

Sociálno-ekonomická revue

Fakulta sociálno-ekonomických vzťahov,
Trenčianska univerzita Alexandra Dubčeka v Trenčíne

Vedecký časopis – Scientific Journal

Social and Economic Revue

Faculty of Social and Economic Relations
Alexander Dubček University of Trenčín

ISSN – 1336-3727

Sociálno-ekonomická revue Social and Economic Revue

Redakcia/Editorial office:

Študentská 2,
911 50 Trenčín
Tel.: 032/7 400 217, Fax: 032/7 400 403
URL: <http://fsev.tnuni.sk/revue>
E-mail: revue@tnuni.sk

Predseda redakčnej rady / Editor-in-chief:

Sergej Vojtovič – Alexander Dubček University in Trenčín, Slovakia

Redakčná rada / Editorial board:

Yuriy Bilan	University of Szczecin, Poland
Jiří Bláha	VŠB – Technical University in Ostrava, Czech Republic
Štefan Hittmár	Univerzity of Žilina, Slovakia
Jaroslav Holomek	Alexander Dubcek University in Trenčín, Slovakia
Aleš Gregar	Tomas Bata University in Zlín, Czech Republic
Karol Janas	Alexander Dubcek University in Trenčín, Slovakia
Marie Jurová	University of Technology in Brno, Czech Republic
Rolf Karbach	University of Applied Sciences, Zwickau, Germany
Jozef Koubek	University of Economics, Prague, Czech Republic
Ján Kútik	Alexander Dubček University in Trenčín, Slovakia
Jan Kramoliš	Tomas Bata University in Zlín, Czech Republic
Ľudmila Lipková	University of Economics in Bratislava, Slovakia
Gyula Mezey	University of Public Science in Budapest, Hungary
Ľudmila Mládková	University of Economics, Prague, Czech Republic
Valentinas Navickas	Kaunas University of Technology, Lithuania
Danuše Nerudová	Mendel University in Brno, Czech Republic
Drahomira Pavelková	Tomas Bata University in Zlín, Czech Republic
Eva Rievajová	University of Economics in Bratislava, Slovakia
Mirosław J. Skibniewski	University of Maryland, USA
Stefan Slávik	University of Economics in Bratislava, Slovakia
Jozef Stieranka	Police Academy in Bratislava
Herbert Strunz	University of Applied Sciences, Zwickau, Germany
Klaus Zapotoczky	Johannes Kepler University of Linz, Austria

Výkonný redaktor / Executive editor:

Marcel Kordoš - Alexander Dubček University in Trenčín, Slovakia

Časopis Sociálno-ekonomická revue vychádza štvrťročne.

The Social and Economic Revue is published quarterly.

Vydavateľ/Publishing house:

Fakulta sociálno-ekonomických vzťahov, Trenčianska univerzita Alexandra Dubčeka v Trenčíne.
IČO 00 31 118 259

The Social and Economic Revue journal is indexed in international scientific databases: *Index Copernicus*, *Central and Eastern European online Library (CEEOL)*, *EBSCO Publishing, Inc. - Business Source Complete*, *EconBiz*.

EV 3775/09

ISSN - 1336-3727

Sociálno-ekonomická revue

Fakulta sociálno-ekonomických vzťahov,
Trenčianska univerzita Alexandra Dubčeka v Trenčíne

Vedecký časopis – Scientific Journal

Social and Economic Revue

Faculty of Social and Economic Relations,
Alexander Dubček University of Trenčín



Ročník 14, december 2016, číslo 4
Volume 14, December 2016, no. 4

Obsah

Contents

ECONOMICS AND ECONOMY

BIOMASS CLUSTERS: PARADIGM SHIFT IN ECONOMICS METHODOLOGY 6

Valentinas NAVICKAS, Mantas SVAZAS

**ACHIEVING STRATEGIC AND SUSTAINABLE COMPETITIVENESS BY USING
THE STAKEHOLDER IMPACT ANALYSIS – THEORETICAL ASPECTS..... 15**

Claudia OGREAN

**ASSESSMENT OF THE PERFORMANCE OF THE MORAVIAN - SILESIAN
AUTOMOTIVE CLUSTER C.A. 26**

Hana ŠTVERKOVÁ

INTERNATIONAL ECONOMICS AND POLITICS

**PUBLIC SUPPORT FOR SMALL AND MEDIUM-SIZED ENTERPRISES ON
EUROPEAN UNION INTERNAL MARKET IN THE CONTEXT OF NEW BLOCK
EXEMPTION 38**

Monika MYNARZOVÁ, Radomír KAŇA, Małgorzata OKRĘGLICKA

HUMAN RESOURCES AND PERSONNEL MANAGEMENT

THE IMPORTANCE OF SOFT SKILLS IN LEADERSHIP 46

Silvia MIKEŠOVÁ

SOCIAL ASPECTS OF MANAGEMENT

**THE RELATIONSHIP BETWEEN SOCIAL ORIENTED CORPORATE SOCIAL
RESPONSIBILITY INITIATIVES AND CURRENT LIVING STANDARDS 54**

Nadiya GRAZHEVSKA, Alla MOSTEPANIUK

CONSUMER ETHICS AND SMALL AND MEDIUM ENTREPRISES IN SLOVAKIA 66

Zsolt HORBULÁK

**CORPORATE SOCIAL RESPONSIBILITY AS AN ELEMENT OF COOPERATION
BETWEEN NON-GOVERNMENTAL ORGANISATIONS AND LOCAL
COMPANIES 73**

Justyna KOGUT

PUBLIC ECONOMICS AND PUBLIC ADMINISTRATION, REGIONAL DEVELOPMENT

SYSTEMIC APPROACH TO INFRASTRUCTURE DEVELOPMENT FOR INDUSTRIAL INNOVATIONS IN A CERTAIN REGION 81

Jana KADLUBCOVÁ

PUBLIC ADMINISTRATION IN THE TERRITORY OF THE SLOVAK REPUBLIC UNTIL 1989 87

Eva KOIŠOVÁ, Jana MASÁROVÁ, Jozef HABÁNIK

POSITIONING OF A REGION AND SHAPING ITS IMAGE IN A GLOBAL ENVIRONMENT 95

Olena KOLOMYTSEVA

BIOMASS CLUSTERS: PARADIGM SHIFT IN ECONOMICS METHODOLOGY

Valentinas NAVICKAS, Mantas SVAZAS

Abstract

Clusters conception yet more than twenty years is successfully develop between scientists and apply in business when combine companies resources and ability. Exist various type clusters, who active in different production or service sectors, then they creative value is different. When develop green energy ideas, emerge biomass clusters, who can provide ecologic energy to society, and herewith create huge economic and financial benefit. But when apply methodologies, who let measure clusters benefit, confront with problem, that available methodologies insufficiently see to comprehensively create biomass clusters benefit, and this not let warrant full they researches objective. They need otherwise research methodology mechanism. In this article analyse biomass clusters, their specific and propose new methodologic approach to them extent benefit research and measure. Perform research enable authors ascertain biomass clusters specific and main internals; form research methodology for biomass clusters benefit evaluation; identify biomass clusters benefit creation directions by choose research instruments.

Keywords

Biomass Clusters, Economics Methodology, Clusterization.

JEL Classification: B41, Q42, O14

Introduction

When develop new business formations, who maintain a collaboration, emerge necessity research, which benefit this business structures can create not only their members. Separate clusters benefit aspects analyse some scientists. Bruneckienė, Pukėnas, (2008) analyse clusters benefit creation in regions. When is talking about benefit count methodology development, scientists suggests separate instruments, who can assist evaluate benefit creation in clusters. Especially more for methodologic point development to be of service international organizations – EU, OECD – create analytic and research instruments, who assist evaluate not only single companies, but also their formations. To examine economic literature find some separate instruments and methods, who assist evaluate clusters benefit creation for their partners, but unify methodology, who let analyse clusters activity benefit for partners and society is not exist, and all of this let propose, that this theme in scientific approach not yet significantly investigate.

This article introduce biomass clusters case, indicate, how can evaluate his benefit creation for society and cluster members, when invoke authors formulate economic methodology. Authors in the article indicated, which basic subjects constituted biomass cluster, which influence for this members and country economy his create, invoke separate obvious economic instruments form unify research methodology, who assist search, which quantitative benefit them and society create biomass cluster.

Methodology compose separate indexes complex, who involve both initial general data, and specific cluster activity data analysis.

The object of the particular study is: – Biomass clusters and their research paradigm

The aim of the study is: investigate biomass clusters specific formulating methodology for clusters benefit investigation.

The objectives of the study are:

- 1) Explore biomass clusters specific and basic characteristics;
- 2) Form methodology for biomass clusters benefit investigation;
- 3) Identify biomass clusters benefit creation ways.

The methods of the study are:

- Logic and comparative scientific literature analysis
- Synthesis and deduction
- Graphical analysis

The novelty of the study: clusters than comparative new business organization structures, primarily extent industrial production sector, and their usable in this area accumulate appropriate experience. But authors accomplished researches show, that this business inter-organizational connects form positively operate more industry sectors, in green energetic assume specific expression ant her research necessary other research methodology mechanism. Differently of other clusters, biomass cluster working results (services) directly improve in fact all country citizens and many business subjects. Thereby universally

usable clusters research methodology for biomass clusters in regard to need some transformations. Analyse biomass clusters research authors apply universally steady clusters research methodology and their ground form for biomass clusters benefit research require methodology. Upshot article author accomplished researches show, that biomass clusters change economic research paradigm.

