econometric model for the period 2000-2012 ($y = -\beta \cdot x + \epsilon$)
1.	<i>Prof</i> (5 years)	0. 773	0. 597	-3. 22	10. 399	$Civ = -0. 80092 \cdot Prof(5 \text{ years})$
2.	<i>Prof</i> (6 years)	0. 771	0. 594	-2. 96	8. 810	$Civ = -0. 85301 \cdot Prof(6 \text{ years})$

Regarding to moderate negative correlations in linear multifactor econometric analysis, between the variable factor *Prof* and the group of *Civ* indicators, from table 5 can be observed a moderate link (*Multiple R* has a value of 0, 773, and, for a time lag of five years, 59% of the variable studied can be explained by the influence of the factorial variable (*R Square* has a value of 0, 597). We can also see that the link between the factorial variable given (*Prof*) and the result variable (*Civ*) is reverse, opposite ($\beta_i < 0$); it means that– when the group of *Prof* indicators evolves ascending, the *Civ* indicators have a decreasing trend, and if *Prof* evolves descending, the group of *Civ* have an increasing trend.

About the weak negative econometric correlations, we notice only one, namely that between the dependent variable *Civ* and the factorial variable *Prof* in the case of a 3 years, time lag (from the econometric model resulting a *Multiple R* with value 0, 589); so there is a negative and weak relation. More than 34% of the variable variation of the *Civ* indicators can be explained by the influence of factorial variable considered *Prof* in the case of a 3 years, time gap. Also we see that the difference between the *calculated F* and *critical F* is very slight, that the link between the two variables is extremely feeble; *calculated F* > *critical F*, the null hypothesis is rejected with probability $p = 1 - \alpha$, which means that the model has withstood verification, being useful for the analysis and the forecasting of resulting variable.

