

# **Sociálno-ekonomická revue**

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Trenčianska univerzita Alexandra Dubčeka v Trenčíne

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# **Social and Economic Revue**

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Alexander Dubček University of Trenčín



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## NEW SUBJECTS IN ELECTRICITY DELIVERY

*Nové subjekty v dodávke elektrickej energie*

Alena BAŠOVÁ

**Abstract**

*Through the adoption of the third energy liberalization package in 2009, we can talk about creating new entities in the supply of electricity. Progressive liberalization of the energy sector closely separated not only in the legal framework, but in practice the former vertically integrated energy companies to new entrants that are still regulated: the transmission and distribution of electricity, but in production and supply conditions are created for entry of new firms, in order to reduce the price of electricity, the opportunity to choose their supplier if the consumer is not satisfied with its portfolio of services. Principles and objectives for the energy sector until 2020 are based on strategies for Europe 2020 and further elaborated in the Communication "Energy 2020: A strategy for competitive, sustainable and secure energy". A priority of energy include: efficient use of energy sources in the EU, the completion of a pan-European integrated energy market by 2015.*

**Key words**

3-rd energy package, delivery electricity, electricity sector, new companies, EU.

**Abstrakt**

*Prostredníctvom prijatia tretieho liberalizačného energetického balíčka v roku 2009, môžeme hovoriť o podmienkach pri vytváraní nových subjektov v dodávke elektrickej energie vôbec. Postupujúca liberalizácia energetického sektora úzko oddelila nielen v právnom rámci, ale aj v praxi bývalé vertikálne integrované energetické spoločnosti na nové subjekty, ktoré sú stále regulované, pretože sú prirodzenými monopolmi : prenos a rozvod elektrickej energie, ale vo výrobe a dodávke sú vytvorené podmienky pre vstup nových firiem, teda pre vznik konkurenčného prostredia, s cieľom znížiť cenu elektriny, možnosť si vybrať svojho dodávateľa elektrickej energie, ak spotrebiteľ nie je spokojný s portfóliom jeho služieb. Princípy a ciele pre oblasť energetiky do roku 2020 vychádzajú z stratégie Európa 2020 a sú podrobnejšie rozpracované v oznámení „Energia 2020: Stratégia pre konkurencieschopnú, udržateľnú a bezpečnú energetiku“. Medzi základné priority energetiky patria: efektívne využívať energetické zdroje v EÚ, dobudovať celoeurópsky integrovaný trh s energiou do roku 2015.*

**Kľúčové slová**

*tretí liberalizačný balíček, nové subjekty v dodávke elektrickej energie, ceny elektriny*

**JEL Classification:** D 04, D 42, D 43.

**Introduction**

More than 2 500 years ago a Greek scholar Thales of Miletus held simple experiment showing things of what we can call electricity and magnetism. In his time he couldn't have guessed what was important phenomenon concerning his experiments. A few years later the Italian physicist Alessandro Volta built first electrical cell. Already at that time it became clear that electricity can be used for more practical purposes such as only essays. In 1883, American inventor Serbian origin Nika Tesla constructed first alternating current motor. We can be thankful for this ingenious invention of alternating current electricity

for use in the form as we know it today. The physical phenomena of that time electricity became one of the major global commodities. The demand of this commodity is huge and increases and it could be the reason why the price of electricity still rising. First of January 2005 under the Act 656/2004 Coll. About energetics was liberalized electricity market for companies and other business entities.

From of 1 July 2007 liberalization occurred for households, which also became eligible customers on the electricity market, which means that they can choose of his supplier of electricity.

## 1. The liberalization of the energy market

To reach the main topic of the article I used book resources, journals, internet resources as well as the legal framework for this specific area.

I used method of observation, comparison, synthesis and analysis.

I also use a variety of image processing using tables and graphs, which have been prepared according to the method of selected data. Next methods of evaluation, induction, deduction and comparison of results so I can formulate the conclusions.

Following the adoption of the third energy liberalization package in 2009 was gradually changing electricity market, because the ongoing liberalization gave rise to the competitive environment in the production and supply of electricity, too. Among the main priorities of Europe politics include a 20% reduction of greenhouse gas emissions, 20% share of renewable energy in final energy consumption and achieve 20% energy savings for future consumption by 2020. (Ferrero-Waldner, B.: 2008p.10)

To achieve a fully functioning European energy market, the Commission recommended:

- The effective separation of supply and production activities from network operations,
- Enhanced powers and independence of national energy regulators,
- Measures to improve the functioning of the market,
- Cooperation between member states in order to enhance security of supply,
- Independent mechanisms for cooperation and decision of the national regulatory authorities,
- The creation of an EU Agency for the Cooperation of Energy Regulators,
- Effective cooperation between the transmission and the distribution system.

“The world economy is an expression of international economic relations late 20th century and early 21st century, national economies of the world, which are largely market based on capital relations, where the operative form of competition represent imperfect competitors, whose main form of expression became transnational companies, the process of international integration and process of globalization”. (Cihelková, p.273)

The application of these measures to the legislation framework of the member states brings advantages in terms of efficiency gains, price

reductions, higher standards of service and increased competitiveness. Prerequisite for the smooth functioning of the market is an accurate assessment of its rules. This is to ensure government regulation No. 317/2007 Coll. The rules for the electricity market as well as the following documents Directive of the European Parliament and the European Council 2009/72/EC concerning common rules for the internal market in electricity. The main aim of this document is to protect energy consumers and to ensure the smooth and uninterrupted supply electricity was introduced specific institute – supplier of last resort. The second priority is to address the problems associated with the uncertainty of security of energy supply in Europe. A major challenge in the field of oil supply is the fact that after 2014 could be the finish of supply of Russian oil pipeline through the Druzhba pipeline. (Duleba, 2010 p.7)

With the application mentined document create the possibility of ensuring equality of conditions and reduce dominance of vertically integrated monopolies. The basic principles of liberalization of the electricity market resulting from the adoption of the 3-rd liberalization package are:

- The right of customers to choose their electricity supplier,
- Non-discriminatory access to networks,
- Market environment in the unregulated activities - production and supply of electricity.

## 2. Supplier of last resort

Supplier of last resort is the holder of license for the electricity supply which gave the Regulatory Office for Network Industries (ÚRSO below), that means the supplies electricity to final customers of electricity. „Universal service” is right for the supply of electricity of a specified quality at reasonable, easily and clearly defined, comparable, transparent and non-discriminatory prices. Universal service must be carried out in a transparent and non-discriminatory manner and shall not impede the opening of the market“. ÚRSO announced in accordance with the Energy Act compilation of end-users prices of electricity that means the cheapest price of energy is in the Poland the most expensive price of energy is in Germany. The suppliers of the last resort in Slovak Republic are ZSE Energia, as Stredoslovenská energy, as and VSE,a.s. The following table is a summary of the study by ÚRSO on the model of electric energy 2400kWh household.

Chart 1: Comparison of electricity prices in selected EU countries

COUNTRY	€/year (consumption 2400 kWh)	SUPPLIER
POLAND	207,62	Vattenfall
HUNGARY	428,40	E.ON Hungaria
ITALY	439,88	Enel
SLOVAKIA	452,45	SSE
CZECH REPUBLIC	494,04	Bohemia Energy
AUSTRIA	541,36	MyElectric
GERMANY	634,44	RWE – LEW Lechwerke

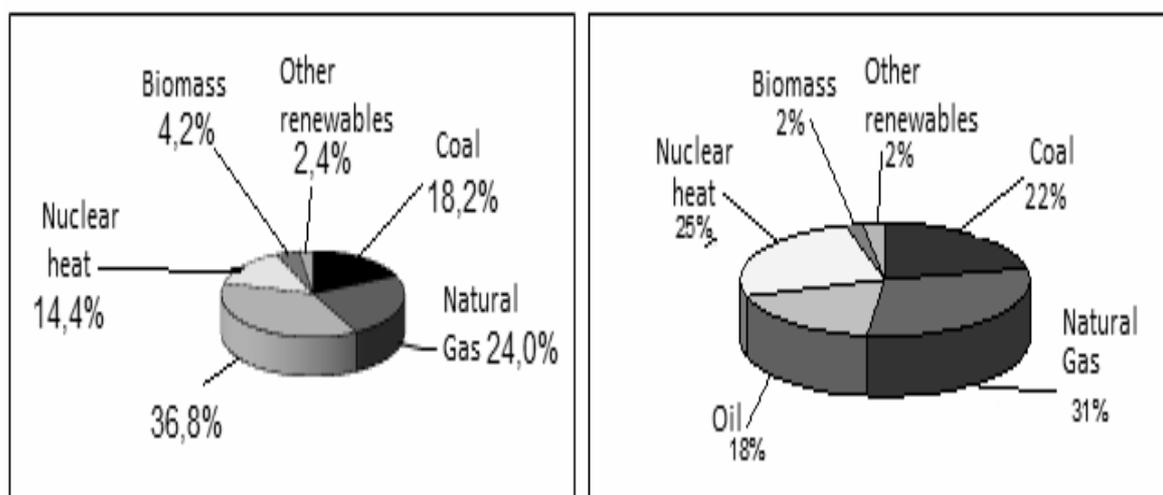
Source: own processing by: www.elektrickaenergia.sk

The application of the new regulations to the legislation of the Member States brings advantages in terms of efficiency gains, price reductions, higher standards of service and increased competitiveness. Member State subsequently have an obligation to inform the Commission on adopting measures to comply with universal service obligations and public service obligations, including consumer and environmental protection and their impact on the national as well as international economic competition. According time the electricity market can be divided into two basic parts: to long-term and short-term markets. Long-term market

generally includes one year contracts. For the short term the market is based on monthly, weekly or daily contract, but the price for the purchase of sale of this market is significantly different from the prices for long-term market, that means it is more expensive and it reflecting in the last prices for end consumers (according: <http://eur-lex.europa.eu>).

At present, the European Commission stated that „despite the progress made since 2000" have failed to reverse the negative trends which lead to increased dependence on foreign sources of energy.

Graph 1: The current energy mix



Source: www.mhsr.sk

### 3. The energy market in the European Union

Given the current no becoming better situation in the European energy in present time, the European Commission proposed to adopt the following measures:

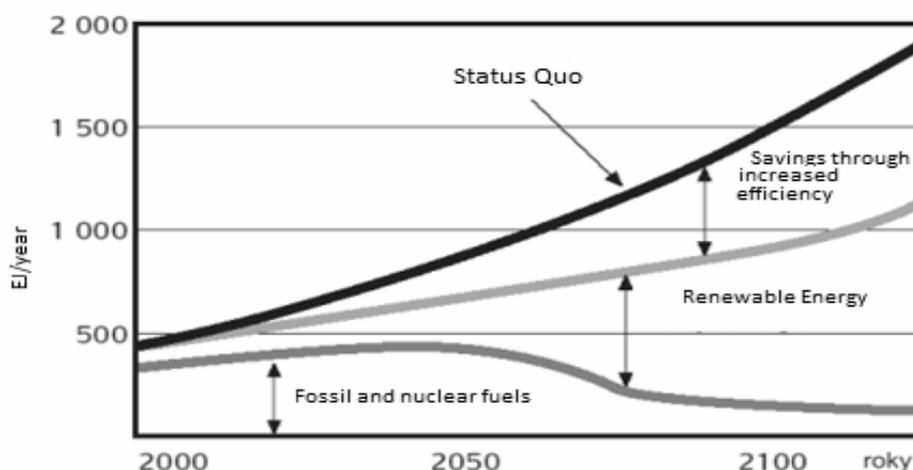
1. Manage demand energy (householders, wholesale customers – branches of industry and transport, etc.).
2. Diversification of energy sources, which will include more efficient use of nuclear energy, which is relatively cheap but stable energy source and is free of CO2 emissions.

3. Search the cleaner technologies of production electricity from coal, which the EÚ has enough resources and together with it EU have to use greater energy of renewable energy sources and biofuels.

With increasing energy dependence is expected until 2020 70% dependence on gas imports and till 90% dependency on oil imports, and imports of electricity are lost if the proposed measures. (Honaizer, Svobodová, 2008. p. 99-104)

On the graph below is shown global scenario of energy consumption, which is reflecting higher using of renewable energy and energy-saving measures, as reflecting the final documents of the Lisbon Conference. This analyzes can be expected in the long term, when the major role in satisfying the consumption of "electricity" where we can rely on a greater use of nuclear fuel, natural gas and renewable energy.

**Graph 2: Framework scenario of energy consumption**



Source: International Energy Agency, Key World Energy Statistics, 2005 Edition

A single European energy policy is based on three basic assumptions:

1. Independent regulation - requires an independent regulator in the competitive market,
2. Liberalization in the production and supply,
3. Supranational integration of markets, so as to ensure a controlled, non-discriminatory and transparent network access for third parties.

According to the experts, in the next decades, the main part of investment resources will go to production of the electricity and fewer sources will go on diversification new sources of oil and natural gas. Between sources and air pollutants by Kustrova (2005) we can include combustion processes in power, heat and hot water, electricity generation, including stable furnaces, production processes in industry. (Kustrová, 2005. p. 74).

The liberalization measures were necessary to ensure:

- Tariffs published and regulated in the transmission, distribution and access to storage,
- Obligation of providing an independent regulatory body,

- Improve service standards - and the introduction of the institute of universal service and customer protection (as mentioned in the previous part of this paper),
- Congestion management through market mechanisms.

The European Commission by the implementation of market liberalization insist on rigorous "unbundling"- the legal and functional unbundling - separation of production and supply from transmission and distribution system.

In practice, this means that Member States have to ensure that the same company cannot exercise control over a supply undertaking and also had interests in a transmission or transmission system. The present proposal requires the effective unbundling of transmission and transmission networks from supply and production activities not only at national level but throughout the EU.

This requirement applies to companies across the EU, as well as companies outside the EU, thus there is a controlled access to the third-party companies. The main aim of this proposal is to promote competition in

the European energy markets and to ensure the competitiveness of the European energy market.

#### 4. The electricity market in Slovakia

The main goal of the liberalization of the electricity market in Slovakia was to ensure efficient handling of limited resources. In liberalization energy sector Regulatory Authority (in Slovakia- ÚRSO) has to review several aims: of particular costs and reasonable profit. It may happen that if the regulator does not have a strong position and independence, its activity is more or less formal. On the opposite liberalized market created the new competitors and it will ensure effective management of the various competitors, which ultimately will lead to lower electricity prices.

For providing of public services Rothbart said: "The regulation of public services and other industry

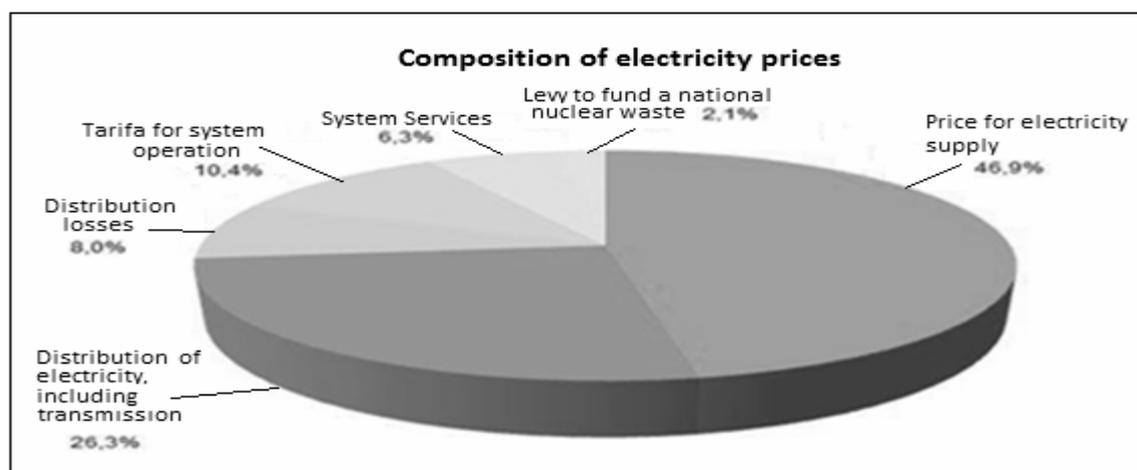
discourages investment in these sectors, thereby destroying the efforts of consumer best meet their needs. Leads to issue distortion of resource allocation in a market economy. "(Rothbart, 1977 p. 75-76).

Demsetz provides several arguments against duplication and distribution system: three different power pylons supplying power to the same city. It is even possible, and when it would be possible for such a situation existed, if this does not prevent the state. (Demetz,1989.p.91)

Electricity is a product which is the main subject of trade between buyer and supplier in the electricity market. The price of electricity as a commodity account for approximately 47% of the total price which customer pays for electricity supply.

In terms of comparison the prices it is necessary to know the structure of the final electricity price, paid by the final consumer.

**Graph 3: What pays the ultimate purchaser of electricity in electricity bills**



Source: Own processing based on data from [www.hn2011.sk](http://www.hn2011.sk)

The electricity is very important product and like another commodity among producers and suppliers on the energy market. The price of electricity as a commodity creates approximately 47% of the whole price, which the consumer pays for delivery of electricity.

The price for services associated with delivery electricity to electricity distribution by transmission system and distribution companies, this part of price creates more than half of the total price for electricity supply. This part of the price cannot be changing by suppliers, and each supplier is accounting the same amount, so this part of price doesn't change by changing supplier. These parts of the prices is final for distribution companies and they are approved by the Office for Network Industries.

In connection with distribution in the final price the consumers pay the following items:

1. Payment for electricity transmission and distribution - Payment for the service, which is associated with the construction and operation of networks (power lines), which is secured by means of „transport " electricity to the point of delivery,
2. Payment for losses in distribution,
3. Payment for operating system - includes a variety of costs. Subsidies for miners,
4. Payment system services - to cover the costs associated with managing and ensuring the safety and reliability of the transmission system as a whole,

5. Payments to the National Nuclear Fund - for the covering the costs of decommissioning old nuclear power units and costs for spent nuclear fuel.

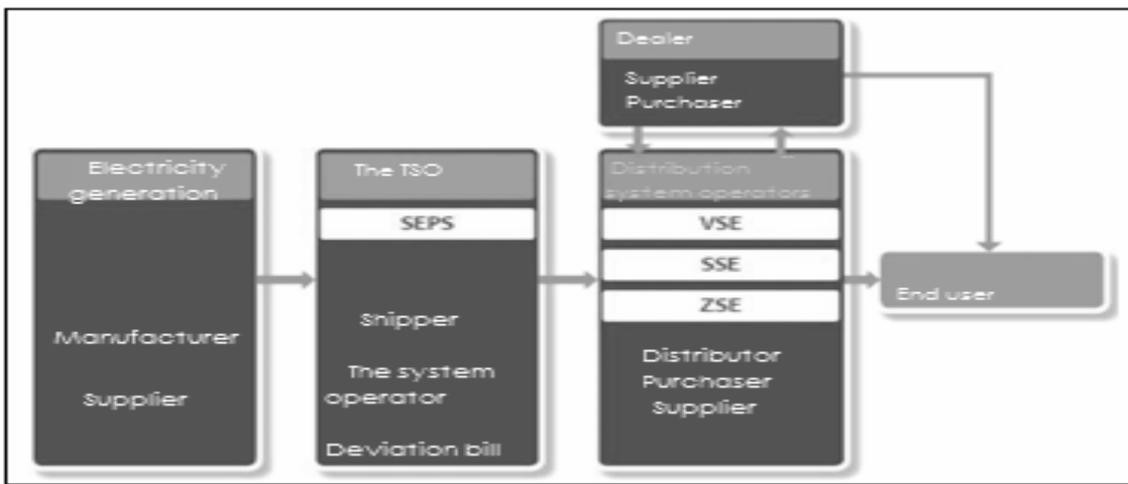
Part of the final price for the supply of electricity is a tax on consumption of electricity, shall be borne by electricity consumers, but applies only to companies; households are exempt from this tax. Tokarová shows, that product of electricity cannot be storable product, hence the need to provide centralized management of the reserve (eg. energy). (Tokarová, 1999 p. 28-33)

According to study by the European Federation of electricity, traders believe that the price of

electricity in the next five years, will affect price of coal, by the price of fossil fuels and the environmental policy of European Union, which will gradually growth. Participants in the liberalized electricity market (referred into the next figure) are considered participants in the internal electricity market. At the beginning of each electricity producer, which gives the energy produced TSO.

The power so produced passes through the transmission and distribution system operators, which it then sold to the supplier, who paid the final consumer, for whom the electricity is produced.

Figure 1. The participants of the electricity market

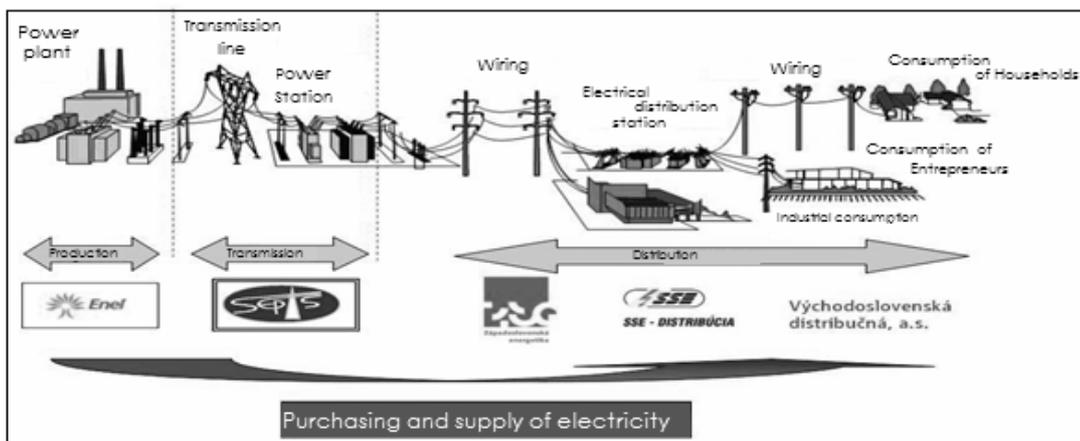


Source: According to website: Východoslovenská distribučná, a.s., Liberalizácia trhu s elektrinou.

The aim of the liberalization of European energy markets is to increase competition so that each consumer could choose between electricity providers

and their supplier is expected that this would lead to greater efficiency of services provided.

Figure 2: Purchase and supply of electricity



Source: according website: www.elekrickaenergia.sk

Slovak electricity market in recent years, offers a possibility to use the alternative power company. The word "alternative" electricity supply is only used to distinguish it from conventional electricity suppliers, which are ZSE,a.s. in the West Region of Slovakia, SSE, a.s. (Stredoslovenská energy) in central Slovakia and VSE,a.s. in the Eastern Region.

G. Mankiw characterized monopolies sellers with monopoly power, i.e. dominant sellers who are trying to gain dominance and market power. (Mankiw, Taylor, 2011 p. 310).

According to M. Ayera a R. A. Collinga monopoly is characterized by a decreasing demand curve resulting in a change of status from price taker to price maker, thus becomes the creator of monopoly price, because average total cost is reduced with the increase of production“(Ayera, Collinge, 2004 p.461).

Alternative electricity providers provide "alternative" to conventional electricity provider. Electricity which is supplied to the power net is completely the same as if taken from traditional suppliers of "electricity". The whole service delivery of electricity is only administrative work, which is accounting to the customer by Distribution Company.

Also, exposure to strong competition of suppliers reduces costs for end consumers, which have a lot of possibilities to choose the mentioned suppliers. Regulatory Office of Network Industries published the information in which is showing, that changings in Slovakia's customers change their supplier mainly according electricity price and quality of services (counselling, personal attention and individual offer, contract terms, comprehensive services associated with electricity delivery , etc.). Last year in Slovakia were totally 407 subjects offered electricity supply, with have a valid license to do business in the electricity sector. From the previous period has increased the number of suppliers of electricity only 15 new suppliers. The gradual increase electricity suppliers cause that we cannot divide them on traditional and alternative, but rather on the old and new or large and small.

But, in the Slovak electricity market are still the most significant share three most important suppliers: ZSE,a.s. , Stredoslovenská Energy,a.s. and VSE ,a.s.. Their share of supply in the total consumption of electricity in Slovakia last year was 47,18 %, a total 13,580 GWh, of which 4,630 GWh was the consumption of household electricity consumers. Significantly increased the number of electricity consumers - the householders, who take electricity from so-called alternative suppliers from 58 124 in

2011 to 130 014 in 2012. The slightly lower intensity recorded growth of non-household customers, of which 11 304 in 2011 rose to 13 864 customers in 2012. Even these figures demonstrate that the Slovak electricity consumers are gradually accepted with the new rules liberalizing of the energy market.

Starting next year, the supplier of last resort can become some energy delivery entity that has the valid license from ÚRSO. However, it has to meet the conditions provided from by law No. 251/2012 Coll. About energetics. An applicant wishing to participate in the selection of the supplier of last resort must deliver a written request to the Office in a sealed envelope by 15th September this year to 16.00 hours. New chapters on the Slovak energy market are standards of safety and reliability, quality of service and supply. The decrees of price regulation of electricity by 2016 will be achieved by the coefficient of quality standards. From 1. 1. 2013 are introduced compensatory payments in the event that the supplier is not able to provide their services in the level of standards.

## Conclusion

At present, the financial crisis turned into a global economic crisis, various groupings of States - and the EU are trying to take measures that would „kick-start „their economic growth. In this context, the smooth and safe supply of energy resources in the required quality, quantity and in required time important condition to ensure this ambitious goal. Given the structure of the energy sector, in which the ongoing liberalization allows the entry of new businesses in the production and supply of electricity, natural gas, the supply of drinking water and drainage water used as a heat supply for households, is an important resource for the recovery of national economies. The aim of the ongoing liberalization process in the energy sector is to shift the energy market by vertically integrated monopoly to a competitive environment in those parts which are not a natural monopoly and where the creation of a competitive environment creates scope for reduced prices above goods and services, the choice of their supplier or his change if the consumer or household is not satisfied with the level of provided service. The aim of liberalizing the energy sector is to move the energy market, which has been in thrall to local, regional, or national monopolies to the aim of creating a competitive environment than in other sectors of national economies.

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## SUMMARY

## Nové subjekty v dodávke elektrickej energie

*Alena BAŠOVÁ*

Rozsiahla legislatívna úprava vyplývajúca z prijatia 3. liberalizačného energetického balíčka, si vyžiadala vypracovanie nového zákona o energetike, ktorý je v zbierke zákonov uverejnený ako zákon č. 251/2012 Z. z. Zákon o energetike a o zmene a doplnení niektorých zákonov. Tento zákon výrazne posilňuje práva odberateľov elektriny a plynu. V nadväznosti na prijaté optrenia v roku 2009 sa vytvára Agentúra pre spoluprácu regulačných orgánov v oblasti energetiky (ACER). Táto Agentúra pomáha zabezpečovať, aby jednotný európsky trh s plynom a elektrickou energiou fungoval plynule. Unbundling - oddelenie výroby a dodávky elektriny od prenosovej sústavy bude realizované prostredníctvom modelu oddelenia vlastníctva. Zákon výrazne posilňuje práva odberateľov elektriny a plynu a kladie dôraz na ochranu tzv. zraniteľných odberateľov. Táto osobitná ochrana sa vzťahuje na odberateľov, pre ktorých je dodávka elektriny otázkou prežitia. Zavedením pojmu „zraniteľný odberateľ“ sa reflektuje na vážny sociálny problém, ktorým je energetická chudoba. Zákon ustanovuje napríklad možnosť zmeniť dodávateľa elektrickej energie a plynu v priebehu troch týždňov a bez poplatkov, právo spotrebiteľa dostať konečné vyúčtovanie do šiestich týždňov po zmene dodávateľa, právo na informácie o spotrebiteľských právach uvedené na faktúrach a webových sídlach energetických podnikov a pod. Zákon o energetike a o zmene a doplnení niektorých zákonov (v znení č. 391/2012 Z. z.) nadobudol účinnosť dňa 1. septembra 2012 okrem čl. I, § 37 ods. 4 písm. c) a ods. 6 písm. j) až l), ktoré nadobúdajú účinnosť 1. januára 2014.

V súčasnej dobe, keď finančná kríza prerástla na globálnu ekonomickú krízu, rôzne zoskupenia štátov – ako aj EÚ sa snažia prijať opatrenia, ktoré by "naštartovali" ich ekonomický rast. V tejto súvislosti, hladké a bezpečné dodávky energetických zdrojov v požadovanej kvalite, množstve a čase sú dôležitým predpokladom na zabezpečenie tohto ambiciózneho cieľa. Vzhľadom na štruktúru odvetvia energetiky, v ktorom prebiehajúca liberalizácia umožňuje vstup nových podnikov v oblasti výroby a dodávky elektriny, zemného plynu, dodávky pitnej vody a odvádzanie použitej vody, ako aj dodávky tepla pre domácnosti, sú dôležitým zdrojom pre obnovu národných ekonomík. Cieľom prebiehajúceho procesu liberalizácie v odvetví energetiky je posun trhu s energiou z vertikálne integrovaného monopolu na konkurenčné prostredie v tých častiach, ktoré nie sú prirodzeným monopolom a kde vytvorenie konkurenčného prostredia vytvára priestor pre zníženie cien uvedeného tovaru a služby, možnosť voľby svojho dodávateľa alebo jeho zmeny, ak spotrebiteľ vrátane domácností nie je spokojný s úrovňou poskytovaných služieb. Cieľom liberalizácie energetiky je posunúť trh s energiou, ktorý bol v područí miestnych, regionálnych alebo národných monopolov k cieľu, ktorým je vytvoriť konkurenčné prostredie, ako v iných sektoroch národnej ekonomiky.

**JEL Classification:** D 04, D 42, D 43.

## THE ROLE OF TOURISM IN YOUTH EMPLOYMENT

*Úloha cestovného ruchu v zamestnávaní mládeže*

Tamara KOBLIANIDZE, Maia MELADZE

**Abstract**

*The economic and social costs of unemployment, long-term unemployment, discouragement and widespread low-quality jobs for young people continue to rise and undermine economies' growth potential. Among European countries where this problem is particularly severe, some young people are currently neither employed nor in education or training. The trends are reflected in Georgia. After the 2008 financial crisis unemployment is rising sharply. Youngsters in Georgia considered as one of the most unprotected social groups on the labor market but in spite of the actuality of the topic, the less attention is paid to it in scientific researches, in media and in debates. So, tourism and hospitality industry gives a great opportunity of employment to the youth, where people do not have enough professional experience and competitiveness but are creative and enthusiastic.*

**Key words**

*Youth, employment, tourism, hospitality, Georgia, labour, financial crisis.*

**JEL Classification:** J 22, J 45, J 62.

**Introduction**

The article is about the most important social-economical problem - youth employment. High level of unemployment is the serious concerns all over the world, because it poses major threats to the mankind (terrorism, drug addiction, nihilism, demographic problems). The issue is the most problematic in developing and young independent countries. The article is based on the statistical data of ILO, UNWTO, WTTC and GEOSTAT, the method used is data grouping, analytic and synthetic methods and the opinion survey method.

**1. Youth employment trends**

The prolonged jobs crisis also forces the current generation of youth to be less selective about the type of job they are prepared to accept, a tendency that was already evident before the crisis. Increasing numbers of youth are now turning to available part-time jobs or find themselves stuck in temporary employment.

Secure jobs, which were once the norm for previous generations – at least in the advanced economies – have become less easily accessible for today's youth. Developing regions face major challenges regarding the quality of available work for young people.

In developing economies where labour market institutions, including social protection, are weak, large numbers of young people continue to face a future of irregular employment and informality. Young workers often receive below average wages and are engaged in work for which they are either overqualified or under qualified. As much as two-thirds of the young population is underutilized in some developing economies, meaning they are unemployed, in irregular employment, most likely in the informal sector, or neither in the labour force nor in education or training. At the same time, informal employment among young people remains pervasive and transitions to decent work are slow and difficult.

The economic and social costs of unemployment, long-term unemployment, discouragement and widespread low-quality jobs for young people continue to rise and undermine economies' growth potential.

In developing regions where 90 per cent of global youth lives, stable, quality employment is especially lacking. Young people remain particularly stricken by the crisis. Currently, some 73.8 million young people are unemployed globally and the slowdown in economic activity is likely to push another half million into unemployment by 2014. The youth unemployment rate – which had already increased to 12.6 per cent in 2012 – is expected to increase to 12.9 per cent by 2017. The crisis has dramatically diminished the labour market prospects for young

people, as many experience long-term unemployment right from the start of their labour market entry, a situation that was never observed during earlier cyclical downturns.

Currently, some 35 per cent of all young unemployed have been out of a job for six months or longer in advanced economies, up from 28.5 per cent in 2007. As a consequence, an increasing number of young people have become discouraged and have left the labour market.

Among European countries where this problem is particularly severe, some 12.7 per cent of all young

people are currently neither employed nor in education or training, a rate that is almost two percentage points higher than prior to the crisis. Such long spells of unemployment and discouragement early on in a person's career also damage long-term prospects, as professional and social skills erode and valuable on-the-job experience is not built up.

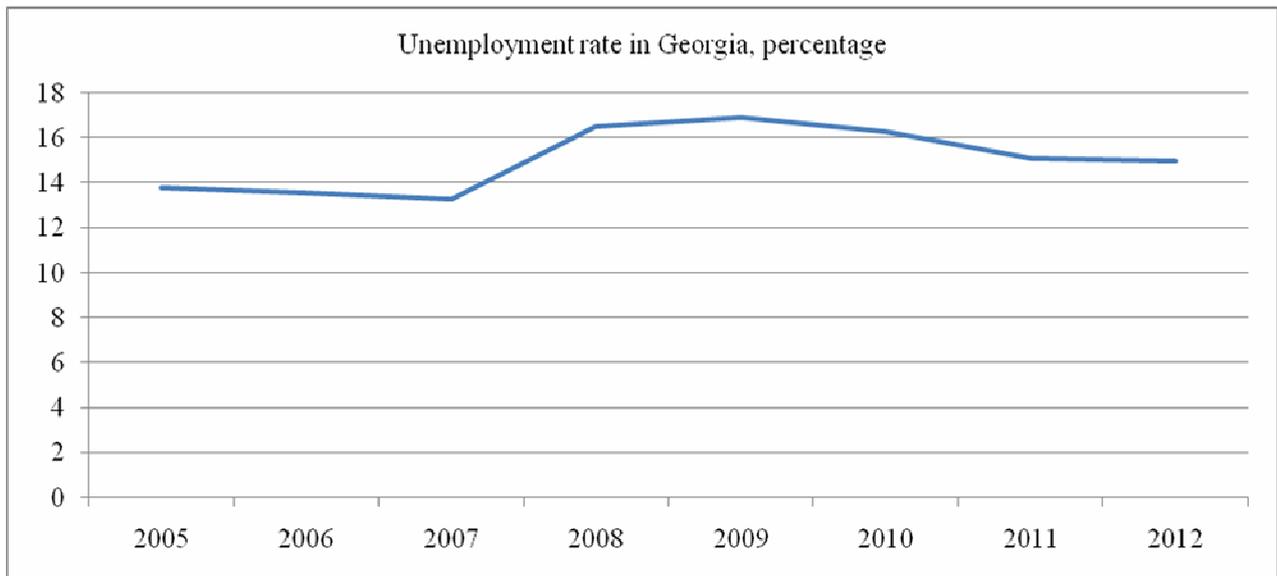
The trends are reflected in Georgia. After the 2008 financial crisis unemployment is rising sharply. However, since 2011 the unemployment rate drops, but did not reach the level of 2007 (see the table 1 and graph 1).