Literature review – biomass cluster specific

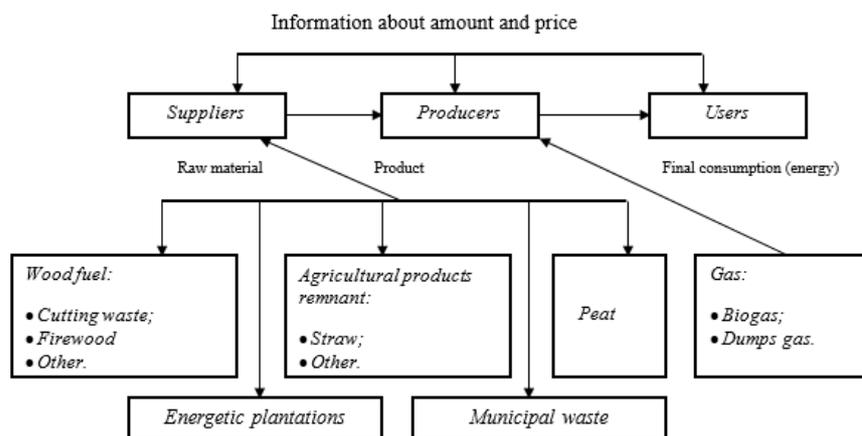
Cluster is business formations, mostly orient to export growth and new markets capture. Biomass cluster in this opinion is slightly different – cluster is orient to in country situated locally energy demand satisfaction, when invoke locally renewable resources. Clusters company mobility and ability satisfy several regions energetic needs is clusters strength, who evidence compare them with importable energy users or energy from fossil fuel producers. Herewith cluster can engage huge people amount, often without mandatory professional or highly education. Because cluster members must be stated near each other, in separate regions cluster can be one of the most employer, who attract various type employees.

Exclude main elements, who constitute biomass cluster and is required for successfully cluster working:

1. biomass source (straw, wood waste place);
2. biomass producers; biomass use equipment producers;
3. market, who use biomass and have the necessary network connects;
4. also essential, that all cluster elements geographically must will be stated near each other.

Ordinarily, clusters policy is practicable national or regional stage (Viederytė,2013). Theoretically, biomass cluster structure for society and business interests march opinion not yet fully investigate, because most developed countries yet active use fossil fuel for satisfy energy demands. In mid-developed countries alternative searches be most for economic and politic reasons. However observe, that when use locally biomass, is possible solve not only economic, but also social problems, reducing long-term unemployment level in most vulnerable social groups. This let avoid expense for social pay and increase incomes to regions and countries budgets by social insurance and citizens incomes tax form. In Figure 1 propose biomass market participants formation model, by that would be develop biomass clusters. Therein indicate basic subjects groups, also fuel, who basis can develop activity in cluster.

Figure 1: Biomass market participant’s formation model



Source: Tyla, Ramanauskas, (2008)

In the model involve all leading components – suppliers, producers and consumers. Also presentative all all possible biomass kinds, together include non-renewable peat fuel. Near all fuel types is on attachment wastes, who usable problem today is actual in globally. Suppliers involve all possible fuel types, producers on attachment final product – energy – production potential in biogas plats and dumps. All

this most respond to consumers, which is orient clear energy production. When countries use biomass, they seek enhance benefit for sustainable development, save environment and get benefit from waste consumption (Manzone, Airoidi, Balsari, 2009, p. 1261). Biomass cluster can be considered creative industry, and this industry dominate versatile professional perfection, when use new resourses and emerge a chance create new workplaces (Strunz, Vojtovic, 2014).

Because biomass clusters can be active entirely in regions, his assist solve particular problems, who especially actual less economic potential countries. In mid-developed countries clusters can help solve actual problem – workplaces in regions or villages lack. This is especially applicable production clusters, who is favourable build exactly further of regional centres, where is more land for require constructions or necessity resources (Sölvell, 2009). Distinguishable basic clusters expansion in regions determinant factors (Bruneckienė, Pukėnas, 2008, p. 461):

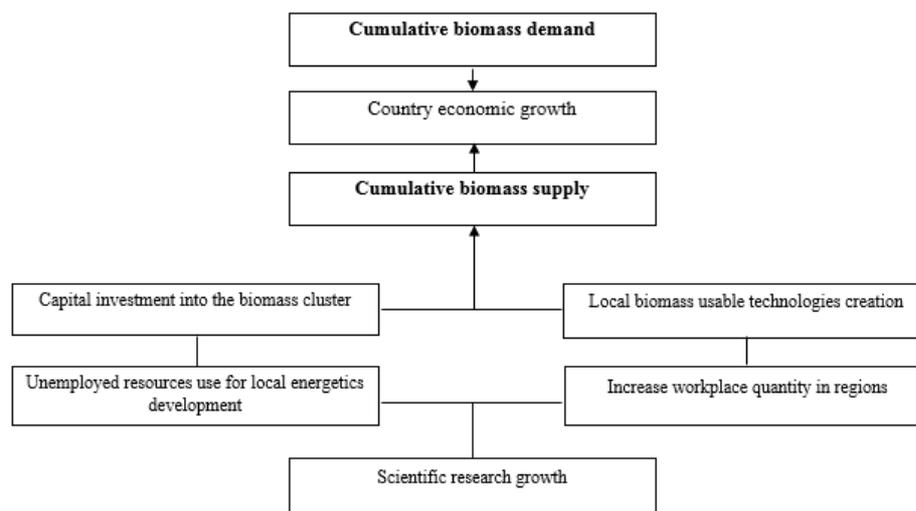
- Geographic economic activity concentration;
- New opinion to competitive an collaborate combination;
- Tight business, science and government collaboration;
- Explicate and for cluster activity fitted infrastructure;

- Favourable local government institutions policy clusters-wise.

Economic clusters concerned with not only with supportive institutions, but also assist support effective communication and warrant better opportunities to compete (Feser et al., 2009).

Biomass clusters specific and working principles determine, that clusters benefit for country economy is fairly obvious and versatile. Biomass cluster activity creation benefit feel both citizens and business, because when form new business way emerge opportunity acquire cheapen local production energy. Seeing biomass cluster is tall, to local market demand satisfaction orient formation, their influence for economic growth is different nor usual cluster case (Figure 2).

Figure 2: Biomass cluster influence for economic growth



Discernible this biomass cluster influence for competitiveness directions:

1. GDP increase. Biomass cluster encourages regional economy, because they use biomass wastes, and that serve importable fuel. That put create a new business market. If herewith create infrastructure object – biomass power-plant, - emerge opportunity additional increase GDP, because companies participate power-plant projection, construction and installation processes. When form a new market and sell biomass, the GDF growth rate will remain stable, because the energetic demand fulfilment need over better biomass arrangement. GDP increase is clusterization settle immediate benefit for country (Kettels, 2006).
2. Unemployment reduces. Often prevail a regions, who is long-term unemployment problems, therefore, that huge unemployed number compose low qualification peoples, which often not find any work. Biomass cluster assist solve this problems, because cluster activity compatible with unskilled labour force integration for the biomass fatigue purpose. When unemployment reduce, emerge opportunity diversify operative conditions and implements, and warrant operative conditions equality (Kettels, 2013).
3. Biomass cluster creates national budget income. They evidence through a VAT, engage employees taxes (income tax, social insurance), also profit tax. Especially increase VAT pickup, because form wood wastes recast to the energy

business and reduce energy resources import, increase the transaction number in the country and they will be taxable in the same tax, who later get in a country budget.

4. Changes of import structure. Expendable own biomass resources drastic reduce county energy import needs, also reduce gas consumption in towns. It would let achieve, that country foreign trade balance will go to surplus and money, who will be getting for reduce energy import from foreign countries, can be divert for enhance competitiveness.
5. Energetic independence consolidation. In this moment exist a situation, when countries produce the energy use gas or coal. This resources disposal just few countries. If for energy production will be using local biomass resources, situation to go into the melting-pot and it would let achieve, that several countries will be externally independent of energy production changes in energy export countries, also for gas supply kinks and politic shading, because a country certain energetic independence.

One of basic biomass cluster activity prop is permanent scientific researches, who allow constantly seek better energy production effectiveness and rationally use available fuel. When perform scientific researches, increase cluster create additional value, emerge opportunity effectively use disposable biomass resources.

Biomass cluster influence for economic is very tall involve separate economic and social aspects. Expendable available local raw produces may not only certain require energetic independence for country, but also create new workplaces in periphery, who see long term employment problems. On purpose investigate biomass clusters noticeable, that need a corrections, who can assist evaluate regions financial and economic potential, also possible social benefit. Thus emerge paradigm shift, who change research internal.