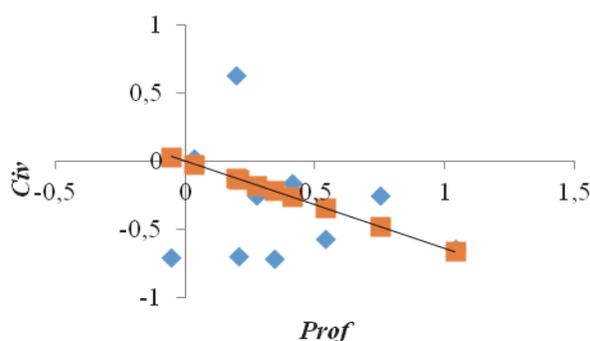


Figure 1. Strong negative correlations at a lag of 4 years

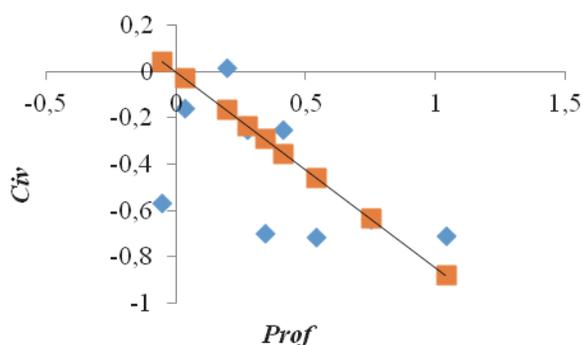


Figure 2. Weak negative correlations at a lag of 3 years

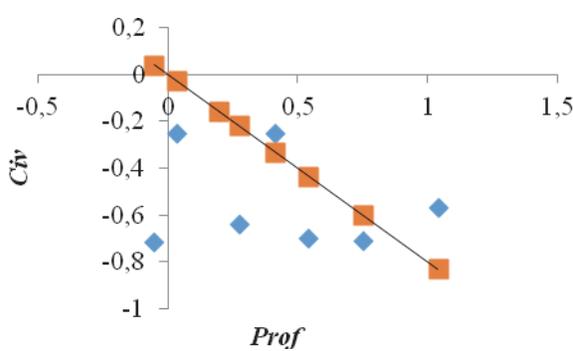


Figure 3. Moderate negative correlations at a lag of 5 years

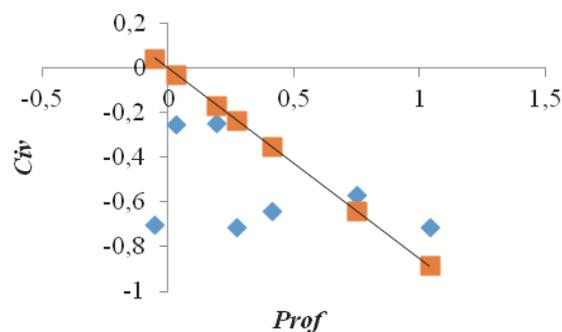


Figure 4. Moderate negative correlations at a lag of 6 years

Econometric correlations between factorial variable *Prof* indicators and the dependent variable *Civ* indicators are negative very strong for a time lag of 4 years, moderate for a time lag of 5-6 years (see Table 5 and Chart 1, 2, 3, 4).

With regard to the reverse correlation about the influence of Civ indicators on Prof indicators, it resulted (see table 6) a positive moderate influence of Romanian education system on the degree of civilization of society for a time lag of 2-3 years; the intensity of this influence became weak in the case of 4-year gap.

Table 6. Positive moderate econometric correlations concerning the influence of Prof by Civ

Number of Intensity position	Factorial Variable (influence)	Correlation ratio (Multiple R)	Coefficient of determination (R Square)	stat t corresponding to β	Calculated F	Econometric model for the period 2000-2012 ($y = \beta \cdot x + \epsilon$)
1.	<i>Civ</i> (2 years)	0.626	0.392	2.54	6.471	$Prof = 0.810421 \cdot Civ(2 \text{ years})$
2.	<i>Civ</i> (3 years)	0.673	0.452	2.72	7.452	$Prof = 0.888557 \cdot Civ(3 \text{ years})$

It can be mentioned that this assumption has not been included in the conceptual model, but nevertheless it was presented in this analysis having, as we saw some relevance for the reverse correlation to the situation *Civ* influenced by *Prof*.

4.2. Considering the influence of *Effort indicators* on *Civ*, correlation value ratio is positive and subunitary (0, 791) to a gap of 1 year, showing that the relation between factorial variable *Effort* and the dependent variable *Civ* is moderate.

The coefficient of determination (*R Square* = 0,625), meaning that at the time lag of one year, 62,5% of the variation of *Civ* can be explained through the influence of factorial variable considered *Effort*.

Comparing calculated value from the distribution table (Fischer) with critical value, (calculated $F >$ critical F), and t stat corresponding to β , it is greater than the critical t ; the null hypothesis is rejected with the probability $p = 1 - \alpha$, which means that the model has withstood verification, the factorial variable has a significant influence on the resulting variable.

The coefficient is positive and below par ($\beta_1 = 0,949513$), the relation between factorial variable *Effort* and resulting variable *Civ* to a one year gap is direct (when the *Effort* indicators in education have a growing evolution, *Civ* are also ascending (and conversely). Regarding the weak and positive econometric correlation, in the case of the second hypothesis, a correlation can also be seen as relevant to a time lag of 2 years.