**Table 1: Employment and Unemployment in Georgia**

	2005	2006	2007	2008	2009	2010	2011	2012
Active population (labour force), thousand persons	2023.9	2021.8	1965.3	1917.8	1991.8	1944.9	1959.3	2029.1
Employed, thousand persons	1744.6	1747.3	1704.3	1601.9	1656.1	1628.1	1664.2	1724.0
Unemployed, thousand persons	279.3	274.5	261.0	315.8	335.6	316.9	295.1	305.1
Unemployment rate, percentage	13.8	13.6	13.3	16.5	16.9	16.3	15.1	15.0

Source: www.geostat.ge – National Statistics Office of Georgia

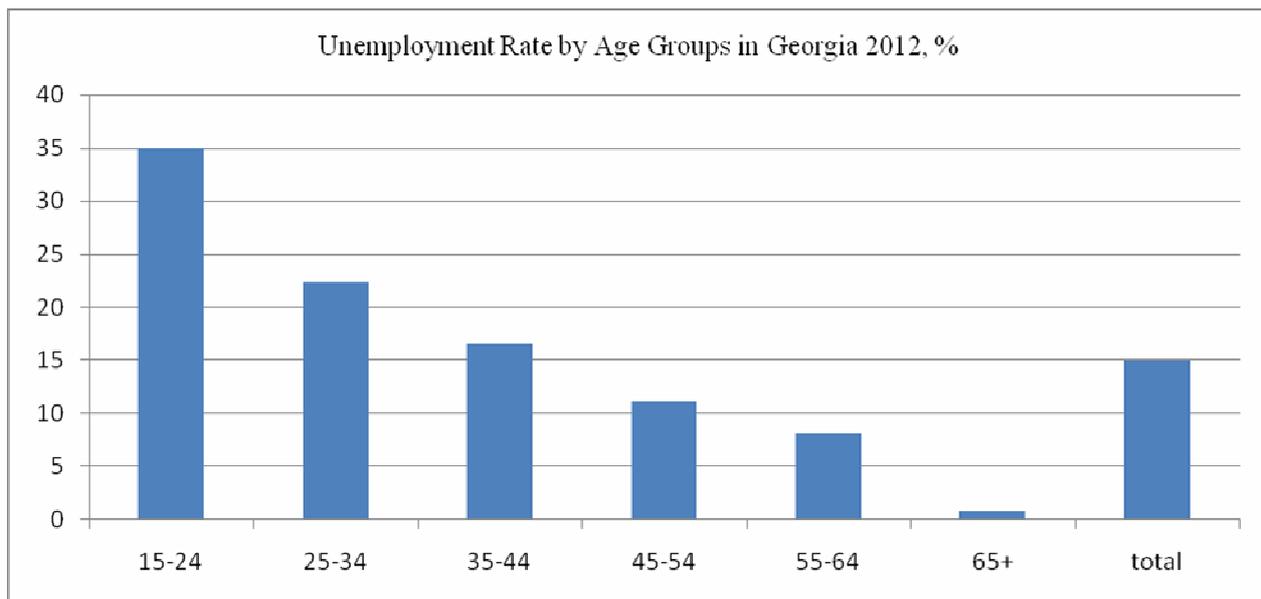
**Graph 1: Unemployment rate in Georgia**



Source: www.geostat.ge – National Statistics Office of Georgia

As for the youth, the unemployment rate is much higher (3 times) than the world and European levels. As is typical of post-Soviet economy and mentality of

population - young people are studying, or are too young to start working.

**Graph 2: Unemployment rate by age groups in Georgia 2012, %**

Source: www.geostat.ge – National Statistics Office of Georgia

## 2. The Opportunity for Youth in Tourism and Hospitality Industry

Hotels, Catering and Tourism (HCT) is one of the fastest-growing economic sectors in countries around the world. It is very labour-intensive and is a significant source of development and employment, especially for those with limited access to the labour market, such as women, youth, migrant workers and rural populations. It can significantly contribute to social and economic development and to poverty reduction in least developed countries (LDCs).

Despite on-going challenging economic conditions, global Travel & Tourism direct contribution to GDP grew by a robust 3.2% in 2012. This was faster than growth of the world economy as a whole (2.3%), and also faster than growth of a number of broad industries including manufacturing, financial & business services and retail. Total Travel & Tourism employment, including those working in the industry's supply chain and supported by the spending of their employees, increased by 4.0 million jobs in 2012.

Travel & Tourism generated 101,118,000 jobs directly in 2012 (3.4% of total employment) and this is forecast to grow by 1.2% in 2013 to 102,364,000. This includes employment by hotels, travel agents, airlines and other passenger transportation services. It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists.

By 2023, Travel & Tourism will account for 125,288,000 jobs directly, an increase of 2.0% pa over the next ten years.

With regard to the supply chain in the sector, one job in the core HCT industry indirectly generates 1.5 additional jobs in the related economy. In the 2010, the sector's global economy accounted for more than 235 million jobs, equivalent to about 8% of the overall number of jobs (direct and indirect), or one in every 12.3 jobs. Youth employment is significant in the sector. Half of the HCT workforce is under 25.

The sector and its informal components provide a vast number of jobs to workers with little or no formal training: it can provide opportunities for those facing social and skills disadvantages in ways that are not always offered by other industries.

However, the divergence between qualifications and workplace reality is observable for women and young workers. Unskilled or semi-skilled women tend to work in the most vulnerable jobs, where they are more likely to experience poor working conditions, inequality of opportunity and treatment, violence, exploitation, stress and sexual harassment. They also suffer segregation in terms of access to education and training.

The International Labour Organization (ILO) and the World Tourism Organization (UNWTO) signed a cooperation agreement to strengthen the capacities and activities of the two UN agencies in the field (2007) and to increase the importance of the sector for employment creation, development and the elimination of poverty.

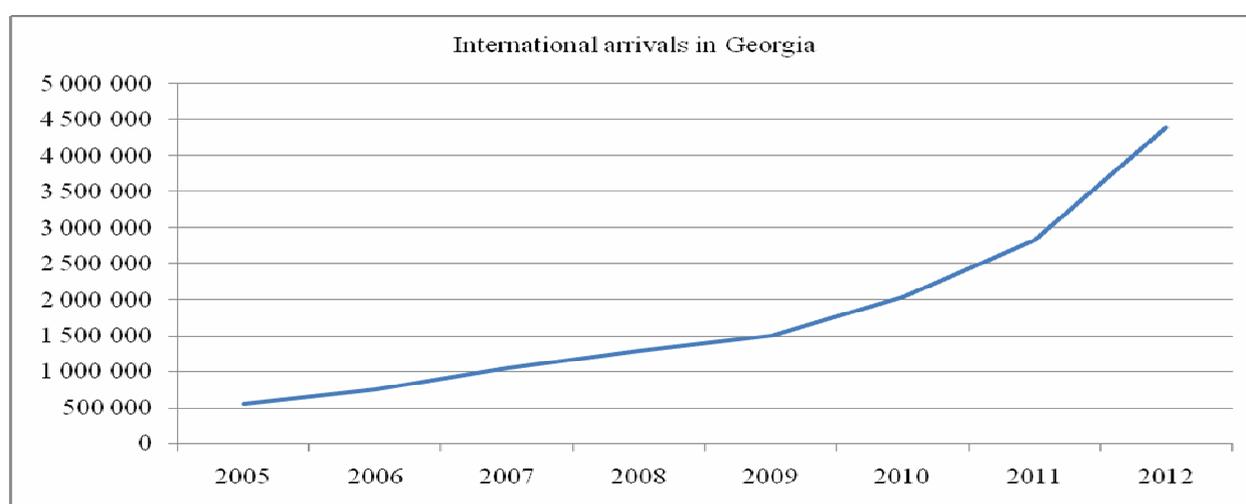
Addressing the global economic crisis and referring to the ILO Global Jobs Pact, the ILO and the UNWTO issued a joint statement on Tourism and Employment in September 2009. A similar statement was signed with the IH&RA in January 2010 to undertake action programs at the pilot level in selected regions and hotel chains, and to tackle on a cooperative basis issues like HIV/AIDS, child labour, migrant labour, gender policy and other cross-cutting issues.

The Working Conditions (Hotels and Restaurants) Convention, 1991 (No. 172) and the Working Conditions (Hotels and Restaurants) Recommendation, 1991 (No. 179) set minimum

standards to improve working conditions, training and career prospects in hotels, restaurants and similar establishments, and noted that collective bargaining is required to enhance job security. This convention stipulates that minimum standards adopted at the national level should not exclude workers.

International traveller arrivals have been growing rapidly in Georgia as well. In 2011, the number of international travellers reached 2 822 363, representing 39 % growth. In 2012 the number of international travellers was 4 389 256, demonstrating 56% increase over previous year. The growth in the Georgian tourism industry has been faster than that of the world.

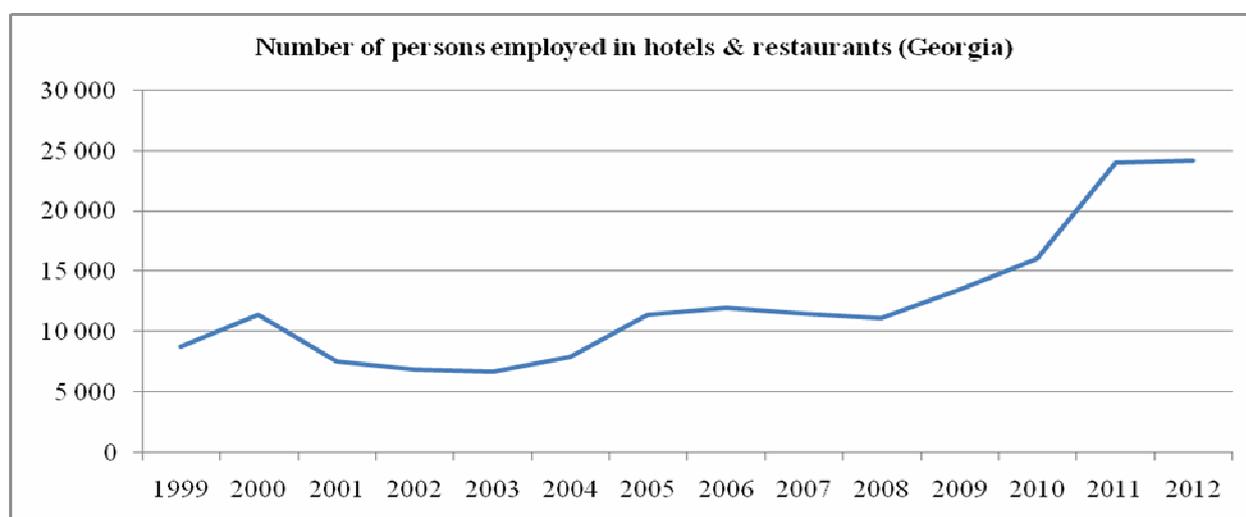
**Graph 3: International arrivals in Georgia**



Source: www.gnta.ge - Georgian National Tourism Administration

Consequently, increases employment opportunities in tourism.

**Graph 4: Number of persons employed in hotels & restaurants (Georgia)**



Source: www.geostat.ge – National Statistics Office of Georgia

### 3. Youth employment in Georgian tourism

Youngsters in Georgia considered as one of the most unprotected social groups on the labor market but in spite of the actuality of the topic, the less attention is paid to it in scientific researches, in media and in debates.

It should be noted that the years between 15 and 24 are the years during which the main social and demographic events take place, such as getting education, choosing profession, starting working, getting married. Although this age in Georgia is divided into two parts: ages from 15 up to 18 and ages from 18 up to 24. The first group (youngsters up to 18 years) is a group of juveniles, people from high schools. Basically they do not work. However the deterioration of the living standards caused the changes and many people of that age try to enter the labor market and get her/his income. The people

whose age is from 18 up to 24 are undergraduates or postgraduates. They represent the most critical group of the labor market because they do not have enough professional and social experience, specific skills and competitiveness. However, this problem also has the other side – Georgian mentality- unfortunately many Georgian young people refuse to take the job unsuitable for their professions and origins.

We have made a small research which gives some ideas on the employment of youth in tourism industry. The research was conducted in 2 stages, on the first stage we made a questionnaire which was handed to the institutions and organizations which work in the tourism industry. On the second stage we gathered statistical information from our students, they were asked whether they work or if they have ever worked in tourism and hospitality industry. The results are given in Table 2.

**Table 2: Youth employment in Georgian tourism**

Type of company	people with specific skills %	people of the age from 16 to 24 %	people who know foreign languages %	people who know two foreign languages %	people with experience %	number of employees in the top management %	The average age of employees
Tour company	20	12	60	20	86	16	34
Hotel	9	22	85	30	40	11	35

The study found that the topic needs in-depth research, which will definitely be considered in our future works.

### Results & Conclusion

Because of the reality the facilities raised in the tourism and hospitality industry are quite interesting. The increased number tourists need a

variety of services. Especially the demand increases on unqualified employers and high level of technical professionals. Thus, tourism and hospitality industry gives a great opportunity of employment to the both age groups of youth, where people do not have enough professional experience and competitiveness but are creative and enthusiastic. Basically the talk is about promotional activities which let young people to get some work experience and at least partly financial independence.

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## SUMMARY

### **The Role of Tourism in youth Employment**

*Tamara KOBLIANIDZE, Maia MELADZE*

The prolonged jobs crisis also forces the current generation of youth to be less selective about the type of job they are prepared to accept, a tendency that was already evident before the crisis. Increasing numbers of youth are now turning to available part-time jobs or find themselves stuck in temporary employment. Secure jobs, which were once the norm for previous generations – at least in the advanced economies – have become less easily accessible for today's youth. Developing regions face major challenges regarding the quality of available work for young people.

The article is about the most important social-economical problem - youth employment. High level of unemployment is the serious concerns all over the world, because it poses major threats to the mankind (terrorism, drug addiction, nihilism, demographic problems). The issue is the most problematic in developing and young independent countries. The article is based on the statistical data of ILO, UNWTO, WTTC and GEOSTAT, the method used is data grouping, analytic and synthetic methods and the opinion survey method. In developing regions where 90 per cent of global youth lives, stable, quality employment is especially lacking. Young people remain particularly stricken by the crisis. Currently, some 73.8 million young people are unemployed globally and the slowdown in economic activity is likely to push another half million into unemployment by 2014. The youth unemployment rate – which had already increased to 12.6 per cent in 2012 – is expected to increase to 12.9 per cent by 2017.

The International Labour Organization (ILO) and the World Tourism Organization (UNWTO) signed a cooperation agreement to strengthen the capacities and activities of the two UN agencies in the field (2007) and to increase the importance of the sector for employment creation, development and the elimination of poverty.

Youngsters in Georgia considered as one of the most unprotected social groups on the labor market but in spite of the actuality of the topic, the less attention is paid to it in scientific researches, in media and in debates. Because of the reality the facilities raised in the tourism and hospitality industry are quite interesting. The increased number tourists need a variety of services. Especially the demand increases on unqualified employers and high level of technical professionals. Thus, tourism and hospitality industry gives a great opportunity of employment to the both age groups, where people do not have enough professional experience and competitiveness but are creative and enthusiastic. Basically the talk is about promotional activities which let young people to get some work experience and at least partly financial independence.

**JEL Classification:** J 22, J 45, J 62.

**PERSONNEL CONTROLLING, AN INTEGRAL PART OF HUMAN RESOURCE  
MANAGEMENT OF INDUSTRIAL ENTERPRISES**

***Personálny controlling, neoddeliteľná súčasť manažmentu ľudských zdrojov priemyselného podniku***

*Ivan DLUGOŠ*

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**Abstract**

*The aim of the author's contribution is in line with the rigorous ensuring fulfillment of basic content management functions by managers at various levels of their organizational position, with emphasis on the current situation within an existing human resource management of an industrial enterprise, analyze and emphasize the essential and irreplaceable role in controlling personnel management practice . Based on the elaboration of theoretical approaches, especially practical knowledge and experience of the author, which 15 years he served as personnel director in a large manufacturing company and was part of a company (board of directors and the supervisory board), currently operating on campus in the Czech Republic, noted the flaws, weaknesses and contradictions in the established or absent, system personnel controlling the human resources management of an industrial enterprise, is declared to the system step by step towards their elimination.*

**Keywords**

*Human Resources Management, Human Resource Controlling, Process, Crisis, Data, Business Functions.*

**Abstract**

*Cieľom príspevku autora je v súlade s prísnyim zabezpečením plnenia základného obsahu manažérskych funkcií pre manažérov na rôznych úrovniach ich organizačného postavenia, s dôrazom na súčasnú situáciu v rámci existujúceho riadenia ľudských zdrojov v priemyselnom podniku, analyzovať a zdôrazniť zásadnú a nezastupiteľnú úlohu v riadení personálnej praxi. Článok je založený na teoretických prístupoch, založených predovšetkým na praktických znalostiach a skúsenostiach autora, ktorý 15 rokov pôsobil ako personálny riaditeľ vo veľkej výrobnjej spoločnosti a bol súčasťou spoločnosti (predstavenstva a dozornej rady). V súčasnosti pôsobí na akademickej pôde v Českej republike, pričom vzal na vedomie nedostatky, slabé stránky a rozpory v existujúcom alebo chýbajúcom kontroľingu riadenia ľudských zdrojov priemyselného podniku, v rámci nápravy daného systému krok za krokom smerom k ich odstráneniu.*

**Kľúčové slová**

*Riadenie ľudských zdrojov, controlling ľudských zdrojov, proces, kríza, údaje, podnikateľské funkcie.*

**JEL Classification:** M 12, M 14, M 51, M 54, O 15, P 41

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**Introduction**

Current status and development of the economy in the European area is characterized and accompanied by high turbulence, which entails increasingly frequent need for finding and implementing such business strategies that lead to the identification of competitive advantages, through analysis of management and governance processes , analyzes the causes of deficiencies, evaluating their severity and prioritize solutions. (Businesses within the content of the post means: organization, company, industrial company.)

The dominant activity in managing each and every organization is, respectively. should be systematic , continuous and consistent assurance of meeting all management functions and related activities by managers at all levels of their organizational status, application monitoring all the processes that take place in the structure and also achieved results, availability of resources and finding all the factors associated with needs and activities of the organization. The sole purpose of these activities is the continuous collection of information, with a view to their subsequent provision for planning and management processes for decision making, risk prevention and for other corporate functions. The

normal practice is for this segment management and also in the method of identifying processes and controlling risks used herein, the segment of human resource management personnel controlling.

Based on the contents and results of theoretical work in the field of human resource management, personnel controlling, management and prevention of risks, taking into account the current conditions of practice, where specific industries and organizations must fight the crisis, which brings particular the need to reduce costs and optimize each one areas of activity, to the content of this article is:

- highlight the possibilities of identification and diagnosis of the current state of human resources management in enterprises,
- systematically define a role of controlling and personnel controlling,
- define the basic conditions of process solutions and deployment of personnel controlling an industrial enterprise .

### **1. Identification and diagnosis of the current state of the system of human resource management**

The term management can be defined considering different approaches varied conditions for the current period, based on the experience gained recommends the following definition: " Management is the process in which managers using scientific knowledge, but especially practical recommendations they can perform basic management activities in recovery of available resources, for the purpose of determining and achieving the business goals of the enterprise." (Hittmár, 2006)

Executors management are people managers - managers who conduct management functions:

- planning ,
- organization ,
- selection and deployment of associates
- leadership ,
- oversee and ensure

applied in various types of organizational units, their different organizational levels of management, with substantively different activities. (Chodasová, 2012)

To be effective in fulfilling the mission of the content of human resource management is to ensure that the organization was able, through their dedicated, loyal, professionally and humanly savvy people meet their defined objectives, based on clearly declared and all employees received the vision, mission and strategy. This requires the availability of

a set of tools for security, education and staff development, performance management, incentive and motivation, employee performance evaluation system , clear , fair and transparent remuneration system, building effective communication at all levels and in all categories of employees, management knowledge and experience, corporate culture and relationships, creating organizational management, organizational and functional structure, ultimately descriptions of specific jobs.

Human Resource Management like any other business functions of the long-term deals with their role and position in the overall system of enterprise management, which is sometimes very difficult to demonstrate the strategic importance of management.

One solution is to introduce a system of personnel controlling, which implies:

- knowledge of the current state of human resource management,
- creating strategies and plans for efficient management of human resources , in detention the objectives and processes in organizations , in accordance with the contents of the currently applicable procedural guidelines and contains provisions governing intra-organizational regulations in various fields of activity of the organization,
- implementing an effective system of motivation , performance evaluation , motivational talks evaluation , remuneration and appraisal of staff,
- knowledge of time and cost burden of organizational structure in relation to the proposal for a new - more efficient systematization of jobs in the current organizational structure of the organization,,
- linking business goals with personal goals of employees,
- effective management system and process training employees in relation to their individual experiences and knowledge , in accordance with the actual needs of the organization and outcomes evaluation interviews , on the basis of their content and personal development plan for workers,
- streamline the personnel controlling and reporting.

One possible solution to identify and diagnose an existing levels of human resource management of an industrial enterprise are the conclusions of the diagnostic analysis , based on implemented and evaluated a questionnaire survey and follow-up advice to him, discussions and consultations with workers in connection to system analysis in a

particular industrial company brainstorming and brainstorming investigation.

## 2. System for controlling an industrial enterprise

In economic theory and practice is still strongly felt need to develop new management methods, and their primary objective is to ensure the successful long-term existence of the organization. Nowadays, in this context, increasingly uses the term controlling. In practice, controlling understood primarily as a control, but in reality it is controlling must be understood in terms of an integrated management and control of its component. (Synek, 2009)

Unlike classical control, controlling shall not be regarded as the last phase in the process of management, but it is notionally more like exploratory activity is spooled, previous even the planning phase. Controlling external and internal environment examined still has the task, to identify opportunities, threats, strengths and weaknesses in the internal environment of the company and on the basis of the identified factors and their effects on planning, in order to give suggestions using the planning system to prepare responses to the ongoing changes in the environment. (Papula, Papulová, 2012)

### 2.1 Controlling as a management tool

The task is not controlling processes to manage, but to drive the entire organization, through information on the physical processes. Controlling has to prepare information for the solution of the planning, decision-making, implementation and monitoring tasks. It cannot be confused with the control and management is also not because his role is not only the value of subsequent events (ex post), but on the contrary, predict (ex ante) to determine the course that is most appropriate to achieve the objective of the organization.

Corporate governance can take place efficiently and reliably only if it is well set controlling functions. Controlling is a tool for managing business processes on the basis of continuous assessment. The role of the corporate controlling system is to obtain information needed for effective decision making. Includes an assessment of the current state of business processes, but also, achieving its objectives, but also to make the results of the future – the forecast. Controlling inputs must continuously ensure reliable information needed for management. Must guarantee that the information is always available in a timely manner, that are within the capabilities of a complete, relevant and accurate – true to the extent necessary.

### 2.2 The functions and tasks of controlling

The role of the controlling individual components, to examine their usability is sort, add and move them further into the management system. In general, controlling focuses on:

- support planning and setting business objectives,
- continuous acquisition and processing of information to support decision making,
- support control with emphasis on analysis of variance,
- processing of information in the reports and surveys,
- involvement of workers. (Hitka, Potkány, 2005)

The result is continuous improvement of methods of planning, budgeting, analysis and calculated. The basic functions of controlling mainly include the following:

- analytical - information,
- controll - coordination,
- consulting and innovation.

The individual functions are complementary and overlap. Not every business entity has the same functions and must be applied in full. (Chodasová, 2012).

### 2.3 Objectives of Corporate Controlling

Controlling should have clearly defined roles and objectives. The overarching goal is to support the management, realized through controlling the preparation of information and tools for the management of industrial organization.

When designing a system of evaluation and choice of methods used, but also in the preparation of evaluators must be the focus of the system to be controlling, resp. personnel controlling (indent 8-16) source of information and knowledge that are needed for:

1. prioritization and formulation of strategies,
2. management processes,
3. management development , organizational change,
4. identify the factors that can reduce reliability processes,
5. risk reduction , implementation of corrective and preventive actions,
6. identify the factors that can reduce reliability of the human factor,

7. identify the causes of extreme work demands, stress, disturbances,
8. recruitment processes,
9. evaluate the effectiveness of HR processes,
10. promote positive motivation,
11. assessment of attitudes and skills of workers , reserves , strengths and weaknesses ,
12. creating opportunities for communicating with employees in the direction of improvement,
13. providing employee feedback,
14. shaping corporate culture,
15. finding workers with good growth potential , build talent summary,
16. search workers their dispositions may involve additional risk. (Kruliš, 2011)

Controlling business processes have a significant impact on employees, the activities performed, their productivity, reliability and safety.

### 3. Personnel controlling as reflection of human resource management

Human resources management, like any other business of management functions, has long been concerned with its role in the management company and currently controlling personnel can demonstrate the benefits of human resource management as a strategic management tool. (Hitka, M., Potkány, 2005)

In a broader sense, it is a systematic philosophy of management by objectives – oriented the future, used to achieve business plans, in context with other functional areas controlling. It is important to recall and emphasize that in every area of controlling, terms of service, respectively advisory capacity management, in order to obtain the required information on planned and actual levels of economic phenomena and processes for detecting adverse deviations. Personnel controlling the strict sense of the quantitative and operational issues and evaluate the effectiveness of HR processes and outputs. In the broadest definition monitors the quality of human resources, its procedures and applicable tools. The management of various HR processes, HR controlling needs different measurement variables and indicators. The relevant personal variables and indicators that

contribute to the effective management of human resources can include:

- *transparency* - streamline HR processes with a focus on motivation,
- *reduction of load management* - structuring and summarizing important characteristics of human resource management,
- *efficiency* - performance evaluation based on measurable quantities,
- *strengthening accountability* - making ownership plan on the basis of commonly agreed objectives.

Like other areas of the management or human resource management do without set objectives and monitoring plan deviations from the fact , that without the activities referred to as controlling. Personnel controlling brings one big advantage, which is especially useful for HR managers. Served them with a transparent list of data from previous decisions, which may serve as a basis for future decision-making. Experience clearly shows that controlling business processes have a significant impact on employees, the activities performed, their productivity, reliability and safety. (Kruliš, 2011)

#### 3.1 Qualitative and quantitative indicators personnel controlling

The main sources of information include controlling budgets, costs, costing, accounting, financial and business plans, which are important for business management . Provide important information about the costs and benefits over their real flow and constitute essential elements of the enterprise information system. Mentioned sources of information are considered as tools of economic management. These tools must be interconnected to the information sheets were important in controlling operations. (Chodasová, 2012)

Controlling tools are based on a comparison of planned and actual business characteristics, which are then statistically processed so that the resulting reports give managers an accessible and understandable form relevant information to improve their management decision-making, the selected indicators must be measurable. Controlling personnel should focus on adequate number of appropriate qualitative and quantitative tools, ideas which may be qualitative and quantitative tools personnel controlling shown in Table 1 and Table 2.

*Table 1: Quality personnel controlling instruments*

The qualitative indicator of personnel	
1.	Adoption and adaptation of workers
2.	The reasons and causes of departure
3.	Monitoring the satisfaction and motivation of staff
4.	The process of evaluation interviews and the contents of the results of the resulting
5.	The quality and level of managers from the perspective of their communications, technical and human skills
6.	Fulfilment of the objectives to be evaluated from the perspective of development and training of staff

Source: own work

*Table 2: Quantitative personnel controlling instruments*

The quantitative indicator of personnel	
1.	The movements of the workforce – the rate of fluctuation
2.	The coefficient of increase and the loss of workers to the average inventory
3.	Coefficient of stability of employees (employees over the 5 years period of time)
4.	Productivity
5.	Performance
6.	The Performance Of The
7.	The rate of absence due to illness, in comparison with the profitability of the company
8.	The cost of training per employee and year, converted to
9.	The proportion of service workers to the total number of staff
10.	Share the power of wages, to the total volume of funds paid to workers
11.	The proportion of the value of benefits paid to the volume of wage funds
12.	The added value of a worker through the manufacturing costs
13.	Staff and other personnel costs in total and for individual categories of employees
14.	The proportion of staff costs to the turnover of the company
15.	The proportion of the number of employees of the Department of human resource management, the total number of employees in the company

Source: own work

In the area of personnel should be tracked and processed those indicators that can determine the impact of human resource management for the successful implementation of the strategy of the Organization and enhance its performance. Quality analysis of selected personal characteristics contributing to the higher profits of the organization.

#### **4. The essence of the system implementation and management processes of the staff in the framework of the integrated management of human resources of an enterprise controlling**

Taking into account the fact that controlling is a tool that allows you to transform the company's strategy, which is also an integral part of the management of human resources, to the everyday life

of society, daily practice, the essence of the implementation of the strategy and, in particular, firms in the subsequent management of this process consists of:

- in determining appropriate quantitative and qualitative indicators,
- in the evaluation and analysis of the indicators set,
- in detection of deviations and their subsequent corrections (solution ensuring the differences between planned and actual values).

#### *4.1 Personnel qualifications and activities ensuring personnel controlling*

On the basis of the different phases and also the contents of the basic operations controlling associated with them:

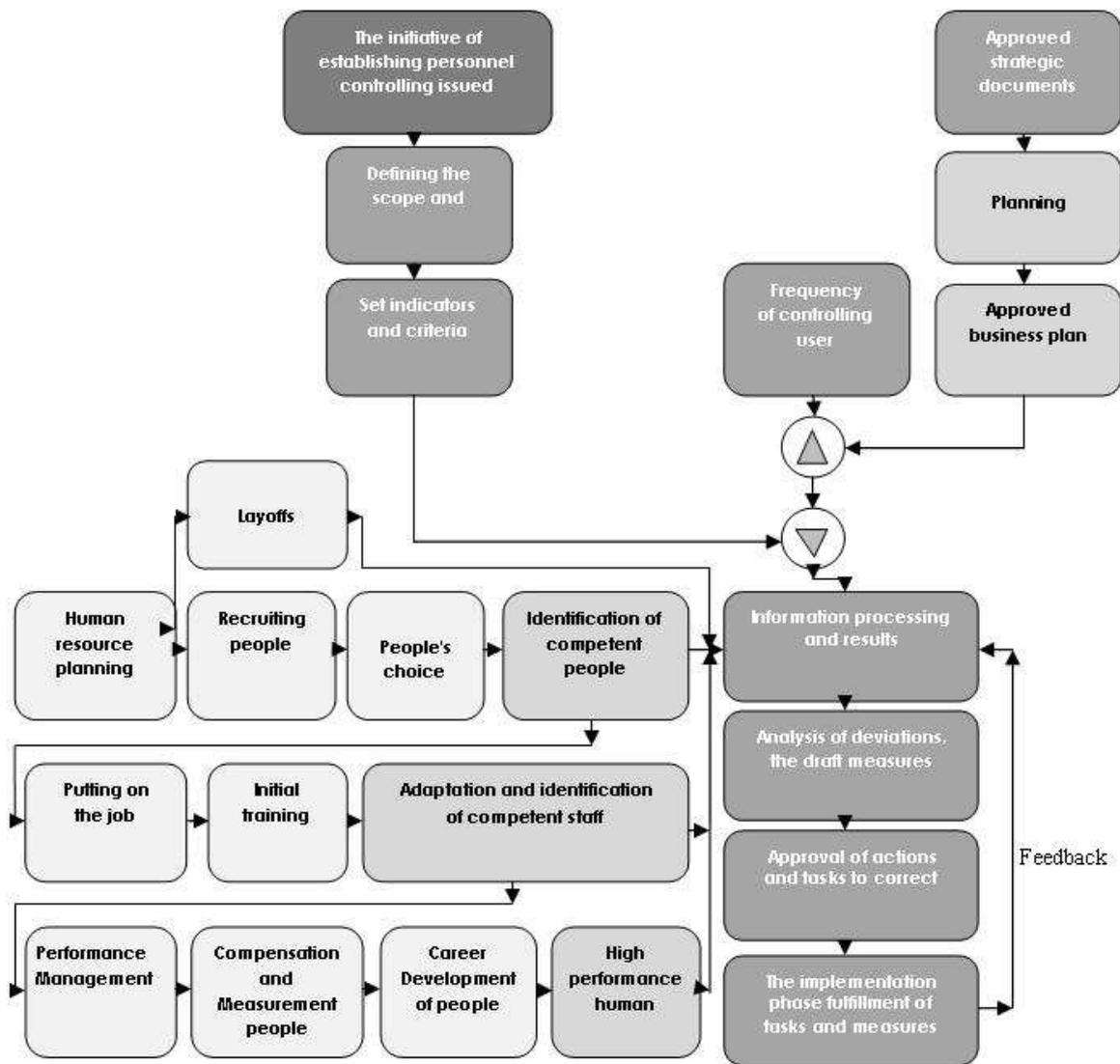
1. the collection of data (registration feature), you may be an employee with lower qualifications, with emphasis on human integrity, dedication and diligence, the properties associated with the,
2. data evaluation (the evaluation function), which should be a professionally trained staff – Controller.

It is obvious that the basic personnel will represent two staff members, and their number and actual workload will depend on the size of the company, the amount and form of their processing, in manual and indicators draws electronically, and also what is the important of the periodicity of submission of deliverables for the processing and management in the system of controlling established.

4.2 The process of personnel controlling, principles and main tasks

In the context of the creation of the conditions for the pursuit of security, analysis, survey and comparison of the actual state of the plan and the subsequent adoption of the deviations of the corrective measures directed to the future in the framework of selected indicators to help staff find the strengths and weaknesses in the area of human resources management of security staff for the fulfilment of the tasks devolved on liability increases, and their contribution in making the process of their implementation, the solution of these tasks is the introduction and gradual improvement of the system of personnel controlling, as a tool for management, through the successive steps in the flowchart and links of this system, as shown in Figure 1.

Fig. 1: The process of deployment of personnel controlling the company



Source: own work

The process of deployment of personnel controlling the company communicates and is tied to the system of partial processes and overall system management company. In order to effect optimal utilization and benefits associated with the established system of personnel controlling, in favor of an integrated human resource management in the company is necessary that the recommendations and the role not only one declared a formal organization, but they fully respected, professed and ultimately filled by them holders.

## Conclusion

To successfully fulfil its goal of an enterprise, it is desirable, in order to achieve harmonization among its strategic objectives and the management of human resources in it. Only high-quality, flexible and responsive Executive human capital company, which is the result of long, target-oriented approach is essential, and the necessity of strengthening the strategic approach in the management of human resources of the prospects of the company.

In the context of building and retaining the status of prosperous and competitive society is a long-term need to realize who you are and it will become rather has the great advantage over competition that limits and the primary condition for the growth of markets, technologies, competition, or are not, however, the ability to get and keep enough good products, a competent and loyal people.

The company in a market economy, in a period of recession, in particular, is under great pressure of competition. Taking into account this fact is forced to

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constantly improve their internal processes and systems to respond to the new situation and new elements of the management and management methods. Many of the tasks and objectives of the management of the enterprise in the system just helps meet enterprise controlling.

Controlling a gradually found its place in the field of human resource management. Human resources management, like any other business functions of, has long engaged his role in the management of the enterprise. Precisely controlling personnel can demonstrate and society, which has been successfully applied, demonstrates the benefits of human resource management as part of a strategic management tool.

The primary task of the staff controlling it, through the continuing survey, analysis, and reporting of indicators and standards personnel, to manage the process of staffing activities, monitor and evaluate it in quantitative as well as qualitative terms and on the basis of the findings of the unwanted deviations from the desired status, to take corrective measures to eliminate them and to introduce changes in the direction of established standards and objectives.

The introduction of the management of human resources, the company acquires controlling not only the invaluable service in the field of information on the management of human resources in the field of qualitative and quantitative indicators and benchmarks, as well as personnel, however, on ways of resolving the problems raised, on the basis of the evaluation of the fulfilment of certain measures to introduce the necessary changes and constructing the system.