Methodology and research

For research perform invoke that methods, who assist clearly show biomass usable economic benefit for country extent. Methods also help ascertain, which country regions most worth develop biomass clusters ground maintain business, because emerge necessity research available resources amount and recent their amount for energy production. When search raw materials potential, then evaluate investment, their size and buy off. On purpose perform article objectives accomplish statistical analysis, comparative

analysis, benefit and costs analysis. By way ascertain, how biomass usable affect country economy, necessary see exist raw material and production potential. That important evaluate, because will be can establish exact influence for country in economic approach. For potential resort negative influence can have constantly change market situation and conjuncture. Because both strategic resources, and strategic potential aspect can talk about their usable grade. They will show make and realize production amount and strategic potential size ratio. This index calculate by formula (Ginevičius, Andriuskevičius, 2000):

$$MP = \frac{SP}{SPUG} \quad (1)$$

MP – Made production; SP – Strategic potential; SPUG – Strategic potential use grade

When evaluate raw materials potential, also necessary evaluate employment situation in region. To employment level look through biomass sector prism – look to today exist employment in biomass fatigue sector. Location Quotient is more wide pervade regional industrial cluster identification and their comparative concentration evaluate instrument. Index calculate by formula:

$$LQ = \frac{\frac{E_{ij}}{E_j}}{\frac{E_{in}}{E_n}} \quad LQ = \frac{\frac{E_{ij}}{E_{in}}}{\frac{E_j}{E_n}} \quad (2)$$

E_{ij} – employment i industry j region; E_j – general employment j region; E_{in} – national employment i industry; E_n – general national employment.

If LQ exceed 1, this show, that comparative employment in particular region in particular manufactory way is higher than average country employment. If LQ exceed 1,25, this show regional specialization in particular manufactory sector.

Other indexes is committed for second research stage – benefit and costs analysis and investment to biomass cluster activity evaluation. In this case penetrate at country level, when use information, who get in region analysis. In biomass cluster case investment normally distinguish for new burning equipment construction, also fuel supply for burning mechanisms function warrant. Benefit and costs analysis comprise from financial, economic and sensitivity analysis, who evaluate separate benefit aspects and environment influence for general financial and economic result.

Initial costs and benefit analysis stage is financial analysis, whose time discernible investments, operating costs and financial cluster benefit, who normally convey final production sales indicators. In financial analysis analyse discount cash flow, near

investment invoke possible financial benefit data. In research choose 25 years period, this while is normally for energetic projects evaluation.

First index is from financial analysis indexes group. Financial net present value is calculate by formula:

$$FNPV = \sum_{t=0}^n a_t S_t = \frac{S_0}{(1+i)^0} + \frac{S_1}{(1+i)^1} + \dots + \frac{S_n}{(1+i)^n} \quad (3)$$

a_t – financial discount factor in t time period; S_t – cash balance in t time period i – inflation rate.

Near FNPV index require evaluate financial rate of return, who let see, or through all analyse period project will bring tangible benefit for cluster members. Index have obvious evaluate line, who show, when undertake investment project is

significant, and when best find more useful investment alternative. Financial rate of return calculate by formula:

$$0 = \sum \frac{S_t}{(1 + FRR)^t} \quad (4)$$

S_t – net income in t years FRR – Financial rate of return.

Conventional, that investors acceptable return rate is 5 %. If index value is less, impose investment for this project is not recommended, or it must be reconsider, that will be find means, who let achieve better project financial effectiveness and return rate.

who show investment meaning, when is various economic situation. If $PI = 1$, investment profitability correspond effectiveness standard (comparison norm). Index apply just financial analysis on purpose show, how it will be profitable for project investors. Profitability index calculate by formula:

Another benefit and costs analysis add index is profitability index (PI). This is comparative indicator,

$$PI = \frac{\sum_{k=1}^n \frac{P_k}{(1+i)^k}}{\sum_{t=1}^n \frac{IC_t}{(1+i)^t}} \quad (5)$$

P_k – Net profit, who get from main activity k in period i ; IC_t – Basic investment in t period

Next benefit and costs analysis part is economic analysis. This analysis indexes calculation is very similar to financial analysis indexes evaluation, but in this case usable economic benefit data, who essentially different of financial analysis data. Economic benefit is named welfare, who create for country and society. Economic analysis distinguish, that both initial investment, and operating cost recalculate by conversion factor, evaluate grey economy or market prices, who prevail in country economic life. Economic benefit often concerned with social benefit, when pending particular problems, such

as long term unemployment, waste arrangement, etc. Biomass cluster distinguish more economic benefits, who feel not only country, but also citizens, especially regions places.

Evaluating cash flows use similar methodical, than financial analysis, just is particular differences. Economic net percent value (ENPV) calculation take social discount rate, with that evaluate, how change benefit creation for society per year. Evaluate just general economic benefit, who get assess separate benefit components. ENPC calculate by formula:

$$ENPV = \sum_{t=0}^n a_t S_t = \frac{S_0}{(1+i)^0} + \frac{S_1}{(1+i)^1} + \dots + \frac{S_n}{(1+i)^n} \quad (6)$$

a_t – economic discount factor in t time period; S_t – cash balance in t time period i – inflation rate.

On purpose analyse in clusters underway projects economic benefit for society calculate economic rate of return (ERR). This indicator show project benefit not investors, but society and country, then this let

objectively evaluate cluster economic influence for their surrounding environment. ERR evaluating by formula:

$$0 = \sum \frac{S_t}{(1 + ERR)^t} \quad (7)$$

S_t – net income in t years ERR – Economic rate of return.

Because economic biomass cluster benefit is separate on financial benefit, not obvious convey evaluation scale, by that will be possible indicate suitable economic rate result for society.

Importantly, that result will obtain positive way, because in other occasion can emerge a question for project economic harmful. In this occasion emerge necessity reconsider project and evaluate, how change

$$\frac{B}{C} = \frac{PV(B)}{PV(C)} \quad (8)$$

PV (B) – Present value of benefit; PV (C) – Present value of costs

Separately infrastructure and supply investment evaluation calculate accounting rate of return (ARR). Index exceptional, that for evaluation use liquidation

$$ARR = \frac{PN}{0,5(IC - RV)} \quad (9)$$

PN – profit; IC – investment costs; RV – residual value

Available all research require evaluation instruments can penetrate at results analysis. First research stage concerned with regions analysis and their stock biomass potential and usable detection. Evaluation instruments and results indicate before obvious convey cluster orientation to local energy demand satisfaction instead new foreign markets capture. Then evaluation paradigm orient to separate countries regions and investments to them. Research accomplished sustaining data for Lithuania and example, who can keep general case. In this country through last-mentioned six years biomass usable amount increase 50 %. Country fully provide biomass and have huge biomass reserves. In great cities for heat production yet use natural gas, meanwhile regional municipalities invest to biomass usable, reduced gas and fuel oil burning amount. Country is suitable evaluate clusters paradigm shift, when business subjects, who collaborate to cluster, try for fully energy demand satisfaction for regions, when use locally resources.

Noticeable a tendency, that high regional concentration distinction a regions, which forestry level is over 40 %, and dominate fuel type of energy production is biomass. This regions unemployment level is till 13 % and many cases is less nor regions, who regional concentration in this sector is low. In this case present example, how calculated highest RQ in possession of municipality result.

general economic situation in region or country, when begin functioning project time realise decisions.

When in clusters available projects benefit and costs data, is possible evaluate this indexes ratio. Proportion is important, because can see, how all analyse period divide financial and economic benefit, investment and operating costs. Benefit and costs ratio in investment project calculate by formula:

value, who infrastructure and supply instruments is different. Indicator calculate by formula:

$$LQ = \frac{\frac{E_{ij}}{E_j}}{\frac{E_{in}}{E_n}} = \frac{\frac{131}{6100}}{\frac{10076}{1319000}} = 2,811$$

This municipality distinguishes that their forestry level is 59, 5 %, and dominate fuel type in this region is biomass. This situation shows that the biomass fatigue sector engage enough employees amount and herewith prepared biomass from wastes expendable municipality energetic needs serve. Unemployment level in the region is 12, 7 % (2015). Computationally made production amount noticeable, that Lithuania has huge biomass resources, who at this moment not fully use.

Appreciable opportunities to create biomass cluster, is necessary evaluate now expendable fuel amount and exist their potential. In practice all Lithuania regions exist favourable situation to create biomass cluster, because just less biomass potential part is expendable in this moment, so cluster not lacking a fuel for energy production. Even these regions, where forest is comparatively few, they not full exploitation, so use wood wastes can not only provide heat for towns, but also can produce electricity. In this case invoke the same municipality information.

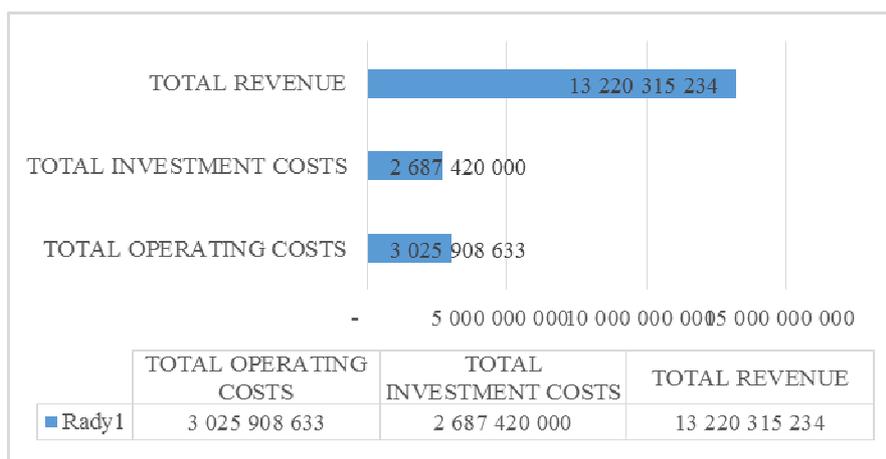
$$MP = \frac{SP}{SPUG} = \frac{7710000}{70300} = 109,61$$

Results show, that strategic potential use grade is not high, however municipality can fully serve their heat energy demand. Given the opportunity, possible fuel export, who help cluster activity in the region

make more effective and additionally useful for cluster members.