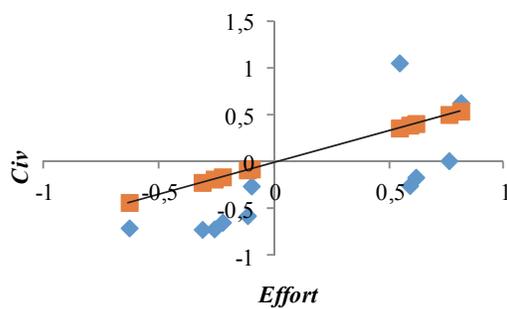


Figure 5. Weak positive correlations at a lag of 2 years

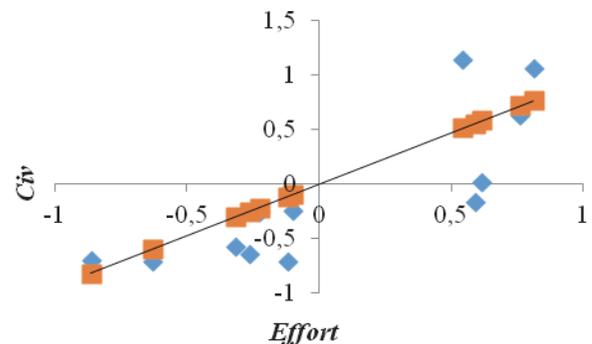


Figure 6. Moderate positive correlations at a lag of 1 year

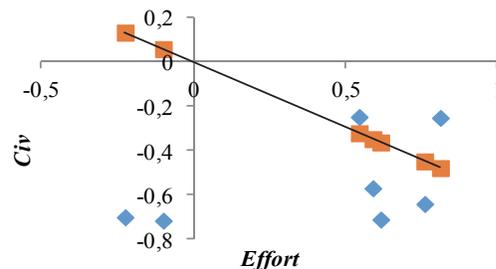


Figure 7. Weak negative correlations at a lag of 6 years

Econometric correlations between factorial variable *Effort* indicators and the dependent variable *Civ* indicators are positive but weak or moderate for a time lag of 1-2 years; and they are negative for a time lag of 6 years (see Chart 5, 6, 7).

5. Empirical results analysis interpretation

Based on the assumptions shown in the conceptual model, we formulated the first hypothesis **H1**: *Prof*, considered as an independent variable and *Civ* as a dependent variable; the second hypothesis **H2**: *Effort* as a independent variable and *Civ* as dependent variable.

Table 7. Synthetic empirical analysis of the results with time lag

Hypothesis (no.)	Independent variable (no.)	Dependent variable (no.)	Time lag between data streams (years)	Calculated intensity of correlation	The sign of the correlation resulted from econometric analysis
<i>H1</i>	<i>Professional results in education</i>	<i>Civic-societal Indicators</i>	1	0, 172	+
			2	0, 283	-
			3	0, 589	-
			4	0, 840	-
			5	0, 773	-
			6	0, 771	-
<i>H2</i>	<i>Human and material effort indicators made by society for education</i>	<i>Civic-societal Indicators</i>	1	0, 791	+
			2	0, 580	+
			3	0, 235	+
			4	0, 153	-
			5	0, 371	-
			6	0, 583	-

Based on Table 7, major differences can be distinguished between some correlations, meaning that both positive and negative correlations varies between different degrees of intensity. We have considered relevant to highlight (in Table 8) the most powerful and, respectively, the weakest of them, thus showing which are most significantly manifested, on the one hand, and on the other hand those who, even if conceptually interesting, the ones that are of low intensity.

Table 8. Centralizing the multifactorial analysis with time lag

Weak correlations (positive)	Moderate correlations (positive)	Strong correlations (negative)	Moderate correlations (negative)	Weak correlations (negative)
<i>Effort</i> → <i>Civ</i> (2 years)	<i>Effort</i> → <i>Civ</i> (1 year)	<i>Prof</i> → <i>Civ</i> (4 years)	<i>Prof</i> → <i>Civ</i> (5 years)	<i>Prof</i> → <i>Civ</i> (3 years)
<i>Civ</i> → <i>Prof</i> (4 years)			<i>Prof</i> → <i>Civ</i> (6 years)	<i>Effort</i> → <i>Civ</i> (6 years)

In that what concerns the correlation between *Prof* as factorial variable and *Civ* indicators as a resultant variable (as can be seen from Table 7), the result of the econometric analysis expresses a negative and weak influence of *Prof* on *Civ* indicators for a period of three years; but we notice that the test period increases to a duration longer than 4 years, this influence becomes more strongly negative, which means that if the *Prof* indicators evolve incrementally the *Civ indicators* have a decreasing trend, and when *Prof* indicators have a descending evolve, the *Civ* indicators have an increasing trend.