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**ZHRNUTIE****Personálny controlling, neoddeliteľná súčasť manažmentu ľudských zdrojov priemyselného podniku***Ivan DLUGOŠ*

Controlling si postupne nachádza svoje miesto aj v oblasti riadenia ľudí v organizáciách. Práve personálny controlling môže dokázať a v spoločnostiach, kde bol úspešne aplikovaný, dokazuje prínosy riadenia ľudských zdrojov ako súčasti strategického nástroja riadenia. Prioritnou úlohou personálneho controllingu je prostredníctvom priebežného zisťovania, analyzovania a vykazovania personálnych ukazovateľov a štandardov, riadiť proces personálnych činností, sledovať a vyhodnocovať ho v kvantitatívnej, tak aj kvalitatívnej podobe a na základe zistenia nežiaducich odchýlok od požadovaného stavu, prijímať nápravné opatrenia slúžiace na ich odstránenie a tým zaviesť zmeny v smere stanovených štandardov a cieľov. K úlohám personálneho controllingu patrí aj zabezpečenie takzvaného pozitívneho správania sa zamestnancov. Myslí sa tým také správanie zamestnancov, ktoré pramení z ich spokojnosti a napomáha k uskutočneniu zámerov a cieľov organizácie. Zavedením controllingu v oblasti riadenia ľudských zdrojov, podnik získava nielen neoceniteľnú službu v oblasti informovanosti manažmentu o hospodárení s ľudskými zdrojmi v oblasti kvalitatívnych a kvantitatívnych personálnych ukazovateľov a štandardov, taktiež však aj o spôsoboch riešenia vzniknutých problémov, na základe prijatia a vyhodnocovania splnenia určitých opatrení k zavedeniu potrebných zmien stávajúceho systému. Controlling vo všeobecnosti a personálny controlling v rámci systému integrovaného riadenia ľudských zdrojov spoločnosti, podieľajú sa priamo na zvýšení dynamiky hospodárskych výsledkov, zlepšenia rentability a v konečnom dôsledku zvýšenia trhovej hodnoty organizácie.

Ak chcete úspešne plniť svoje ciele podniku, je žiaduce, aby sa dosiahla harmonizácia medzi svojimi strategickými cieľmi a riadenia ľudských zdrojov v ňom. Len vysoko kvalitný, pružný a citlivý výkonný ľudský kapitál spoločnosť, ktorá je výsledkom dlhodobého a cieľovo orientovaného prístupu je potrebné ako nutnosť posilnenia strategického prístupu pri riadení ľudských zdrojov pre vyhliadky spoločnosti. V kontexte budovania a udržania postavenia prosperujúcej a konkurencieschopnej spoločnosti je nutné si uvedomiť, kto sme a čo sa stane skôr – to má veľkú výhodu oproti konkurencii, ako základná podmienka pre rast trhov, technológií. Firma v trhovom hospodárstve, v období recesie, je pod veľkým tlakom konkurencie. Ak vezmeme do úvahy túto skutočnosť, sme nútení neustále zlepšovať svoje vnútorné procesy a systémy, reagovať na novú situáciu a nové prvky metód riadenia. Mnoho úloh a cieľov vedenia podniku v systéme napomáha dosiahnuť práve podnikový controlling.

**JELL Classification:** M 12, M 14, M 51, M 54, O 15, P 41

## THE IMPACT OF PORTS LOGISTICS SYSTEMS ON THE DEVELOPMENT OF HUMAN RESOURCES IN A COASTAL REGION

*Vplyv portov logistických systémov na rozvoj ľudských zdrojov v pobrežnom regióne*

Valentinas NAVICKAS, Leila SUJETA

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### Abstract

*The research of human resources in view of ports logistics and its (coastal) regions through industrial development of a country allowed determining particularities of port logistics system functionality in modern logistics concept, grounded by the theory of industrial progress, also allowed analyzing factors of functionality of port logistics system in relation with factor of human resources as well as distinguishing factors of interaction and dependence of human resources on ports logistics systems and its (coastal) regions under country's industrial development. Thus, the authors of the paper identified factors of the impact of ports logistics systems and its (coastal) regions on the development of human resources in compliance with the progress in country's industry while using the research methodology as the analysis of economic literature, using a systematic approach to the object; logic analysis and synthesis.*

### Keywords

*port, logistics, coastal region, human resources, development of industry.*

**JEL Classification:** R 11, M, 54, O 18

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### Introduction

Modern port economics and management scientists determine logistics as integrated science, the purpose of which is to solve problems in a field of optimal management of various flows movement processes within ports and its (coastal) regions: as informational, financial flows, as well flows of tangibles and human resources. Solving problems in port logistics grounds the necessity in systematic approach to logistics, i.e. in the research of logistic operations, processes and functions within the port logistics system and its regions. Human resources have a very significant role in the activity of port logistics system as an element, which grounds and ensures the functionality of logistics chains and logistics system at all in ports on the level of port economics and its (coastal) regions, as well on the level of country economics.

**The object of the research** – human resources in a coastal region.

**The aim of the research** – to identify impact factors of port logistics system on the development of human resources in a coastal region.

#### **Tasks of the research:**

1) to analyse functionality factors of port logistics system in correlation with factor of human resources;

2) to distinguish factors of interaction and dependence between human resources and port logistics systems and its (coastal) regions in a view of industrial development.

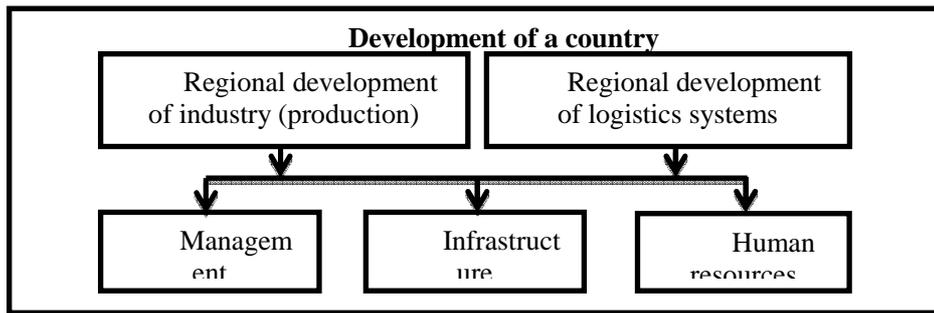
**Research methodology:** the analysis of economic literature, using a systematic approach to the object; logic analysis and synthesis.

### **1. The interrelation between the functionality of port logistics system and human resources.**

In this research it is appropriate to distinguish two groups of human resources, directly participating in ports and its (coastal) regions logistics activities: consumers and labor force. The first group could be named as a target group, because all efforts and results of ports logistics systems and its regions activity are directed on it. The other group could be determined as support group, which provides the functionality of port logistics system. During the development process of port logistics systems needs of both groups must be satisfied.

In a view of logistics systems on levels of port regional economics and industrial economics of a country, the satisfaction process of needs becomes more complicated. It could be described by variety of interconnections between industrial-logistical systems and whole economic system of a country.

Picture 1: The tree of strategic development aims for the industry and logistics systems.



Source: created by authors of the paper.

Furthermore, aims of industry and total aims of logistics system in port regions, as well in whole country, are set on the same level (see Picture 1).

It means the horizontal hierarchy of these aims, i.e. it becomes equally important to satisfy requirements and needs of human resources on industrial level and logistics systems level at all. In other words, it must be strictly observe and ensure the compliance of industrial aims and total aims of logistics system in a country, where port logistics systems and its regions are quite important components of this system. Herewith, it might be particularly emphasize the interconnection of all these aims and circular cycled process of its harmonization.

Human resources during the participating in logistics system activity of ports and its (coastal)

regions could transform from one group type to the other, i.e. as a flow of port logistics system human resources could be representatives of support group, and then could transform to consumers group, and vice versa.

In accordance with the structure of Logistics Performance Index, created and counted by The International Bank for Reconstruction and Development/The World bank to evaluate the efficiency of logistics on international level (see Table 1), the factor of human resources as an element to ensure the logistics quality and competence, becomes very important and significant for the development of logistics systems.

Table 1 : The structure of International Logistics Performance Index

The structure of International Logistics Performance Index	
<i>Dimension</i>	<i>Explanation for dimension</i>
1. Customs	The efficiency of customs and border management clearance
2. Infrastructure	The quality of trade and transport infrastructure
3. International shipments	The ease of arranging competitively priced shipments
4. Logistics quality and competence	The competence and quality of logistics services
5. Tracking and tracing	The ability to track and trace consignments
6. Timeliness	The frequency with which shipments reach consignees within scheduled or expected delivery times

Source: Arvis, J-F., Mustra, M. A., Ojala, L., Shepherd, B., Saslavsky, D.: *Connecting to Compete: Trade Logistics in the Global Economy*. Location: The International Bank for reconstruction and Development/The World Bank 2012. p. 68

Also it is very important to mention, that labor force is one of the most important factors of any type of activity. On one side, labor force is an active factor, involving management, organization and realization of decisions, on the other side, labor force is an aim of any type of activity, i.e. the value of the work has been done is recognized only on the moment of production purchase. Thus, from it follows the dual definition of labor force, which could be described as a target group, as well a support group for logistics processes within the ports and its regions logistics system, and also together on the level of country economics. Besides, the rate of needs satisfaction of consumers, as of target group of human resources, depends on effective usage of the labor force.

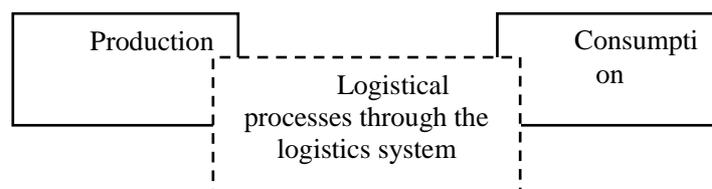
**2. The interaction and the dependence of human resources on port logistics systems and its (coastal) regions in a view of industrial development of a country.**

The particularity of activity in port logistics systems and its regions requires the synchronization of its elements' actions, providing materials for production processes and ensuring trade processes of this production. In this view it is possible to determine constant interconnections of port logistics systems elements (subjects): transportation, information, procedures, etc. At the same time, logistics systems ensure and sustain the logistical connection between production (industry) and consumers (see Picture 2).

These interconnections forward the effective use of transport network, including maritime transport, the increase of intensity of informational and financial flows, also human resources, especially labor force.

For industrial development of a country it is important to mention the differentiation of processes and operations within the port logistics system in accordance with human resources and its assignment.

*Picture 2: Principal scheme of logistical connection between production and consumption.*



Source: Paulauskas, V.: *Logistika*. Location: Klaipėdos universitetas 2005. p. 256. ISBN 9955-18-058-7

The fact of differentiation and the constancy of elements interconnections positively impact indexes of effective use of human resources in port activity, expressed by technical, financial and other indicators.

Industrial changes in production also impact the quality and qualification of human resources. Thus, forecasting methods for industrial changes allow operative responding to these changes by formation necessary human resources for improving the activity of industrial-logistics systems. In a view of geographic, demographic and other economic factors logistics systems in ports and its (coastal) regions could change the concentration of human resources, its places of deployment (static), directions and path of its movements (dynamic) on levels of industrial development of various production sectors and potential development of port logistics system.

In conditions of priority of particular production sectors, which involve the complex of resources, including human resources, the significant and quick increase of indexes of human resources efficiency could be signified in particular production sectors, also in port logistics systems and its regions during short-term period. In long-term perspective and in a

view of industrial-logistics system of a country the indexes of efficiency increase slower, but at the same time purposefully bring the industrial-logistics system of a country to the situation of equilibrium and balanced, continuous development.

Hereby, the aims of ports logistics systems and its (coastal) regions directly impact indexes of effective use of human resources, achieving the harmonious development of production and economics of a country at all, also the allocation and the reallocation its resources. By this the balance of business environment will be maintained, which could be characterized by the level of production development and its value in a view of human resources, also by the ratio of infrastructure and environment plights, the level of dependence on energy resources, the particularities of elements' connections in port logistics systems and its (coastal) regions, and in whole country, is in accordance with and based on particularities of human resources.

## Conclusions

1. Industrial systems facilitate port logistics systems to achieve the high level of its development, provided by the increase of economic potential of production sectors and by the effectiveness of processes of human resources formation and usage.
2. It is important to distinguish two groups of human resources, directly participating in activities of ports and its regions logistics systems: consumers and labour force, which could transform from one group to the other during logistic activities depending on aims and tasks.
3. The research performed the dual definition of labour force, which could be qualified as target group, because only on the moment of product purchase the value of work done becomes

recognized, and as support group for logistic processes in ports and its (coastal) regions, as being an active factor and involving management, organization, realization of decisions. The level of needs satisfaction depends on effective use of human resources, i.e. on the second group of human resources.

4. Aims of industrial-logistics systems development and the process of its achievement create the distributional effect towards the development process of human resources. It could be explained by the impact of logistics systems on both groups of human resources, changing the concentration of these resources, its places of deployment (static), directions and path of its movements (dynamic) on level of its regional development in a view of port and related regions logistics systems activity.

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## SUMMARY

### **The impact of port logistics systems on the development of human resources in a coastal region**

*Valentinas NAVICKAS, Leila SUJETA*

The research of human resources in view of ports logistics and its (coastal) regions through industrial development of a country allowed determining particularities of port logistics system functionality in modern logistics concept, grounded by the theory of industrial progress, also allowed analysing factors of functionality of port logistics system in relation with factor of human resources as well as distinguishing factors of interaction and dependence of human resources on ports logistics systems and its regions under country's industrial development. The aim of the research – to identify impact factors of port logistics system on the development of human resources in a coastal region. Thus, the authors of the paper identified factors of the impact of ports logistics systems and its regions on the development of human resources in compliance with the progress in country's industry. Industrial systems facilitate port logistics systems to achieve the high level of its development, provided by the increase of economic potential of production sectors and by the effectiveness of processes of human resources formation and usage. It is important to distinguish two groups of human resources, directly participating in activities of ports and its regions logistics systems: consumers and labour force, which could transform from one group to the other during logistic activities depending on aims and tasks. The research performed the dual definition of labour force, which could be qualified as target group, because only on the moment of product purchase the value of work done become recognized, and as support group for logistic processes in ports and its (coastal) regions, as being an active factor and involving management, organization, realization of decisions. The level of needs satisfaction depends on effective use of human resources, i.e. on the second group of human resources. Aims of industrial-logistics systems development and the process of its achievement create the distributional effect towards the development process of human resources. It could be explained by the impact of logistics systems on both groups of human resources, changing the concentration of these resources, its places of deployment (static), directions and path of its movements (dynamic) on level of its regional development in a view of port and related regions logistics systems activity. The aims of ports logistics systems and its regions directly impact indexes of effective use of human resources, achieving the harmonious development of production and economics of a country at all, also the allocation and the reallocation its resources. By this the balance of business environment will be maintained, which could be characterized by the level of production development and its value in a view of human resources.

**JEL Classification:** R 11, M, 54, O 18

## CHANGING PUBLIC SECTOR INDUSTRIAL RELATIONS IN AUSTRALIA: INTERNATIONAL PERSPECTIVES

*Zmena priemyselných vzťahov vo verejnom sektore v Austrálii: medzinárodné perspektívy*

Gupta ABISHEK

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### **Abstract**

*There is now considerable the role and function of the state in advanced capitalist societies. Regarding the role of the state in industrial relations, it has been noted that the character and form of intervention is generally conditioned by wider economic and structural factors, such as the accumulation of profits and the maintenance of investment. In this research we are able to explain the relationship between 'state' regulation and work-place industrial relations; identify the different patterns of state intervention in industrial relations in Australia; Describe the emergence of 'corporatism' as a means of governmental decision making; Understand the effects of 'marketization' and 'privatization' on public-sector employment; Outline the reasons as to why governments have outsourced public services and assess the consequences of those actions.*

### **Key words**

*industrial relations, accumulation of profits, state intervention, employers and employees, trade unions.*

**JEL Classification:** O 26, O 56, L 78.

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### **Introduction**

The state is a critical actor in industrial relations. State institutions can establish substantive rules that affect the nature and quality of employment conditions, as well as procedural rules that shape the manner in which rules are made and disputes between employers and employees are conducted and resolved. The broad pattern of state involvement in the labor market and the economy also has an important bearing on the character and practice of industrial relations. The extent to which governments seek to support or erode institutions in the labor market, such as trade unions, can influence the level of wages and the degree of employment protection and job security available to employees. In addition to the extent that governments seek to regulate the economy in a way that provides opportunities for all equitable access to health, education and training services, and full employment governments also reduce the social and economic tensions that extenuate conflict in the workplace. Finally, in its role as public employer, the state establishes labor-market standards, which often influence the wages and working conditions prevailing in the private sector. The aim of this research is to discuss in broad terms the character and changing form of state intervention in industrial relations paying particular attention to the Australian context. The general roles and functions of the state, including the relationship between state regulation

and workplace industrial relations; the second part examines the pattern of state intervention in Australia. In recent years the state has sought to reduce its labor force in a number of ways. Public-sector entities have been corporatized and privatized; they have been downsized; and many former public-sector activities have been contracted-out to private-sector providers. We explore these developments and analyse their public interest utility.

### **1. State and Industrial Relations**

It is common to use the term 'state' rather than 'government' to describe the wide variety of institutions that regulate industrial relations in most liberal-democratic countries. Although the scale of state activities is extensive, it is usual to distinguish between the executive, legislative and judicial functions of the state. Executive is composed of the elected government and the public bureaucracy that administers and implements political policy. Legislature creates and establishes laws or statutes. Judiciary interprets the law and enforces judgments in the case of disputes. Such simple descriptions, however, say very little about the wider roles and functions of the state and this fact has been an issue of considerable debate and controversy. There are a number of competing perspectives on the role of the state and, specifically, the nature and purpose of state

involvement in the economy. Pluralist writers typically view the state as a 'neutral arbiter' that seeks to balance the interests of different, and often competing, groups in society, including business and trade unions. The state acts in a 'neutral' or 'impartial' fashion. They emphasize that the state intervenes in capitalist economies in order to promote and perpetuate the generation of investment and the accumulation of profit. In some formulations the state is regarded as a direct 'instrument' of industrial and commercial interests. However, such an account is now viewed to be overly simplistic. Maintenance implies that the state actively protects capitalist production and commercial interests so that the economy can continue to function and operate. It accomplishes this task through the provision of legal and judicial bodies; the protection of private property rights; the establishment of appropriate financial, monetary and tax systems; and investment in infrastructure, such as transport systems. Such activities also guarantee that the state itself can operate, as it is directly dependent on the generation of profit for taxation and revenues.

The state has a role in ensuring that the capitalist economic system is widely viewed as 'legitimate', often through the formulation of policies on education, welfare, the law and public order. The key point to emerge, however, is that the state has a degree of 'relative autonomy' from the interests of private capital. The state does not act simply in accordance with the (uncomplicated) priorities of a dominant capitalist class, or serve the short-term interests of a particular group or fraction of business. Rather, the state seeks to ensure the viability of the capitalist economy in the long term. The discussion so far has focused on the general purpose and functions of the state. It is now appropriate to consider the relationship between the state and industrial relations. The state's role in maintaining and protecting business and commercial activities inevitably means that it is required to regulate and resolve employer-employee conflicts and disputes. More specifically, the state is commonly considered to perform a variety of functions in industrial relations. A simple classification of the roles and functions of the state in industrial relations says very little, however, about the character and purpose of state intervention, or its changing forms.

## 2. State Intervention in Australia

The state has played a prominent role in labor regulation in Australia. The arbitration system, for example, has performed many of the industrial-relations functions carried out by collective bargaining in countries such as Britain and the US. The

involvement of the state in employment regulation reflects a tradition of strong state intervention in the economy more generally. As regards labor matters, the regulation of wages by the state was a feature of early nineteenth-century Australia, and was preceded by government control of the conditions of labor convicts. The Masters and Servants Act, for instance, sought to regulate hours of work, wages and the rights and responsibilities of employers and employees. The influence of the state on labor relations remained strong for most of the nineteenth century, despite the growth of 'free' labor markets. A 'pattern of partnership between government and private institutions' developed, which maintained some of the earlier importance of government in making rules. Increasingly, colonial governments began to regulate the workplace and labor market by legislation. Union and employer pressure or more general political agitation led governments to make rules about specific jobs and about the general terms on which all workers were to be employed. Many writers refer to the formation of an 'historic compromise' between the state, labor and manufacturing capital during the first decade of the twentieth century. An interlocking set of state policies and institutional arrangements served to support this historic compromise. For example, labor market and industrial policy in Australia were intrinsically linked through the mechanisms of arbitrated wages and 'trade protectionism'.

A distinctive pattern of social policy making, known as the 'wage earners' welfare state', also took shape around this time. A distinguishing feature of early social policy in Australia was the state's reliance on the arbitration system to deliver a living wage and employment protection to white, male workers. In other countries, income levels were maintained through state provision of unemployment and welfare benefits. Some writers believe that the legacy of the wage earners' welfare state in Australia has been a relatively underdeveloped system of providing social welfare. The discussion so far suggests that the pattern of state intervention in Australia has been 'patchy'. While the state has sought to intervene in the labor market and in other areas of the economy, the provision of welfare, was far more limited. With the notable exception of arbitration over wages and work conditions, it has been claimed that the state has largely refrained from intervention in workplace relations, and it has rarely challenged the operation of management prerogatives.

## 3. The Corporatist State

A distinctive pattern of policy making, sometimes referred to as 'corporatism', took shape in Australia. During this period, a regular process of

consultation between government and trade unions developed over key aspects of policy formation in Australia. Many writers have argued that corporatist industrial-relations systems are characterized by centralized wage-bargaining arrangements, and large 'encompassing' union federations and employers' organizations. Other commentators regard such a definition as unsatisfactory, however, because of the exclusive focus on the structural characteristics of organizations to the neglect of social and political processes. The existence of societal consensus and the formation of 'social partnerships' between the state, employers' and union representatives are considered by these commentators to be an essential precondition for corporatist policy making. An additional source of disagreement has been the relative significance of the actors in corporatist arrangements. It is also argued that corporatist arrangements are more likely to emerge when governments are led by Labor or Social Democratic parties because of their close political affiliations and institutional links with trade unions. Furthermore, small, international trading nations are considered to be conducive to corporatist arrangements because of the tightly knit, cohesive character of their political elites and the vulnerability of such countries to external economic shocks.

Regarding Australia, there has been some doubt as to whether the institutional requirements for successful corporatist policy making have been present, especially. Bell and Head have observed that state policy making in Australia has been irrevocably fragmented owing to the division of powers and responsibilities between state and federal governments. Moreover, federal governments have had little formal control over wages and other aspects of industrial relations, mainly because employment regulation has traditionally been the preserve of arbitration tribunals. Business organizations and, to a lesser extent, trade unions have also found it difficult to overcome their internal divisions and establish strong, unified central organizations. This type of fragmentation is viewed as an impediment to the development of corporatism because it undermines an organization's hierarchical control of its affiliated members. The arbitration system, by contrast, was considered to resemble a 'quasi-corporatist arrangement'. The mechanism of arbitration in Australia was frequently imposed by one party on the other party. This is evident in the absence of a voluntary incomes policy. While the arbitration system may not be tripartite, it is arguable that the tribunals have assisted the development of corporatist arrangements in other ways principally by providing a mechanism for the diffusion and enforcement of a national wages policy.

The Accord marked a shift in Australian policy making towards what many consider to be a corporatist mode of state intervention. Essentially, Labor Governments sought to integrate the union movement into national policy making on a regular basis through formal and informal consultations, as well as guaranteed representation on bodies like the Economic Planning and Advisory Committee (EPAC), the Reserve Bank of Australia (RBA) and the Australian Manufacturing Industry Council (AMIC). Union cooperation over 'wage restraint' was balanced by concessions made by the Labor Government over the social wage and, at least in the initial stages, measures to alleviate unemployment. Although union influence varied over the course of the Accord, and was more pronounced in some policy areas (industrial relations) than others (industry development), it has been claimed that 'the Australian union movement enjoyed access to policy-making and a role in policy implementation unparalleled in its history'. The Statement of Accord by the Australian Labor Party and the Australian Council of Trade Unions Regarding Economic Policy was signed prior to the federal election. After the Labor Party's election victory, the first phase of the Accord process commenced.

The 'macroeconomic' objectives of economic and employment growth were to be achieved through wage restraint and the maintenance of living standards. The reintroduction of centralized 'wage indexation' was intended to align wage increases with rises in the cost of living. The evidence appears to indicate that unemployment and inflation improved during this period of the Accord. Despite employer antagonism, there were informal interactions between business groups and Labor Governments over this period. The support for enterprise bargaining and microeconomic labor-market reform was critical to the shift by the Labor Government towards more decentralized forms of wage determination. Such developments suggest that corporatism in Australia has not necessarily been unhelpful to the long-term interests of capital. In fact, in some quarters, the Accord was viewed primarily as a process designed to enhance the competitiveness of the Australian economy. Critical assessments of the Accord have, thus, drawn attention to the fact that the major economic concessions were principally made by labor, in the form of reductions in real wages, while business benefited from low inflation, low levels of industrial conflict and an increase in profits. A natural consequence of this argument is that unions were damaged by their involvement in the Accord processes. The Accord symbolized an important phase in Australian political policy making, which can best be described as corporatist. The fact that the state did not seek to integrate, at least in a formal sense,

business groups into the policy-making process does not imply that the Accord was a weak or peculiar version of corporatism. As noted earlier, corporatism is not a static institutional arrangement or an exclusively tripartite form of policy making.

#### 4. The Declining State

The period of corporatist policy making came to an end with the election of the Liberal and National Party Coalition Government. The integration of trade unions into the policy-making process ceased, and labor lost political leverage and influence as a consequence. Profound changes are now occurring in the character of state policies in Australia, some of which originated under the Federal Labor Government. Developments include the imposition of 'tight' budgetary constraints on public spending, the erosion of the wage earners' welfare state, and the 'privatization' of government-owned enterprises, and moves by both federal and state governments toward the 'marketization' or contracting-out of public services. The main objective of these measures has been to decrease the influence of the state over the economy by reducing the size of the public sector. Important shifts have taken place, for example, in the character of state regulation, employment and welfare. Some commentators have argued that the wage earners' welfare state is now a relic of the past. Australia's reliance on waged employment and arbitral regulation as a guarantor of a living wage and social protection has been eroded by forces both within and outside the state's domain. In terms of external pressures, it is apparent that international economic integration and reductions in domestic protectionism have broken the link between industrial policy and employment regulation that was initially established in the early years of the twentieth century. State initiatives to encourage a greater degree of decentralism in wage fixing have also coincided with structural changes in the labor market for instance, the rise in female participation in the labor market. These developments have led to a fracturing of Australia's post-war system of employment regulation. Further, although Labor Governments sought to improve the social wage and strengthen social security provision, it has been suggested that the welfare state in Australia is now 'reversible', owing to pressures on government expenditure, tighter targeting of benefits and services, and privatization. There have also been major changes in the role of the state as an employer a trend that is evident in many countries.

#### 5. Managerialism in Public Sector

The public sector in Australia traditionally has encompassed a wide range of activities, including federal and state administration and services such as health and education, and government and state-owned enterprises such as the Australian Broadcasting Corporation (ABC) and Australia Post. A variety of legal and quasi-legal bodies, such as judicial courts and arbitral tribunals, also come within the sphere of the public sector. The first steps towards managerialism were taken by the Hawke Government with the Public Sector Reform Act. The Labor Government was convinced that a 'managerial state' was a key condition for enhancing and sustaining an internationalized economy. It believed in the need for significantly increased efficiency in the public sector, based on the adoption of private-sector practices. Marketization was the second major wave of reform of the public sector and emphasized the need for maximum exposure to market competition and a minimum of political direction and intervention. This translated into large-scale privatization of government utilities and services a process pioneered in Britain. The most visible part of the Conservative Government reform program in Britain, according to Bach and Winchester, was its 'far reaching program of privatization'. This included most nationalized industries and public utilities such as telephone, gas, water, electricity, steel, coal and railways. Support for privatization is based on a view that private ownership is inherently more efficient and, therefore, a tool of economic management. Supporters of privatization have argued that exposure to the profit-maximizing objectives of private owners' forces managers to take steps to improve organizational performance. The transfer of ownership to the private sector leads to clearer organizational objectives. Public-sector organizations, on the other hand, tend to pursue multiple, and often conflicting, objectives. In Britain, it has been argued that reform of labor management and industrial relations has been of 'prime importance' in the privatization initiatives of the British Government. Privatization has occurred at a comparatively slow pace in Australia compared to that of Britain. The Labor Government appeared to favor the commercialization of government business enterprises, rather than full-scale privatization.

Empirical evidence on the implications of privatization policies on the labor market is still emerging. As a consequence, findings on the effects of privatization on both employment and industrial relations are mixed. Evidence on the industrial-relations an implication of privatization is equally mixed, British evidence observed that 'it is not possible to conclude that a change of ownership always leads to changes in industrial relations'. He found that industrial-relations arrangements were similar between public and private-sector

organizations. MacDonald however, notes that there was union membership losses as functions and services shifted to the private sector. Marketization also includes the contracting-out or the outsourcing of government services. Outsourcing involves the relocation of public-sector service inputs to the private sector. Under outsourcing the responsibility and financing for the provision of a public service or public good remains with the public sector. However, the provision of inputs for public sector provision can be contracted out to the private sector. Typically, cleaning, catering and information technology services are now provided through an outsourcing arrangement. Outsourcing has been encouraged by legislation that requires competitive tendering, though allowance is often made for the public-sector agency to bid for providing the service, itself. The extent and speed of outsourcing implementation in the Australian public sector has been so extensive that it is the public sector which is seen to be leading the way over a more cautious and conservative private sector.

It has been argued that there are both efficiency and political grounds for the adoption of outsourcing arrangements. The efficiency reasons focus on the lower costs associated with the provision of services by the private sector. Efficiency can also be improved, so it is suggested, because the government can concentrate on its core activities and avoid the problems of recruiting specialized staff. The political rationale focuses on reducing the size of the public sector and the role of unions within this sector. The benefits of outsourcing are seen to lie in the provision of public services at a lower cost to the government. A number of studies have examined the consequences of outsourcing for public-sector employment. Evidence from Britain suggests that competitive tendering has been accompanied by a rationalization of jobs, particularly among low-skilled, manual workers. Outsourcing can have negative consequences for employees. These include fewer jobs, greater work intensification, increased job insecurity, lower wages and earnings, longer hours and less-pleasant work environments. Employees who are forced out of full-

time career public service jobs into casual and part-time jobs or unemployment. Public-sector restructuring through managerialism and marketization has implications for the role of government in the labor market more generally. It is widely observed that public-sector restructuring has led to an abandonment of the 'good employer' obligation. Public-sector employees have frequently received higher wages than their private-sector counterparts, and they have experienced greater job security. As a consequence, the labor-market standards set by governments for their own employees are influential in shaping private-sector personnel practices and policies. The move away from this flagship role of government has implications for equity-based programs.

### Conclusion

The functions of the 'state' are extensive, although it is conventional to distinguish between the 'executive', 'legislative' and 'judicial' activities of the state. There is an ongoing debate about the role of the state, including the nature of its relationship with the owners of capital and property. Throughout much of the twentieth century the state, in Australia, played a substantial role, both as an employer and in the determination of wages and other conditions of employment. The first wave of reform has been labelled 'managerialism'. During this time, the public sector adopted a range of private-sector management techniques, including the decentralization of decision-making systems. The second wave of reform has been labelled 'marketization'. This has involved public-sector exposure to market competition in the form of 'privatization' and the 'contracting out' of services to the private sector. The two waves of reform, managerialism and marketization, have affected both employment levels in the public sector and the role of the unions. And for employees who remain in public-sector employment, there has been erosion in job security and a reduction in career opportunities.

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## SUMMARY

### Changing public sector industrial relations in Australia: international perspectives

*Gupta ABISHEK*

The extent to which governments seek to support or erode institutions in the labor market, such as trade unions, can influence the level of wages and the degree of employment protection and job security available to employees. In addition to the extent that governments seek to regulate the economy in a way that provides opportunities for all equitable access to health, education and training services, and full employment governments also reduce the social and economic tensions that extenuate conflict in the workplace. Finally, in its role as public employer, the state establishes labor-market standards, which often influence the wages and working conditions prevailing in the private sector. The aim of this research is to discuss in broad terms the character and changing form of state intervention in industrial relations paying particular attention to the Australian context. The general roles and functions of the state, including the relationship between state regulation and workplace industrial relations; the second part examines the pattern of state intervention in Australia. In recent years the state has sought to reduce its labor force in a number of ways. Public-sector entities have been corporatized and privatized; they have been downsized; and many former public-sector activities have been contracted-out to private-sector providers. We explore these developments and analyse their public interest utility. The state has a role in ensuring that the capitalist economic system is widely viewed as 'legitimate', often through the formulation of policies on education, welfare, the law and public order. The key point to emerge, however, is that the state has a degree of 'relative autonomy' from the interests of private capital. More specifically, the state is commonly considered to perform a variety of functions in industrial relations. The state is a critical actor in industrial relations. State institutions can establish substantive rules that affect the nature and quality of employment conditions, as well as procedural rules that shape the manner in which rules are made and disputes between employers and employees are conducted and resolved. The broad pattern of state involvement in the labor market and the economy also has an important bearing on the character and practice of industrial relations. There is an ongoing debate about the role of the state, including the nature of its relationship with the owners of capital and property. Throughout much of the twentieth century the state, in Australia, played a substantial role, both as an employer and in the determination of wages and other conditions of employment. The first wave of reform has been labelled 'managerialism'. During this time, the public sector adopted a range of private-sector management techniques, including the decentralization of decision-making systems. The second wave of reform has been labelled 'marketization'. This has involved public-sector exposure to market competition in the form of 'privatization' and the 'contracting out' of services to the private sector. The two waves of reform, managerialism and marketization, have affected both employment levels in the public sector and the role of the unions. And for employees who remain in public-sector employment, there has been erosion in job security and a reduction in career opportunities.