Concentrate information, concerned with regions, penetrate at investment evaluation. First evaluating investment, operating costs and incomes sum. In biomass clusters case, most investment divert to new plants construction, and most operating costs compose fixed exploitation costs and employees costs (Graph 1.).

Graph 1: Biomass cluster financial analysis results



Observable, that all analyse period general incomes from biomass usable for energy production is almost thrice higher nor investment and operating costs. This show, that investment project is useful for their investors and bring tangible benefit. Most incomes part generate heat energy sale, important part also constituted electricity sales. When will construct new power plants, reduce squander energy amount, and this allow much more increase cluster income. Observe data is see, that especially important place take investment. This is basic biomass cluster oneness for other clusters aspect – invest more finance, who assist try create new value in the country.

Traditionally certainly, that cluster concentrate resources seek go to new markets. In this case resources is not only concentrate, but is create new market – biomass usable for energy production market, where processed biomass is burning in new biomass boiler-houses and power plants. Cluster take substantial position in all market – form biomass fatigue to consumption.

Comparative indicators analysis results confirm benefit and costs analysis penetrate trends. In financial approach for investors is useful, because cluster govern all supply chain and have fixed consumption flow (Table 1).

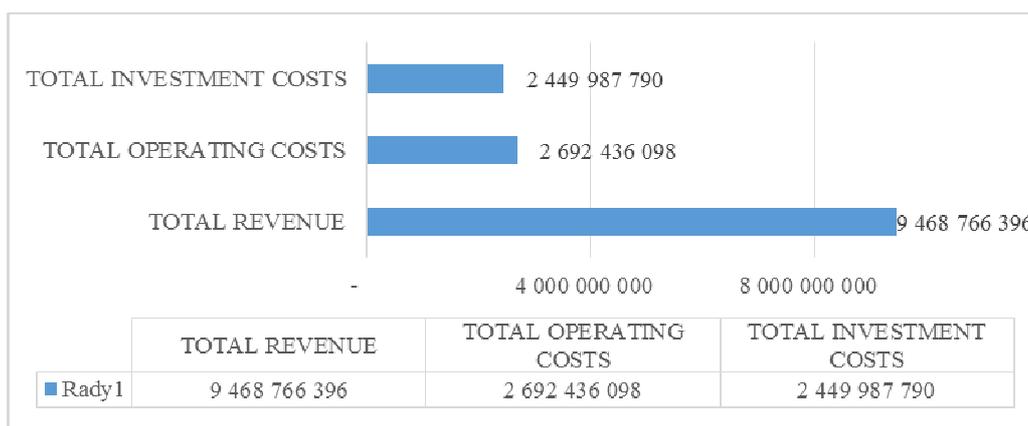
Table 1: Biomass cluster financial analysis comparative indicators

FNPV	4.984.982.635 EUR
FRR	17%
PI	2,81
B/C	2,430
ARR	10,93 %

All analyse indicators is much higher nor their recommended meanings. Especially high FRR index, who almost four times exceed minimal recommended norm. Analysis show, that biomass cluster investment project is notably useful for investors and long term their get better financial benefit.

In economic analysis perform similar actions – primarily search how large is sales incomes, operate and investment costs. Latter is recalculate by conversion factor on purpose better objectivity for evaluate society demand (Graph 2).

Graph 2: Biomass cluster economic analysis results



Apparent, that economic benefit is slightly less neither financial benefit, but it is tangible and almost twice higher nor all costs. Economic benefit concerned with renewable fuel usable, citizens from regions placement and reduce finance for social payoffs. Evaluation indicate obvious biomass cluster conditioned methodology paradigm shift – all-cluster activity indirectly bring tangible benefit for society, because use theretofore unused resources, who replace importable fuel. This allow by then import committed finances keep in county, thus increase general

economic level. Also, for biomass cluster activity warrant require high work force, especially non-qualification, amount, then solve problems in poor regions, when prevail long term unemployment and life from state committed allowance. All this arouse to local demand orient cluster, and that essentially change general cluster conception perception.

In comparative indexes analysis reflect similar trends – indicators is much higher neither require minimal norms (Table 2).

Table 2: Biomass cluster economic analysis comparative indicators

ENPV	1.844.850.355
ERR	9%
B/C	1,841
ARR	7,5 %

Because ENPV index calculation usable social discount norm, ENPV is significantly less. B/C index is almost twice high neither recommended meaning, and ERR meaning indicate, that biomass cluster investment project is useful for society both economic and social approach.

Biomass cluster activity raise economic methodology paradigm shift is evidence, that to cluster crowded business subjects can have high benefit for country economic development. Receiving huge financial benefit cluster affect local market, because their use local resources and technologies, so changing all country import size. Both financial, and economic cluster benefit is evident, and they assist evaluate adjust financial and economic analysis methods. This indicated, that on purpose evaluate cluster benefits not only cluster partners but also country, require change methodologic instruments such that these demonstrate universal cluster activity influence. It evidence, that economic methodology paradigm shift assert biomass

cluster influence for society evaluation, who show be then unused resources usable economic benefit.

Conclusions

Biomass cluster is specific cluster form, who orient to inside energy demand satisfaction and use local renewable fuel and technologies. Biomass cluster distinguish, that all cluster subjects set near each other, ant it warrant, that all basic processes is doing the fastest way, and additional value is constantly create. Cluster encourage better gross domestic product growth, enlist capital investment to energy sector, and encourage local technology practice and development.

For biomass cluster research require methodology comprise from two parts. In first part evaluate economic characteristics for separate regions, who let evaluate investment to biomass cluster activity opportunities. Second part evaluate

investment to cluster activity. Investment divert to new biomass burning mechanisms and supply and fatigue implements. Benefit is financial approach, indicative cluster benefit for members and economic approach, who show cluster activity benefit for society and country.

Cluster benefit ways for cluster members concerned with opportunity sale locally fuel ground production heat and electricity, also available benefit better expendable new production potential. But mainly methodologic changes apparent, when

Literature

Bruneckienė J., Pukėnas K. (2008). Regionų konkurencingumą lemiančių veiksnių įtaka bendram konkurencingumui, *Ekonomika ir vadyba*, 13: 459-466.

Ginevičius R. Andriuškevičius A. (2000). Gamybos koncentracija rinkos ekonomikoje, *Ekonomika*, 51: 20-29. ISSN 1392-1258.

Feser E, Rensk H., Koo J. (2009) Regional cluster analysis with interindustry benchmarks. In Goetz S.J., Deller S.C., and Harris T.R. (eds), *Targeting Regional Economic Development*: p. 213-238 Routledge, London.

Ketels C., Lindqvist G., Sölvell O. (2013). *The Cluster Initiative Greenbook (2 edition)*, Stockholm: Ivory Tower Publishers, ISBN 978-91-974783-5-9.

Ketels C., Lindqvist G., Sölvell O. (2006). *Cluster initiatives in developing and transition economies*, Stockholm: Center for Strategy and Competitiveness, 38 p. ISBN 91-974783-2-6.

Manzone M., Airoidi G., Balsari P. (2009). Energetic and economic evaluation of a poplar cultivation for the biomass production in Italy, *Biomass and bioenergy*, 33: 1258-1264.

Sölvell, Ö. (2009). *Clusters– Balancing Evolutionary and Constructive Forces*. Stockholm: Ivory Tower.

Strunz H., Vojtovic S. (2014). *Vocational training and employment in the creative industry. International Conference: Political Sciences Law, Finance Economics*

evaluate cluster influence for society. Cluster can form large economic benefit using yet waste considered fuel and reduce long term unemployment in less developed regions. Because all economic benefit amount stay in countries territory, this let create better additional value for producing energy, and get additional incomes will divert other society requirement supply. Assessing biomass cluster creates economic value evaluate all direct benefit factors, and results recalculate by social discount rate.

&Tourism, Sofia: SGEM, vol. III, p. 787-794. ISBN 978-619-7105-27-8, ISSN ISSN 2367-5659.

Tyla J., Ramanauskas J. (2008). Biokuro rinkos suderinamumo teoriniai aspektai, *Vadybos mokslas ir studijos - kaimo verslų ir jų infrastruktūros plėtrai*, 2 (13): 162-168 ISSN 1822-6760.