With respect to the influence of *Effort* on *Civ* (for the case of 2 years gap), the link between the two types of variables is direct, which means that when *Effort* has an upward trend, the *Civ* indicators grow too, and when the *Effort* indicators have a downward trend, also *Civ* indicators are decreasing; the influence of the factorial variable on the result is weak: to a variation by one unit of the factorial variable *Effort*, the resulting variable *Civ* varies with a value subunitary.

6. Conclusions. Limits and development perspectives of the study

Taking into account the complexity and the reverse inter-influences between various indicators and also the mediated nature of most effects considered, it was necessary to analyze the lag time, within the meaning of research results over the years, of the factors considered. The investigations made shown that a gap of six years is, in most

cases, an acceptable alternative. As a result, data series taken into account for the final calculations were automatically shortened.

The first hypothesis confirmed by testing, refers to the influence of strictly professional outcomes in education, on the general civilization state of the nation; the strongest correlation is for the case of a time lag of four years and it is negative. It means that the decisions regarding the state of the educational system is seriously affecting the long-term, moral system of our society, the civic spirit, the degree of civilization (we refer to offense and crime), including the country's economic condition. *Checking (confirming) the hypothesis H1*, the calculations that we made show powerful correlations and negative (with an exception for the first year, when it is positive), demonstrating beyond doubt, the gravity of the decisions regarding the education system, because these decisions seriously affect long-term status of the social system. Including implications for the economy (which is not topical this article) can also be understood implicitly.

In that what concerns the assumption *H2* (the influence of the *Effort* indicators on the effects of education on the society in general - on the degree of civilization), also it was confirmed. The results of the correlations are positive (for a time lag of 3 years), but tend to become weaker as influence from one year to another, and to a gap of six years the outcomes becoming negative (the effects of the indicators describing the material and human effort made by society for the educational system on the degree of civilization, are observed in the positive sense from the economic point of view, only on short-term, making them negative on the long-term).

Although the fact is too often ignored by the authorities in poor countries, the effects of the national education system not only cannot be overlooked, but they, since not limited to immediate results, on long-term affects the nation, generating changes in crime spiritedness, value system. It is difficult to estimate the impact on the economy and society in general. The government choices may be quickly decided, but it is incomparably more difficult to stop the wave effect that is amplified: the effect in the general state of offense, in crime and the number of minors sentenced by the courts.

The conclusions we have drawn throughout the research study is a small contribution to education, but relevant: the importance of the empirical research related to this article cannot be denied, at least by the terms of broad-comprehensive optics on the correlations considered which consists of a complex vision of productivity; namely, the specific optics of servicity (Jivan, 2014), concerning an approach trying to capture the mediated and long-term effects at the societal level.

As a limit of our empirical research, we can notice the data series that could be analyzed allowed us not a very long term analysis.

We should mention that we have not appealed to the development of more complex econometric models to highlight clearly the qualitative side of productivity in education: for the purposes concerning the correlation analysis between the indicators that were took in research, we believe that linear multifactor analysis used allows obtaining relevant results to the objectives of the present research. By this, we have tested the hypothesis set out in the conceptual model for the presented research.

We believe that the issue of quantitative measurement of productivity in education remains open, and especially, that of quantifying qualitative aspects (some, raising specific problems of estimation), which is among the logical directions to follow in research, which we propose for the future.

In this article we limit the analysis to the level of the education system as a whole, using indicators on the national economy and education: we made not analyzes to various educational institutions or other entities, legal entities, and to any level of individuals.

Also we did not proposed a comparative empirical analysis of the situation of the Romanian education with other EU countries, or with other countries. In this regard, the main lines to follow for future research may be, in addition to expanding the geographical area analysed expanding also the temporal area investigated (of course within the limits of data availability). From a conceptual standpoint, it may consider further research on the ideas regarding the possibilities to improve the productivity growth in education. In this perspective (of improving the productivity of education in Romania), it is especially on the long term is extremely important to increase also the material effort and the human effort dedicated to the field in the purpose of reducing the dropout rate too. Certainly, a decisive role in this respect have also changes in the legal framework affecting educational output, so it is necessary to adapt it to contemporary reality of education, but also to the economic and social. All these aspects contribute to the decrease or increase of indicators such as crime rate or offense rate; therefore it is necessary to

adopt measures by those responsible in this regard to create opportunities of improving the educational level of those persons in prisons, and of their better integration into the labour market.