**JEL Classification:** O 26, O 56, L 78

## RESPONSIBILITIES OF DISTRICT AND COUNTY FLOOD COMMISSIONS AFTER STATE ADMINISTRATION INTEGRATION IN THE SLOVAK REPUBLIC

*Povinnosti regionálnych a okresných povodňových komisií po procese zlučovania štátnej správy v Slovenskej republike*

Karol JANAS, Rudolf KUCHARČÍK

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### Abstract

*In 2013 a reform of the public administration as part of ESO was put into practice. One of the most important crisis management structures at the regional level are flood commissions. District authorities of Environment terminated their activities and these competences assumed Environmental departments of County Authorities. They arose from the district authorities. Responsibilities of the district authorities assumed county authorities. County authorities assumed also responsibilities of flood commissions. Special status maintained district authorities with the seat in the region. These continue to coordinate flood activities in case the floods hit several counties and County Flood Commissions are not able to manage and coordinate these activities. County authorities in the region assumed responsibilities of former district authorities in the region.*

### Key words

*County Flood Commission, public administration, reform, flood plan, flood commissions*

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### Abstract

*V roku 2013 prišlo k reforme verejnej správy v rámci projektu ESO. Jedným z najdôležitejších štruktúr krízového manažmentu na regionálnej úrovni sú povodňovej komisie. Zanikli Obvodné úrady životného prostredia a ich kompetencie prevzali odbory životného prostredia okresných úradov. Tie vznikli po zániku obvodných úradov. Úlohy obvodných úradov prevzali okresné úrady. Okresné úrady prevzali aj kompetencie v oblasti povodňových komisií. Mimoriadne postavenie si udržali okresné úrady v sídle kraja, ktoré naďalej koordinujú povodňové aktivity v prípade ak povodeň zasiahne viaceré okresy a okresné povodňové komisie nemajú možnosť takéto aktivity riadiť a koordinovať. Okresné úrady v sídle kraja tak prevzali kompetencie zaniknutých obvodných úradov v sídle kraja.*

### Kľúčové slová

*Okresná povodňová komisia, verejná správa, reforma, povodňový plán, povodňové komisie.*

**JEL Classification:** H 56, H 84, R 41.

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### Introduction

One of the most important crisis management structures at the regional level are flood commissions. In the course of year 2013, their activities have been radically transformed. The integration of state administration caused a transformation of the District Flood Commissions to the County Flood Commissions. Despite of change the responsibilities and status of flood commissions remained unchanged. It is necessary to identify the structure and activities of District Flood Commissions for a proper understanding of the District Flood Commission operation whereas newly formed commissions transformed within new structure of the administration organization in the Slovak Republic. Understanding

and comparison of ancient and new structures is very important because flood control is one of the most important responsibilities of crisis management at all levels. It is covered by all bodies involved in crisis management. (Kútík, 2006; Kútík, J., Hrtánek, L, 2006; Janas, K., Bušša, 2012). It is necessary to understand the ways of cooperation between County Flood Commissions and lower flood crisis management bodies and flood protection itself because only successful cooperation may ensure a positive outcome. (*Statute of the crisis*) Moreover, lower (mainly town) flood commissions perform duties in their own district within the frame transferred state administration. (*Flood Plan*) They closely cooperate with superior authorities of crisis

management, in particular with County Flood Commission. (*Statute of the district*)

### The status of the District Flood Commission

The status of District Flood Commission during the crisis situation used to be governed by law (*Act No. 387/2002 Coll.*) and its activities had to respect valid legislation on crisis management. (*Act No. 42/1994 Coll.*). It was established by District Authority of Environment. (*Act No. 7/2010 Coll.*) In addition, District Authority of Environment established also its Technical Task Force. (*Act No. 7/2010, Art.25.c.3 and Art.27.12.*)

Following the structure of crisis management, in the case of flooding, District Flood Commission was subordinated to the Regional Flood Commission and managed municipal and communal flood commissions. After the declaration of crisis situation, the District Flood Commission becomes a part of Crisis Task Force of the district. (*Statute of the crisis*) District Flood Commission provides preventive flood prevention measures. The measures, however, used to be carried out especially at the time of flood emergency, during the flood and after the flood. Therefore, competences of the District Flood Commission may be expressed in three areas:

1. prevention
2. during the flood
3. after the flood (*Statute of the district*)

In the area of prevention District Flood Commission coordinated and verified the preparation and implementation of preventive flood protection measures. Its task was to propose measures needed to flood protection. To meet these tasks, its members had to become acquainted with a preliminary flood risk and to know current flood hazard maps and flood risk maps. Members of the District Flood Commission had to be acquainted with the draft plan and thereafter updated flood risk management plan. (*Statute of the district*)

During the flood situation the District Flood Commission used to monitor and evaluate the development of the flood situation and had a power to file a proposal for declaration of emergency. The District Flood Commission proposed the flood protection measures implementation and monitored the flood securing activities and flood relief-works. The commission also suggested measures to enhance their effect and relieve observed deficiencies. The aim of its activity was also to decrease the flood risk and minimize flood damages. A very important competency has been planning of special handling on water flows and water works. (*Act No. 7/2010 Coll.*)

To this competency also belonged a proposal of ice barricade or block release by explosives or proposal of creation of artificial cloudburst needed to flood protection. If such a solution was proposed by another body of the crisis management, The District Flood Commission considered this proposal. (*Statute of the district*) The District Flood Commission as a superior authority in the event of flooding used to coordinate and control the activities of flood commissions established at a lower level and provided them needed assistance within its responsibilities and opportunities. After the flood the District Flood Commission discussed the report dealing with the course of the floods, discussed their consequences and evaluated the measures taken during the flood situation. The commission suggested measures based on their findings needed to relieve deficiencies that occurred during the flood situation. It also suggested the measures to relieve deficiencies that have emerged during implementation of flood securing activities and flood relief-works. (*Statute of the district*)

### Composition and activity of the District Flood Commission

The District Flood Commission consisted of Chairman, Vice-Chairman, Head of Technical Task Force, Secretary and members. (*Act No. 7/2010 Coll., Art.27.13*) Vice-Chairman, Head of Technical Staff, Secretary and members of the District Flood Commission and its Technical Task Force were appointed by head of District Authority of Environment issuing a letter of appointment. Membership in the District Flood Commission was irreplaceable. A possible exception may authorize a Chairman of the District Flood Commission. The District Flood Commission members and its Technical Task Force, who were not employees of the District Authority of Environment, were appointed and suspended from the office by the Chairman, after previous agreement with the relevant authorities and organizations. Solving the flood situation with regard to its extent and nature the Chairman of the District Flood Commission could invite to the meeting of the District Flood Commission the representatives of the district authorities, representatives of further local state administration authorities, local municipality representatives, representatives of the Armed Forces and others. The Chairman of the District Flood Commission was in charge of its activity, approved proposed administrative and personal measures. (*Statute of the district*)

The sessions of the District Flood Commission negotiations used to be convened by its chairman. During the absence of the District Flood Commission Chairman this one is supplied by Vice-Chairman. The

District Flood Commission meetings were private and led by its Chairman, in case of his absence by the Vice-Chairman or authorized member of the District Flood Commission. Agenda was determined by the Chairman of the Commission. The District Flood Commission meeting was quorate when the absolute majority of its members were presented. To valid a resolution a consensus of absolute majority of the present members was required. The District Flood Commission discussed the particular tasks resulting from approved flood plans and monitored how competent authorities provided them. The District Flood Commission held a session at least once a year. The sessions took place also, as appropriate, and according to the nature of the flood situation. The course of discussions and approved resolutions of the District Flood Commission was recorded. This record was treated by a District Flood Commission Secretary, who sent it subsequently to all members of the District Flood Commission. The District Flood Commission Chairman controlled the implementation of approved resolutions. Between the meetings of the District Flood Commission, in the danger of delay, the Chairman has been allowed to carry out urgent measures, which had to be approved at the next meeting of the District Flood Commission.

The District Flood Commission Vice-Chairman performed tasks and participated in obtaining information from the concerned authorities or other authorities of crisis management needed to resolve emergency events. The District Flood Commission Secretary also performed important tasks. (Act No. 7/2010 Coll.) The Secretary ensured processing of the reports of Communal Flood Commissions and monitored tasks performing imposed by the District Flood Commission or the Chairman of the District Flood Commission. He was responsible for updating flood plan, led the administration of the District Flood Commission, including flood diary. The District Flood Commission members performed duties arising from records of District Flood Commission, drew up preparation plans in the scope of their constituents. They were responsible for processing documentation within their competences, prepared information for the District Flood Commission Secretary and drew up a report on the origin, course, consequences and liquidation of the flood situation. These members prepared proposals for measures to resolve flood event at all stages. Specific securing measures of the District Flood Commission implemented at the time of declaration of degree of flood activity ensured Technical Task Force of the District Flood Commission. Technical Task Force of The District Flood Commission fulfilled also the role of expert advisory and executive body of the District Flood Commission. Within its status prepared initial proposals to deal with flood situations indispensable

for save lives, health and property. (*Statute of the district*) Costs related to the activity of the District Flood Commission were refunded from budget means of the Regional Authorities of Environment in Trenčín. Travel expenses of members of the District Flood Commission and the Technical Task Force of the District Flood Commission were refunded from own budgetary resources. Principles of financing costs and damages incurred as a result of floods followed the law and relevant regulations of the Ministry of Environment, which have appointed details on the evaluation of expenditures needed for flood securing activities, flood relief-works and flood damages. (Act No. 7/2010 Coll.)

Important part of the District Flood Commission activity was documentation formation, consisting of Basic Documentation of The District Flood Commission, Managing and report documentation of the District Flood Commission. Basic documentation of The District Flood Commission consisted of the District Flood Commission Statute, Understanding Plan and Convene members of the District Flood Commission Plan and the Technical Task Force, Appointments of members of The District Flood Commission and the Technical Task Force, Record on performed preparing of the District Flood Commission, Reports and records related to the solution of flood situation and Flood diary. Managing and report documentation of the flood commission formed a flood plan. This plan was further divided into Flood securing activities plan and Flood relief-works plan. Managing and report documentation of flood commission included also relevant legislation, regulations and instructions of the superior authorities. (*Statute of the district*)

### **Cooperation with other components of flood protection**

The District Flood Commission used to coordinate the implementation of patrol service at a lower level and its level of cooperation with the administrator of the water-course and the Fire and Rescue Service. In cooperation with the Fire and Rescue Service and Flood Town Commissions provided organizing and managing of flood relief-works during danger of floods and floods. To manage the tasks of the flood protection, the commission ensured cooperation with appropriate Flood Town Commission and the Fire and Rescue Service evacuation of the population affected by the flood. Subsequently, in cooperation with Flood Town Commission and Fire and Rescue Service provides accommodation and food for persons involved in flood securing activities ad flood relief-works. Within its possibilities, the commission provides assistance to

the administrators of the water-courses, owners, administrators or users of water works and other premises on water-courses whether their safety is in danger of flooding and if requested for lack of self-forces and resources. Commission evaluates the consequences of floods, measures taken to protect against floods, costs expended on relief-works according to the report of the flood town commission, processes summary reports of lower level commissions on the effects of flooding, damages and costs of relief-works. (*Act No. 666/2004 Coll.*) The District Flood Commission had the competence to request the assistance of the Armed Forces of the Slovak Republic, the Fire and Rescue Service and the Police Forces of the Ministry of Interior of the Slovak Republic. It also had the power to request the convening of flood commission on local or district level. (*Flood Plan*) Important role in cooperation among town and district flood commission have security forces, especially municipal police. Police receives the first signal, which must be subsequently verified. The report was verified by the Slovak Water Management Company, the District Authority of Environment and the District Fire and Rescue Service Board.

If more municipalities have been affected by the flood, Chairman of the District Authority of Environment declared a state of emergency for the territory of several municipalities and territory of the district. If the water course flowed through two or more territorial units of the region, and before the state of readiness and emergency had not been declared by Chairmen of the District Authority of Environment, this had to be declared by the head of the Department of the Environment of the District Authority in the region on all water courses flowing through the region. The state of emergency in border areas of water courses was declared by the Minister of Environment of the Slovak Republic. Minister had the power to delegate this task to a different state administrative body. If appropriate state administrative body declared or revoked the state of readiness and state of emergency, this immediately notified the administrator of water courses, Ministry of Internal Affairs, District Authority with the seat in the region, district authority and the Fire and Rescue Service.

### **Changes after the ESO reform**

The fundamental change in the activity of the district flood commissions occurred in the year 2013. Within the project of state administration integration ESO came to the fusion of the District Authority of Environment and the District Authority, which until then covered general state administration. The District

Authority was transformed into the County Authority and became the most important authority of state administration at the regional level. Within integration of state administration, specialized state administration authorities including District Authorities of Environment were integrated into the County Authorities and became departments of newly-formed County Authorities. Former head of the District Authority of Environment became head of appropriate department of the County Authority and got into direct subordination to the head of the County Authority. This resulted to a change in its position at the level of flood commission. Also, the District Flood Commissions were automatically transformed into County Flood Commissions after integration. However, their roles and objectives remained identical. Also, the method of management, structure and activity remained unchanged, just the name was changed from "district" to "county". The position of former Chairman of District Authority of Environment within the County Flood Commission has changed. As the head of newly-formed County Authority is the Chairman who is responsible for all activities performed by the County Authority, including crisis management, the Chairman automatically became head of the County Flood Commission. The then head who was the head of the District Authority of Environment in the new position of Head of Department became a member of the County Flood Commission. The experiences that former Heads of the District Authority of Environment have gained in managing District Flood Commissions in the past are very important for activity of commissions. Therefore they are often nominated to a post of the County Flood Commission Secretary.

Transformation of the District Flood Commissions into the County Flood Commissions within the public administration ESO reform passed without significant competence disputes. The newly-formed County Flood Commissions are secured in term of personnel and material at sufficient level and do not differ from the state of former District Flood Commission. Problems in the future may arise from the increase in their number and thereby cause the reduction of managing competencies of the County Flood Commissions. In fact, the process of integration of the ESO state administration created a number of new County Authorities having their own Departments of Environment. The activities of these newly-formed County Authorities ensured former District Authorities of Environment. Within the activities of the District Authorities of Environment the flood prevention activities as well as crisis management were provided also for those districts which did not have their own district authority and district authority of environment. On the other hand,

integrating the system of crisis management into competence of the Chairman of the County Authority may improve flexibility and speed of decision making

in crisis situations. The real test of the newly created County Flood Commissions readiness will, however, verify the new crisis situations being solved.

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## SUMMARY

**Povinnosti regionálnych a okresných povodňových komisií po procese zlučovania štátnej správy v Slovenskej republike***Karol JANAS, Rudolf KUCHARČÍK*

Ochrana pred povodňami je jednou z najdôležitejších úloh krízového riadenia na všetkých úrovniach. Zastrešujú ju všetky orgány štátnej správy, ktoré sú v krízovom riadení zainteresované. V priebehu roka 2013 prišlo k transformácii činností obvodných povodňových komisií. K tejto zásadnej zmene v činnosti obvodných povodňových komisií prišlo v rámci projektu integrácie štátnej správy ESO. Jeho najdôležitejším výsledkom, z hľadiska ochrany pred povodňami, bolo zlúčenie obvodného úradu životného prostredia a obvodného úradu, ktorý dovtedy zastrešoval všeobecnú štátnu správu. Obvodný úrad sa pretransformoval na okresný úrad a stal sa najvýznamnejším úradom štátnej správy na regionálnej úrovni. V rámci integrácie štátnej správy ESO boli pod novovzniknuté okresné úrady zintegrované viaceré špecializované úrady štátnej správy vrátane obvodných úradov životného prostredia. Tie sa stali jedným z odborov novovzniknutých okresných úradov. Taktiež bývalé obvodné povodňové komisie sa po integrácii úradov automaticky pretransformovali na okresné povodňové komisie. Prednosta bývalého obvodného úradu životného prostredia sa stal vedúcim príslušného odboru okresného úradu a dostal sa do priamej podriadenosti prednostu okresného úradu. To malo za následok aj zmenu v jeho postavení na úrovni na úrovni novovzniknutej okresnej povodňovej komisie.

Úlohy a ciele novovzniknutých okresných povodňových komisií sa však nezmenili a zostali identické s pôvodnými obvodnými povodňovými komisiami. Bezo zmien ostal aj spôsob riadenia, štruktúra a činnosť okresných povodňových komisií. Prišlo len k zmene názvu z obvodnej na okresnú. V štruktúre krízového riadenia v prípade povodní ostala okresná povodňová komisia podriadená Krajskej povodňovej komisii a nadriadená mestským a obecným povodňovým komisiám. Po vyhlásení krízovej situácie sa okresná povodňová komisia stáva súčasťou krízového štábu okresu. Okresná povodňová komisia sa skladala, podobne ako v minulosti obvodná povodňová komisia, z predsedu, podpredsedu, vedúceho technického štábu, tajomníka a členov. Členstvo v okresnej povodňovej komisii ostalo nezastupiteľné.

Okresná povodňová komisia je významným orgánom v rámci krízového riadenia na okresnej úrovni. Má právomoc vyžiadať si pomoc ozbrojených síl Slovenskej republiky, Hasičského a záchranného zboru a Policajného zboru Ministerstva vnútra Slovenskej republiky. Taktiež má právomoc požiadať o zvolanie protipovodňovú komisiu na mestskej alebo obvodnej úrovni. Okresná povodňová komisia koordinuje vykonávanie hliadkovej služby na nižšej úrovni a úroveň jej spolupráce so správcom vodného toku a Hasičským a záchranným zborom. Zabezpečuje organizovanie a riadenie povodňových záchranných prác. Na zvládnutie úloh pri ochrane pred povodňami zabezpečuje evakuáciu obyvateľstva postihnutého povodňou. Poskytuje v rámci svojich možností pomoc správcovi vodných tokov, vlastníkom, správcovi alebo užívateľom vodných stavieb.

**JEL Classification:** H 56, H 84, R 41.

## SOCIAL MARKETING HELPS TO SOLVE THE SOCIAL PROBLEMS

### *Sociálny marketing pomáha riešiť sociálne problémy*

Viera ČIHOVSKÁ

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#### **Abstract**

*Marketing, which has been viewed as an effective philosophy and conception of managing the area of profit, shifts and extends its limits beyond material products and services towards other activities. Modern marketing concepts respond to increasing social problems of individuals as well as society and offer solutions on how to carry out changes in attitudes to negative social phenomena and to the change in the target public behaviour in order to presadit' Socially desirable attitudes and ideas. The mission of Social marketing is affecting voluntary behaviour of target groups in order to improve the quality of their lives and ensuring welfare for the entire society. The aim of the paper, in this context, is to give an insight into the problems of social marketing, i.e. the topic that has not been adequately worked out in our country, explain its essence and characteristic features, and identify main areas of social problems the solutions to which are offered by the society-oriented concept of marketing.*

#### **Key words**

*Marketing, social marketing, profit-oriented marketing, social responsibility, marketing techniques and approaches.*

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#### **Abstrakt**

*Marketing, ktorý bol vnímaný ako efektívna filozofia a poňatie riadenia oblasti zisku, posúva a rozširuje svoje hranice mimo materiálnych výrobkov a služieb smerom k inej činnosti. Moderné marketingové koncepty musia reagovať na rastúce sociálne problémy jednotlivcov i spoločnosti a ponúknuť riešenie, ako vykonať zmeny v postojoch k negatívnym sociálnym javom a k zmám správaní v cieľovej verejnosti s cieľom presadiť spoločensky žiaduce postoje a myšlienky. Poslaním Sociálneho marketingu je ovplyvniť dobrovoľné správanie cieľových skupín, s cieľom zlepšiť kvalitu ich života a zabezpečenie blahobytu pre celú spoločnosť. Cieľom práce v tejto súvislosti, je poskytnúť pohľad do problematiky sociálneho marketingu, teda témy, ktorá zatiaľ nebola dostatočne spracovaná v našej krajine, vysvetliť jeho podstatu a charakteristické črty, a určiť hlavné oblasti sociálnych problémov, riešení, ktorým sú ponúkané spoločensky orientovaným poňatím marketingu.*

#### **Kľúčová slová**

*Marketing, sociálny marketing, zisk orientované na marketing, sociálna zodpovednosť, marketingové techniky a prístupy.*

**JEL Classification:** M 31, M 39, M 14.

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#### **Introduction**

Societies and individuals are looking for ways of how to overcome or relieve the influence of increasing social problems, improve lives of individuals and environment, whose part they are. Poverty, hunger, diseases, discrimination, and other problems outlast for many centuries not only in poor but also in rich advanced countries. Up-to-date technology, culture, and change in lifestyle did not merely promote the rise in the quality of lifestyle as proclaimed, but as a result of them numerous negatives and problems stepped up to the forefront. Globalisation, bipolarisation and

negatives connected with them also call out the need to pay a greater attention to social issues.

Many Social and health problems however, have their basis in the very nature of human behaviour. Alcoholism, children and youth smoking, driving "under the influence", domestic violence or bad regimen – all these problems arise on the basis of voluntary decision of an individual to act in a particular way, one that either harms themselves or even the entire society. Also civilisation diseases, traffic accidents and racism are results of everyday voluntary human activity.

Social marketing offers tools dealing with these problems, also offers immense opportunities for influencing behaviour and attitudes of not only individuals but also legislators and influential interest groups. The focus is also on media, organisations and other decision making entities in society, including government. Social marketing includes the change of deeply rooted opinions and opinions and a complex change of economic, social and political environment.

In drafting the state that were used heuristic methods of scientific method as well as describe and compare in applying ideas and approaches of world authorities to deal with this issue, as well as the author's survey of the social project in Slovakia "depends on the age." The aim of this project was to strengthen awareness of the ban on the sale of cigarettes to under-age customers.

## 1. Characteristics and Importance of Social Marketing

Kotler and Roberto refer to the concept of Social marketing as an organised effort led by one group, while the intention of this group is to persuade others to accept, change or give up some ideas, attitudes, practice, or behaviour. It combines the best elements of traditional approaches to social change in an integrated structure of planning and carrying out activities and utilises advances in technology of communication and marketing experience. This type of marketing draws on the theory of general marketing and uses the concepts of marketing segmentation, customer research, product development and product testing, managed communication in order to ensure the optimum (i.e. the largest possible) response from the target public (Kotler, 1989, p.25 ). While the main target of the profit-oriented marketing is to fulfil expectations of owners or stakeholders, Social marketing has to satisfy the society's need for improving the quality of life.

The roots of Social marketing are in the commercial sector, in classic marketing. Sixty years ago American academician Wiebe motivated people to thinking this way, when he analysed social advertising campaigns and pointed out that the best campaigns are those that imitate their commercial partners. In his paper he raised a rhetorical question: "Why can't you sell brotherhood like you sell soap?" (Kotler, 1971, p. 3). He assumed that the success of mass persuasion necessitates five factors (requirements):

1. A strong motivation of the public (this motivation has to be combined with individual pre-disposition for target-orientation);

2. Clear instruction, where and how to achieve social mechanism;
3. executive/ implementation social mechanism;
4. adequate and compatible mechanism facilitating the application of required behaviour;
5. psychically and physically accessible social mechanism.

In the year 1971 Kotler and Zaltman were the first to have used the concept "Social marketing" in their paper on "Social Marketing: approach to planned social changes" published in *The Journal of Marketing* and defined it as "the design, implementation and control of programs calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communication, distribution, and marketing research". (Kotler, 1971, p. 5)

Successively, several authors dealt with these problems, and their efforts led to various definitions. For example, Alan Andreasen describes social marketing as an application of commercial marketing technologies in analysis, planning, performance, and evaluation of programmes proposed for influencing voluntary behaviour of target groups; the purpose is to improve their personal well-being and that of society (Andreasen, 2006, p. 90). Jeff French and Clive Blair-Stevens refers to it as a systemic application of marketing concepts and techniques to achieve specific behaviorist objectives relevant for the well-being of society. Kotler, Lee and Rothschild describe social marketing as the approach which applies principles and techniques of marketing, in the processes of creating, communicating and adding value in order to influence the target group behaviour. This is beneficial for public health service, security, the living environment, and communities) as well as the target group (Kotler, 2006, p. 86).

These characteristic features show that social marketing focuses on affecting behaviour of target segment, while using traditional marketing principles and techniques. Social marketing belongs to basic activities of non-profit organisations, or public sector agencies. In spite of the fact formal definitions vary from author to author, there are three common key elements of Social marketing:

- A primary goal of social marketing is to reach some "Social good" (rather than a commercial benefit) with clearly defined targets/goals of behaviour.
- It is a systemic process, which successively deals with short-term, medium-term and long-term problems.
- Utilises marketing techniques and approaches.

In Social marketing similarly as in commercially oriented marketing we endeavour to carry through products on the market; the difference is that it is mostly the matter of behaviour or attitude. Social marketing specialists for the most part try to affect the target market, in order to reach some of the four following reactions:

1. Acceptance of new behaviour (e.g. re-cycling);
2. Refusal of potentially undesirable behaviour (e.g. not to start smoking),
3. Change in contemporary behaviour (e.g. more frequent medical checks),
4. Drop an undesirable behaviour (e.g. telephone during driving).

The purpose could be encouraging one-time behaviour (e.g. register as an organ donor) or introducing long-term habit – repeated behaviour (e.g. repeatedly donate blood). The criterion could be established in the light of increasing knowledge and skills through education, while efforts could focus on changing existing attitudes, or feelings; however, a decisive factor is whether the target group has adopted the behaviour.

Despite the various approaches and methods of influencing the behaviour of various entities (e.g. education, laws, mobilisation of community, political lobbying and personal persuasion), social marketing offers a more flexible and efficient set of concepts and instruments at various levels of social process to influence the selected target group and a particular behaviour, which the society wishes to support or refrain.

One of the most demanding aspects of Social marketing is that it depends on voluntary approach and tends to operate on the basis of “rewarding for good behaviour” rather than on that of “punishing bad behaviour” by means of legal, economic, or pressure instruments. In several other cases Social marketing is unable to offer direct advantage or immediate counter value in favour of the acceptance of the change in behaviour offered (e.g. within a campaign focusing on increasing voters’ participation we cannot guarantee the change in government). This is one of the reasons why it is necessary to apply a systemic, careful and strategic process of planning inspired by wishes, needs and preferences of target groups and concentrated on real, deliverable and feasible (in terms of time) advantages.

## 2. Commercial versus Social Marketing

Roots of Social marketing are in commercial marketing; the former uses the methods, techniques and tools of the latter; however, the two are not

identical. The bases of Social marketing can be found in profit-oriented marketing, and these, in turn, can be defined as follows:

The basic principle of social marketing is the orientation to customer, which is a prerequisite for understanding what barriers to change in behaviour are perceived by the target group, but also what advantages are anticipated and considered feasible by it. The process starts with marketing survey focused on the understanding of each market segment, their needs, wishes, attitudes, problems, worries, and related behaviour. The next step is to the choice of target markets, which can best, influenced and satisfied and then set forth clear aims and intentions. After this, in order to affect the target market, it is necessary to choose also marketing tools – marketing mix: product, price, distribution, and communication. The product must be positioned so that it may capture the interest of the target market more than competitive offers. After implementing the plan, results have to be continuously monitored and evaluated and in case of need (e.g. changes in external environment) strategies proposed have to be adjusted or corrected.

*Similarities of social and commercial marketing* can be briefly summarised in the following items:

- Orientation to customer is crucial. The target group has to find the offer attractive; their offer has to be able to solve their problem or satisfy their wish or need.
- Exchange and theory of exchange is a basic prerequisite. The target group has to perceive advantages, which equal to the perceived costs connected with the performance of behaviour, or possibly, exceed them.
- Marketing research is used in the course of the entire process. It is owing to research and the understanding of specific needs, desires, religious beliefs and attitudes of the target group that marketing workers are able to develop effective strategies.
- Need for market segmentation. Strategies have to be tailor-made to specific wishes, needs, sources, and behaviours of various market segments.
- All the marketing mix tools are considered. A successful strategy requires an integrated approach, which uses all tools and does not rely on marketing communication only.
- Results are measured and used for improving strategies. Feedback is very important, and inspiring to self-improvement.

P. Kotler and N. R. Lee explain main differences between social and commercial marketing in the third

edition of "Social Marketing, Influencing Behaviors for Good" as follows (Kotler, 2006, p. 99):

These authors consider the type of product as the main distinguishing feature. While in commercial marketing the marketing process concentrates on the sale of products and services; in social marketing the marketing process is utilised for the enforcement of desirable behaviour. However, as already mentioned, principles and techniques used by both types of marketing are the same.

The main aim of commercial marketing is oriented to financial indicators; however, in social marketing the aim is the company profit. In terms of financial profitability, the primary choice in commercial marketing is often segments promising higher volume of sales; in social marketing segments are chosen on the basis of other criteria – e.g. increase in of social problems, ability to achieve the target group, readiness for change. In both cases is, however, there are efforts to gain maximum benefits for one's investments.

Despite the commercial and also social marketing view, the need to identify and position their offer in comparison with competition, the nature of competition differs considerably. As mentioned before, commercial marketing will largely focus on the sale of goods and services, competition represents other organisations offering similar products and services or those that satisfy similar needs.

In Social marketing, which deals with enforcement of the behaviour, competition is perceived as contemporary or preferred behaviour of the target group and the perceived advantages connected with the given behaviour, including status quo. This covers also every organisation, selling or presenting competitive behaviour.

For these reasons je social marketing is more complex than the commercial one. It is hardly possible to compare how much finance e.g. tobacco industry has at its disposal to promote the sale of tobacco products in comparison with the projects focused on fight against smoking. Let us consider challenges that Social marketing has to cope with, when trying to affect people to persuade them to:

- Give up habit behaviour (stop smoking);
- Change a comfortable lifestyle, or change the level of their satisfaction (reduce consumption of electric energy or warm water);
- Resist the pressure of peers (refrain from drinking alcohol);
- Feel uneasy (donate blood); introduced new habits (exercise regularly);
- Spend larger sums of money (buy bio-products or recycled paper);

- Overcome a feeling of shame (purchase of condoms);
- Perceive bad news (test oneself for HIV); risk relations (take away car keys from the drunk);
- Give up their spare time (volunteerism), give up original image (wear ski helmets), spend more time (separate and decrease the volume of rubbish before throwing it out); learn new techniques (compost food), remember something (take one's own bags to the supermarket), risk revenge or ridicule (report an offender of vandalism) (Kotler, 2006, p.123).

We can state in conclusion that so that planned actions of submitter of Social marketing has to be much more efficient than a worker of commercial marketing. The reason is for instance a great diversity of demand and the difficulty of reaching the target group, an all-round nature of the offer – product (enforcing the idea of desirable behaviour), or diversity of competition (competition can be viewed as an undesirable behaviour of the target group, as well as the organisation promoting competitive behaviour, e.g. tobacco firms).

### 3. Social Problems and Social Changes

Social marketing is oriented to areas and problems which are dependent on the changes in society and environment, whose part Social marketing is. Economic, cultural, and demographic, technological, and political influences of environment are always going to create new situations in the solutions to which Social marketing programmes will find opportunities for their further application (Kotler, 1989). Activities of Social marketing can therefore be described as re-active because they respond to topical goings on in society. Society may be "fed up" with some problems– e.g. air pollution was a big issue ten years ago and despite the fact that the problem continues to exist without receding, the interest of the public at large is no longer so intensive. The interest in a particular problem area differs in terms of regions. Global warming and genetically modified crops are much more discussed topics in Europe than in America. The increase in child obesity worries England and Germany more than it does Eastern Europe.

The way social problems will be solved, may affect their importance and the way they are perceived by the public. In order to regulate problems of rising population in cities and an increased demand for housing connected with it, legislative solutions are necessary. However, when dealing with the problems of environmental pollution, it is necessary to use

a combination of marketing tools, legislative interventions and activities on the part of individual communities. A prevailing opinion in the past was that drug addicts should go to prison; however, experience has showed that this approach has turned the individuals concerned into criminals, instead of helping them with their drug problem. Nowadays this problem is solved by means of medical institutions specialised in the change in behaviour.

We can see that social problems display dynamic and structural characteristics; they are partially realistic and partially created by our perception. It is their very importance and urgency that depends on how we perceive them. It is important to realise that the task of Social marketing is no longer just to operate so that “problem individuals” acted or rather did not act in some way, but its scope of operation should be much wider.

Programmes and campaigns should not only deal with the problem chosen, but concentrate on the prevention of their emergence.

When dealing with social problems the following two approaches need be applied:

- Vertical approach, which enables to understand, where social problems arise, how they are presented in various social agendas, and the kind of reaction they call out.

- Horizontal approach, which is needed for assessment of the number of individuals and groups who will have to act, and for determining changes that will have to occur, so that the situation improved.

According to Alan R. Andreasen most social problems pass through the following stages (Andreasen, 2006, p. 96 ): lack of attention devoted at first to the given problem, revealing and identifying the problem, description of alternatives leading to the solution, selection of the method of solution, initiating the first interventions, repeated evaluation of and targeting on a specific group, accomplishment of successful or unsuccessful solution or neglecting the problem.

Social marketing endeavours to affect and change behaviour of individuals, but also groups, organisations and societies. Levy and Zaltman suggested to classify the *types of social changes* by two dimensions: one represents time (short and long period) and the other represents the level in society (micro-, group, macro-). Table 1 shows that the influence of Social marketing is not restricted only to an individual, but it also affects environment, in which a moves and operates.

**Table 1 - Types of Social Changes by Time and Social Status**

	<b>Microlevel (individual consumers)</b>	<b>Group level (group or organisation)</b>	<b>Macrolevel (society)</b>
<b>Short-term changes</b> <b>Example:</b>	Change in behaviour  Stay at detoxication clinic	Change in norms, administrative changes  Removing advertisements from tobacco products from the surroundings of schools	Change in politics  Forbidding all the forms of advertisements for tobacco products
<b>Long-term changes</b> <b>Example:</b>	Change in lifestyle  Giving up smoking - abstinence	Organisational change  Penalising retailers for selling cigarettes to youngsters	Socio-cultural development  Elimination of all smoking-related illnesseses

**Source:** (Hastings, 2007, p. 42)

Thus Social marketing monitors changes in society, and if they develop in an unfavourable direction, Social marketing starts acting. It means that it always responds only to particular events, while its aim is acceptance, change, or removal of ideas, attitudes, values, or behaviours. Even though Social marketing is at first glance oriented to non-profit sector activities (environmental problematics,

violence, racism, unemployment, illiteracy, hunger, and the like), it is increasingly starting to assert itself in the commercial sphere. The concepts of entrepreneurship within which firms make a voluntary decision to implement into their business strategies the kind of programmes that contribute to the improvement of the state-of-the-art of society, while respecting the interests of all the stakeholders,

are manifestations of socially responsible behaviour. The concept of social responsibility of firms emphasises the need for ethical behaviour and integration of social and ecological aspects into corporate interactions as well as voluntary interactions with all stakeholders. The aim is to contribute to permanently sustainable development of and increase in the quality of life and well-being of the entire society. The present-day developments in opinions confirm that economic objectives of firms have to be in contradiction with Social interests; however, their merging brings business entities synergetic effect, which is reflected in an increased credibility and in competitiveness of firms on the market and assists in this way in building a positive image.

## Conclusion

Social marketing is a modern marketing concept concentrated on the adoption of changes, which enable to deal with social problems and improve life of people in society. The rise of social marketing is connected with the period when marketing academicians as well as the world of practice have understood that marketing can be utilised also in another way, not only for the sale of products to consumers and profit allocation. Methods, techniques and tools of profit-oriented marketing can be successfully applied also in persuading the target

group to promote the change in ideas, attitudes and in behaviour. Expansion of marketing to this new area was a signal of the beginnings of the existence of Social marketing, which currently assumes an increasing importance, since also in our country the pressure on dealing with social problems is rising. Development in the world and also in our country indicates that social marketing, apart from the non-profit sector, is increasingly more utilised also by the commercial sphere. The importance of marketing is rising especially in activities of profit organisations, where its role is to facilitate providing better services and searching for optimum effects. The reason is that under the influence of various social campaigns they tend to prefer more and more businesses and products that are useful and beneficial for society. The paper aims at familiarising readers with the essence and content of Social marketing and possibilities of its application in the efforts for relieving or eliminating negative phenomena of the contemporary development of individuals and also society.

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## SUMMARY

**Sociálny marketing pomáha riešiť sociálne problémy***Viera ČIHOVSKÁ*

Marketing, ktorý bol dlhé obdobie považovaný za efektívnu filozofiu a koncepciu riadenia ziskovej sféry posúva a rozširuje svoje hranice za hmotné výrobky a služby smerom k ďalším aktivitám. Moderné marketingové koncepty reagujú na narastajúce sociálne problémy jednotlivcov i spoločnosti a ponúkajú riešenia na zmenu postojov k negatívnym javom spoločnosti a k zmene správania sa cieľového publika so zámerom presadiť spoločensky/sociálne žiaduce postoje a idey. Orientácia na skúmanie a analýzu sociálnych dôsledkov často agresívnych marketingových stratégií a aktivít ziskovo orientovaných firiem na spoločnosť i jednotlivcov viedli k sformovaniu samostatnej marketingovej koncepcie – sociálnemu marketingu, ktorý plní podpornú funkciu už akceptovaného konceptu spoločensky orientovaného marketingu. Globalizácia, bipolarizácia sveta a s nimi spojené negatíva taktiež vyvolávajú potrebu viac sa venovať sociálnym otázkam.

Sociálny marketing poskytuje nástroje na riešenie negatívnych javov v spoločnosti, ponúka tiež veľkú možnosť ovplyvnenia správania sa a postojov nielen jednotlivca, ale i zákonodarcov a vplyvných záujmových skupín. Zameriava sa aj na médiá, organizácie a iné rozhodujúce subjekty v spoločnosti, vládu nevynímajúc. Sociálny marketing zahŕňa zmenu hlboko zakorenených názorov a postojov a komplexnú zmenu ekonomického, spoločenského a politického prostredia. Kotler a Robert definujú pojem sociálny marketing ako „organizované úsilie vedené jednou skupinou, ktorá zamýšľa presvedčiť ostatných, aby prijali, zmenili alebo sa vzdali určitých ideí, postojov, praxe alebo správania. Kombinuje najlepšie prvky tradičných prístupov k sociálnej zmene v integrovanej štruktúre plánovania a uskutočňovania aktivít a využíva pokroky v technike komunikácie a marketingových skúseností. Využíva koncepty marketingovej segmentácie, výskumu spotrebiteľa, vývoja a testovania produktu, riadenej komunikácie, napomáha si a čerpá z teórie všeobecného marketingu, aby sa zabezpečila čo najväčšia odozva cieľového publika.“ (Kotler, P. – Roberto, E. I., 1989). Kým hlavným cieľom ziskovo orientovaného marketingu je splniť očakávania vlastníkov alebo participujúcich skupín, sociálny marketing umožňuje uspokojiť potrebu spoločnosti po zlepšení kvality života.