Viederytė R. (2013). *Maritime cluster organizations: enhancing role of maritime industry development*. Procedia – Social and Behavioral Sciences 81. 1st World Congress of Administrative & Political Sciences. p. 624-631

Contacts

prof. Valentinas Navickas, PhD.
Doctor of social sciences, professor
the School of Economics and Business
Kaunas University of Technology
Gedimino st. 50-501, Kaunas, Lithuania.
e-mail: valna@ktu.lt

Mgr. Mantas Svazas,
PhD student,
Kaunas University of Technology (Lithuania),
School of Economics and Business,
Department of Economics;
Gedimino st. 50-501, Kaunas, Lithuania.
e-mail: mantas.svazas@gmail.com

ACHIEVING STRATEGIC AND SUSTAINABLE COMPETITIVENESS BY USING THE STAKEHOLDER IMPACT ANALYSIS – THEORETICAL ASPECTS

Claudia OGREAN

Abstract

Competitiveness represents a moving target for any business, and a dynamic indicator of its strategic performance; there is nothing new here. But, the globalization process and the increasing complexity of nowadays continuously change the architecture of the global system; myriads of stakeholders add new social and environmental valences to the challenges businesses have to deal with – in their search for competitiveness. In these circumstances, the micro foundations of competitiveness have to change as well, together with its approach and assessment at business level – as strategic goal. This statement is consistent with The 2030 Agenda for Sustainable Development (UN, 2015) – that promotes the partnership principle for achieving its goals and offers significant guidelines for businesses in order to optimally address them. Transposing the discussion at business level, the stakeholder impact analysis is the decision tool able to strategically align business objectives with social and environmental concerns, and by doing so to synergistically integrate different stakeholders' interests and demands, while adding value for the business. Therefore, based on a theoretical and conceptual approach, the paper aims to advocate for the leading role that the stakeholder impact analysis should play in achieving strategic and sustainable competitiveness at business level.

Key words

Competitiveness, stakeholder impact analysis, strategic performance, complexity, sustainability.

JEL Classification: L14, L21, M19.

Introduction

Strongly connected with the idea (and the existence) of competition, and highly influenced by (the evolution of) competitors, *competitiveness* represents a moving target for any business, and a dynamic indicator of its strategic performance. Although the particular approaches of competitiveness vary (sometimes quite a lot), the literature in the field of strategic management generally converges towards a common understanding of competitiveness at firm level. Thus, Ajitabh and Momaya (2004) define competitiveness as “the ability to compete”, while Veliyath and Zahra (2000) consider that “competitiveness refers to a firm’s ability to match the standards of the leaders in its industry (on various benchmarks and critical success factors)”; Snowden and Stonehouse (2006) are more specific, when emphasizing that, for a firm, “its measure or score card of competitiveness is market share and profitability”, while Johnson, Scholes and Whittington (2008) go a little bit further when arguing that competitiveness “is about gaining advantage over competitors”.

Moreover, a firm’s searching for (achieving and maintain its) competitiveness has to be carried out against the background of the *globalization* process (and the cohort of complexities and challenges

accompanying it) that continuously change the architecture of the global system. Within the newly emerged “geo-economy of *complexity*” (Mayrhofer and Urban, 2011), “globalization should be conceptualized as a series of adapting and co-evolving global systems, each characterized by unpredictability, irreversibility and co-evolution. (...) The global order is a complex world, unpredictable and irreversible, disorderly but not anarchic” (Urry, 2005). Under these circumstances, the growing and concerted pressures towards *sustainability* – as (global) concern which “refers to the long-term maintenance of systems according to environmental, economic and social considerations” (Crane and Matten, 2007) – add new social and environmental valences to the challenges businesses have to deal with in their search for competitiveness. Therefore, the concept of *stakeholder* – seen as “any individual or group who can affect or is affected by the actions, decisions, policies, practices, or goals of the organization” (Weiss, 2014) – should become essential in the process of shifting the micro foundations of competitiveness, together with its approach and assessment at business level – as strategic goal.

Both academia and firms have already made some significant steps on this way, and a growing body of literature in the field of strategic management has been developed in order to support the

accomplishment of this desideratum; it particularly emphasizes on the mutual advantages integrative practices – such as: *triple bottom line* (Elkington, 1999; Fisk, 2010), *stakeholder management* (Freeman, 2010; Carroll and Buchholtz, 2014), *corporate social responsibility* (Carroll and Shabana, 2010; Werther and Chandler, 2010) or *shared value* (Porter and Kramer, 2011; Michelini and Fiorentino, 2012) – could bring to the triptych profit – people – planet, while providing strategic and sustainable competitiveness for firms. However, if looking at the bigger (business) picture, one can see that these models of good/best practices are rather exceptional behaviors, far from being widely embraced by firms.

But now, the recently adopted UN Resolution *Transforming our world: the 2030 Agenda for Sustainable Development* (UN, 2015) could represent *a momentum for a turning point in the way firms are searching for competitiveness*, because: (1). it promotes the *partnership principle* for achieving the 17 sustainable development goals (SDGs) and their specific 169 targets, “based on a spirit of strengthened global solidarity (...) and with the participation of all countries, all stakeholders and all people“ (UN, 2015); and (2). it offers significant guidelines for businesses in order to optimally address them – through the SDG Compass (2015), which “provides guidance for companies on how they can align their strategies as well as measure and manage their contribution to the realization of the SDGs“ (SDG Compass, 2015).

With respect to firms, Eden and Ackermann (2013) postulate that “to a greater extent that probably any other factor to be considered on the (...strategy making...) journey, *stakeholders* determine the ability of an organization to achieve its aspirations. Understanding and appreciating the significance of stakeholders comes through an assessment of the stakeholders’ interpretation of the strategic behavior, of the strategic future, of the past performance of the organization, and of their own influence on the organization. These assessments are crucial to the implementation of future strategic options”. Under these circumstances, the *stakeholder impact analysis* is the decision tool able to strategically align business objectives with social and environmental concerns, and by doing so to synergistically integrate different stakeholders’ interests and demands, while adding value for the business.

Therefore, based on a theoretical and conceptual approach, *the paper aims to advocate further on for the leading role that the stakeholder impact analysis should play in achieving strategic and sustainable competitiveness at business level*. In order to reach its goal, the paper will progressively address three milestones: firstly, *In search of strategic and sustainable competitiveness – the role of stakeholder*

management; secondly, *Stakeholder management – putting the partnership principle to work*; and thirdly, *From stakeholder impact analysis to overall strategic performance – filling the gaps*. The paper then continues by emphasizing its main conclusion and it ends with the list of references.

1 In search of strategic and sustainable competitiveness – the role of stakeholder management

Basically, “*strategic competitiveness* is achieved when a firm successfully formulates and implements a value-creating strategy” (Hitt, Ireland and Hoskisson, 2007). The analysis of this assertion rises at least two interconnected thorny issues which are of great interest for this paper.

Firstly, the continuity imperative related to this process – because “achieving and maintain strategic competitiveness” (Ireland and Hitt, 1999) are equally important. With this idea in mind: (1). Feurer and Chaharbaghi (1994) introduce *sustainability* into their “holistic definition for competitiveness” – as “measure which describes the potential of an organization to maintain or improve its competitive position in the eyes of its customers and shareholders while having the ability to act and react within a changing competitive environment” (Feurer and Chaharbaghi, 1994); and (2). Rothaermel (2015) uses the VRIO framework analysis (saying that “for a resource to be the basis of a competitive advantage, it must be valuable (V), rare (R), and costly to imitate (I), and the firm must organize (O) to capture the value of the resource”) provided by the resource-based view on the firm – to argue that “only if a firm’s managers are able to answer <<yes>> four times to the attributes listed in the decision tree is the resource in question a core competency that underpins a firm’s *sustainable competitive advantage*” (Rothaermel, 2015).

But, under the new circumstances defined by increasing *complexity* (due to the enlarging and deepening of globalization), on one hand, and growing pressures towards *sustainability* (due to the erosion of social and environmental parameters against the background of overall development), on the other hand, firm-level strategies have to be revised, while firm-level sustainable competitiveness has to be refined – in accordance with the new realities and trends dominating the global business landscape (Gorzeń-Mitka and Okręglicka, 2015). As complex adaptive systems (Holland, 2006) with particular behavioral features (Grant, 2010), the main characteristics of nowadays firms could be defined “in terms of status / existing, dynamics / functioning and

purpose / performance, by connecting the triad networks – co-evolution – competitiveness – as moving targets” (Ogrea and Herciu, 2015) for businesses and their managers; this kind of approach is able to provide both a comprehensive background framework and a dynamically focused endeavor, helping strategists to cope with complexity while searching for sustainability (in all of its meanings and forms).

Considering that “competitiveness can be treated as a dependent or independent variable: the first approach looks at competitiveness as driver of a firm’s performance whereas the second one considers competitiveness as outcome of a firm’s competitive advantages” (Depperu and Cerrato, 2005), the mutual reinforcing of these two dimensions will lead to strategic and sustainable competitiveness, making the firms’ search for competitiveness to become a never-ending spiral of strategic performance. Within this framework of analysis, the *process of strategic fit* (Grant, 2010) and the *outcome of welfare* (Aiginger, 2006) should become fundamental pillars for any firm in search for competitiveness – because: (1). on one hand, “for a strategy to be successful, it must be consistent with the firm’s external environment, and with its internal environment” (Grant, 2010); and (2). on the other hand, “the consensus will soon be that competitiveness should be defined as the <<ability to create welfare>>” (Aiginger, 2006). This last statement is leading to the second thorny issue raised by the definition of strategic competitiveness exposed at the beginning of this section.