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HUMANITIES FOR SOCIETAL DEVELOPMENT

WHAT IS THE OPTIMAL LENGTH OF A LEGAL TERM? COMPARATIVE ANALYSIS OF TERMINOLOGY IN LEGAL ACTS OF CONSTITUTIONAL NATURE IN ENGLISH, LITHUANIAN AND RUSSIAN

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Abstract

Criteria of term formation might be different in different languages, the length of a term is one of them. A term which expresses a concept might take the form of a single word or a combination of a number of words joined by different syntactic means. The main function of a term is to denote a concept, however, the term can also serve to reveal the content of that concept, at least to some extent. When creating a new term, every author has to decide which term formation criteria are most important in a given case. The more complex the concept is and the more features it has, the more complex term might be to express that concept. Comparative research of the structure of legal terms in different languages discloses what term formation tendencies are predominant in different legal systems and enables to reassess native terminology and gives ideas to its formation. The aim of this research is to establish whether terms used in legal acts of constitutional nature in English, Lithuanian and Russian tend to be expressed through single words or word combinations. The results of the research reveal that concepts used in legal acts of constitutional nature tend to be expressed both through one-word and multi-word terms, with a slight dominance of one-word terms in English and multi-word term in Lithuanian and Russian. Besides, among multi-words terms, all three languages exhibit preference for two-word terms, whereas multi-word terms made of four and more words are least frequent, which is consistent with the main requirement for the term to be as short as possible. The findings of the research will contribute to comparative research of legal terminology of different languages and are believed to be valuable for term creators, researchers and translators, as well as learners of legal terminology.

Keywords: comparative terminology; legal terms; constitutional law; one-word terms; multi-word terms.

1. Introduction

Relevance of the issue. What is the optimal length of a term? This question is constantly faced by terminologists of different countries who have to decide what term creation criteria should be given preferences – precision and unambiguity or brevity and user-friendliness. Accuracy and unambiguity is especially important in legal language. Legal statements must cover every eventuality, not leaving any place for a legal loophole which might give a possibility to make use of an ambiguity or an omission in law and avoid a legal duty (Powell, R. 1996:35). Should legal terms perform this function and be as precise and accurate as possible, or should this function be given only to their definitions? In the first case, long terms of complicated structure are unavoidable as they not only designate the concepts, but also reveal to some extent their semantic contents. In the latter case, on the other hand, terms might be short and simple in structure as they serve mainly as arbitrary designations leaving the function to reveal the semantic contents of the concepts to their definitions. Both positions have their pros and cons: long multi-word terms express the semantic features of the concept as fully as possible while short one-word terms are easy to use (Borzovs et al. 2014: 2). To coin a term for a legal concept, every author has to decide which term formation criteria are most important in a given case. Comparative research of the structure of legal terms in different languages discloses what term formation tendencies are predominant in different legal systems and enables to reassess native terminology and gives ideas to its formation.

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Purpose of the research. The purpose of the given research is to analyse and compare the length of the terms used in legal acts of constitutional nature in English, Lithuanian and Russian and establish whether they tend to be expressed through single words or word combinations. To achieve this purpose several objectives are pursued:

- to discuss term formation means in different languages;
- to classify the collected terms according to the number of constituent words;
- to perform quantitative analysis of the term patterns in three different languages – English, Lithuanian and Russian.

Object of the research. The research deals with terms collected in legal acts of constitutional nature in English, Lithuanian and Russian.

The analysed terms differ in several respects. Firstly, they represent three Indo-European language groups: West Germanic (English), Baltic (Lithuanian) and East Slavic (Russian). Their structure differs significantly as well: English is an analytic language with little morphology while Lithuanian and Russian have rich morphology and are typical synthetic languages. Secondly, these terms are used in three countries, the UK, Lithuania and Russia, which have different legal systems and law traditions.