Jedným z najnáročnejších aspektov sociálneho marketingu je, že sa spolieha na dobrovoľnosť a skôr funguje na báze „odmeňovania dobrého správania“ než na báze „trestania zlého správania“ prostredníctvom právnych, ekonomických, či nátlakových prostriedkov. Vo viacerých prípadoch sociálny marketing nedokáže prisľúbiť priamu výhodu alebo okamžitú odmenu na revanš za prijatie ponúkanej zmeny správania (napr. v kampani zameranej na škodlivosť fajčenia nedokážeme garantovať rýchle zníženie počtu fajčiarov) . Toto je jeden z dôvodov, prečo je potrebné uplatniť systematický, starostlivý a strategický proces plánovania sociálneho konceptu , ktorý bude inšpirovaný želaniami, potrebami a preferenciami cieľových skupín a zameraný na skutočné, doručiteľné a z časového hľadiska dosiahnuteľné výhody.

**JEL Classification:** M 31, M 39, M 14.

## INTERNAL COMMUNICATION OF THE HOSPITAL

### INTERNÍ KOMUNIKACE V NEMOCNICI

Jana HOLÁ, Helena MORAVCOVÁ

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#### **Abstract**

*This article focuses on the research of internal communication in a particular hospital. It includes the theoretical introduction to internal communication, methodology and the results of the research itself. The research was divided into two parts. First, the qualitative part was conducted through interviews with the management of the hospital. On the basis of that, the SWOT analysis of internal communication in that particular hospital was made as well as the questionnaire for quantitative research. Based on the results of the quantitative research, given hypotheses were verified and subsequently presented. Internal communication is the essential part of every company. It is a connection in the company through the communication that enables collaboration and coordination needed for proper function of the whole organization.*

#### **Key words**

*Internal communication, quantitative research, hospital, SWOT analysis, organization.*

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#### **Abstrakt**

*Článek se zabývá výzkumem interní komunikace ve vybrané nemocnici. Obsahuje teoretický úvod do problematiky interní komunikace, dále metodiku a výsledky samotného výzkumu. Výzkum byl rozdělen do dvou částí. Nejprve byl proveden výzkum kvalitativní formou rozhovorů s vedením nemocnice, na jehož podkladě byla vytvořena SWOT analýza interní komunikace ve vybrané nemocnici a také dotazník pro výzkum kvantitativní. Na základě výsledků kvantitativního výzkumu byly statistickými metodami ověřovány stanovené hypotézy následně prezentovány. Interní komunikace je nezbytnou součástí každé firmy. Je to spojení ve společnosti prostřednictvím komunikace, která umožňuje spolupráci a koordinaci potřebnou pro správnou funkci celé organizace.*

#### **Klíčová slova**

*Interní komunikace, zdravotnické zařízení, SWOT analýza, kvantitativní výzkum, organizace.*

**JEL Classification:** M 16, M 54, I 15.

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#### **Introduction of internal communication**

Internal communication has a crucial importance on staff engagement, which increases profitability of a company and supports its competitiveness as the research by Gallup (2008) Yates (2006) and Pikhart (2013) confirm. Efficient communication in a company has become a necessary work condition which creates the environment of cooperation and connects the expectations of employees with the ones of the company. On the other hand, inefficient communication can become a strong stress factor and can paralyse the basic functions of the company which is also supported by the European Survey of Enterprises on New and Emerging Risks by European Agency for Safety and Health at Work (<http://osha.europa.eu/en>).

Internal communication is the essential part of every company. It is a connection in the company through the communication that enables collaboration and coordination needed for proper function of the whole organization. It is mainly the communication with the public inside the organization, which is employees, suppliers, stakeholders, customers and the closest company environment. (Holá, 2011) Internal communication has several core functions. The first one is the piece-work, which ensures deadlines and work effectiveness. The second one is social-supportive, that is employee benefits, supporting collegiality or social events. The third is motivational. Here we don't talk only about the salary, but also about the environment or relationships. The fourth function is integration – the feeling that the individual is a part of the community. The last function is

innovative – the place for innovation and self-realization. (Mikulaščík, 2010)

Main goals of the internal communication arise from the act, that the internal communication is not only the transfer of information, but also clarifying, motivation, management behaviour and other (Smith, 2008). The most important objectives of internal communication are then: ensuring of sufficient employee awareness and mutual understanding, influencing and leading to desirable employee attitudes, feedback and implementation facts in the practice. (Stejskalová, 2008). Internal communication includes corporate culture, symbolism, identity and is rooted in the company's strategy, which is based on internal communication strategy and communication plan for the entire organization. (Holá, 2011)

### 1. Functional internal communication

Internal communication is a process consisting of several elements. Proper function of all these features is necessary for the overall function of the whole organization. These are: unity of leadership in communication, formal setup of communication in the hospital, organizational culture of the hospital, personal policy, internal public relations, information and communication structure of the hospital, middle and top management communication. (Holá, 2011)

The unity of management in communication means primarily providing identical information, mutual respect in communication and collaboration. Functional formal setup of the communication depends mainly on the organizational structure given, guidelines, directives and availability of the meeting records. Organizational culture can work in the organization in case there is fair environment, any sign of discrimination or harassment is suppressed, feedback and open communication work well, there is a code of ethics and the style of management is professional. As a result of functional personal policy and internal PR, there is a high overall employee satisfaction. Personal policy is also being reflected in the fairness of reward system, support of personal development of employees and support of their feeling of importance (Armstrong, 2010). Internal PR cares mainly about employee benefits and allowances, informal employee meetings with the management of the hospital, reporting of hospital's achievements and building the pride of the company and the presentation of objectives and strategy of the organization, which should every employee be aware of. Information and communication structure consists primarily of technical equipment of the hospital which enables effective internal communication. Such as the Internet, IT equipment in each department, employee

access to information, speed and security of technical equipment. The middle management communication is the communication of head of departments, chief nurses and ward sisters of each department. These managers are very important for overall proper function of the hospital because they are in the direct contact with employees. Their role is mainly to organize meetings and provide information for the department, open communication and feedback among the employees, but also the behaviour of managers itself and obeying the rules is a form of communication. Top management provides information primarily to the middle management on meetings, but also to all employees in a written form. To support functional internal communication top management should explain its steps, support open communication and feedback and behave exemplary.

### 2. Research on internal communication in a selected hospital

The hospital where the research on the internal communication was carried out is a regional hospital providing care for more than 60 thousand residents and for 150 thousand in specialized fields. It is the second largest hospital in the region, however, it is not accredited or certified, does not have any strategy, any clear policy or a plan for the future that would all employees be aware of.

#### a. Methodology of the research

The first part of the research was qualitative and carried out through interview. Information obtained in qualitative research were summarized in a SWOT analysis and subsequently used in creation of the questionnaire for the quantity research purposes. The quantitative research included data collected from questionnaires distributed amongst hospital employees. Both parts of the research were inspired by the research of internal communication described by Holá (2006; 2010). Based on this research, core elements of internal communication in the given hospital were established. These elements are mainly: management unity in communication, formal setup of communication, organizational culture, personal policy, internal PR, information and communication structure, middle and top management communication.

#### b. Qualitative research

The qualitative research was carried out through structured interviews with the hospital management.

Questions were concerning strengths and weaknesses of hospital internal communication, internal PR and management competencies in the field of internal communication. Furthermore, it was investigated what was essential for proper function of internal communication according to the management, whether the hospital has any documents declaring internal communication strategy and what the most common means of internal communication in the hospital are.

Main information obtained from the management interviews:

- The hospital does not have any documents declaring the policy of internal communication.
- The hospital uses primarily two communication channels – meetings and a bulletin.
- Management considers having sufficient amount of clear information as well as its subsequent effective transmission as very important for internal communication.
- The strength of the hospital lies in the communication of nursing department, on the

other hand the weakness is considered the communication of middle management.

- The interviewed managers seem competent in internal communication but admit reserves.
- The hospital is not concerning internal PR enough.

**c. SWOT analysis**

SWOT analysis is used to determine the strengths and weaknesses of the organization (or part of its business) and external threats and opportunities. The name is derived from the initial letters of the factors assessed in English. (Strengths, Weaknesses, Opportunities, Threats). SWOT analysis is suitable tool for summary of situation (Jakubíková, 2008). The above-mentioned elements of internal communication were individually evaluated and labelled as weak or strong points. The table 1 contents the summary of the internal communication SWOT analysis in hospital.

**Table 1: SWOT analysis of internal communication**

SWOT analysis	
<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>- <b>Management unity in communication</b></li> <li>- <b>Electronic bulletin providing regular information about events in the hospital</b></li> <li>- <b>The possibility of feedback at the meetings</b></li> <li>- <b>Functional regular meetings in the nursing line</b></li> <li>- <b>Functioning meetings of deputies and team leaders of the staff</b></li> <li>- <b>Employee benefits (preferred place in the waiting room, subsidized meals, parking)</b></li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>- Missing communication strategy</li> <li>- Absence of feedback for written informative reports</li> <li>- Dysfunctional information transfer from management to doctors</li> <li>- Lack of communication skills of the management</li> <li>- Lack of interest of certain employees in the information associated with the hospital</li> <li>- Lack of motivation for cooperation among departments</li> <li>- Absence of Ethical Code</li> <li>- Lack of interest of management in open communication and feedback</li> <li>- Lack of encouraging employees to discuss and open communication</li> <li>- Lack of informal actions</li> <li>- Lack of internal PR</li> <li>- Absence of supporting employee development</li> <li>- Dysfunctional intranet</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- <b>Training and motivation of employees in internal communication</b></li> <li>- <b>Available technology to support effective internal communication</b></li> <li>- <b>Availability of experts in PR and HR work</b></li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>- Lack of communication skills of health professionals in general</li> <li>- Increasing share of electronic communication without feedback</li> <li>- The need to respect privacy</li> <li>- Reducing the number of employees and the associated increased work demands on staff</li> </ul>

Source: author's processing

**d. Quantitative research**

The quantitative research included creation of a questionnaire based on information obtained in a qualitative research, its distribution amongst hospital employees and subsequent evaluation. The research, which was stratified by hospital occupational distribution of employees, was attended by 100 people. 76% were non-medical employees, 16% health professionals and 8% were technical and economic personnel. First question was concerning the importance of internal communication for employees and possibilities of its influence on employee's job performance. Questions 2 – 9 were questions with a scale, which were questioning the evaluation of single elements of internal communication on the scale from 1 to 10 (1-the worst, 10-the best). Question number 10 was also with a scale and was concerning the overall evaluation of internal communication. Last two questions were asking about the job position. Based on quantitative research hypotheses were tested.

**3. Research results**

Following hypotheses have been set for the internal communication research in the given hospital:

- 1) Internal communication is important for employees and has an influence on their job performance.
- 2) The evaluation of each element in internal communication has a strong influence on the overall evaluation of internal communication (there is a correlation between them)
- 3) Evaluation of internal communication elements interacts with each other (there is a correlation between them).

Correlation coefficient is in all cases greater than zero, and the program STATISTICA evaluate these relationships statistically significant at the 0.05 level of significance ( $p < 0,001$ ). Therefore, in the second and third hypothesis again the null hypothesis was rejected and accepted the alternative one. Between the assessment of individual elements of internal communication and evaluation of the overall internal

- 4) There is no difference between non-medical employee's and other employee's opinion of internal communication.

To test the first hypothesis a frequency difference test was used. 79% of employees stated that internal communication is important for them and influences their job performance. 20% of employees stated that internal communication is important for them, but does not influence their job performance and only for 1% of employees internal communication is not important. The difference between the highest and second highest frequency was tested. Formula (1) was used to test the differences in the frequency of calculating the percentage of expression. (Esterby-Smith et al.; 2008,)

$$x^2 = n * \frac{(p_i - p_j)^2}{p_i - p_j} \quad (1)$$

n = absolute frequency (100%)

$p_i$  = first highest relative frequency

$p_j$  = the second highest relative frequency

The difference according to the test has proved to be a statistically significant so the null hypothesis is rejected and accepted the alternative one. It can be interpreted that for a statistically significant majority of employees internal communication is important and affects their job performance.

Testing of the second and third hypothesis was based on the correlation matrix (Table 2) which was created in the program STATISTICA®. Correlation matrix evaluation of the overall internal communication and evaluation of its elements then showed mutual correlation of all elements of internal communications and overall internal communication.

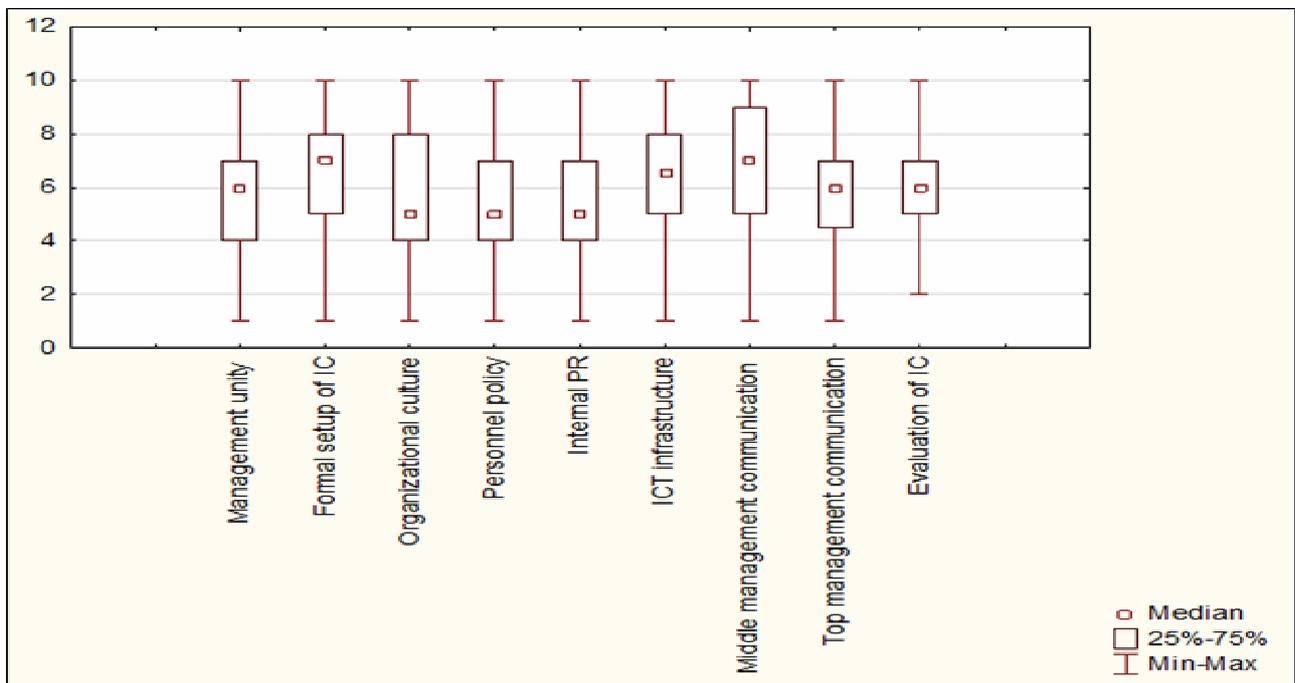
communication is a statistically significant relationship, therefore, these evaluations influence each other. Between the assessment of individual elements of internal communication is a statistically significant relationship, therefore, these evaluations influence each other. Another result is the assessment of the overall state of internal communication, which can be seen in the general box plot elements of the internal communication (Fig.1).

Table 2: Correlation matrix of relations, internal communication elements and overall internal communication

	Unified team of leaders	Formal setting of IC	Company culture	Social policy	Internal PR	ICT infrastr.	Comm. of line managers	Comm. of top manag.	Evaluati on of IC
Unified team of leaders	1,00	<b>0,64</b>	<b>0,69</b>	<b>0,72</b>	<b>0,59</b>	<b>0,58</b>	<b>0,44</b>	<b>0,67</b>	<b>0,75</b>
Formal setting of IC	<b>0,64</b>	1,00	<b>0,54</b>	<b>0,53</b>	<b>0,44</b>	<b>0,44</b>	<b>0,42</b>	<b>0,55</b>	<b>0,61</b>
Company culture	<b>0,69</b>	<b>0,54</b>	1,00	<b>0,76</b>	<b>0,62</b>	<b>0,50</b>	<b>0,46</b>	<b>0,71</b>	<b>0,77</b>
Social policy	<b>0,72</b>	<b>0,53</b>	<b>0,76</b>	1,00	<b>0,69</b>	<b>0,58</b>	<b>0,33</b>	<b>0,73</b>	<b>0,79</b>
Internal PR	<b>0,59</b>	<b>0,44</b>	<b>0,62</b>	<b>0,69</b>	1,00	<b>0,37</b>	<b>0,35</b>	<b>0,63</b>	<b>0,67</b>
ICT infrastructure	<b>0,58</b>	<b>0,44</b>	<b>0,50</b>	<b>0,58</b>	<b>0,37</b>	1,00	<b>0,26</b>	<b>0,44</b>	<b>0,54</b>
Communication of line managers	<b>0,44</b>	<b>0,42</b>	<b>0,46</b>	<b>0,33</b>	<b>0,35</b>	<b>0,26</b>	1,00	<b>0,50</b>	<b>0,53</b>
Communication of top management	<b>0,67</b>	<b>0,55</b>	<b>0,71</b>	<b>0,73</b>	<b>0,63</b>	<b>0,44</b>	<b>0,50</b>	1,00	<b>0,85</b>
Evaluation of IC	<b>0,75</b>	<b>0,61</b>	<b>0,77</b>	<b>0,79</b>	<b>0,67</b>	<b>0,54</b>	<b>0,53</b>	<b>0,85</b>	1,00

Source: author’s processing

Figure 1: Box plot of assessment of internal communication elements and evaluation of IC



Source: author’s processing

The fourth hypothesis was tested by the non-parametric Mann-Whitney U-test (Frederick J. Gravetter, L. 2009). The differences between responses of two groups, i.e. nursing and paramedical professions and other staff on questions assessing elements of internal communication and overall

internal communication have been tested. Testing was performed at a significance level of 0.05. For all elements of internal communication null hypothesis was made and the calculated value of p, which was then compared with the value of 0.05. In all cases, the null hypothesis was rejected. We can say that there is

no difference between the evaluation of internal communication in both groups.

Another result of this research was to compare the assessment of individual elements of internal communication. This evaluation can be seen in the box plot from individual components of internal communication, see below. Top element is rated "middle management communication", which has a median 7. This result is consistent with such as research of internal communication in another hospital, which presents Holá (2011) in her book and shows that communication in each department works better than at the level of top management - the employees. The elements "personnel policy" and "internal PR" were evaluated as the poorest. This finding corresponds exactly with the fact that the hospital does not bother with these areas and these elements seem to have a major impact on the overall assessment of internal communication. These results, together with the conclusions of the SWOT analysis, have sadly demonstrated that the hospital management considers this area of internal communication as unimportant, as the communication channels used are primarily meetings and an electronic bulletin. Dysfunctional intranet illustrates the underestimation of internal communication with the basic objective of ensuring the formation amenities for work performance and non-utilization of electronic storage for documentation deprives the hospital an excellent tool to manage and distribute documents, which can be very effective.

## Conclusion

The research of internal communication in the given hospital has brought lots of interesting findings. The results are consistent with previously performed studies that show the underestimation of the importance of communication. The results show specific weaknesses in internal communication in the hospital. Based on these results, recommendations have been made to improve internal communication in the hospital and the most important are listed as follows:

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- Defining the strategy and objectives of the hospital and their distribution among employees.
- Creation of a communication plan.
- Defining the culture of the organization such as the Code of ethics
- Showing the interest in the feedback from the hospital management
- Paying more attention to internal PR and HR policies, presentation of plans and achievements of the hospital.
- The use of electronic tools for managing and distributing internal documents.

Employees from the surveyed hospital confirmed that effective internal communication is important for their work. The analysis of the state of internal communication showed the underestimation of the importance of management, misunderstanding and ignorance of the contents of internal communication, but also the will to improve. Hospital management is often overwhelmed by changes in the external environment which the organization is forced to implement. The constant changes in the healthcare system then often overshadow internal coordination within the organization and fill the room for improvement in management and leadership. Most hospitals are also struggling with a lack of financial resources and solutions associated with internal communication are not the priority in which to invest.

Generally, the most frequent reason that managers give as the cause of the malfunctioning of communication is the lack of time (but it is often also the ignorance of the issue). On the other hand, information and communication technologies are considered as the most numerous investments in internal communication, which may attract too much attention, but certainly can make communication more efficient (Holá, 2006, p 46). The lack of time management and the lack of funding of information and communication technology are combined in a health care, which strongly complicates the proper setting of internal communication. However, in this hospital, the management wants to improve, which is a key agent for the better change.

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## SUMMARY

### Internal communication of the hospital

*Jana HOLÁ, Helena MORAVCOVÁ*

Internal communication has a crucial importance on staff engagement, which increases profitability of a company and supports its competitiveness. Internal communication is a process consisting of several elements. Proper function of all these features is necessary for the overall function of the whole organization. These are: unity of leadership in communication, formal setup of communication in the hospital, organizational culture of the hospital, personal policy, internal public relations, information and communication structure of the hospital, middle and top management communication.

The research of internal communication in the given hospital has brought lots of interesting findings. The results show specific weaknesses in internal communication in the hospital. Based on these results, recommendations have been made to improve internal communication in the hospital and the most important are listed as follows:

- Defining the strategy and objectives of the hospital and their distribution among employees.
- Creation of Social Policy Document a communication plan for its promotion.
- Defining the culture of the organization such as the Code of ethics.
- Showing the interest in the feedback from the hospital management.
- Paying more attention to internal PR and HR policies, presentation of plans and achievements of the hospital.
- The use of electronic tools for managing and distributing internal documents.

The most important findings are, that employees from the surveyed hospital confirmed that effective internal communication is important for their work and the personal (social) policy of the company has the largest impact on the evaluation of internal communication employees. The analysis of the state of internal communication showed the underestimation of the importance of management, misunderstanding and ignorance of the contents of internal communication, but also the will to improve. Hospital management is often overwhelmed by changes in the external environment which the organization is forced to implement. The constant changes in the healthcare system then often overshadow internal coordination within the organization and fill the room for improvement in management and leadership. Most hospitals are also struggling with a lack of financial resources and solutions associated with internal communication are not the priority in which to invest. On the other hand, information and communication technologies are considered as the most numerous investments in internal communication, which may attract too much attention, but certainly can make communication more efficient.. The lack of time management and the lack of funding of information and communication technology are combined in a health care, which strongly complicates the proper setting of internal communication. However, in this hospital, the management wants to improve, which is a key agent for the better change.

**JEL Classification:** M 16, M 54, I 15.

## ON THE ISSUE OF STRATEGIC DEVELOPMENT OF GEORGIA

*Problém rozvojovej stratégie Gruzínska**Evgeni BARATASHVILI, Larisa TAKALANDZE, Marine KHUBUA***Abstract**

*The study concerns the issues of the social-economic development. It is underlined that one of the significant objectives represents the scientifically reasoned united complex strategy and work out of the appropriate active programmes. According to the authors not having predictability of a long-term future, goals and their achievement strategy provokes loss of the competitiveness as well as restricted resources irrational expenditure. In the study is mentioned that Georgia is one of those countries which does have clear, pragmatic, well-considered long-term strategy, which would be based on social, innovative and technological development prognoses and the views of future. The social-economic development authors intend to implement the innovative break-through strategy, in which will be considered our country's current condition, specifics, capacity of the resources, global processes, the tendencies for the development of the technologies and the views of future.*

**Key words**

*Georgia, Strategy, Strategical development, Economics, Innovations.*

**JEL Classification:** O 11, O 47, O 52.

**Introduction**

The long-term political and economic crisis in Georgia creates unavoidable necessity to establish such values and ideology that for the developed countries have been the major priorities for a long time. Moreover, in the beginning of XXI century, the world enters the epoch of the stormy changes and because of this, usual rhythm and dynamic of social life radically are being changed. The world becomes much more unpredictable and requires a new scientific comprehension and from the State and the political achievements, it requires a long-term strategy of the development.

For 70 years Georgia was a part of the Soviet Union, its dissolution were caused by the strategic mistakes as well as by a wrong orientation. Later, the events developed in our country (political turbulences, ethno conflicts, permanent economic reforms and experiments) represent the results of the country's economic development vector was not directed forwards, to the post-industrial society of XXI century, but it was moving backwards, to the capital primary distribution, to the spontaneous games of the marketing forces and to the political dissipation.

**The Results of Economic Reform in Georgia**

Justice requires mentioning, that according to the reforms held during the last years the following positive tendencies are observed:

- *In country have been established rather high rates of the economic growth. Particularly, in 2002-2011 years the rate of the annual increase of the entire inner product averagely consisted of 7-8 % (except the periods of the Georgian-Russian War and the Global Crisis);*
- *Is reached the eclectic power economy security. Were constructed new as well as rehabilitated old pipes for the oil and gas, also were built new power plants. The export of electric power takes place into the neighbouring countries. The gas depositories construction is projected, etc.;*
- *Continuous the economics liberation process. The number of taxes is reduced; the customs system is regulated, the economic relations with the foreign countries are deepened, etc.;*
- *Were held the anticorruption measures, as a result, significantly was reduced the shadowed scales of economics. The corruption was minimized in all fields;*
- *The banking sector is provided with stability, the liquid indicators have been increased, the banking system returned to the pre-crisis (2007-2008) level, however, the interest rate on the credits remains high. The national currency*

exchange rate is stable; the bank profit increases with high rates;

- *Gradually increases the income of the population.* E.g., a family's average monthly income per capita from 2000 to 2011 was increase 3, 8; an employed person's average monthly nominal salary correspondingly was increase 8 times. The pension was increased up to 100 laris;
- *The volume of the foreign trade turnover increases.* In 2000 from 1,1 billion increased 6,1 times for 2011. Moreover, in this period the volume of export increases 4, 8 and import – 7, 3 times;
- *Annually increases the State and municipal budgets.* Comparing the State budgets of the year of 2000 to the year of 2011, you notice that it has increased 10, 5 times. Also, significantly was increased the volume of the local budget in the section of all municipal and self-governing cities. In the framework of the State budget was created the foundation for the projects implementing into the regions;
- *Tourism, infrastructure and agriculture were determined as the priorities and began the State programmes practical implementation from this point.* An important break-through was observed in the infrastructural constructions (roads, bridges, tunnels, drinking eater infrastructure, well-built modern cities, etc.).
- *The special economic zones (the system of "one window" principle) formation process is successful (Poti, Batumi, Tbilisi, etc.).*

Despite of above-mentioned tendencies, in the country takes place:

- *High level of unemployment; the activities held in order to reduce it are ineffective.* The rate of unemployment in countrywide in 2000 consisted of 10, 3% though in 2011 it was 15, 1%. The held employment programmes turned out to be ineffective;
- *The agriculture backwardness.* Comparing to 2000 the product release in 2011 was 0, 2 %. Areas of agriculture corps in 2000 consisted of 610, 8 thousand hectares, in 2011 it was reduced to 275, 3 hectares (2, 2 times); from 2000, the price increasing on the food became quite a tendency and during the last 5 years, it almost doubled. Especially the price of the bread (almost by 100 %);
- *The high-speed growth of the entire State debt.* Comparing to 2000 in 2011 it increased 2,6 times;
- *Direct foreign investments amount reduction tendency.* In 2000-2010 direct foreign investments growth reached it pick in 2007 and in 2011, its amount reduced 2, 5 times.

- *The high level of a consumer's price index (inflation) and in last period its growth tendency.* In 2000 comparing to the previous year consumer's prices average annual index was 4,0% and in 2010 comparing to the previous year 7,1 %, in 2008 10,0%. In 2010 the annual inflation level reached 11, 2 %. In Georgia, in 2011 in comparison to the U.S. the prices on business and meat were 35 % high, on eggs 25%, on bananas and chicken meat 50 % high. The price of a "Big-Mac" in MacDonald's of Georgia consists 83 % of American's while the average salary of the American is 12%.

- *The high price on the credits.* In Georgia, the annual average rate on credit in 2011 was consisted of 19-20%, meanwhile in the western countries it was not more than 6-7%; Moreover, in the structure of credits, most of the space takes short-term consumer loans, and relatively little space takes long-term loans, and that limits the country's workable sector development;

- *Negative balance of the export-import.* In 2000 import outnumbered export 2, 1 times (negative balance towards the foreign trade turnover 36, 1%) and in 2011 – 3, 3 times (negative balance – 53, 2%);

- *Increase of the number of the population below the poverty line.* In 2007 the number of poverty line below population consisted 6, 4 % but in 2011 – it is 9, 2 (increased 143, 7 %);

- *The deepening of the existed unevenness among the regional development level.* In the regional section, the level of unemployment is uneven; moreover, the official statistics does not reflect the real picture of unemployment (according to the experts' evaluation it is much higher).

## Results

Thus, in Georgia, most of the carried out governmental activities were ineffective. E.g., employment multi-layered programmes, on which lately were spent rather huge sums, however, the situation from this point practically has not changed.

Even today, there is no entire complex strategy and appropriate actual programme. Therefore, the part of the reforms are hastily done, have groundless character and the results are ineffective. Not having the future views and non-existence of economic development strategy based on the actual calculations created instability countrywide, like in the municipal and regional fields.

Referring to the document issued in 2010, "Strategic 'Ten-paragraphed plan' for Modernization

and Employment (2011-2015) of Government of Georgia” of the Programme of the Economic Development of Georgia, which intends creation of more and high-played job places, social condition amelioration for the citizens, especially health and welfare systems improvement, we have some remarks:

- The “plan” is excessively optimistic and does not come out from the established, real retrospective specifications of the country. There is not critically estimated the established retrospective specifications in the economic development field of the last years, the existed positive and negative sides and there is not opened and evaluated main reason factors and their causing reasons.
- The “plan” is far from nowadays crisis-ridden processes taking place in the world’s economics and is oriented on the automatic regime of economics development of the country. Considering that Georgia achieved economic benefit when in many countries economics almost was destroyed is wrong. The truth is, that during the Global Crisis the economics of Georgia was less damaged, as in 2008 received a 4, 5 billion finance support from the international community as well as with the help of foreign countries and international institutes were organised and held many different technical and humanitarian projects. This kind of support in the future is less possible coming out from the crisis-ridden processes taking place in the global economics. Moreover, the acute finance crisis in Europe definitely will be reflected on finance sector of Georgia as banking sector of Georgia is tightly linked to the foreign capital;
- The “plan” is not considering new risks and challenges that can come across in the future because of the existed social, political and economic situation. Planned parliamentary and presidential elections, like other countries in Georgia will cause unproductive and propagandistic costs growth consequently, it will cause economic activity reduction. It is possible, that other non-economic type risks will emerge, which is often followed the political balance alternation (I personally witnessed when new parliamentary majority refused the construction of a new city of “Lazika” in the western Georgia, though this represented the major priority of the ‘Ten-paragraphed Plan’ of the project);
- The “plan” does not consider the inertial nature of the economic development and the focus is on the weak, unreasoned and excessively exaggerated results of the final figures. Moreover, if we use widely acknowledged method of analogy in the scientific studies, clearly emerges the high risks of the intended goals achievement in short period;

- In the “plan” is not obvious the intended goals implementation exogenic and endogenic finance sources, and the terms of the given projects provide us with the ground for doubt for the practical realization. Probably, by this is stipulated the renovation of the “plan” in every 6 months, this fact of course reduces and belittle given document’s programme quality and its trustworthiness.

The same can be said about “The State Strategy on regional Development of Georgia 2010-2017” published in 2010. The necessity of its transformation and cardinal alternation is already in the agenda (It is confirmed by the government officials).

Thus, for the country, it is very important to work out the long-term views and the economic development strategy based on the actual calculations.

We consider that, in any case, a strategic document drawn up in the separate field will not be effective, before the long-term social-economic strategy of the entire country is not worked out. Above-mentioned strategy should be based on the future views, on the technological order prediction and on the prevision theory<sup>[1]</sup>. It is interesting, how can the reform of the system of education being developed, when there is no information about the country’s long-term orientations. The training of the employees is known to be rather a long-term process. Therefore, it should be known beforehand which and how many specialists are needed for the country after the age of 15-25 in order to start process of their training in time.

The entire and complex macroeconomic strategy of the economic and social development of the country, based on the field and regional strategies, should outrun the development of the separate fields of economics as well as the regional strategies creation. Without exaggeration, it can be said that nowadays, the development of the scientifically reasoned, entire complex strategy of the country and work out of the appropriate working programmes is one of the crucial issues. Independently and separately drawn up the field and regional strategies will be constantly in the regime of the turbulences and changes until it is not based on the entire and complex social-economic strategy of the economics and social development of the country. Economics represents the system of the systemic, multifaceted and causal connections, wherein even a single change of any indicator entirely changes the economic system. Consequently, it is advisable to create the firm ground for the economics, in the other words, to work out the country’s entire and complex development strategy and then the whole construction, in different words the systems of the

fields, the inter-fields (clusters, techno parks, out sorting networks, holdings, alliances, free zones etc.) and regional development strategies. This kind of approach effectiveness is stipulated by the indicator system, accumulated into the entire global macroeconomic strategy of the country, which do not exist in the field-regional strategies. The conversation is on such parameters, which regulation, planning and orientation are in the competence of the central government and the field and regions are not able to influence them. For instance, inflation processes budgetary-tax policy, fiscal credit and monetary policy, etc. Any local (in our case field and regional) strategy is not able to ignore the country's macroeconomic development long-term orientation and political views.

Naturally, without taking into the consideration above mentioned, the local strategies represent only passive, informative, publicistic character and in short, time suffers amortization. Adding the fact that in the world, on the modern level the technological order changes takes place rapidly as well as the economic transformations, in the agenda becomes actual the necessity of the appropriate correction in any strategy and inevitability of the changes.

Georgia, as a player of the world's economic game (at this point, unilateral) cannot be exception. She is obliged to follow the modern demands of the economic globalization and turn to her benefit the world's economic integration vector founder.

The second important issue, which is in the agenda of the long-term strategic view creation, represents the determination of the priorities.

It should be mentioned, that until the late in Georgia was not the profitable environment for the long-term priorities formation. As a result, the country had only one urgent economic priority, which meant the final resolve of the power economy problems. In any list of the economic priorities, always and everywhere, power economy is on the top and naturally, it is logical, as without the power securing the realization of the other priorities is impossible. Justly should be said, that at this level, in Georgia, the top priority from the priorities – the problem of power economy is overcome, the power economy secure is reached. Onwards the door to the other priorities is open (in case of the willingness of the government).

Latest period, the focus of the priorities represents such fields and spheres as infrastructural complex, tourism and agriculture. However, the system of economic priorities practical realization requires appropriate methodological and organizational as well as strategic securing.

The matter is that from above mentioned three priorities none of them has improved, in the classic form written long-term strategy of development. As we

have already defined, non-existence of the long-term future, objectives and their strategy prediction cause the loss of competition and focusing as well as the irrational expenditure of the restricted resources.

For the last 15-20 years, the government policy in Georgia is mostly concentrated on the macroeconomic level. Unquestionably, in economics the macroeconomic stability represents the firm ground for the success. However the traditional set of instruments used by the government is very limited and do not give opportunity to reach the main objective – the economic competitiveness and accordingly the increase of the population's welfare.

If the focus of the government moves from the macroeconomics towards microeconomics and if in the country are defined territories like necessary attributes for developing the economic centres and clusters, then the administrative role in the process of strategy work out will increase significantly, moreover, after the set in motion of the new law on the self-governing. The same can be said about the government on account of the State level strategic policy implementation.