Secondly, the problem of achieving (and maintaining) strategic (and sustainable) competitiveness through a *value creating* strategy – because quite different perspectives coexists on how value is (or should be) created and for whom. Traditionally, strategic management (literature and practice as well) has emphasized on the idea that “maximizing *shareholder value* is the ultimate goal of profit-making companies. (...And...) to increase shareholder value, managers must pursue strategies that increase the profitability of the company and ensure that profits grow.” (Hill and Jones, 2013). Although additions such as “of course, (...) managers must behave in a legal, ethical, and socially responsible manner while working to maximize shareholder value” (Hill and Jones, 2013) – soften nowadays this kind of approach, it is still dominant.

With the “maximizing shareholder value” bottom line in mind, the business model will, further on, encapsulate “four interlocking elements that, taken together, create and deliver value: customer value proposition (CVP) - a way to create value for customers; profit formula - the blueprint that defines how the company creates value for itself while

providing value to the customer; key resources - assets (people, technology, products, facilities, equipment, channels, and brand) required to deliver the value proposition to the targeted customer; key processes - operational and managerial processes that allow successful companies to deliver value in a way they can successfully repeat and increase in scale” (Johnson, Christensen and Kagermann, 2008).

But, the shareholder value centrality of strategists and strategies (on the expense of “the greater good”) is precisely the one that has determined the increasing of (both public and private) scrutiny and has drove businesses towards losing their legitimacy. According to Porter and Kramer (2011), “business is caught in a vicious circle. (... And) “a big part of the problem lies with companies themselves, which remain trapped in an outdated approach to value creation that has emerged over the past few decades”. In order to overcome this bottleneck, the two authors argue that “the purpose of the corporation must be redefined as *creating shared value*, not just profit per se” (Porter and Kramer, 2011); this new approach of business “involves creating economic value for shareholders while also creating social value by addressing society’s needs and challenges” (Rothaermel, 2015), because “it is increasingly acknowledged that businesses acting as businesses, not as charitable donors, are the most powerful force for addressing the pressing issues that we face” (Dess, et al., 2014). The three ways companies can create economic value by creating societal value – “reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company’s locations” (Porter and Kramer, 2011) – have the capacity of reinforcing each other while developing a “virtuous circle of shared value”; therefore, it becomes clear that, fundamentally based on the idea of reconciliation between business and society up to the co-evolution stage, the policies and practices of creating shared value also bring forward, as prerequisite, the *partnership principle*.

As a result, “business model innovation” – referring to: “innovative, unique positioning; a consistent product and service logic; an appropriate value creation architecture; an effective sales and marketing logic; and a profit formula that works” (Matzler et al., 2013) – or even new business models – such as “the social business model and the inclusive business model” (Michelini and Fiorentino, 2012) – able to “deliver both social benefit and business value rely(ing) on five mutually reinforcing elements – embedding a social purpose, rigorously defining the social need, measuring the social and business value, creating the optimal innovation structure, and co-creating with external stakeholders” (Pfizer, Bockstette, and Stamp, 2013) – will have to occur,

able to support a paradigm shift in the way of doing business.

2 Stakeholder management – putting the partnership principle to work

In between the two rather opposing perspectives of creating value for shareholders and creating shared value respectively, the *stakeholder management* approach of *managing for stakeholders* (Freeman, 2007) seems to be a more realistic one – because, without absolutizing the shareholder value, it takes into consideration stakeholders' interests, based on a more “personal” and “cooperative” relationship than the shared value approach. This statement is consistent with Freeman and McVea (2001), which argue that “the idea of stakeholders, or stakeholder management, or a stakeholder approach to strategic management, suggests that managers must formulate and implement processes which satisfy all and only those groups who have a stake in the business. The central task in this process is to manage and integrate the relationships and interests of shareholders, employees, customers, suppliers, communities and other groups in a way that ensures the long-term success of the firm. A stakeholder approach emphasizes active management of the business environment, relationships and the promotion of shared interests”. Fully conscious that businesses do not operate in a vacuum – they only exist as long as needs still exist and the companies are able to properly satisfy them – and in the same time that, in order to successfully survive by continuously meeting these needs, businesses have to pay attention to the processes and behaviors they develop in relationship to other stakeholder groups (than their customers), the stakeholder approach focuses strategists endeavors towards more “business specific” ends – much more easier to comprehend and follow than the shared value perspective on businesses.

In principle, *stakeholder management* represents “a firm's strategy for recognizing and responding to the interests of all its salient stakeholders” (Dess et al, 2014). But firms' attitudes toward their stakeholders could lead to two very different kinds of behavior: (1). the so called “zero sum” – in which case “the various stakeholders compete for the organization's resources: the gain of one individual or group is the loss of another individual or group” – kind of approach that rather leads to frustration and conflicts, spoils the balance between the firm and its stakeholders, and threatens firm's sustainable competitiveness; and (2). “stakeholder symbiosis, which recognizes that stakeholders are dependent upon each other for their success and well-being” (Dess et al, 2014) – kind of approach which reflects the principle of partnership

(in achieving each one's and everyone's goals) and supports the idea of co-evolution (between businesses and society at large) as key to strategic and sustainable competitiveness into an increasingly complex world.

Particularly in reference to the latter kind of approach, *managing for stakeholders* assumes that “the primary responsibility of the executive is to create *as much value as possible for stakeholders*. Where stakeholder interests conflict, the executive must find a way to rethink the problems so that these interests can go together, so that even more value can be created for each. If tradeoffs have to be made, (...) then the executive must figure out how to make the tradeoffs, and immediately begin improving the tradeoffs for all sides. Managing for stakeholders is about creating as much value as possible for stakeholders, without resorting to tradeoffs” (Freeman, 2007). An integrative and long-term perspective, able to dynamically design and suitably manage – for the best interests of all the parties involved – the complex and ever changing architecture of the relationships between a company and its stakeholders is therefore essential. It translates itself into specific business models – that “refer to the logic of the firm, the way it operates and how it creates value for its stakeholders“, and are “composed of choices (policies, assets, and governance) and the consequences derived from the choices“ (Casadesus-Masanell and Ricart, 2010).

In order for this approach of stakeholder management and managing for stakeholders to become operational and to generate the expected results, “new types of economic, social, and environmental partnership are needed. Long-standing enemies must shift from mutual subversion to new forms of symbiosis. The resulting partnerships will help each partner perform traditional tasks more efficiently, while providing a platform from which to reach towards goals that none of the partners could hope to achieve on their own” (Elkington, 1998). This approach: (1). is consistent with the *triple bottom line agenda*, which “focuses corporations not just on the economic value that they add, but also on the environmental and social value that they add – or destroy” (Elkington, 2004), making companies more aware of and accountable for (the impacts of) their decisions; (2). contributes to “*a redefinition of corporations* to ensure they become major contributors to sustainability rather than social and environmental predators undermining a world fit to live in” (Benn, Dunphy and Griffiths, 2014). In this way, the desideratum of reconciling business and society (which is increasingly claimed at global scale) is about to find a win-win solution – based on “multi-stakeholder partnerships that mobilize and share

knowledge, expertise, technology and financial resources” (SDG Compass, 2015).

Arguing that “business needs to address its economic, social and environmental challenges holistically, and to understand how they can combine as positive forces in creating a better world”, and subsumed to the idea that “economic growth is only sustainable if business activities are integrated with social and environmental priorities”, Fisk (2010) proposes an *integrative framework for business*, which is developed around three pillars: (1). creating a sustainable business – defined by: profitable growth, investor returns, enterprise partners, good employer, creativity and innovation, business model, efficient processes, competitive advantage; (2). living within environmental limits – considering: renewable energy, replenishing resources, logistics and transport, end of life disposal, waste management, emissions and pollution, sustaining diversity, building design; (3). ensuring a fair society – taking into account: health and wellbeing, locality and communities, education and development, relieving poverty, human rights, safety and security, ethics and governance, privacy and equality (Fisk, 2010).

On the other hand, the “<<new reality>> of collaborative stakeholder relationships” has determined Svendsen (1998) to develop the concept of “*corporate stakeholder strategies*” as “mechanism by which companies define their expectations and their commitments to stakeholders. Companies develop these strategies through a rigorous, comprehensive, and interactive process, first by clarifying their own corporate values, then by gathering information about important environmental forces that need to be considered, including information about stakeholder interests. These stakeholder strategies define corporate expectations and commitments, laying out what the corporation wants to achieve and what it intends to do to achieve those goals” (Svendsen, 1998). So, corporate stakeholder strategies seem to be valuable precursors of the nowadays approaches that capitalize on the relationships between a company and its stakeholders – based on partnership and searching for mutual benefits.