The data for the research was collected from the main sources of the constitutional law in the UK, Lithuania and Russia. The constitution of the UK is not codified and is comprised of numerous legal acts. The most basic written documents that are regarded as the basis of the UK Constitution are the acts, laws and customs of the Parliament, court judgements, as well as parliamentary constitutional conventions and royal prerogatives. For the purposes of the present research translations into Modern English of major legal acts of constitutional nature, namely Magna Carta (1297), Habeas Corpus Act (1679), the Bill of Rights (1689) and the Act of Settlement (1700), including the amendments as in force today, and the original text of the Human Rights Act (1998) were chosen. The Lithuanian terms were collected from the Constitution of the Republic of Lithuania (1992), the Russian terms – from the Constitution of the Russian Federation (1993).

All in all 1804 terms related to constitutional law were selected. 665 terms were selected from the UK constitutional acts, 605 terms from the Constitution of the Republic of Lithuania, 534 from the Constitution of the Russian Federation.

Previous coverage and methodology of the research. The fundamental works devoted to terminology, and term formation in particular, include the works by Sager (Sager, 1990); St. Keinys (Keinys, 2005); K. Gaivenis (Gaivenis, 2002); S. V. Grinev-Grinevich (Гринеv-Гринеvич, 2008); A. V. Superanskaja et al. (Суперанская, Подольская, and Васильева, 2012) and others. Legal term formation issues are handled in the works by A. Umbrasas (Umbrasas, 2010), V. Janulevičienė and S. Rackevičienė (Janulevičienė, Rackevičienė, 2014); L. Pogožilskaja (Pogožilskaja, 2012), L. Mockienė and S. Rackevičienė (Mockienė and Rackevičienė, 2014). The given research seeks to contribute to comparative legal terminology works and provide findings of the comparative legal terminology analysis in three different languages.

The research was conducted using the principles of descriptive-contrastive analysis and the quantitative analysis which enable to unveil and present the dominating patterns of term formation in different languages. As it is usual in English, Lithuanian and Russian terminology science, first, terms are classified on the basis of the number of constituent words into one-word and multi-word term. Second, multi-word terms are classified into two-word, three-word and more than three-word terms. Function words, such as prepositions, pronouns, determiners and conjunctions, in the present analysis are omitted when counting the number of constituent words. For instance, such terms as *Act of Parliament* are attributed to the group of two-word terms. The methodology of not including function words when analysing terms according to the number of words they are made of, is applied by such scholars as S. V. Grinev-Grinevich (Гринеv-Гринеvич, 2008), V. P. Danilenko (Даниленко, 1977), V. Janulevičienė, S. Rackevičienė (Janulevičienė, Rackevičienė, 2014). The research reveals which term formation patterns are predominant in the investigated languages, what term formation criteria are given preferences by term developers in different legal systems. The findings of the research are believed to be valuable to term creators, researchers and translators, as well as learners of legal terminology.

2. The ratio of one-word and multi-word terms found in legal acts of constitutional nature in English, Lithuanian and Russian

The comparison of the ratio of one-word and multi-word terms in English, Lithuanian and Russian (see Figure 1) shows that concepts used in legal acts of constitutional nature tend to be expressed both through one-word and multi-word terms, with a slight dominance of one-word terms in English and multi-word term in Lithuanian and Russian.