The globalization of economics for Georgia caused to put in the agenda principally new projects implementation. Particularly, using geographical position of the country in order to develop the worldwide trade and create much more effective transporting and communicative infrastructure. The last ones are rather expensive projects and require intensive work. The interest towards these kinds of projects can be sparkled only after the high-level international agreements are signed. The projects realization is impossible without the political willingness of the governments of the world's leading countries. However, in case of success for such initiatives the reward is high – actual attraction of huge investments, their "natural" flow instead of fruitless and infantile wait. Moreover, the realization of this project creates unique opportunity for the organization of the economic infrastructure of Georgia, as well as, inclusion of the human and manufacture resources, including scientific-technological potency, Georgia will become active part of the world's informative and transporting space.

This opportunity should be used. The State's strategic policy level will not be formed itself by the forces influencing the world's market, its creation is our goal and coming out from the country's interests, we are obliged to shape them.

Thus, the social-economic strategy for regions and countries is quite multi-plan and multi-level objective. Its resolve is unbelievable without government's clear consideration of the requirements. Administrative reform, geopolitical

agreements and appropriate transformations in the economics should become undividable part of it. Simultaneously, its global character should not become a reason for postponing - "later"- of the strategy work out. The strategy work out is quite specific, technological and completely "reachable" objective for those, who understand its idea and the necessity of its resolve.

As it concerns the stable economic situation creation in Georgia, here the major hindering fact is non-competitive environment, as it is testified into the materials of the Davos Economic Forum. Wherein, the given value ranking of Georgia is following:

- The right to property on 120 place;
- Intellectual property protection on 124 place;
- Protection of minority stakeholder's interests on 125 place;
- Availability to Research and training services on 130 place;
- The Intensity of local competition on 123 place;
- Efficiency of anti-monopoly policy on 138 place (The Global Competitiveness Report 2013-2014).

Furthermore, besides the above-mentioned indicators, Georgia is significantly much behind by many indicators, which gives us an opportunity to draw important conclusions.

Thus, Georgia is the one of the countries, which does not have a clear, pragmatic, well-considered long-term strategy, which would be based on the prognoses of the social, innovative and technologic development and future views. Besides, the defined long-term policy would be a very significant instrument, in case of change of the political elite, population would receive heritage of the guaranteed and foreseen stable scenario of the State's policy.

Therefore, today, our scientists, public figures, politicians and the leaders of the business circles are facing the country's development long-term strategy creation historic objective (and responsibility) of the first part of this century, also it is clearly distinguished the innovative and break-through contour of this strategy. Referring to the last one, it must be mentioned, that nowadays in Georgia starting positions for the innovating development can be evaluated as rather unenviable and disadvantageous. Because of the neoliberal market "reforms" and long-term politic-economic and technological crisis scientific-educational and innovating activity sharply went down, was destroyed scientific-technological potential and main foundations became dramatically old. Intentionally were destroyed institutes of the scientific academy and their buildings were sold. In addition, reduced staff was united to the higher educational institutes. Because of this "reform", number of skilled

scientists was left unemployed. Without any functions and institutions, scientific infrastructure and personnel Georgian National Academy of Sciences became usual meeting place for the academicians.

Not having a long-term innovating strategy, the ignorance from the State the innovations support, equalizing taxation system, the real inobservance of the intellectual property and incompatibility to the analogue systems of the other countries and indifference of the usage local inventories influenced and caused economics degradation. Additionally, the inobservance of the market and dumping prices on the imported goods which caused the loss competitiveness of the reprocessing industry, its banish from the inner and outer markets, the deepening of the economics for the structure of the raw-materials, orientation on the import and creating barriers for the exporting goods. Because of the above-mentioned policy were destroyed such successful competitiveness fields like silk manufacture, light industry, tea and cannery manufacture, machine-tool construction, shipbuilding, rural mechanical engineering etc. From the mechanical engineering is left only one plant of the aircraft construction. In the all over the world, on the background of demand growth on the metallurgical products, here, in Georgia intentionally was destroyed Rustavi Metallurgical Factory. The factory was destroyed consciously in order to not to be competitive for the metallurgical industry in the neighbouring countries. Finally, this kind of policy puts in very disadvantageous conditions local manufacturer- innovators and inventors provokes the further technological backwardness and loss of the Georgia's economics competitiveness during the world's current scientific-technological revolution conditions.

Overcoming of the above-mentioned negative tendencies and moving forwards on the country's innovative development is possible only by the help of the strategic innovative break-through simultaneously it will be needy to implement the selective scientific-technological and innovative policies by the narrow direction of the strategically priorities, the active support from the State of the basic innovations and creation of the desirable innovative climate.

## Conclusion

Thus, a long-term strategy of the development of Georgia should be aimed:

- Towards the innovative potential recovery, modernization and development as it was destroyed during the crisis;
- Towards the correction of the reforms and effective innovative techniques formation, which harmoniously will fulfil the active support of innovative update from the State of the main capital with the business capability;
- In the framework of the national innovative system created technologies and product advance, their popularization on the foreign markets and towards the replacing of import production by them.

The innovative break-through strategy should work as a ground for the yet to be formed national innovative

system, which mission is on the ground of the selected priorities to provide country with the new innovative level, in order to become an axis for the perspective social-economic and scientific-technological policy, as well as to be a major active orienteer for the legislative, executive government and for the business.

Above-mentioned positive changes cannot be accomplished without alternation of the political elite as well as a without work out of a long-term social-economic development strategy and its consecutive implementation, which main direction should be a long-term innovative break-through strategy.

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## SUMMARY

### On the issue of strategic development of Georgia

*Evgeni BARATASHVILI, Larisa TAKALANDZE, Marine KHUBUA*

The long-term political and economic crisis in Georgia creates unavoidable necessity to establish such values and ideology that for the developed countries have been the major priorities for a long time. Moreover, in the beginning of XXI century, the world enters the epoch of the stormy changes and because of this, usual rhythm and dynamic of social life radically are being changed. The world becomes much more unpredictable and requires a new scientific comprehension and from the State and the political achievements, it requires a long-term strategy of the development.

For 70 years Georgia was a part of the Soviet Union, its dissolution were caused by the strategic mistakes as well as by a wrong orientation. Later, the events developed in our country (political turbulences, ethno conflicts, permanent economic reforms and experiments) represent the results of the country's economic development vector was not directed forwards, to the post-industrial society of XXI century, but it was moving backwards, to the capital primary distribution, to the spontaneous games of the marketing forces and to the political dissipation. Thus, Georgia is the one of the countries, which does not have a clear, pragmatic, well-considered long-term strategy, which would be based on the prognoses of the social, innovative and technologic development and future views.

Thus, a long-term strategy of the development of Georgia should be aimed: Towards the innovative potential recovery, modernization and development as it was destroyed during the crisis; Towards the correction of the reforms and effective innovative techniques formation, which harmoniously will fulfil the active support of innovative update from the State of the main capital with the business capability; In the framework of the national innovative system created technologies and product advance, their popularization on the foreign markets and towards the replacing of import production by them.

The innovative break-through strategy should work as a ground for the yet to be formed national innovative system, which mission is on the ground of the selected priorities to provide country with the new innovative level, in order to become an axis for the perspective social-economic and scientific-technological policy, as well as to be a major active orienteer for the legislative, executive government and for the business.

Above-mentioned positive changes cannot be accomplished without alternation of the political elite as well as a without work out of a long-term social-economic development strategy and its consecutive implementation, which main direction should be a long-term innovative break-through strategy.

**JEL Classification:** O 11, O 47, O 52.

## WINE TOURISM DEVELOPMENT IN GEORGIA

### *Rozvoj vínného cestovného ruchu v Gruzínsku*

*Maka PIRANASHVILI, Vasil KIKUTADZE*

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#### **Abstract**

*In recent years the requirements for ecotourism strategies have widened to include the search for tools that guarantee more benefits for the local community and indigenous populations, particularly in rural areas. These rural areas are mostly characterized by rich biological diversity, which appears to be the central asset for tourism. The wine and food production and consumption are widely acknowledged global phenomena, dealt with multinationality. One of the significant trends is the connection of local products consumption to their place of origin – the idea that a specific food or wine can be fully enjoyed and “understood” only if it is prepared on the territory of its origin, by people from that community, using local ingredients. Also the tasting of wine should take place increasingly in the same area of production, at the same time it provides an occasion to deepen the knowledge of the technology used for the production and preparation. Wine festivals held in Georgia serve to the popularization of wine tourism.*

#### **Key words**

*Georgia, wine tourism, agro tourism, grape, wine festival, local products consumption.*

**JEL Classification:** R 11, R 12, Q 02.

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#### **Introduction**

Agro tourism as an independent trend of the tourism was formed on the European continent in the second half of the XX century. According to this trend at the boundary of the XX -XXI centuries the following leader countries were marked in the world: France, Italy, Switzerland, Croatia, Cyprus, Greece, etc. To indicate this direction in the International tourism American experts have introduced the following terms: agro tourism, arm tourism, rural tourism, nature tourism (ecotourism), etc. By German experts agro tourism is considered as a part of nature tourism (ecotourism).

For the relaxation in village settings the agro tourism unites both organized and non-organized tourists in order to be closer to the nature, to get acquainted with the village life style and the traditions of farm production. Very often an agro tourist is involved into village activities, he looks after domestic animals, cooks local dishes, takes part into wine-making process, etc.

The direct varieties of agro tourism gastronomic tourism, wine tourism, beer tourism, etc. In countries where agro tourism has a long history of its development, the special forms of organization of this field are created. France appears to be one of the first countries, which has started to develop agro tourism. Here there are many variations of agro tourism. In France one of the types of agro tourism is wine tourism.

The main centres of wine-making are Bordeaux and Chalons-en-Champagne. The wine tourism means the tasting of wines and champagnes, visiting wineries, the learning of technological processes, familiarization with different brands of wine and food, and their collection. Wine tourism also appears to be a popular type of agro tourism in Italy. According to the regions wine tours are developed in Lazio, where there is a wine "Castel Romano".

At present agro tourism is developing in Georgia especially emphasizing wine tourism in this field. Especially the tourists are deeply impressed by Georgian hospitality. The wonderful Georgian nature and culture, such its components as the history, architects, folklore, Georgian cuisine and Georgian wines are added to it. Among the incoming tourists a keen interest is arisen by wine tourism and it makes up 5% of tourism (the research was carried out by BCG Research by the order of Georgian Tourism Department). In Georgia the main regions of wine tourism spreading are: Kakheti, Kartli, Racha, Imereti, Adjara, etc. Because of its special location, the historical past and wine culture the town of Signakhi is considered to be the center for wine tourism in Kakheti.

#### **1. The history of wine tourism development in Georgia**

The materials on grapes found in Georgia are dated by VII -VI centuries BC which is confirmed by wine kernels discovered in Shulaveri and Sukhumi archaeological excavations. According to the researches and historical sources it has been established that long before "Dionys" and "Bakhus" there was the godhead of vine and wine called "Badagoni" in Georgia. As far back as in the earliest period the wine sort "Badaghi" produced from pink grapes was spread on the territory of Guria-Adjara. The statue of bronze man (height 7.5 cm) was found in Vani region (Georgia) excavation. It is a man sitting in the arm-chair with a drinking-horn in his right hand. One has the impression that he is proposing a toast. The period of this statue's origin is considered to be VII-VI centuries BC. In the opinion of the scientists the word "wine" itself ("vin", "wine", "vine", etc.) is of Georgian origin. Out of the 2000 famous grape sorts 500 are Georgian. All this confirms that Georgia appears to be the birthplace of vines and wine.

There were primitive wine factories in Georgian churches and monasteries where the wine cellars and presses are still met. It should be mentioned the remains of wine factories existing in Ikalto monastery complex. On the territory of Alaverdi Cathedral Complex the oldest wine cellars consisting of 40 large wine jugs were discovered. The tradition of monastery wine preparing is going on nowadays. Both from historical, and the architectural points of view it should be noted enotheka in Alexander Chavchavadze's estate, constructed by bricks in XIX century which is famous with the unique collection of expensive wines. The most ancient drink of this collection "Polish honey" is dated 1814. Alexander Chavchavadze's private collection of wines, which is partially preserved until today, has 16.500 bottles of wine of 70 brands, among them is wine Saperavi prepared from the harvest of 1839. The wines produced at the winery of Chavchavadze in the XIX century, became popular as early as during his lifetime not only in Georgia, but also in Russia and Western Europe. Alexander Chavchavadze was the first Georgian, who made wine by the European technology. Based on the foregoing, Alexander Chavchavadze was the first enologist in Georgia. It is known that the French son-in-law of Mengrelian ruler Murat sent Mengrelian wine "Ojaleshi", produced in the village Salkhino, to the International wine tasting-competition in Paris, where it was awarded the highest award - the Grand Prix.

There is the unique wine reservoir in Kvareli region. It is situated in the tunnel made in the rocks. The length of this tunnel is 13.5 km. This reservoir maintains a permanent temperature in all the seasons (14-16°C). It is an ideal condition for wine ageing. Till today the Georgian fine wines are subjected to the process of ageing.

Brand wines made by wineries of Kakheti are worldwide known. Georgian wines "Tsinandali", "Kindzmarauli", "Manavis Mtsvane", "Saperavi", "Napareuli", "Mukuzani", "Khvanchkara", "Ojaleshi" and others are highly popular at the international level.

## 2. Modern trends of wine tourism development in Georgia

Today, many Georgian and foreign visitors are attracted by wine tours and other events held at the "Chateau Mukhrani". Along with fine wines, in the labyrinth of the Bagrationi family history, these events offer an unforgettable experience. "Chateau Mukhrani" appeared on the market in 2009 and today produces wines of 9 titles. 50% of the company sales come from exports. Wines "Chateau Mukhrani" are already sold in France, the Netherlands and Baltic countries. In 2007 at the International Competition "Concours Mondial 2013" the reserve of Mukhran Baton "Chateau Mukhrani" – Saperavi won the Grand Prix, and in 2010 - Rkatsiteli received the Gold Medal.

Today many large and small wine companies are functioning in Georgia. In most cases at these wineries the wines are produced by European technology. They are equipped with modern facilities. The latest technologies of winemaking are taken into account. Today, Georgian wines are sold in many countries around the world for its quality and taste do not give in to the best European wines. They have received many awards and medals at international exhibitions and markets. At Georgia wineries the tasting rooms are specially designed for the visitors. In the autumn of each year, after the grape harvest - Rtveli - the "Wine Festival" is carried out. There the guests are treated to wines and Georgian dishes prepared in their presence.

At present the treatment by wine is successfully used in many foreign countries: the USA, France, Italy where it is known as "enotherapy". In Georgia natural and pure wine had and still has a medical appointment. This is specified in many old manuscripts and books of home cures.

The famous TV journalist on winemaking Isabel Lezheron while visiting Georgia made the movie for Travel Channel. Mainly, Isabel Lezheron was interested in traditional Georgian wine making and, first of all, she emphasized the wine made by technology of the wine chans. Immediately after the film is on television (movies of Travel channel are going in 117 countries around the world in different languages), the awareness and interest in Georgian

wines will increase. This will make a great advertising to Georgian wines on the world market.

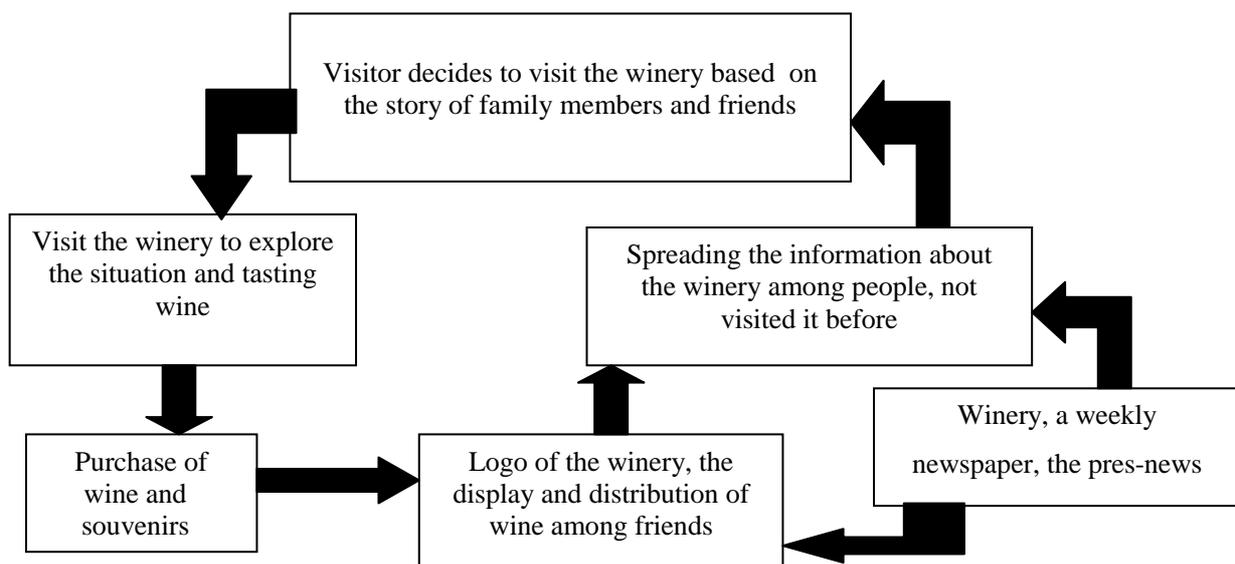
According to Sakstat (Department of Statistics of Georgia) in the first quarter of 2012 the volume of wine exported from Georgia was 3.614.1 thousands litres, and income – 10.3 millions of USD. The largest markets for Georgian wine are the markets of the European Union and CIS. Over the last few years a new market that has mastered Georgia is the Chinese.

In 2009-2011, 39.324.8 thousands litres of wine was exported from Georgia. The revenues from exported wine made up 127.2 millions of US\$, from which 54 millions is referred to the Ukraine.

According to the estimation of National Tourism Agency of Georgia, our country recently became

interested in not only the culture of wine, but also in the development of wine tourism sector. Soon tourists will be able to use the routes marked on special wine maps. Currently, the National Tourism Agency of Georgia is working to develop the wine routes, which consists of several phases: a description of the wine cellars and companies producing wine, based on their analysis of wine labelling and processing sites of tourist routes. In order to improve the service, sommelier and textbooks are already prepared for specialized guides.

The course of influence on the decision making process by visitors to visit the winery is displayed on the scheme.



Besides the Government of Georgia, the International organizations are also interested in the development of wine tourism in our country. Among these initiatives is the Economic Program of Increase (EPI) of USAID. Within this program an international expert Jessica Bell came to Georgia to promote wine tourism sector. She conducted trainings with the persons engaged in the tourism industry.

### The results

In recent years, the requirements for ecotourism strategy are expanded, including the search of service, which guarantees to get more benefits for the local community and indigenous people, especially in rural areas. These rural areas are mainly characterized by a rich biodiversity, which is a major asset for tourism.

The wine and food production and consumption are widely acknowledged global phenomena, dealt with

multinationality. One of the significant trends is the connection of local products consumption to their place of origin – the idea that a specific food or wine can be fully enjoyed and “understood” only if it is prepared on the territory of its origin, by people from that community, using local ingredients. Also the tasting of wine should take place increasingly in the same area of production, at the same time it provides an occasion to deepen the knowledge of the technology used for the production and preparation.

For the popularization of wine tourism in the global market the conducting of 33 World Congress of Vine and Wine in Georgia in June 2010 was very important. This congress was attended by more than 300 guests from 42 countries. The right to hold such an event have only countries with a tradition of winemaking, which gives the country the opportunity to gain fame.

Today there are many wine tours in Georgia. These tours offer: CGTT Voyages, Explore Georgia,

Discovery Tours, OMNES Tour, Vanil la Sky, Egzotour, Intertour, Caucasus Tour, Caucasus Travel and many other operators.

Wine festivals held in Georgia serve to the popularization of wine tourism. Particularly, in May, 2010 at the initiative of the Club of wine was held wine festival "The festival of new wine", on which the wines made from grapes harvested in different areas of the country were presented. Every autumn wine festivals are held in Kakheti where guests are treated to wine and immediately cooked food. At the same time folklore concerts and theatre performances are held.

## Conclusion

Out of the 2000 world famous grape sorts 500 are Georgian. All this once more confirms that Georgia appears to be the birthplace of vine and wine.

In Georgia the development of wine tourism is prevented by the two main factors - the incorrect marketing and old, still existing since the time of the Soviet Union equipment. Despite the fact that this outdated equipment does not affect the quality of the wine, it still is the disadvantage for wine tourism, as the foreign tourists are used to clean, lighting wineries. For the foreign tourists the plant is a part of the tourism and appears to be the scope of interest. Therefore, if the Georgian wines are designed to attract foreign tourists and therefore have the ability of competition, the plants need to be better equipped, as well as their proper packing is very important.

Based on the foregoing, Georgia has to find its own niche. The European market is chock full of wines made by European technology. So, Georgia needs to improve traditional methods of wine aging and easy to find ways to the world market offering semisweet or wines of Georgian wine pitchers (kvevri). Thus, our country will be able to keep the identity of their own wine and make it taste more modern.

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## SUMMARY

### **Wine tourism development in Georgia**

*Maka PIRANASHVILI, Vasil KIKUTADZE*

Agro tourism as an independent trend of the tourism was formed on the European continent in the second half of the XX century. According to this trend at the boundary of the XX -XXI centuries the following leader countries were marked in the world: France, Italy, Switzerland, Croatia, Cyprus, Greece, etc. The agro tourism unites both organized and non-organized tourists for the relaxation in village settings in order to be closer to the nature, to get acquainted with the traditions of village life style and farm production. Very often agro tourist is involved into village activities, he looks after domestic animals, cooks local dishes, takes part into grape squeezing, etc.

At present agro tourism is developing in Georgia especially emphasizing wine tourism in this field. Especially the tourists are deeply impressed by Georgian hospitality. The wonderful Georgian nature and culture such as the history, architects, folklore, Georgian kitchen and wines are added to it. The wine tourism has arisen a keen interest among the tourists and it makes up 5.5% of the visitors to Georgia (the study was carried out by BCG Research by the order of Georgian Tourism Department). In Georgia the main regions of wine tourism distribution are: Kakheti, Kartli, Racha, Imereti, Adjara, etc. By its special location, the historical past and wine culture the town of Signakhi is considered to be the centre for wine tourism in Kakheti.

There were primitive wine factories in Georgian churches and monasteries where the wine cellars and presses are still met. The wine cellar dated for IV century and the remains of wine factories existing in Ikalto monastery complex were found in Nekresi. On the territory of Alaverdi Cathedral Complex the oldest wine cellars consisting of 40 large wine jugs were discovered. The tradition of monastery wine preparing is going on nowadays. Both from historical, and the architectural points of view it should be noted enotheka in Alexander Chavchavadze's estate, constructed by bricks in XIX century which is famous with the unique collection of expensive wines. The most ancient drink of this collection "Polish honey" is dated 1814.

At present the treatment by wine is successfully used in many foreign countries: the USA, France, Italy where this treatment is known as "enotherapy". Also in Georgia the natural and pure wine had and still has a medical appointment. This is specified in many old manuscripts and books of home cures. Everything this once again confirms that Georgia is the native land of vine and wines. At present agro tourism is developing in Georgia especially emphasizing wine tourism in this field. Especially the tourists are deeply impressed by Georgian hospitality. The wonderful Georgian nature and culture as are the history, architects, folklore, Georgian cuisine and wines are added to it.

**JEL Classification:** R 11, R 12, Q 02.

## The Role of Innovation and Technology in International Business Environment

### Úloha inovácií a technológií v prostredí mezinárodného podnikania

Marcel KORDOŠ

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#### Abstract

*Innovations and innovation policies and strategies implementations are one of the most important aspects of current international economics and business development issues. It is the key not only to creating more jobs, building a greener society and improving quality of life, but also to maintaining companies' competitiveness on the global market and states'/economies' competitiveness enhancement within the international economics system. Technology has become internationalized. Technology is a double-edged sword for business offering many opportunities but also challenges. On the one hand, it opens up a variety of opportunities for business in terms of new products, processes, and markets. On the other, it leaves firms more open to a range of competitive threats such as takeover, increased competition and even to the theft of their technologies.*

#### Key words

*Technology, innovation, globalization processes, international economics, competitiveness enhancement, world economic triad.*

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#### Abstrakt

*Inovácie a inovačné politiky a implementačné stratégie sú jedným z najdôležitejších aspektov súčasnej medzinárodnej ekonómie a otázok rozvoja podnikania. Kľúčovým nie je len vytváranie väčšieho počtu pracovných miest, budovanie zelenšia spoločnosti a zlepšenie kvality života, ale aj udržanie konkurencieschopnosť na svetovom trhu a zvyšovanie konkurencieschopnosti štátov a ekonomík v rámci medzinárodného ekonomického systému. Technológie sa stávajú medzinárodnou záležitosťou. Technológia je dvojsečný zbraň - pre podnikanie ponúka veľa príležitostí, ale je aj výzvou. Na jednej strane sa otvára množstvo príležitostí pre podnikanie v oblasti nových produktov, procesov a trhov. Na druhej strane, firmy sú viac ponechané a otvorené voči celej rade konkurenčných hrozieb, ako čeliť zvýšenej konkurencii a dokonca aj krádeži svojich technológií.*

#### Kľúčové slová

*Technológie, inovácie, globalizačné procesy, svetová ekonomika, zvýšenie konkurencieschopnosti, svetová hospodárska trijáda.*

**JEL Classification:** F 23, F 63, O 31.

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#### Introduction

New technology is most visible in personal computers, mobile phones, portable digital audio players like the iPod, digital cameras, and high definition flat panel TVs produced by the information and communications industry but can also be seen in the products of other high-tech industries such as pharmaceuticals and biotechnology. Technology has become internationalized. Thus, consumer goods like mobile phones and BMWs can be seen on the streets of Mumbai as well as those of Berlin and Tokyo. Multinational companies, such as Microsoft, General Motors, and Fujitsu, transfer production technologies

from their domestic base to foreign operations and many like Nokia and Lucent take opportunities offered by the international environment to develop global research strategies, carrying out research and development both at home and abroad. Technology is a double-edged sword for business offering many opportunities but also challenges. On the one hand, it opens up a variety of opportunities for business in terms of new products, processes, and markets. On the other, it leaves firms more open to a range of competitive threats such as takeover, increased competition and even to the theft of their technologies.

The main aim of this paper is to figure out how and in what way the technology and innovation implementation processes can affect the international business environment in terms of further world economy social and economic development.

### Technology and innovation – theoretical exposition

There are a number of terms associated with technology and innovation and it is useful to have an understanding of them. *Technology* refers to the know-how or pool of ideas or knowledge available to society, it means it can be written down and transferred easily to others. In this way we talk about *codified (or explicit) knowledge* - the kinds of knowledge that can be expressed formally in documents, blueprints, software, hardware (Roy, 2009). On the other hand there is also *tacit knowledge* which is carried about in the heads of a firm's employees and therefore not easy to transfer. It is deeply personalized knowledge possessed by individuals that is virtually impossible to make explicit and to communicate to others through formal mechanisms. For example car mechanic who can tell the health of an engine machine from the sound it makes, or the bank manager who, through years of experience, develops a gut feeling for clients who would be a bad credit risk or the nurse knowing how tight to make a bandage (Appleyard, Field, Cobb, 2006). *Technological advance* comprises new knowledge and can lead to changes in how businesses behave, like how production processes are managed, how products are distributed and marketed and so on (Neumann, Žamberský, Jiráňková, 2010). *Research and Development (R&D)* refers to the discovery of new knowledge (research) about products, processes, and services, and the application of that knowledge to create new and improved products, processes, and services that fill market needs. *Basic research* has usually no commercial application, is funded by governments and undertaken in universities or research institutes. It can be very expensive and may produce no results at all. Companies are normally more interested in *applied research*, that is, activities intended to lead to new or improved products and has a commercial usage (Cihelková, 2009). *Innovation* is the commercial exploitation of new knowledge, developing new ideas into products and selling them on to customers. It is often measured by R&D spending or by the number of patents - a patent gives its owner the exclusive right to exploit the idea and gives it the legal right to stop others from using it. When firms come up with new ideas for products, processes, brands, these become part of their *intellectual property* (Filip, 2003). Lipková (2005) argues that the spread of innovation from one firm and industry to another, nationally and internationally is known as *technological diffusion* and

is shown by the growth of high technology exports, foreign licensing agreements, and the foreign ownership of patents.

Now we have to take a look *who innovates*. We can classify companies within the international business into five categories (Peng, 2009):

- Innovators - 3% of companies who are risk takers and technology enthusiasts always keen to be the first to try out a new technology.
- Early adopters - 15% of companies who want to gain a competitive advantage.
- Early majority - a third of companies they can deliver solid benefits.
- Late majority - another third who are extremely cautious and want to see concrete benefits before they accept a new idea.
- Laggards - about 1 in 6 who are resistant to new ideas.

The *rate of innovation* varies from sector to sector, industry to industry, by size of firm, and by geographical location. A larger proportion of manufacturing firms than service sector firms were technological innovators but it varies between countries. Innovation activity seems to be relatively high in Ireland, Denmark, and Germany but low in Belgium and Spain. By industrial sector, innovation is high chemicals, electrical and optical equipment, and machinery but low in the textile and leather industries. Firm size matters as well - the larger the firm, the more likely it is to be an innovator even in low tech industries. High technology industries include aerospace, computers and office equipment, radio, TV, and communications equipment and pharmaceuticals. A firm in these industries failing to respond, effectively to its technological environment runs the risk of falling sales, market share, and profits and even takeover or bankruptcy (Hamilton, Wepster, 2009). It is usually due to customer preference. There are some industries that are less sensitive to technological change classified as medium technology industries and include motor vehicles, electrical and non-electrical machines, chemicals, rubber and plastics products. The low tech industries are paper products, textiles, food, beverages and tobacco and furniture.

### Technological advance

*Technological advances* can come from a variety of sources both inside and outside the organization. New ideas for commercial exploitation may be generated in the wider environment by scientists and technologists working in universities or research centers, or from individual inventors. Big

firms in industries such as pharmaceutical and electronics have their own *R&D facilities* which generate ideas for new goods and services. Some firms may cooperate with domestic or foreign rivals where the costs of innovation are high. *Collaboration* can help lower the costs and risks of innovation and the commercialization of new scientific and technical knowledge what is an attractive strategy for small and medium sized companies. Examples can be a cross-border cooperation or joint venture. Firms often try to involve suppliers, distributors and customers into the innovation process and they create so called *supply chain networks*. Some companies look to *stakeholders* such as employees to come up with ideas for improving products and processes and workers are encouraged to find ways to be innovative. Finally, the *acquisition* of new machinery and equipment can be an important source of product or process innovation. The new equipment may require the business to change the way it produces the product or to produce new or improved products. (Wild, 2006)

Now there is a question what motivates business to innovate. Technical advance is driven by a complex combination of factors in the firm's external environment: the intensity of competition, relationships with customers and suppliers, and government policies. *Globalization* in the world economy has accelerated. The reduction in the barriers to the movement of goods, services, and capital across borders has meant that markets have become increasingly integrated, innovation has diffused much more quickly and technological competition has grown more intense. Increasing competition from emerging economies such as China and India has become an issue. Competition means that when one firm innovates, competitors may be forced to react, often in creative ways. Technological competition may drive firms to launch new products or even create, new markets. In this way technological competition begets more innovation and more competition (Snaar, 2002). The *increase in technological competition* makes life more risky for business because one of the persistent characteristics of innovation is that most attempts to innovate fail in the marketplace. The pressure to innovate comes from *customers or suppliers*. Car components producers get business on condition that they change their mode of operation to meet quality requirements. On the other hand, suppliers can be the instigators of innovation (Mühlbacher, H., Leihs, H., Dahringer, 2006). Increasingly *governments* have become aware of the importance of technical progress to the performance of their economies. To this end they can pursue policies which remove or mitigate the effects of some of the barriers or give a positive impetus to innovation. The regulatory framework can also be a positive influence. Stringent environmental and consumer regulation can force firms to raise their game regarding innovation.

The governments can promote the emergence of *industrial clusters* of associated firms including suppliers, customers, competitors and other related institutions that rivals in other locations do not have access to. According to Ivanička (2006) clusters allow firms to boost their competitiveness by taking advantage of the intimate knowledge of, and interaction with, other businesses located in the cluster usually through public-private partnerships.

Now we will try to found out the answer to the question why technology innovation is so important for international business. Technology opens up all sorts of domestic and foreign opportunities for businesses who are ready to take advantage of them. On the other hand, it can also pose many threats to firms who are unaware of, and unprepared for, technical change. The issue is that it is all about the *opportunities* to make business in global international environment and development. First of all there are *new goods and services*—firms can create new and improved goods and services, revive tired products and consequently penetrate new markets, and, as a result, can end up with powerful market shares. *Global organization* - technology makes it increasingly easy to extend globally and to integrate economic activity in many widely separated locations. Technology has thus facilitated the rapid growth of the multinational corporation with subsidiaries in many countries but with business strategies, production, and distribution still being determined and controlled by head office in a single nation (Šikula, 2009). *Small firms* - technology can make it easier for small firms to compete with large. Firms, producing for niche markets, can use the web to reach customers. *Freezing out competitors* - exclusive control of technology can give firms the ability to freeze out their rivals by excluding them from using the same knowledge or techniques. That is why in industries such as pharmaceuticals, IT hardware and software firms readily apply for patents which, if granted, will give them control of a technology. This can be a very powerful competitive tool in certain sectors such as IT software and hardware where there has got to be technical compatibility, between programs and equipment. Another tactic used by firms to exclude rivals is to get their technical standards accepted as the norm. *Licensing* - can be used to control the diffusion of a firm's technology and also to generate significant additional income streams (Fabuš, 2009). *Related products* - a firm with a powerful technological position in one product may be able to oblige purchasers of that product to buy related products thus generating additional income. *Increased productivity* - there is empirical evidence indicating that those countries and companies more rapidly adopting information and communication

technologies tend to show higher levels of growth in productivity. *Reducing costs* - The replacement of mechanical by electronic parts in the equipment economized on maintenance because electronic parts are more reliable than mechanical components. *Job design* - technology can facilitate the redesign of jobs and change the pattern of skills required by business. Technology can reduce the skill levels required which means that employers do not have to pay the same levels of wages and salaries (Jeníček, Foltýn, 2010). *Monitoring and control* what is going on in the workplace to use the data to evaluate the performance of individual employees, or teams. This process makes easier for firms to monitor employees who are working from home. Dunning and Lundan (2008) argue that *internal communications* by using e-mails and blogging to reach thousands of employees simultaneously. Workers are encouraged to use computers to exchange information. As a result the workforce becomes more knowledgeable and more willing to accept and adapt to new ideas and change. This approach is called learning organizations.

### Waves of innovations

With regards the history of international economics development we can talk about the *waves of innovations*. According to Hamilton and Wepster (2009) history has seen following waves of major innovations:

- The Industrial Revolution, starting in Britain in the second half of the 18th century, involving machines such as water-driven spinning jennies and looms.
- The next wave saw steam power being used to drive the machines used in the production of manufactured goods in the second half of the 19th century particularly in Britain.
- The third wave occurred at the end of the 19th century with enormous expansion in chemical industries with the introduction of products such as synthetic dyestuffs and high explosives. An important advance in communications occurred with the invention of the telephone.
- In the first half of the 20th century we moved into the age of oil and the application of electricity to industrial processes.
- The second half of the 20th century saw rapid developments in electronics, communications, computers, aerospace, pharmaceuticals, biotechnology, petrochemicals, and synthetic materials.