3 From stakeholder impact analysis to overall strategic performance – filling the gaps

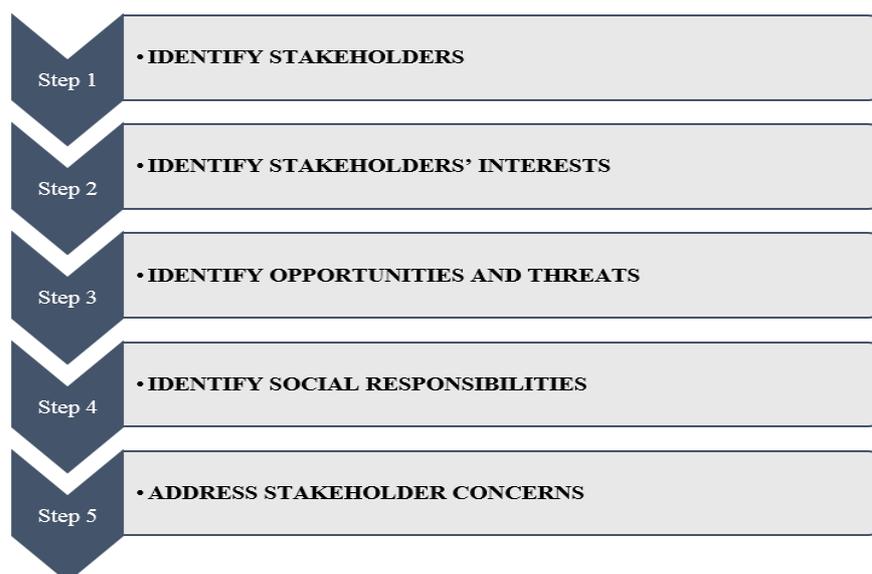
According to Rothaermel (2015), “*stakeholder impact analysis* provides a decision tool with which managers can recognize, prioritize, and address the

needs of different stakeholders. This tool *helps the firm achieve a competitive advantage while acting as a good corporate citizen*”. The ambidextrous ability (of the firm and its managers) this instrument is proving (if properly managed) has the vocation to make it not only credible – from the stakeholders’ perspective, but also essential – from the firm’s perspective. A well done analysis will contribute, in a first phase, to both the competitive advantage of the firm and the wellbeing of its stakeholders, while setting the premises for the next phases – defined by the strategic and sustainable competitiveness of the firm (through the valorizing of the sustainable competitive advantage in the field) and the continuous improvement of the relationships between the firm and its stakeholders; as the stakeholder impact analysis is embraced by a greater number of firms – each one considering its own evolving network of relationships with stakeholders, the aggregate impacts it will generate will contribute to overall strategic performance, while eventually leading to the reconciliation between businesses and society.

In order to properly conduct the analysis, in each of the five steps that shape the stakeholder impact analysis process (Fig. 1) it is important for managers to carefully examine the three *stakeholder attributes* of power, legitimacy and urgency – considering that: “a stakeholder has power over a company when it can get the company to do something that it would not otherwise do; (...) a stakeholder has a legitimate claim when it is perceived to be legally valid or otherwise appropriate; (...) a stakeholder has an urgent claim when it requires a company’s immediate attention and response” (Rothaermel, 2015) – and their respective *additional implications* – “first, each attribute is a variable, not a steady state, and can change for any particular entity or stakeholder-manager relationship. Second, the existence (or degree present) of each attribute is a matter of multiple perceptions and is a constructed reality rather than an <<objective>> one. Third, an individual or entity may not be <<conscious>> of possessing the attribute or, if conscious of possession, may not choose to enact any implied behaviors” (Mitchell, Agle and Wood, 1997).

Given the strategic role of the stakeholder impact analysis, on one hand, and the stakeholder’s attributes and their implications, on the other hand, it results that the stakeholder impact analysis is an extremely challenging endeavor, that needs to successfully integrate sometimes opposed views and other times vaguely distinguished perspectives in order to reach its goals and to fully reveal its potential.

Fig. 1. Stakeholder impact analysis



Source: Rothaermel, 2015, p. 13

Who are our stakeholders? Basically, “stakeholders are those individuals or groups who depend on an organization to fulfil their own goals and on whom, in turn, the organization depends” (Johnson, Scholes and Whittington, 2008). Of these: (a). “primary stakeholders are those who have formal, official, or contractual relationships and have a direct and necessary economic impact upon the organization” (Savage et al., 1991) – category that brings together a firms’ “owners, customers, employees, and suppliers (...), its stockholders and board of directors” (Weiss, 2014); (b). “secondary stakeholders are diverse and include those who are not directly engaged in the organization's economic activities but are able to exert influence or are affected by the organization” (Savage et al., 1991) – category that refers to “all other interested groups, such as the media, consumers, lobbyists, courts, governments, competitors, the public, and society” (Weiss, 2014). In

these circumstances, identifying the most powerful stakeholders and their needs could be a quite tricky job – due, on one hand, to the fact that “a stake is any interest, share, or claim that a group or individual has in the outcome of a corporation’s policies, procedures, or actions toward others” (Weiss, 2014), and, on the other hand, that “stakes may be based on any type of interest; they are not always obvious; and stakes can be present, past, or future oriented” (Weiss, 2014). Thus, the risk of not taking into account significant stakeholders is only surpassed by the risk of taking to many stakeholders into account; and both these situations are undesirable, due to their potential to threaten the quality of the stakeholder impact analysis’ results and its reliability.

What are our stakeholders’ interests and claims? An organization’s key stakeholders and the nature of their claims are shown in Table 1.

Table 1. An organization’s key stakeholders and the nature of their claims

Stakeholder group	Nature of claim
Stockholders	Dividends, capital appreciation
Employees	Wages, benefits, safe working environment, job security
Suppliers	Payment on time, assurance of continued relationship
Creditors	Payment of interest, repayment of principal
Customers	Value, warranties
Government	Taxes, compliance with regulations
Communities	Good citizenship behavior such as charities, employment, not polluting the environment

Source: Dess et al., 2014

Given the very different (and sometimes conflictual, even within the same stakeholder group) nature of the stakeholders' claims, on one hand, and the limited amount of resources generally firms have at their disposal in order to satisfy those claims while reaching their overall goals, on the other hand, in this step of the process it is equally important: (a). to identify stakeholders' interests and claims through the lens of the three stakeholder attributes (power, legitimacy and urgency) and their respective additional implications; (b). to carefully look for insights from both within and among stakeholder groups, in search for "stakeholder multiplicity" – considering: "first, that stakeholder groups sometimes compete against and sometimes complement each other; secondly, that stakeholders may form strategic alliances, or cooperate, to increase the persuasive power of their combined claim; and thirdly, that stakeholder's potential to influence other stakeholders and the organization is often times determined by the particular nature of their role" (Neville and Menguc, 2006). If/when overcoming the challenges of being a difficult task, identifying stakeholders' interests and their (stand-alone and aggregate) dynamics is also able: to raise a firm's awareness as concerns its position and status, to help it to better understand the nature of the relationships taking place among its stakeholders, and to properly put things into perspective for future strategic choices.

What opportunities and threats do our stakeholders present? Basically, stakeholders could present both opportunities and threats for a firm, and it is the strategist's job to properly assess them, in order to valorize opportunities while converting threats to opportunities and/or minimizing the negative impacts of threats upon the organization. In doing that, stakeholders' potential to threaten the firm or to cooperate with it has to be considered based on their capacity, opportunity and willingness to threaten/cooperate (Savage et al., 1991); therefore, "by assessing each stakeholder's potential to threaten

or to cooperate with the organization, managers' may identify supportive, mixed blessing, non-supportive, and marginal stakeholders" (Savage et al., 1991). Once each relevant stakeholder is identified and categorized, the firm will be able to search for particular strategies and behaviors to address stakeholders accordingly; game theory and its subsequent strategies (Brandenburger, and Nalebuff, 1995) could very well serve this endeavor, while underlying and enhancing the value of cooperation (Nowak and Highfield, 2011). Furthermore, particular attention should be paid to recognizing actual or potential coalitions of stakeholders, especially in the context of "stakeholder activism", in order to "anticipate and design strategic responses toward these groups before or after they form" (Weiss, 2014). That is because: (1). stakeholder activism "has become a common occurrence in corporate life and a genuine managerial issue, as environmentalists, employees, community groups, human rights organizations, and charitable organizations increasingly use a variety of strategies to influence firms' actions" (Rowley and Moldoveanu, 2003); and (2). the groups of ethical consumers, ethical employees, ethical investors and so on, and their respective actions and behaviors could significantly threaten a firm's reputation and its wellbeing on the long run, while proving the strong value of cooperation among their members.

What economic, legal, ethical, and philanthropic responsibilities do we have to our stakeholders? It is generally accepted that Carroll's (1991) model of corporate social responsibility (CSR pyramid – Fig. 2) – developed in order "to characterize the firm's CSR in ways that might be useful to executives who wish to reconcile their obligations to their shareholders with those to other competing groups claiming legitimacy" (Carroll, 1991) – represents the benchmark in the field of identifying a firm's social responsibilities into a holistic manner.

Fig. 2. CSR Pyramid



Source: Carroll, 1991

More recently, Visser (2010) has developed the concept of CSR 2.0 / Systemic CSR in order to fit the model of responsible business he has proposed for “the new age of responsibility”; the essence of systemic CSR relies on the four “DNA Responsibility Bases” of businesses (Table 2): “value creation, good

governance, societal contribution and environmental integrity” (Visser, 2010). For Each DNA base/code the author has identified a strategic goal (namely: economic development, institutional effectiveness, stakeholder orientation and sustainable ecosystems) and key indicators to assess them.