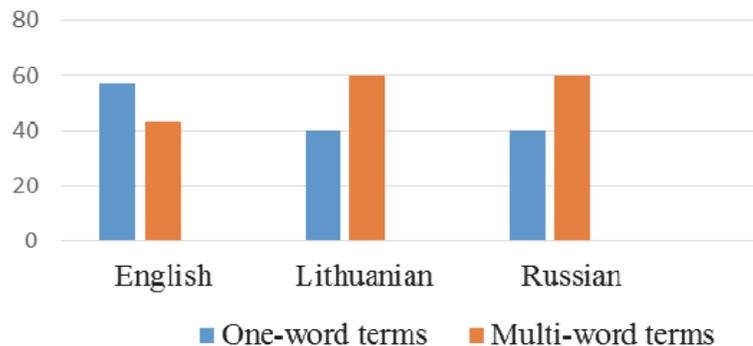


Figure 1. One-word and multi-word terms in English, Lithuanian and Russian

Out of 665 terms found in legal acts of constitutional nature in English, 377 are one-word terms (57%), such as *Parliament, monarch, act*, etc., whereas 288 are multi-word terms (43%), out of which 224 are two-word terms, such as *coronation oath, county court, Lord Chancellor*, etc., 42 are three-word terms, such as *authorised government department, parliamentary general elections, public general act*, etc., and 22 are made of four and more words, such as *freedom of thought, conscience and religion, power to amend or revoke subordinate legislation, right to freedom of peaceful assembly*, etc. (see Figure 2).



Figure 2. One-word and multi-word terms found in legal acts of constitutional nature in English

Out of 605 terms found in legal acts of constitutional nature in Lithuanian, 242 are one-word terms (40 %), such as *aktas* ‘act’, *autonomija* ‘autonomy’, *respublika* ‘republic’ etc., whereas 363 are multi-word terms (60 %), out of which 274 are two-word terms, such as *administracinė atsakomybė* ‘administrative liability’, *apkaltos procesas* ‘impeachment process’, *tautos suverenitetas* ‘sovereignty of the nation’, etc., 52 are three-word terms, such as *valstybės gynimo taryba* ‘state defence council’, *Tautos atstovo teisės* ‘rights of the representative of the Nation’, *Respublikos Prezidento asmuo* ‘the person of the President of the Republic’, etc., and 37 are made of four and more words, such as *įstatymų leidybos iniciatyvos teisė* ‘the right to initiate legislation’, *asmens pagrindines teises ir laisvės* ‘fundamental human rights and freedoms’, *minties, tikėjimo ir sąžinės laisvė* ‘freedom of thought, conscious and religion’, etc. (see Figure 3).



Figure 3. One-word and multi-word terms found in legal acts of constitutional nature in Lithuanian

Out of 534 terms found in legal acts of constitutional nature in Russian, 215 are one-word terms (40 %), such as *государство* ‘the state’, *гражданство* ‘citizenship’, *депутат* ‘member of parliament’ etc., whereas 319 are multi-word terms (60 %), out of which 202 are two-word terms, such as *Администрация Президента* ‘President’s Administration’, *государственная безопасность* ‘state security’, *конституционная поправка* ‘amendment to the constitution’, etc., 59 are three-word terms, such as *всеобщее избирательное право* ‘universal suffrage’, *конституционные права и свободы* ‘constitutional rights and freedoms’, *право участвовать в выборах* ‘the right to elections’, etc., and 58 are made of four and more words, such as *демократическое федеративное правовое государство* ‘a democratic federal law-bound’, *право на свободу и личную неприкосновенность* ‘the right to freedom and personal immunity’, *система органов государственной власти* ‘the system of bodies of state authority’, etc. (see Figure 4).



Figure 4. One-word and multi-word terms found in legal acts of constitutional nature in Russian

It should be noted that among multi-words terms, all three languages exhibit preference for two-word terms, whereas multi-word terms made of four and more words are least frequent, which is consistent with the main requirement for the term to be as short as possible.

3. Conclusions

The number of multi-word terms in comparison with one-word terms is quite high in all analysed languages. The reason why so many terms are multi-word is their ability to resemble the main features of the concept they name as fully as possible. All multi-word terms investigated in the three languages are essentially two-word terms, which reveals the tendency of terms to be as short as possible at the same time being able to unveil the essence of the concept they refer to.

4. Suggestions

On the basis of the obtained results of the research the authors suggest that brevity of a term should be one of the main criteria of term formation in the area of constitutional law. Preference should be given to one-word and two-word terms. As Borzovs et al. suggests, one of the advantages of short terms is their ability to form a conceptual system more easily as new elements can be added to them and sub-concept terms created (Borzovs: 2014). On the other hand, shortness of the term should not hinder its ability to reveal the essence of the concept it signifies, thus two-word terms are so productive alongside one-word terms. Further research is required to establish the most productive models of composition of multi-word terms and grammatical relations between their constituents.

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