While explaining the ways of innovation process we have to bear in mind that basic prerequisite is the

technological change process which we will define now and will be analysed in the next part. *Technological change* is a form of learning - by observing, by doing, by using - how to solve specific problems in a highly differentiated and volatile environment. However, it is much more than a narrowly 'technical' process. Not only does it involve the invention of new things, or new ways of doing things, but also - more importantly - it depends upon the transformation of inventions into usable innovations, and the subsequent adoption and diffusion or spread of such innovations. In the economic sphere, this is essentially an entrepreneurial process. (Brakman, 2006)

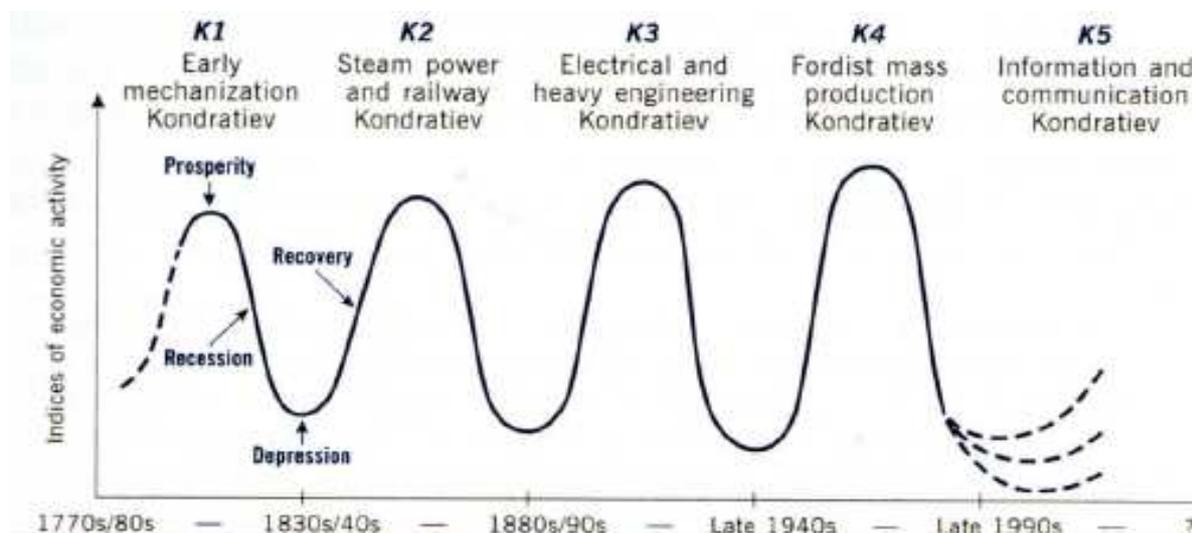
Theorists, like Schumpeter, have attempted to explain why technological innovation occurs in cycles. He built on the work of the Russian economist Kondratiev who had noted a tendency for economies to go through cycles of expansion and then contraction, each cycle or wave lasting around 50 years. Schumpeter argued that the growth phase of the cycle arose from a bunching of innovations that brought about a technological revolution and led to the creation of completely new markets and industries through the invention of new products, production processes, or the discovery of new sources of raw materials or energy.

The notion that economic growth occurs in a series of cycles or 'waves' goes back almost 100 years. One particular type of wave - usually known as a *Kondratiev wave (K-wave)* - is a long wave of more or less 50 years' duration. In Graph 1, four complete K-waves are identified; we are now in the early stages of a fifth one. Each wave may be divided into four phases: prosperity, recession, depression and recovery. Each wave tends to be associated with particularly significant technological changes around which other innovations - in production, distribution and organization - swarm or cluster and ultimately spread through the economy. Such diffusion of technology stimulates economic growth and employment, although technology alone is not a sufficient cause of economic growth. Demographic, social, economic, financial and demand conditions also have to be appropriate. At some point, however, growth slackens: demand may become saturated or firms' profits become squeezed through intensified competition. As a result, the level of new investment falls, firms strive to rationalize and restructure their operations and unemployment rises. Eventually the trough of the wave will be reached and economic activity will turn up again. A new sequence will be initiated on the basis of key technologies - some of which may be based on innovations that emerged during recession itself - and of new investment opportunities. Although there is disagreement over the

precise mechanisms and timing involved, each of the waves is generally associated with changes in the techno-economic paradigm, as one set of techno-economic practices is displaced by a new set. This is

not a sudden process but one that occurs gradually and involves the ultimate 'crystallization' of a new paradigm. (Dicken, 2007)

**Graph 1: Kondratiev long-waves**



Source: Dicken, P.: *Global Shift*. 5th edition. London : SAGE Publications Ltd. 2007. p 76

### Total productivity growth and R&D efforts

When we are talking about economic growth in terms of globalization we have to bear in mind three important aspects playing crucial role in *total productivity growth*. Firstly they are *endogenous R&D efforts*. The point is why technology increases. Some researchers emphasize the endogenous nature of technological progress, not only by arguing that such progress is the consequence of considerable R&D efforts by individuals and firms investing large sums of money and time in improving technology, but also by arguing that any economic growth model trying to explain our standards of living will have to model R&D efforts endogenously. *Nations* (governments and government agencies) play a primary role in *fundamental R&D* - that is, research which increases knowledge, without direct immediate practical applications. Most fundamental research is done at universities and in national research institutes. As Krajňáková and Vojtovič (2012) argue, *firms* play a primary role in *applied R&D* - that is, research that can be directly applied in new goods and services, together with process and product development actually to bring these new goods and services to the market. Successful firms can finance their investments in applied R&D from their market sales. Secondly, it is *knowledge*. It is a remarkable input, quite unlike the use of capital and labor. Knowledge, however, is in general a *non-rival*

input because as an input into the production process leads to increasing returns to scale. At last it is *innovation and market power*. Scientific and technical inventions require daring and imagination to be discovered by scientists and engineers. Schumpeter distinguished between *invention* (the act of discovery by scientists and engineers) and *innovation* (the act of implementing the inventions by entrepreneurs and firms). Innovation does not only mean bringing new goods and services to the market, but also activating new sources of supply, new forms of industrial and financial organization and new methods of production. Successful innovations cannot take place without firms exercising some form of *market power*. Firms and entrepreneurs incur high R&D costs. To make innovations worthwhile, they need a way to recoup these costs - that is, once they have successfully innovated they should be able to exercise some market power - for example, by patents, licenses, trademarks and the like - that allows them to earn an operating profit and sell their products at a mark-up over marginal production costs. Innovations by firms and entrepreneurs cannot take place without private market power: the economy would ultimately stop growing in the absence of some form of private market power. (Brakman, 2006)

### Conclusions

Innovation provides real benefits for us as citizens, consumers, and workers. It speeds up and improves the way we conceive, develop, produce and access new products, industrial processes and services. It is the key not only to creating more jobs, building a greener society and improving our quality of life, but also to maintaining our competitiveness on the global market. Innovation policy is about helping companies to perform better and contributing to wider social objectives such as growth, jobs and sustainability.

Globalization in general, and multinational companies in particular, are important vehicles for the international diffusion of new knowledge through their trading, investment, and competitive strategies. Their influence is illustrated by the international spread of lean manufacturing in the car industry. This sets out to eliminate waste and to decrease the time between receipt of a customer order and delivery.

In this paper we have shown how technology refers to ideas and knowledge that business can exploit commercially and assure the world economy sustainable development. The sources of new ideas on which companies can call are many and varied, ranging from universities and research institutes to competitors, customers and suppliers, and to employees.

Globalization and technology make foreign sources of new ideas more accessible and have made it easier for business tap in to foreign sources through, for example, cross-border R&D partnerships. Innovations tend to be concentrated in big firms operating in the high-tech manufacturing sector. The rate of innovation varies from firm to firm, sector by

sector and country to country. Companies in Japan generally spend more on R&D and take out more patents than firms based elsewhere. Firms are motivated to innovate by increasingly fierce competition from rivals, both domestic and foreign, other elements in the supply chain, developments in the ICT sector, and the policies pursued by governments. Technology offers opportunities to business organizations to increase their profits and growth through the introduction of new and improved goods and services and through changes to their production processes. Technology also helps firms to restructure their global patterns of production through investment in low cost locations or by subcontracting to cheaper suppliers. However, technology can also pose threats and challenges for firms particularly if they allow themselves to fall behind their competitors. Technological advance, because it involves change in products or production processes, is a risky business particularly for firms that do not manage change well. Finally the external environment offers business the means to protect its intellectual property although the degree and cost of protection can vary significantly from one country to another. In countries like China and some other South East Asian countries, where the level of protection is low, there are significant problems with the theft of IPRs (intellectual property rights), the counterfeiting of goods and the piracy of films, music, and books. Attempts to provide protection internationally haven been slow to progress and are relatively underdeveloped.

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## SUMMARY

## Úloha inovácií a technológií v prostredí mezinárodného podnikania

*Marcel KORDOŠ*

Inovácie a inovačné politiky a implementačné stratégie sú jedným z najdôležitejších aspektov súčasnej medzinárodnej ekonómie a otázok rozvoja podnikania. Kľúčovým nie je len vytváranie väčšieho počtu pracovných miest, budovanie zelenšia spoločnosti a zlepšenie kvality života, ale aj udržanie konkurencieschopnosť na svetovom trhu a zvyšovanie konkurencieschopnosti štátov a ekonomík v rámci medzinárodného ekonomického systému. Technológie sa stávajú medzinárodnou záležitosťou. Technológia je dvojsečný zbraň - pre podnikanie ponúka veľa príležitostí, ale je aj výzvou. Na jednej strane sa otvára množstvo príležitostí pre podnikanie v oblasti nových produktov, procesov a trhov. Na druhej strane, firmy sú viac ponechané a otvorené voči celej rade konkurenčných hrozieb, ako čeliť zvýšenej konkurencii a dokonca aj krádeži svojich technológií.

Inovácia poskytuje skutočné výhody pre nás ako občanov, spotrebiteľov a pracovníkov. Urýchľuje a zlepšuje spôsob, ako navrhovať, vyvíjať, vyrábať a prístupovať k produkcii nových produktov, postupov a služieb. To je kľúčové nielen k vytváraniu väčšieho počtu pracovných miest, budovaniu zelenejšej spoločnosti a zlepšovaniu kvality nášho života, ale aj k udržaniu našej konkurencieschopnosti na globálnom trhu. Inovačná politika taktiež pomáha spoločnosti k lepším výkonom a prispieva k napĺňaniu širších spoločenských cieľov, ako sú ekonomický rast, zamestnanosť a trvalá udržateľnosť. Technológia tiež pomáha firmám reštrukturalizovať svoje globálne výrobné vzory prostredníctvom smerovania investícií do málo rozvinutých regiónov alebo manažovania subdodávok od/k lacnejším dodávateľom. Technologický pokrok, pretože zahŕňa zmenu výrobkov alebo výrobných procesov, je riskantný najmä pre firmy, ktoré nie sú schopné dobre zvládnuť zmenu.

Globalizácia vo všeobecnosti, a najmä v rámci nadnárodných spoločností, je dôležitým motorom pre medzinárodné šírenie nových poznatkov prostredníctvom ich obchodovania, investícií a konkurenčných stratégií. Ich vplyv je znázornený medzinárodným šírením úzkej špecializácie výroby v automobilovom priemysle. To si kladie za cieľ odstraňovať prestoje a znižovať čas medzi obdržaním objednávky a dodávky zákazníkom.

V tomto príspevku sme ukázali, ako technológie sa týkajú nápadov a poznatkov, ktoré firma môže využiť komerčne a zabezpečiť svetovej ekonomike udržateľný rozvoj. Zdroje nových nápadov, na ktoré sa môžu spoločnosti odvolávať je veľa a sú rozmanité, od vysokých škôl a výskumných ústavov cez konkurentov, zákazníkov a dodávateľov k zamestnancom.

Globalizácia a technológie sprístupňujú zahraničné zdroje nových myšlienok a uľahčujú jednoduchšie pre podnikateľov získavať zahraničné zdroje, napríklad prostredníctvom cezhraničných partnerstiev centier výskumu a vývoja. Inovácie majú tendenciu sa sústreďovať do veľkých firiem pôsobiacich v oblasti high-tech odvetví spracovateľského priemyslu. Miera inovácie sa líši od firmy k firme, odvetvie podľa odvetvia a od krajiny ku krajine.

**JEL Classification:** F 23, F 63, O 31.

## TECHNOLOGY TRANSFER AND INSUFFICIENT STUDENTS' LANGUAGE COMPETENCES BARRIER

### *Transfer technológií a bariéra nedostatečných jazykových kompetencií studentů*

Jana HOLÁ, Andrea KOBLÍŽKOVÁ, Miriam LUKEŠOVÁ

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#### **Abstract**

*The European Union programmes see the target in creating a knowledge society as a necessary precondition of the European economy competitiveness. Knowledge and technology transfer is a hot topic of today. English is important for careers in research and development and that's why English should be a part of education for scientific careers. The Language Centre (LC) of the university prepared an analysis of the existing situation in terms of students' language competences. Based on the results the LC has brought a new concept of the Language Policy aspiring to address the crucial issues of students' language competence. The whole concept attempts to be broadminded and much more open in terms of the nature of core competences. It aims at creating an integrating and inspiring environment for natural language acquisition through hands-in experience in studies and research.*

#### **Key words**

*Language competences, English, Technology transfer, knowledge economy, scientific career.*

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#### **Abstrakt**

*Evropská unie si ve svých programech vytkla jako cíl vybudování znalostní společnosti jako nutné podmínky pro zajištění konkurenceschopnosti evropské ekonomiky. Transfer technologií a znalostí (KTT – Knowledge and Technology Transfer) je žhavým aktuálním tématem současnosti. Angličtina je důležitá pro kariéru v oblasti výzkumu a vývoje, proto musí být výuka angličtiny součástí vzdělávání pro vědecké profese. Centrum jazykového vzdělávání (LC) univerzity připravilo analýzu stávající situace v oblasti jazykových kompetencií studentů. Na základě výsledků LC přineslo novou jazykovou koncepci, která se chce zabývat zásadními otázkami jazykové kompetence studentů. Celý koncept se snaží být tolerantní a mnohem otevřenější, pokud jde o povahu základních kompetencií. Jeho cílem je vytvoření integrujícího a inspirujícího prostředí pro přirozené osvojování jazyka prostřednictvím praktických zkušeností při studiu a výzkumu.*

#### **Klíčová slova**

*Jazykové kompetence, angličtina, technologický transfer, znalostní ekonomika, vědecká kariéra.*

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**JEL Classification:** I 21, I 28, Z 18.

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#### **Introduction**

Knowledge and technology transfer is a hot topic of today when the industry based economy, typical for the 20th century, was substituted by the "knowledge economy". Their biggest difference rests in the fact the industry economy is based on productivity, while the knowledge economy is driven by ideas. The European Union programmes see the target in creating a knowledge society as a necessary precondition of the European economy competitiveness. From this point of view research and development centres become a significant economic subject. Technology transfer originated in the USA and the UK; the US saw the

outset in 70s and 80s of the 20th century thanks to a unique set of conditions. They included changes in trends of research funding, an accelerated pace of commercialization or heavier international economic. The UK strong tradition of technology transfer at universities is illustrated by so called Cambridge phenomenon. Cambridge in the 60s of the last century was a mere small town with a renowned university, however, lacking a developed enterprising sector. In 1963 there were approximately only 20 spin-off and start-up companies in the Cambridge area. Nowadays the region hosts 1500 high tech companies employing more 40 000 people, 250 of which were directly established by the university itself. The Cambridge region today ranks among the

richest ones in the UK, taking in 10% of all the UK civil research investment and 7% of all risk capital in Europe ([www.enterprise.cam.ac.uk/company-information](http://www.enterprise.cam.ac.uk/company-information)).

Universities in Central and Eastern Europe systemically grasped the technology transfer in the last decade. Nine new technology transfer centres appeared in 2012 in the Czech Republic within the EU programme “Research and Development for Innovations”, being a part of overall 20 technology transfer centres operating here. Their task rests in the enhancing of cooperation with the application sector, ensuring of the maximum protection of the university intellectual property and its appreciation, and creating of enterprising environment for students. Furthermore, the Czech Republic embraces 50 science and technology parks and business incubators, more than 50 research institutes of the Academy of Sciences, and besides these ones, provides space for operating of several hundreds of private research institutions. These figures clearly manifest the constantly growing significance of KTT.

KTT problem issues include an array of areas, starting from intellectual property protection, to stimulation of enterprising environments for students at universities, or setting spin-out companies. This article summarises potential opportunities of involving students in research and development activities in relation to their English communicative competence.

The University of Pardubice (UPa) has contacts both in the Cambridge technology transfer centre and other university centre in the UK. The British KTT specialists having been involved in the problem issue and relevant processes for years are willing to share the experience and help to boost the further KTT development in other European countries. However, a re-appearing problem seems to be in a language barrier. Not entirely simple KTT problem issues cannot be easily discussed with visiting academicians who, unfortunately, due to an insufficient language competence cannot thus make the most of the experience at these advanced technology transfer centres. They, being back home, therefore sometimes come to a deadlock in TT processes and their way to the aim becomes longer and more tortuous than it would necessarily have to be if they communicated more intensively with their experienced counterparts.

In spring 2013 Technology and Knowledge Transfer Centre (TKTC) (Centre for Technology and Knowledge Transfer of the University of Pardubice, reg. No.: CZ. 1.05/3.1.00/10.0217) let a research carried out to create communication and marketing strategies of the TKTC of the UPa in compliance with the existing strategic and programme documents of the

UPa, the aim being to create conditions for technology transfer development within the region and the UPa fields of study, and for the maximum effective commercialization of the R&D results achieved at the UPa.

## 1. The communication strategy and survey of student opinions

The marketing and communication strategy involves defining a communication strategy for the UPa students target group. To select and focus the communication channels appropriately a survey among the university students was carried out. The aim being to select suitable communication channels for the target audience, it was necessary to map a situation of both the students' attitude to technology and knowledge transfer and to innovations generally, and reflect the answers in the communication channel choice. The survey was held in the period of three weeks, from 18/2/2013 to 8/3/2013. The questions of the survey reflected the survey objective, the answer options were based on the experience of the Centre for Technology and Knowledge Transfer (CTKT) and on interviews with several randomly selected students of the UPa. The students answered the questionnaire anonymously on-line, the questionnaire was uploaded on the student Intranet accessible to all UPa students from any IP address. The questionnaire based survey employed the LimeSurvey inquiry system, which is used at the UPa for these purposes as a standard instrument. The results were exported and statistically processed.

The student sample does not reflect a stratified scope (in terms of the specific faculty of the student's studies) of overall student population of the UPa, forming merely 4% of the overall figure, nevertheless, it may provide a basic insight into the communication with the target group. Though all the students were addressed to complete the questionnaires, the respondent return amounted only to 388 student responses, bearing in mind a voluntary merit of the survey.

CTKT, aiming to mediate international research and development to the students, focuses therefore on an important issue in terms of students' ability, which is to absorb information and communicate in English. Thus, a part of the questionnaire elicited information whether students consider events and information provided in English acceptable. The students selected one option only. An overview of a selected option frequency within a sum of the responses is provided in Fig. 1

**Fig. 1: Frequency of responses of the students in terms of their accepting information provided in English**

Technology transfer information and events in English		
Answer	Quantity	Percentage
Acceptable for me	117	30,15%
I feel insufficient but can cope with it	137	35,31%
It is a barrier for me, I cannot cope with it. I require it in Czech	134	34,54%

Source: *The Communication Strategy of Centre for Technology and Knowledge Transfer of the University of Pardubice. Pardubice. 2013*

The responses show 35 % students feel a barrier and they require information in Czech, further 35% students feel insufficient. Altogether, 70 % students represent a target audience to whom it is important to deliver information in Czech. This major part is statistically confirmed as significant (*Test for frequency data confirmed statistically significant majority*). (Frederick, Gravetter; 2009).

The contingent table Fig 2 shows distribution of frequency of individual responses in terms of study programme degree levels. The relation between the

degree level of study and perceiving English as an impediment is statistically confirmed as significant (*Pearson chi square test at  $\alpha=0,05$  significance level confirmed contingency.*). Doctoral/postgraduate students, in contrast to the ones from other degree level studies, see information provided in English as acceptable; on the contrary, the other degree level study students mostly see it as a barrier. This part of the survey shows English can be used as a means of communication merely with the doctoral students.

**Fig. 2: Contingent table of distribution of frequencies in groups in terms of the study programme degree levels**

Degree level study programme	I feel insufficient but can cope with it	Acceptable for me	It is a barrier for me, I cannot cope with it. I require it in Czech	
Doctoral/postgrad	27%	70%	3%	100%
Master's/grad	35%	22%	43%	100%
Bachelor's/undergrad	38%	23%	39%	100%

Source: *The Communication Strategy of Centre for Technology and Knowledge Transfer of the University of Pardubice. Pardubice. 2013*

English is important for careers in research and development. Students also confirm this is a necessary qualification, as 86 % of them marked the following answer as positive: English should be a part of education for scientific careers. Subsequently, the university should provide students with English instruction within their doctoral/postgraduate studies to help them develop their English communicative competences.

Another result of the survey shows only doctoral students can be addressed and provided information in English, the other ones, on principal, in Czech. English, thus, may become a barrier of attendance as these students might not show interest in events provided in other language than Czech.

The UPa Language Policy draws on the Common European Framework of Reference for Languages (CEFR). The University long-term objective focuses on enhancing students' communicative competence, which is closely connected not merely with increasing students' education quality but also with their competitiveness in the labour market, and last but not least, with developing the research scientific potential of the university. The Language Centre (LC) of the university prepared an analysis of the existing situation in terms of students' language competences. Based on the results the LC has brought a new concept of the Language Policy aspiring to address the crucial issues of students' language competence.

*Fig. 3: Functional language competences in relation to the CEFR*

CEFR A1 - C2	Common European Framework of Reference for Languages
A1	<u>very basic, simple communication possible</u>
A2	you can handle <u>routine tasks</u> and <u>short social exchanges</u>
B1	you are able to understand the <u>main points of job-related and professional text materials</u> and enter into <u>simple conversations on familiar, everyday topics</u> . You can cope with everyday linguistic and cultural requirements involved in communication on campus and internship
B2	you can master your <u>studies</u> abroad <u>mainly receptively</u> . Oral <u>communication</u> and written performance will still <u>require assistance</u>
C1	you can pursue your <u>studies</u> in the target language <u>without major problems</u>
C2	you should be <u>able to master</u> virtually any <u>situation</u> both linguistically and inter-culturally. You can also write your <u>thesis, dissertation or a paper</u> in the target language

Source: *The University of Pardubice Language Policy 2013 – 2017. The Language Centre of the University of Pardubice. Pardubice. 2013*

The CEFR is a set of documents and descriptors (created by Council of Europe, 1989 - 1996) enabling teachers and assessors to evaluate language competence of learners of English. However, it is not only assessors who benefit from these documents, but more likely it is the users of English themselves who can thus self-reflect their level of communicative competence. The Fig 3 provides a brief overview of the core functional language competences allocated to particular levels of the CEFR (A1 - C2). This interpretation allows us to see the old-school Czech format of language evaluation often rested in focus on language accuracy, whereas the current concept of language evaluation rests in assessing the core functions the users are capable to perform actively and efficiently in their independent communication.

As the CEFR is a system used in all Europe and increasingly in other countries, we can retreat to it

easily and reliably in benchmarking. The bottleneck of the students' integration towards a more intensive R&D concept at the university can be clearly demonstrated in the following Fig 4 where competences of the UPa students are put in relation to the competences of particular levels of the CEFR, also to competences of another world-wide recognized scale – IELTS (the International English Language Testing System, in operation since 1989), to competences of the university counterparts in the tertiary education market (Charles University, Prague = UK, Masaryk University, Brno = MU, Palacky University, Olomouc = UP) and, also to competences declared by the scales of the “maturita” exams (secondary school-leaving examination).

Fig. 4: Profile of language competences of the UPa students

CEFR	IELTS	Zahraničí + UK, MU, UP	UPa Bc/ Mgr 12 /13	UPa PhD 11/12	Státní maturita	UPa 13/14	UPa 16/17
<b>A1</b>	1.0 to 2.5		11%			-	-
<b>A2</b>	3.0 to 3.5		40%			Bc	-
<b>B1</b>	4.0 to 4.5-5.0		46%		základní	Mgr <b>B1+</b>	Bc Př.zk. B2
<b>B2</b>	5.5 to 6.0-6.5	Bc	2%	66	vyšší	PhD	Mgr Př.zk. B2+
<b>C1</b>	6.5-7.0 to 8.0	Mgr/PhD	0%				PhD
<b>C2</b>	8.5 to 9.0	PhD	0%				

Source: The University of Pardubice Language Policy 2013 – 2017. The Language Centre of the University of Pardubice .Pardubice. 2013

As evident from Fig 3 and Fig 4, the minimum communicative competences necessary for operation in the field of research and development are allocated to the B2 level, which corresponds with the 5.5 – 6.5 points of IELTS. The IELTS scheme is also used for testing international students applying for studies in the UK, where, unless the level is reached, the students are not admitted to regular studies and are supposed to study English in a “foundation year”.

From the perspective of the Czech system of secondary education particularly notable is the fact that the expected basic level of the school leaving exam equals B1 and the higher level equals B2. In this light the current levels reached by the UPa students seem insufficient as merely 2% reached the B2 level.

To ensure competitiveness of the university graduates in a long-term perspective, the inevitable implication lead to a change in the language instruction scheme at the UPa in 2012/13 and, consequently, a new Language Policy (LP) is being introduced in 2013.

The crucial LP issues are the following:

- The original language instruction concept based on a required number of passed terms by a student was changed into a concept of

achieving required particular CEFR levels by a student before graduation:

- B1 in BA studies
- B2+ in MA studies
- C1 in PhD studies
- Language Centre restructured all language courses (more than 170)
- “Zero level” courses in English were eliminated in 2013 (“no beginners“ policy was introduced)
- The aim for 2016/17 is an obligatory summative exam at B1 during BA studies (3 years) and B2+ during MA (2years) studies
- Students have an option of a third language (facultative course)
- PhD students are provided tutorials focused on academic presentations and academic writing (both general and field specific), and are required to attend simulated scientific conferences in English where the scientific board comprises both their subject and

language teachers. The planned level increase curve reflects the following:

- 2013 – 14 – presentation of a conference paper at B2
  - 2014 – 15 – presentation of a conference paper at B2+
  - 2015 – 16 – presentation of a conference paper at C1
  - 2016 – 17 – presentation of a conference paper at C1
- Intentional gap was introduced between the minimum BA graduation level of English and the minimum level of the starting course at MA studies which opens a space for motivation and introduces a dual system allowing practical students to leave with a lower level of English, however, their colleagues aiming to continue in MA or PhD programmes may be encouraged to study intensively:
    - Minimum required undergraduate's level in 2016/17: B1
    - Minimum required applicant's level when entering graduate programme in 2016/17: B2
    - Minimum required graduate's level in 2016/17: B2 in English for Specific Purposes
    - Minimum required applicant's level when entering postgraduate programme in 2016/17: B2+ in English for Specific Purposes
    - Minimum required postgraduate's level in 2016/17: C1 in English for Specific Purposes
  - All the changes are introduced gradually in a three-year transition period

## Conclusion

The survey, carried out among students, shows English is a real barrier for students' involvement in R&D during their undergraduate and graduate studies. As Master's theses draw on the scientific research potential of the university, reaching higher levels of English communicative competence is most desirable. The UPa currently launches a new strategy in order to

enhance students' language competences to keep the pace with other European countries and ensure students competitiveness both in labour market and R&D.

CTKT organizes most events for students in Czech, e.g. lectures, workshops, consultations, and student competitions. If an event is organized in English, it appears a barrier issuing in much lower participation of students.

The student survey brought a positive result in terms of language levels of postgraduate students who play a key role in student research activities. This confirms also CTKT experience regarding postgraduate students who widely attend both field specific seminars in English and training sessions aimed at the use of research databases. Coping with the databases is an indispensable part of competence for research activities as their information content is conveyed in English.

Though increasing student language competence is not a major task of the CTKT, it caters for this need in various ways, e.g. via collaboration with students having experienced studies abroad, having improved their language competences and thus able to share and disseminate their experience and benefits these gained competences generate.

Postgraduate students are regularly invited to workshops and lectures in English and the importance of English proficiency is emphasized also during sessions of the SpinUp student club, established under the CTKT.

The Language Centre of the UPa organizes events in English, where both teachers and students are welcome and can mutually enrich themselves – starting from seminars, workshops, as far as to Language and Culture courses organized in cooperation with the School of Literature, Languages and International Studies of the University of Central Lancashire - either in the UK or in Spain where students live through the intercultural experience in English. The positive feedback issued in students' round tables and concrete effort to help their peers benefit from a similar experience.

The whole concept attempts to be broadminded and much more open in terms of the nature of core competences, trying to get rid of the non-productive, intimidating ways of language teaching. It aims at creating an integrating and inspiring environment for natural language acquisition through hands-in experience in studies and research.

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## SUMMARY

**Transfer technológií a bariéra nedostatečných jazykových kompetencií studentů***Jana HOLÁ, Andrea KOBLÍŽKOVÁ, Miriam LUKEŠOVÁ*

Průzkum prováděný mezi studenty Univerzity Pardubice ukázal, že angličtina je skutečnou překážkou pro zapojení studentů do výzkumu a vývoje v průběhu jejich prezenčního i postgraduálního studia. Aby studenti magisterského studia mohli více čerpat z vědeckého výzkumného potenciálu univerzity, je pro ně dosažení vyšší úrovně komunikativní kompetence angličtiny velmi žádoucí. V současné době zavádí Jazykové centrum (JC) UPa novou strategii s cílem zlepšit jazykové kompetence student a držet tak krok s ostatními evropskými zeměmi, zajistit studentům konkurenceschopnost jak na trhu práce, tak v oblasti výzkumu a vývoje.

V rámci CTTZ jsou zatím všechny akce určené studentům zatím převážně organizovány v češtině – přednášky, workshopy, konzultace, studentské soutěže. Bariéru potvrzuje podstatně nižší zájem studentů o účast, pokud je akce vedena v angličtině. Pozitivním zjištěním výsledkem průzkumu mezi studenty bylo zjištění dobré úrovně jazykových kompetencí v angličtině u doktorandů, kteří jsou nosnou částí studentské vědecko-výzkumné činnosti, nicméně. To potvrzují i zkušenosti CTTZ, kdy studenti doktorandského studia ve značné míře využívají jak odborných seminářů v angličtině, tak školení pro práci s rešeršními databázemi, jejichž ovládnutí je pro výzkumnou práci nezbytné a která disponuje informacemi v anglickém jazyce. Přestože zlepšování jazykové úrovně studentů není hlavní náplní činnosti CTTZ, je při plánování další práce se studenty tato potřeba zohledňována různými způsoby např. spoluprací se studenty, kteří absolvovali zahraniční stáže, zvýšili svoji úroveň angličtiny a v rámci jiných akcí sdělují své zkušenosti a výhody získaných kompetencí. Studenti doktorandského studia jsou opakovaně zváni na workshopy a přednášky v angličtině, význam ovládnutí anglického jazyka je zdůrazňován i při akcích studentského klubu SpinUp zřízeného CTTZ.

Jazykové centrum UPa pořádá akce v angličtině, kam jsou zváni jak učitelé, tak studenti a mohou se tak vzájemně obohacovat - počínaje semináři a workshopů, až po jazykově kulturní kurzy pořádanými ve spolupráci s The School of Literature, Languages and International Studies University of Central Lancashire. Kurzy se konají buď ve Velké Británii, nebo Španělsku a studenti tak mohou prožít mezikulturní zkušenost v angličtině. Pozitivní zpětnou vazbu mají pořádané kulaté stoly studentů, kdy konzultují se svými vrstevníky obdobné zážitky. Celý koncept se snaží být tolerantní a mnohem otevřenější, a pokud jde o povahu základních kompetencí, snaží se oprostit od neproduktivního a zstrašujícího způsobu výuky jazyka. Jeho cílem je vytvoření integrujícího a inspirujícího prostředí pro přirozené osvojování jazyka prostřednictvím praktických zkušeností při studiu a výzkumu.

**JEL Classification:** I 21, I 28, Z 18.

## DEVELOPING LINGUISTIC COMPETENCE; THE FOCUS ON COMPOUNDS IN BUSINESS ENGLISH

### *Rozvoj jazykovej kompetencie; problematika kompozít v obchodnej angličtine*

Zuzana FISCHEROVÁ, Miroslav FAŠANOK

#### **Abstrakt.**

*Jednou z dôležitých kompetencií komunikatívnej jazykovej kompetencie je podľa Spoločného európskeho referenčného rámca pre jazyky jazyková kompetencia. Jazyková kompetencia sa vzťahuje na slovnú zásobu, fonológiu a syntax. Pretože cieľom cudzojazyčného vzdelávania je schopnosť komunikovať v rôznych situáciách a ovládanie slovnej zásoby je základným predpokladom úspešnej komunikácie, venujeme v našom príspevku pozornosť tvorbe, výskytu, používaniu a interpretácii zložených slov v oblasti obchodnej angličtiny. Pomocou vyhľadávacieho nástroja Google sme na internete zisťovali, ako často a akým spôsobom sa vybrané termíny používajú na slovenských stránkach v slovenčine. Je nutné neustále sledovať nielen nové javy vyskytujúce sa v podnikateľskej sfére, ale zároveň rozvíjať jazykové kompetencie, ktorá nám umožňujú vhodne označiť tieto javy*

#### **Kľúčové slová**

*jazyková kompetencia, skladanie slov, zloženiny, význam, obchodná angličtina*

#### **Abstract:**

*Developing linguistic competence through increasing language awareness is an important part of general development of communicative competence. The paper offers some insights into the area of compounding as a process of introducing new words into the sphere of Business English. Compounds present a very large category in Business English since a number of notions in business language are formed from basic terms to reflect the constantly developing and changing world of business and economy. The attention is paid to the occurrence, meaning and translation of selected compound words. It is necessary to constantly follow not only new phenomena occurring in the business sphere but simultaneously develop linguistic competence which enables us to denote these phenomena appropriately.*

#### **Key words**

*linguistic competence, compounding, compounds, meaning, Business English,*

**JEL Classification:** Z 11, Z 10, F 59.

The Common European Framework of Reference for Languages (CEFR) characterizes a competence as a set of areas of knowledge, or aptitudes and skills and of attitudes and existential competences (CEFR 2.1, p. 9). The CEFR distinguishes general competences and communicative language competences. The term communicative competence (Dell Hymes, 1974) refers to a language user's knowledge of grammar rules, as well as the ability to use these rules in appropriate social settings. Canale & Swain (1980) have further divided communicative competence into four subcategories:

- grammatical competence referring to the knowledge of the structure and the form of language;

- discourse competence requiring knowledge of the rules of cohesion and coherence across sentences and utterances;
- sociolinguistic competence related to knowledge of the rules of interaction: turn taking, appropriate formulae for apologizing, appropriate requests;
- strategic competence regarding knowledge of the best use of the language that is not yet fully developed (ibid.).

In CEFR's definition, communicative language competence is composed from the following competences: linguistic, socio-linguistic and pragmatic competences. Each of these competences

is made up of knowledge, aptitudes and skills. Linguistic competence refers to lexis, phonology and syntax and other features of language systems (CEFR 5.2.1, p. 109 and CEFR 2.1.2). Socio-linguistic competence (CEFR 5.2.2, p. 118; CEFR 2.1.2, p. 13) is described as the ability to use language functionally in a social context. Sociolinguistic competence is an important component of intercultural competence which has currently gained a great deal of attention in the FL teaching/learning. Pragmatic competence (CEFR 5.2.3, p. 123; CEFR 2.1.2, p. 13) involves the functional use of language within interaction. Nowadays, the development of intercultural competence is emphasized.

The presented paper is focused on the development of linguistic competence and language awareness as an important part of communicative competence. Without a strong command of foreign language it is often impossible to clearly communicate what we want to say. Knowing the language, choosing the appropriate expression enables speakers to communicate effectively to a wide audience. Though the aim of foreign language learning is the development of learners' abilities to participate effectively in communicative situation, the steady improvement of linguistic knowledge should not be neglected. Within the wide area of linguistics we have aimed our attention at the issues linked to the occurrence, usage and translation of English compound words involved in Business English. Compounds present a very large category in Business English since a number of notions in business language are formed from basic terms to get a more suggestive structure. Though compound words in the field of Business English are a category that can offer incentive devices, very little work has been done in this respect. In English, particularly nominal compounding is extremely productive and is a common way of introducing new words into the lexicon.

Firstly, we will briefly clarify the process of compounding and look at basic classification of compound words. Compounding (sometimes also called composition) is one of the most productive and the oldest way of creating words in English. Libben (2006: 2) considers compounding as the easiest and most effective way to create and transfer new meanings. The process of compounding has been variously defined by scholars (Kvetko, 1999; Stekauer, 2000; Bauer, 1983; Plag, 2003; etc.) A simple definition looks at compounding as the combination of two words to form a new word. In Bauer's (1983, p. 40) view, compounding is "the formation of a new lexeme by adjoining two or more lexemes". In Plag's (2003) definition, a compound is a word that consists of two elements, the first of which is either a root, a word or a phrase, the second of which is either a root or

a word. In other words, compounding is the combination of two elements, which might be roots, words or phrases (the latter only as left members). Plag (ibid.) further explains that in the majority compounds the left-hand member modifies the right-hand member; e.g. a *film society*. The head, which generally refers to the most important unit, is modified by the other member of the compound. Bauer (1983) defines a compound lexeme as a form containing two potential stems, not two lexemes. As each stem contains at least one root, a compound must contain at least two roots. The resultant compound form may contain more than two roots in case, that one stem is a compound itself, as e.g., *wastepaper basket* (ibid. p. 29). Plag notes that there are compounds with four, five or even more members, e.g. *university teaching award committee member* (2003, p. 170). A new compound is often formed by stacking new words on an existing noun-noun compound. The longer a compound becomes the more difficult it is for the speakers/listeners to process, i.e. produce and understand correctly.

Compounding is usually classified according to the word class of the resultant compound into compound nouns, compound adjectives, etc. Štekauer (2000, p. 102) distinguishes between primary compounds (containing no verbal element as e.g., *table-tennis*, *school garden*) and synthetic compounds (second constituent is deverbal, derived by means of the suffix -er, -ing, or -ed as e.g., *language teacher*, *head-hunting*, *short-listed*) compounds. While synthetic compounds are fully predictable and regular, a verbless combination of nouns may have a large number of meanings.

As for semantic criteria, compounds can be referred to as exocentric (in the Sanskrit tradition *bahuvrihi*), endocentric, appositional and copulative (in the Sanskrit tradition *dvandva*) compounds (Bauer, 1983, p. 33). The first two notions define compounds on the basis of the presence (endocentric) vs. absence (exocentric) of a head constituent. In endocentric compound a head contains the basic meaning of the whole compound, and modifiers restrict this meaning. Endocentric compounds tend to be of the same part of speech as their head, e.g. *bedroom*, *airship*, *shop window*. Exocentric compounds do not have a head, and their meaning often cannot be guessed from its constituent parts, e.g., *cutthroat*, *breakfast*, *skinhead*.

Compounds can be also classified according to the nature of their heads. Thus there are compounds involving nominal heads, verbal heads and adjectival heads. Plag (2003, p. 142) sees classifications based on syntactic category as problematic since English words might belong to more than one category (e.g. *love* can be a noun and a verb, *blind* can be an

adjective, a verb and a noun, *green* can be an adjective, a verb and a noun). According to the type of composition compounds are classified as follows:

- Without any connecting element: *seaman*,
- With a connecting element (interfix): *craftsman*, *speedometer*, *Anglo-Saxon*

Compounds may appear in three different forms:

- as one word, e.g., *bedroom*, *takeover*, *payday*, etc.
- hyphenated, e.g., *tax-free*, *full-time*, *hand-free*, etc.
- as separate words, e.g., *sitting room*, *money order*, *account payable*, etc.

Nevertheless, the most common way of classifying compounds is by the function they play in the sentence as nouns (e.g., *globe-trotter*, *network*, *growth-rate*, *overheads*, etc.), verbs (*proof-read*, *head-hunt*, *to short-list*, *downsize*, etc.) adjectives (*full-time*, *low-budget*, *capital-intensive*, *ready-made*, *understaffed*, etc.), adverbs (*down deep*, *off hand*, *double-quick*, *over-night*, etc.), prepositions (*into*, *within*, *because of*, etc.), pronouns (*myself*, *somebody*, *anyone*, etc.), conjunctions (e.g., *whenever*, *so that*, *even so*, etc.).

Compound words are so common in English that often we don't even notice them e.g., *snowman*, *baseball*, *apple pie*, and *six-year-old*. It is only the correct written form of these words that makes us to think about the way these words are put together. The compounds that are familiar and have a common usage are referred to as lexicalized compounds and their meaning can be retrieved directly from the lexicon. However, deciphering the meaning of novel or less familiar combinations can be much more challenging. Gagné and Spalding (2006) define novel compounds as "... compounds that are not part of the language, but can be interpreted using knowledge of the constituents as well as knowledge about how the concepts corresponding to the constituents can be combined". The identification of the compound meaning appears to depend on whether the compound is semantically transparent. In other words, transparency, which is the extent to which a compound's meaning is predictable from its constituents, plays one of the main roles in identifying the meaning of a compound. For example, the contribution of *flexi* and *time* to the meaning of *flexitime* is clear. A word like a *break-up*, on the other hand, is semantically opaque because the meaning of neither of the lexemes contributes to the meaning of the entire word: a *break-up* is not a relationship that was severed into pieces in an upward direction but the ending of a personal relationship.

Apart from semantic transparency, there are the syntactic relations between the two constituents of compounds that assist in processing a large part of self-explaining compounds. In the compound *tin-pot*, the

concepts of *tin* and *pot* are combined to represent a single concept – a pot that is made of tin. Meanings of both components are fused together to create a new meaning which dominates the individual meanings, which can be illustrated as follows: A and B combine to give the combined element C. There is some additional meaning which is not found in any of the elements; e.g., *handbag* is a bag designed to be carried in a hand + additional meaning (a woman's bag to keep money, papers, etc.). However, often the meaning cannot be determined by combining the meanings of the parts, as e.g., a *wildcat strike* is not a strike of wild cats, nor does its meaning have anything to do with the words wild or cat. It is an unauthorized and illegal strike that occurs during the terms of an existing contract. In business English there are a number of compounds that are activated by metaphor and/or by metonymy such as e.g., *black market*, *price war*, *cash flow*, *parent company*, etc. The compounds that are semantically opaque are often original metaphors dealing with specific situations that aid in exploring specific economic and/or social problems such as *bull market*, *bear market*, *whistle-blower*, etc.

We will also look at the possibilities of rendering English compounds in Slovak language. As mentioned earlier, compound words are combinations of meanings linked to a particular aspect of objective reality. Owing to the different categorizations of the world by the speakers of particular languages, there are differences between lexical systems. The meaning of the compound is given by the meanings of its constituents and the relation between them. However, two language communities choose different combinations of meanings to describe the same element of reality. It follows that a complete equivalence between English compounds and their Slovak counterparts is rather unusual. Furthermore, as Kvetko (1999) points at, the occurrence of English compound words is much higher than of Slovak compounds.

The differences in the occurrence of compounds are influenced also by the different characters of English and Slovak. Though no language can be described as purely analytic or purely synthetic, English is regarded as a relatively isolating analytic language (Knittlová, 2003, p. 36) which contains more expressions of analytic, multiword character that can describe reality in a more detailed and explicit manner. Slovak language, as a more flective language (belonging to the group of synthetic languages, similarly like Czech), has limited possibility to express the meaning in such a condensed manner as English. Thus, in English, compound words are formed more easily as the compound constituents rarely change their forms.

The level of correspondence between English compounds and their Slovak equivalents can vary from total correspondence (e.g., *waterfall* / *vodopád*, *overtime* / *nadčas*, *workforce* / *pracovná sila*) through partial correspondence (e.g., *drawbridge* / *padací most*, *entrance examination* / *prijímacia skúška*, *shift work* / *práca na smeny*) to no correspondence (e.g., *outsourcing* / *najímanie externých pracovníkov*, *understaffed* / *majúci nedostatok pracovníkov*, etc). As can be seen, the meaning of English compounds can be rendered into Slovak in various ways, such as e.g., a one-word compound, two or more word equivalents, a noun or adjectival clause.

In the following part we will discuss the origin, occurrence, meaning and rendering in Slovak of some compound words selected from current Business English discourse. As the business world evolves, economy transforms through innovation and technological development, languages change and develop accordingly. New combinations of words occur as there is a need to denote or exemplify totally new phenomena (e.g., *ambush marketing*), to present new attitude towards already existing ones, to refer to the whole industry (e.g., *e-business*), etc. There are a number of compounds in business English that describe and explain reality in novel ways. These are often fresh combinations and interpretations of two elements, the first of which is a preposition, the second of which is either a root or a word. These compounds belong to the majority compounds where the left-hand member modifies the right-hand member as e. g. *underwrite* (from *under* + *write*). The head that refers to the most important unit (*write*) is modified by the preposition (*under*). This word represents a loan-translation of Latin *subscribere*. At first it was used literally (*to subscribe to, especially to sign or endorse (a document)*); the modern sense of the compound (*to accept the risk of insurance*) appeared in 1620s and is derived from notion of signing a marine insurance policy. There is another meaning (*to support by a guarantee of money*) that was recorded in 1890.

The term *offshoring* is one of the terms that have been used very often recently in the world of business. The word *offshore* has been used both as an adverb with the meaning *from the shore: seaward; also: at a distance from the shore* and as an adjective (*coming or moving away from the shore toward the water, e.g. an offshore breeze*) since the great seafaring days of the 18th century. Most recently the word has been used as a preposition that means *off the shore or coast of*. Though the preposition *of* is already built in the expression, it is preferred to tack it on as in e.g., *offshore of San Diego*. In the current economic discourse the term *offshoring* refers to the practice of moving of various operations of a company to another country for reasons such as lower labour costs or more

favourable economic conditions in that country. In order to find out how the term is used in Slovak language we have investigated Slovak websites through Google. The search has revealed that the term *offshoring/offshore* is either transferred from English (the original form is used, e.g. *offshore podnikanie*) or assimilated (inflected with Slovak endings, e.g., *offshoringová spoločnosť*, *dôvody offshoringu*). Our research has brought the following figures:

- *offshoringový* (adjective, partially assimilated, Slovak inflection -ový) 6x
- *offshoringu* (noun, partially assimilated, Slovak inflection -u) 1 440x
- *offshore podnikanie, spoločnosti* (adjective, noun, unassimilated) 73 900x

As the findings have showed, the compound *offshoring* often occurs as a partially assimilated expression in the Slovak language. However, the preferred way of using the term in Slovak is its original form.

Next, we will look at the compound *outsourcing* that is often used mistakenly instead of *offshoring* though there is a significant difference between the two terms. While *offshoring* means getting work done in a different country, *outsourcing* refers to contracting work out to an external organization. The term entered the business lexicon in the 1980s. In Slovak language the term is becoming more and more popular and occurs mostly in its original unassimilated form. The usage frequency of the term *outsourcing* as retrieved from Slovak websites through Google search is expressed in the following figures:

- *outsource* (verb, unassimilated) 484 000x
- *outsourcingu* (noun, partially assimilated) 31 364x
- *outsourcingová spoločnosť* (adjective, partially assimilated) 51 387x
- *outsourcing spoločnosť* (adjective, unassimilated) 742 000x

As we can see, in Slovak, the original form of the compound *outsourcing* significantly prevails. In the partially assimilated forms, the stem *outsource*, *outsourcing* is preserved and the word is inflected as an adjective e.g. *outsourcingová spoločnosť*, as a noun e. g. *využitie outsourcingu*.

New words usually arise in a response to a particular need, and majority of them have a single meaning and can therefore be translated out of

context, however, many of them soon acquire new (and sometimes lose the old) meanings. An example of an old word with new senses is the compound *benchmark* whose origin is in the field of geodesy referring to the chiselled horizontal mark made on a stationary object of previously determined position and elevation and used as a reference (in Slovak *nivelačná značka*). Nowadays, the compound *benchmarking* is frequently used to refer to the practice of providing a norm by which something can be measured or judged. In the business area, it is often a norm to judge one's performance as an individual or a company, or a standard measurement for evaluation of the performance of a portfolio, etc. Benchmarking is the practice of identifying, understanding, and adapting the successful business practices and processes used by other companies (or even other departments within the same company) to increase your own business success (Encyclopedia of Small Business, 2002).

Though the word frequently occurs in Slovak business discourse, there is no ready one-word equivalent in Slovak language. Having searched Slovak websites by Google we have found out that the compound *benchmarking* is usually transferred from English preserving English spelling, yet naturalised grammatically, with added Slovak endings – e.g. *metóda benchmarkingu*. The figures related to various Slovak renderings of the expression benchmarking follow:

▪ benchmarking	23 000 x
▪ benchmarkingu	4 430 x
▪ benchmarkingový (-á, -é, -ých)	245 x

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▪ benchmarking nástroj, test	216 000x
▪ benchmark	63 300 x
▪ benchmarku	91 800 x
▪ benchmark test	10 600 x
▪ benchmarkový	10 400 x

We would suggest to follow the practice of using assimilated forms of the English compound *benchmarking*, however, if the target recipients of the text are not experts in the field of business terminology, interjected Slovak paraphrasing (*zlepšovanie kvality metódou konkurenčného porovnávania*) would be appropriate.

In conclusion, we would like to emphasize that language as a living system adapts to meet the evolution in the world of business. New combinations of words enter languages in order to reflect our incessantly changing economy. It is necessary to constantly follow not only new phenomena occurring in the business sphere but simultaneously develop linguistic competence which enables us to denote these phenomena appropriately. In order to interpret and translate compound words properly it is useful to be aware of possible conceptual and semantic properties of the constituents of the particular expression and how these properties can be related to its meaning. Furthermore, Slovak versions of some new English compounds have been considered with regard to the level of their assimilation in Slovak texts.

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## SUMMARY

**Rozvoj jazykovej kompetencie; problematika kompozít v obchodnej angličtine***Zuzana FISCHEROVÁ, Miroslav FAŠANOK*

Podľa Spoločného európskeho referenčného rámca sa komunikatívna jazyková kompetencia skladá z jazykovej, sociálne - jazykovej a pragmatickej kompetencie. Jazyková kompetencia sa vzťahuje na slovnú zásobu, fonológiu a syntax. Naš príspevok sa venuje rozvoju jazykovej kompetencie, pretože táto je dôležitou súčasťou rozvoja komunikatívnej kompetencie. Cieľom cudzojazyčného vzdelávania je schopnosť komunikovať v rôznych situáciách. V našom príspevku venujeme pozornosť výskytu, používaniu a interpretácii zložených slov v oblasti obchodnej angličtiny. V prvej časti príspevku opisujeme proces tvorenia zložených slov a ich klasifikácii.

Obsah ďalšej časti príspevku tvoria pôvod, výskyt, význam a interpretácia niektorých vybraných zložených slov vyskytujúcich sa v súčasnej obchodnej angličtine. Našu pozornosť sme zamerali na zložené slová, pri ktorých je prvá časť slova tvorená predložkou. Tieto slová patria k väčšine zložených slov, pri ktorých prvé slovo modifikuje druhé slovo. Pretože zložené slová *offshoring*, *outsourcing* sa stali termínmi používanými v každodennej praxi, zisťovali sme ich pôvod, formu, frekvenciu ich používania a chýbám pri ich používaní.

V záverečnej časti nášho príspevku sme sa venovali zloženému slovu *benchmarking*, Tento termín patri k slovom, ktoré pri použití v obchodnej angličtine okrem svojho pôvodného významu nadobudli ďalší význam. Toto slovo vyjadruje normu, ktorá sa používa na meranie alebo hodnotenie výkonnosti jednotlivca alebo spoločnosti. Hoci je toto slovo v oblasti obchodnej angličtiny bežné, ak sa používa mimo odborného kontextu navrhujeme alternatívne vyjadrenie použitím parafrázy.

Potrebné dáta sme získali pomocou vyhľadávacieho nástroja Google na internete, kde sme skúmali internetové stránky v slovenskom jazyku. Môžeme konštatovať, že pri používaní uvedených zložených slov v slovenčine významne prevláda pôvodná anglická forma, pričom sú tieto termíny gramaticky asimilované pridávaním slovenských koncoviek.

Záverom by sme chceli zdôrazniť, že jazyk ako živý systém sa prispôsobuje vývoju vo svete podnikania. Nové kombinácie slov, modifikujú jazyky tak, aby odrážali neustále sa meniace javy v ekonomike. Je nutné neustále sledovať nielen nové javy vyskytujúce sa v podnikateľskej sfére, ale zároveň rozvíjať jazykové kompetencie, ktorá nám umožňujú vhodne označiť tieto javy. Aby bolo možné interpretovať a prekladať zložené slová správne, je užitočné mať na pamäti možné koncepčné a sémantické vlastností zložiek konkrétneho prejavu a ako sa tieto vlastnosti môžu meniť vo vzťahu k jeho významu. Okrem toho, slovenská verzia niektorých nových anglických slov boli považované s ohľadom na úroveň ich asimilácie slovenských textov.

**JEL Classification:** Z 11, Z 10, F 59.

## TEXT IN SELECTED LINGUISTIC THEORIES

### *Text vo vybraných lingvistických teóriach*

Lenka MANDELÍKOVÁ

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#### **Abstract**

*Text as a product of speech activity is created by carrying out of linguistic and non linguistic elements. From a linguistic point of view, text is understood as a course of linguistic symptoms. The origin of text linguistics relates to the communication - pragmatic turn in linguistics. A text is a language communication unit staying at the top of the language system hierarchy. To formulate the text definition fittingly has become the foothold at its analysis. The paper is focused on models of text analysis of some linguistic conceptions in accordance with the linguistic notion of text. The paper discusses selected linguistic theories dealing with text analysis. We will explain the term text and then basic text attributes. A text means a linguistic and communication unit that is a communication product. Text is at the top of the linguistic system hierarchy.*

#### **Key words**

*text linguistics, text, coherency, cohesion, selected linguistic conceptions.*

#### **Abstrakt**

*Text ako produkt reči činnosti je vytvorený prevedením jazykových a nejazykových prvkov. Z lingvistického hľadiska, text sa chápe ako kurz jazykových príznakov. Pôvod textovej lingvistiky sa týka komunikácie - pragmatický obrat v lingvistike. Text je jazykovokomunikačná jednotka stojaca na vrchole hierarchie jazykového systému. Vhodne formulovať definíciu textu sa stalo oporou pri jeho analýze. Príspevok je zameraný na modely textovej analýzy niektorých jazykových koncepcií v súlade s jazykovou pojmu textu. Práca sa zaoberá vybranými lingvistickými teóriami, ktoré sa zaoberajú analýzou textu. Bude vysvetlené termín text a potom základné atribúty textu. Text znamená jazykovú a komunikačnú jednotku, ktorá je komunikačný produkt. Text je na vrchole hierarchie jazykovej systému.*

#### **Kľúčové slová**

*textová lingvistika, text, koherencia, súdržnosť, vybrané lingvistické koncepcie.*

**JEL Classification:** Z 11, Z 10, F 59.

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#### **Introduction**

The origin of text linguistics relates to the communication - pragmatic turn in linguistics. A text is a language communication unit staying at the top of the language system hierarchy. To formulate the text definition fittingly has become the foothold at its analysis. The paper is focused on models of text analysis of some linguistic conceptions in accordance with the linguistic notion of text.

Text as a product of speech activity is created by carrying out of linguistic and non-linguistic elements. From a linguistic point of view, text is understood as a course of linguistic symptoms. This represents the Saussur term of linguistic symptom as a bilateral formation, i.e. the link between the indicated and the indicating (Saussure, 1989). On the other hand, a communication view is distinguished by characterizing a

unit *text* by the interpretation of the communication function. This interpretation is oriented on the term of ilocuted act on speech acts theory. In comparison to common usage of the word *text*, indentifying only written formulations in linguistics, the term *text* is not limited only to written linguistic units, but also to utterances.

The origin of text linguistics relates to the communication – pragmatic turn in linguistics after 1970. At that time, we can recognise the abandonment of system linguistics and the broadening of the subject of linguistics focused on communication (Helbig, 1991, p. 136). Text linguistics has been gradually developed as text syntax. The reasons for text linguistics development are that grammar was limited only to sentence that was not able to analyse linguistic signs such as word order and sentence order and linguistic communication was not formed only in terms of written texts, but also on the basis of spoken ones (in which the

text has the highest value). According to J. Dolník (2009, p. 69) the text linguistics in a wider sense can be identical with text theory and in a narrow sense be identical with text grammar. The precursors of text linguistics such as: rhetoric, stylistics, literary science and Prague Linguistic Circle. From a historic point of view, rhetoric and stylistics are philological disciplines whose relation to text linguistics is the strongest. It is because of the reason that the linguistic units, their investigation subject, present a unit which has emerged with a particular goal and is subordinated to a particular function. Both the disciplines point out the principles how those goals are built up and they notice the linguistic tools in mentioned composition. For us, it is important to use as a base the linguistic notion - text. Rhetoric is close to the pragmatic-communication approach and after the pragmatic-communication turn in linguistics, it has become more popular. As with literary science, here, the texts have always been its object. Literary work is the unique type of text. J. Ihwe (1972, p. 20 – 21) argues that the subject of literary science is a particular linguistic work of art, possibly a number of all such objects. R. Ingarden (1965) introduced the literary work structure along with four basic layers. He takes literary work as a unit consisting of several heterogenic layers that are different from each other. R. Ingarden underlined that the language helps creating the literary work and is the carrier of esthetical value qualities. He set aside four basic layers of literary work: the layer of linguistic sound units, units of meaning, portrayed subjects and schematic aspects. The last mentioned precursor of text linguistics is Prague Linguistic Circle dealing with the issue of mutual relation between linguistics and stylistics (will be discussed later on). The fact that the language is a communicative activity has been shown up in a retrogressive view as repeated rhetoric knowledge detection. In text linguistics, there are two main lines or conceptions, which raised from various goals; therefore, they describe their research subject – text differently. The first one is about linguistic and systematically oriented text linguistics and the second one about communication oriented text linguistics (see Mandelíková, 2012).

The paper discusses selected linguistic theories dealing with text analysis. Firstly, we will explain the term text and then basic text attributes. A text means a linguistic and communication unit that is a communication product. To formulate the definition of text fittingly, becomes an important foothold within its analysis. Text is at the top of the linguistic system hierarchy. It means that the highest reflective unit is not a sentence but a text. According to R. Harweg (1968, p. 148) „text is a succession of linguistic units created by constant pronominal chaining“. E. Gülich and W. Raible (1977, p. 47) understand the text as „a complex language sign formed according to language system rules (langue)“, however they claim that a sentence along with other sentences in the text is connected by means of text internal and external relations. A text internal sentence is a sentence by its syntactic structure (especially by the use

of a full meaning verb), often referred to as cohesion. A text external sentence is a sentence from a pragmatic point of view expressing a communication speech act, i.e. the author's intention and then an „external text would be a communication act“ (ib, p. 47). P. Ernst (2004, s. 173) understands text as a „language element - parole“. R. Harweg, E. Gülich and W. Raible with their definitions are the closest to the surface structure. P. Ernst apprehends text on the basis of a functional, ergo communication approach towards text. By defining the term of text we should take into account its semantic, grammatical and pragmatic aspect. We see a text as a meaning and functional complex unit formed by a theme. (Mandelíková, 2012).

Text integrity is associated with its communication completeness and definiteness. Information intended by a sender to be expressed is executed within the text. Text unity and integrity is affected by text composition, organization, and arrangement of its particular elements that meet a particular kind of text. The text homogeneity and integrity is made by text coherency, one of the most important text attributes. It is about text coherency, meaning connection in text. It is a distinctive feature of the text structure content. Its fundament is text meaningfulness, built up by text acceptability and intentionality. Connection, ergo text boundedness, is not only formed by coherency but also mentioned cohesion. That is linked to the text surface structure created by connectors as linking elements in text writing. Now we can describe particular text models of analysis of some linguistic conceptions.

### Glosematic theory

From language comprehension as an internally structured unit (system) it has entailed emphasizing examination of mutual relations among language elements. On the meaning and sound level, the substance, it means the material elements sum and the form, it means the sum of relations - the structure, has been distinguished. The form and structure have been examined more. Its preference meant the substance research of had been neglected. The functions of cases and word meaning have been underestimated. On the other hand, the overestimating of mutual relations among cases and among words, appears. Language form overestimating is typical of the Copenhagen school – glosematics. L.Hjelmslev (1971) is its basic representative. He was focused on the form, which he understood as a relations system among language signs and on the method that led to an exact, mathematical way of description. According to L.Hjelmslev, only the expression form and content form are the right linguistics subject. Glosematics has been viewed as the first approach to linguistics explicitly working with some mathematical model.

Glosematic theory includes two fundamental aspects of text linguistics. The first one is text as a

subject of linguistic theory. It consists in text being the object of linguistic scientists and linguistic theory. Texts are units of language as a system. Text consists of units with different relations between them. Relations complying with scientific analysis conditions are called functions by L. Hjelmslev. He sees a function as a relation between units. Units he splits between smaller elements. He separates text into sentences and each sentence into words. Each unit has its own meaning. L. Hjelmslev here speaks of a linguistic sign. The second significant aspect of text linguistics is the four level linguistic sign scheme. It proceeds from dividing a linguistic sign into its content and form and distinguishes between substance and form on both platforms – the expression platform and content platform. Content substance is a whole reality, content form is our psychic vision of reality. Expression substance is the physical language side and expression form is a psychic vision of expression substance or how we accept a language sign in process of communication (compare Gülich, Raible, 1977).

L. Hjelmslev created a brand new linguistic theory. He did not see the language as a collection of non-linguistic phenomena (logical and sociological), but he tried to see it as a single unit with its own regularities. His conception is difficult and requires abstract thinking. Glosematics faced criticism just because of its unilateral formal language approach.

### Tagmemics

Another important linguistic conception is tagmemics. The representative of this text model is K. L. Pike. The beginnings of his conception go back into 40's of 20<sup>th</sup> century. Tagmemics is close to Prague Linguistic Circle. It underlines language content. K. L. Pike respects the option to analyse content and form separately, but at the same time he underlines their unity. There are four basic pillars: the tagmem's concept, grammatical elements hierarchy, logical field concept and the connection of grammatical hierarchy with referential one. A tagmem consists of a function and form correlation. It is a particular element of certain language. The grammatical hierarchy means that tagmemics cannot see the level of sentence as the hierarchically highest unit. Each tagmem is structuralized and determined according to a particular way; for example, according to attribute or contrast. The logical field is the third pillar of text grammatical tagmemics. It involves two or multidimensional matrices, which broaden the traditional notion of paradigm in grammar. For instance, the verbal paradigms. In classical grammar, the present and past tense have their own paradigm. Here, K. Pike would set a matrix, where the first dimension would be created from persons, the second one would emerge from number and the third one from tenses forms. This kind of matrix could be multiplied by other matrices (negation, verb voice, conjunction), (compare Gülich, Raible, 1977). The last

concept is the connection of grammatical hierarchy with referential one. Here, K. L. Pike uses a matrix to relate dimensions grammatically to one another.

K. Pike assumes the language as a unique cultural phenomenon and a human activity component. He studies it in terms of human behavior within the cultural context. A human behavior is possible to describe from an ethical and empirical (phonetic and phonemic) view. The ethical viewpoint is objective. It is of the objective classification from the spatial and time point of view. The empirical viewpoint describes internal relations of a particular phenomenon, for example the language.

### Text constitution

In 1968 the publication of R. Harweg *Pronouns and text constitution* was issued. It was at the time of the blossom of transformatory grammar related to a sentence. R. Harweg works with the notions such as the substitution (replacement) and the syntagmatic dimension (course of text). The Harweg's text model conception represents three important components. They are syntagmatic substitution, macro syntactic components and the presence of speaking and listening persons in the text model. We now explain the fundament of particular issues. The syntagmatic substitution represents the emic and etic contrast. Harweg proceeds from the Pike's extension: „emic“ – perceiving from inside, „etic“ – perceiving from outside. The contrast of text immanent versus text transcendental refers to the opposition of text internal versus text external. The emic definition of text according to Harweg refers to the language system but not its execution. The etic text definition reflects the communicant (speaking and listening) even when performing the sticking out phenomena such as a stress or pause. It holds that what can be replaced, Harweg denotes by a term of „substituendum“ (p. 20), and what replaces is called „substituens“. Macro syntactic components are the second Harweg's components. It means the creation of one generally abstract unit towards less abstract units. The last element is the presence of speaking and listening persons for which it holds that they are not text immanent but can be text themed. As well, they can create a dialogue text and leave in marks text as communicants.

### Prague Linguistic Circle

We still proceed from the observing that text represents the highest language unit. The beginnings of exploring the over-sentence issue in Slovak linguistic tradition can be found in works on current sentence segmentation (context segmentation). Its connection to text syntax lies in examining the questions sloping a sentence or an utterance. A current segmentation is considered as a text syntax phenomenon. In the Czecho-

Slovak literature, the current sentence segmentation theory has been applied by E. Pauliny (1950 – 51). He followed the Czech linguistic opinions of V. Mathesius (1947). V. Mathesius differentiates current segmentation formally concerned with the sentence structure of grammatical parts as well as the ways how the current sentence segmentation is put into the objective relation to the sentence origin. For this reason, grammatical subject and grammatical predicate are understood as basic components of formal sentence segmentation.

In 1926, linguists had founded so called Prague Linguistic Circle (PLC). The PLC created a new linguistic theory and significantly affected the modern linguistics development of the 20<sup>th</sup> century. The key persons of this school include V. Mathesius, B. Havránek, J. Mukařovský and so on. Collaborators are for instance R. Jakobson a N. S. Trubeckoj. At the first congress of Slavic philologists in Prague 1929, there had been introduced *Theses*, forming the PLC program. It is a collective work interpreting the status of that time linguistics. *Theses* include the rules typical of this school. PLC underlined the functional language understanding and was focused on structural linguistics. It dealt with language functions and the language culture as well as analysing the differences between the written and spoken language. The issues of syntactic phenomena cannot be forgotten, particularly the current sentence segmentation theory elaboration. In the foreign language literature, current sentence segmentation is known as a functional sentence perspective. The Mathesius' articles *A few words on sentence fundament* and *About so called current sentence segmentation* are especially valuable in this direction. V. Mathesius here has in mind a sentence as a language formation (p. 227); however, he had introduced the principles of functional analysis. A sentence consists of two parts: the terminus a quo and core of the utterance. Then, terminus a quo was called the psychological subject and the core was the psychological predicate.

The PLC headed by V. Mathesius was disseminating that linguistics is science examining static language material in a certain period. Concerned with language analysis, all phenomena are linguistic material. According to the PLC, the language is a functional system of purposeful expression means (Mathesius, 1970, Vachek, s.35). Each functional way of speaking has its own language – the “langue” and each language has in a particular period its own lexical system. The literary standard language and spoken/ colloquial standard language represent expression means of the cultural life.

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Thus, in the language, functional linguistics recognizes a system of purposeful means determined by language functions. That is the ability how to meet the language function for instance in an essay or a dialogue. We add that Prague Linguistic Circle belonged to the most opinion creating schools over the world. Its chairman V. Mathesius highlighted a synchronous, non historical language approach.

## Conclusions

A text examination belongs to text linguistics. Today, text linguistics is understood as a single language discipline that follows the rhetoric, stylistics, literary science and Prague Linguistic Circle tradition. It examines texts as complex communication units. In the initial phase of text linguistics, the definition of text was rationalised grammatically. A text was a pronominal concatenation. Gradually, the perceptiveness of a text as a chain of pronominally connected sentences was replaced by a semantic point of view of text. As one of the most important text attributes, coherence is considered as semantic coherence in text linked to the semantic structure in text. Recipient understands text as coherent thanks to his/her preliminary language and non-language knowledge. If we understand the language as a means of communication, we have to take into account not only the semantic and syntactic viewpoints but also the pragmatic one. All those aspects do not work separately but they complement one another. We understand the term communication as an activity incorporated into the system of other human activities. A text is a communication unit. Thus, text analysis can be put into communication process. The language exists in the form of texts. A text is a unit limited by its communication function and belongs to social communication. At defining the term text, we think it is suitable to take into consideration the semantic, grammatical and pragmatic aspects. We see a text as a functionally complex language unit formed by theme.

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## SUMMARY

## Text vo vybraných lingvistických teóriach

*Lenka MANDELÍKOVÁ*

Vznik textovej lingvistiky súvisí s komunikačno-pragmatickým obratom v lingvistike po roku 1970. Vtedy dochádza k odklonu od systémovej lingvistiky a rozšíreniu predmetu lingvistiky so zameraním na komunikáciu. Predmetom príspevku sú vybrané lingvistické teórie, ktoré sa venujú analýze textu. Ako prvú lingvistickú koncepciu sme predstavili glosematiku. Preceňovanie jazykovej formy je pre ňu typické. Jej primárnym predstaviteľom je L. Hjelmslev. Glosematická teória zahŕňa dva podstatné aspekty pre textovú lingvistiku. Prvým z nich je text ako predmet lingvistickej teórie. Spočíva v tom, že objektom jazykovedcov a jazykovednej teórie je text. Druhý významný aspekt pre textovú lingvistiku je štvorúrovňová schéma jazykového znaku. Vychádza z delenia jazykového znaku na obsah a formu a rozlišuje medzi substanciou a formou na oboch rovinách, a to v rovine výrazu a v rovine obsahu. Ďalšou významnou lingvistickou teóriou je tagmémika. Reprezentantom tohto textového modelu je K. L. Pike. Tagmémika sa približuje Pražskému lingvistickému krúžku. Dôraz kladie na jazykový obsah. K. Pike rešpektuje možnosť analyzovať obsah a formu oddelene, zároveň zdôrazňuje ich jednotu. K. Pike pokladá jazyk za jedinečný kultúrny jav a súčasť ľudskej činnosti. Študuje ho v súvislosti s ľudským správaním v rámci kultúrneho kontextu. V poradí tretí model textu predstavuje tzv. konštitúcia textov. Reprezentant tejto teórie R. Harweg pracuje s pojmami substitúcia (náhrada) a syntagmatická dimenzia (sled textu). Koncepcia Harwegovho modelu textu zahŕňa tri dôležité komponenty: syntagmatickú substitúciu, makrosyntaktické komponenty a účasť hovoriaceho alebo počúvajúceho v textovom modeli. Platí, že to, čo sa môže nahradiť, označujeme termínom „substituendum“. A to, čo nahrádza, sa menuje „substituens“. Poslednou predstavenou lingvistickou teóriou je Pražský lingvistický krúžok (PLK), ktorý významne ovplyvnil vývoj modernej jazykovedy 20. storočia. PLK vyzdvihoval funkčné chápanie jazyka a orientoval sa na štruktúrnu jazykovedu. Zaoberal sa jazykovými funkciami, analyzoval rozdiely medzi písaným a hovoreným jazykom, venoval sa jazykovej kultúre. Nemožno zabudnúť na otázku syntaktických javov, konkrétne rozpracovanie teórie o aktuálnom vetnom členení. Jazyk je podľa PLK funkčný systém účelných výrazových prostriedkov. Predseda pražskej školy, V. Mathesius, zdôrazňoval synchronný, nehistorický prístup k jazyku. Text je jednotkou komunikácie, a preto možno zaradiť analýzu textu do komunikačného procesu. Jazyk jestvuje vo forme textov. Text je jednotka, ktorá je ohraničená svojou komunikačnou funkciou a patrí do spoločenskej komunikácie. Pri vymedzení pojmu text považujeme za vhodné zohľadňovať sémantický, gramatický a pragmatický aspekt. Text vnímame ako významovo a funkčne komplexnú jazykovú jednotku, ktorú utvára téma.

**JEL Classification:** Z 11, Z 10, F 59.

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