Table 2. DNA Model of CSR 2.0

DNA Code	Strategic Goals	Key Indicators
Value creation	Economic development	Capital investment (financial, manufacturing, social, human & natural capital) Beneficial products (sustainable & responsible goods & services) Inclusive business (wealth distribution, bottom of the pyramid markets)
Good governance	Institutional effectiveness	Leadership (strategic commitment to sustainability & responsibility) Transparency (sustainability & responsibility reporting, government payments) Ethical practices (bribery and corruption prevention, values in business)
Societal contribution	Stakeholder orientation	Philanthropy (charitable donations, provision of public goods & services) Fair labor practices (working conditions, employee rights, health & safety) Supply chain integrity (SME empowerment, labor & environmental standards)
Environmental integrity	Sustainable ecosystems	Ecosystem protection (biodiversity conservation & ecosystem restoration) Renewable resources (tackling climate change, renewable energy & materials) Zero waste production (cradle-to-cradle processes, waste elimination)

Source: Visser, 2010

What should we do to effectively address the stakeholder concerns? In order to address stakeholder concerns, Carroll and Buchholtz (2014) have

proposed an integrative model of the strategies / actions a firm should follow in relation to each stakeholder type (Table 3).

Table 3. Analyzing Stakeholders and Recommended Strategies and Actions

Stakeholder type	Examples of stakeholder type	Stakeholder potential for threat	Stakeholder potential for cooperation	Strategy / action recommended
Supportive stakeholder	Board of directors, some employees	Low	High	Involve; take offense, accommodate, proact; keep satisfied
Marginal stakeholder	Professional associations, interest groups	Low	Low	Monitor; watch carefully; minimal effort; offense or defense
Non-supportive stakeholder	Competitors, unions, governments, some activist groups	High	Low	Defend; be prepared; guard against; negotiate
Mixed blessing stakeholder	Employees, clients, customers	High	Medium-to-high	Collaborate, take offense, partnership, pool resources; keep informed

Source: Carroll and Buchholtz, 2014

But, as Rowley (1997) has emphasized almost two decades ago, “although focusing on individual stakeholder relationships is appropriate for classifying types of stakeholders, this analysis cannot be extended to predict firms' behaviors because each firm faces a different set of stakeholders, which aggregate into unique patterns of influence. Firms do not simply respond to each stakeholder individually; they respond, rather, to the interaction of multiple influences from the entire stakeholder set” (Rowley, 1997). Therefore, “the key challenge of stakeholder management is to effectively balance the needs of various stakeholders” (Rothaermel, 2015), based on “a partnering mentality that involves communicating, negotiating, contracting, managing relationships and motivating. These different aspects of stakeholder management are held together by the enterprise strategy which defines what the firm stands for” (Freeman and McVea, 2001).

Conclusion

The new realities and trends characterizing the business environment – especially its increasing complexity and the growing pressures towards sustainability – force: (a). firms – to reposition themselves against their stakeholders and within the global arena; (b). strategists – to reconsider their search for competitiveness (in terms of both means and ends). Thus, the *stakeholder management approach* will eventually lead firms to strategic and sustainable competitiveness, while consolidating their vocation as good corporate citizens. In order to achieve these goals, “*stakeholder analysis* can be used to generate knowledge about the relevant actors so as to understand their behavior, intentions, interrelations, agendas, interests, and the influence or resources they have brought – or could bring – to bear on decision-making processes” (Brugha and Varvasovszky, 2000); therefore, the *stakeholder impact analysis* is the

decision tool able to strategically align business objectives with social and environmental concerns, and by doing so to synergistically integrate different stakeholders' interests and demands, while adding value for the business. In this light, and advocating the need for a “business performance revolution”, Neely and Adams (2000) propose “the performance prism” to define *strategic performance* – by considering stakeholder satisfaction and stakeholder contribution as the top and bottom facets of the prism, while the strategies, processes and capabilities a firm develops are its three side facets.

The advantages such an approach could bring are indisputable, if considering that, based on the understanding of “the complex web of exchange relationships among different stakeholders, (...) the firm can proactively shape the various relationships in order to maximize the joint value created, and manage the distribution of this larger pie in a fair and transparent manner” (Rothaermel, 2015). Moreover, it will be able to lead firms towards (achieving and maintaining) *strategic and sustainable competitiveness*, while contributing to the emergence of “*the fully sustainable organization*” – “an organization that is itself sustainable because its stakeholders (...) will continue to support it. But it is also a sustaining organization because it is sustaining the wider society and the ecological environment (Benn, Dunphy and Griffiths, 2014).

Yet, the drawbacks and limitations this approach could raise cannot be ignored: if not properly internalized and managed by strategists, *complexity* will not be able to lead businesses to the desired goal – which will “complicate” the relationships among stakeholders; on the other hand, if not recognized as (business) imperative, *sustainability* will lose ground against the short term perspective (looking only for profits) – which will determine more pressures from stakeholders. Each one of the above, if happening, will erode the potential of the proposed solution,

while (re)placing the firm on the coordinates of a vicious cycle.

In conclusion, the paper brings into discussion the leading role that the stakeholder impact analysis should play in achieving strategic and sustainable competitiveness at business level. The main theoretical contribution of the paper results from the integrated, multi-level approach that has led us to the proposed solution at business level, while the

Literature

- Aiginger, K. (2006). Competitiveness: from a dangerous obsession to a welfare creating ability with positive externalities. *Journal of Industry, Competition and Trade*, 6(2), 161-177.
- Ajitabh, A., & Momaya, K. S. (2004). Competitiveness of firms: review of theory, frameworks and models. *Singapore Management Review*, 26(1), 45-61.
- Benn, S., Dunphy, D., & Griffiths, A. (2014). *Organizational Change for Corporate Sustainability*. New York: Routledge.
- Brandenburger, A. M., & Nalebuff, B. J. (1995). The right game: Use game theory to shape strategy. *Harvard business review*, 73(4), 57-71.
- Brugha, R., & Varvasovszky, Z. (2000). Stakeholder analysis: a review. *Health Policy and Planning*, 15(3), 239-246.
- Carroll, A., & Buchholtz, A. (2014). *Business and society: Ethics, sustainability, and stakeholder management*. Cengage Learning.
- Carroll, A. B., & Shabana, K. M. (2010). The business case for corporate social responsibility: a review of concepts, research and practice. *International Journal of Management Reviews*, 12(1), 85-105.
- Carroll, A. B. (1991). The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. *Business Horizons*, (34), 39-48.
- Casadesus-Masanell, R., & Ricart, J. E. (2010). From strategy to business models and onto tactics. *Long Range Planning*, 43(2), 195-215.
- Crane, A., & Matten, D. (2007). *Business Ethics: Managing Corporate Citizenship and Sustainability in the Age of Globalization*. Oxford: Oxford University Press.
- Depperu, D., & Cerrato, D. (2005). Analyzing international competitiveness at the firm level: concepts and measures. *Quaderni del Dipartimento di Scienze Economiche e Sociali, Università Cattolica del Sacro Cuore-Piacenza*, 32.
- Dess, G.D., Lumpkin, G.T., Eisner, A.B., & McNamara, G. (2014). *Strategic Management*. New York: McGraw Hill Education.
- Eden, C., & Ackermann, F. (2013). *Making strategy: The journey of strategic management*. Sage.
- Elkington, J. (2004). Enter the triple bottom line. *The triple bottom line: Does it all add up*, 11(12), 1-16.
- Elkington, J. (1999). *Cannibals with Forks: Triple Bottom Line of 21st Century Business*. Oxford: Capstone Publishing Ltd.
- Elkington, J. (1998). Partnerships from cannibals with forks: The triple bottom line of 21st-century business. *Environmental Quality Management*, 8(1), 37-51.
- Feurer, R., & Chaharbaghi, K. (1994). Defining Competitiveness: a Holistic Approach. *Management Decision*, 32(2), 49-58.
- Fisk, P. (2010). *People planet profit: How to embrace sustainability for innovation and business growth*. London: Kogan Page Publishers.
- Freeman, R. E. (2010). *Strategic management: A stakeholder approach*. Cambridge University Press.
- Freeman, R. E. (2007). *Managing for Stakeholders*. [online]. Available: <http://ssrn.com/abstract=1186402>; <http://dx.doi.org/10.2139/ssrn.1186402>
- Freeman, R. E., & McVea, J. (2001). *A Stakeholder Approach to Strategic Management*. [online]. Available: http://papers.ssrn.com/paper.taf?abstract_id=263511
- Gorzeń-Mitka, I., & Okręglicka, M. (2015). Managing Complexity: A Discussion of Current Strategies and Approaches. *Procedia Economics and Finance*, 27, 438-444.
- Grant, R.M. (2010). *Contemporary Strategy Analysis*. West Sussex: John Wiley & Sons, Ltd.
- Hill, C., & Jones, G. (2013). *Strategic Management. An Integrated Approach*. Mason: South-Western, Cengage Learning.
- Hitt, M., Ireland, R. D., & Hoskisson, R. (2007). *Strategic Management: Competitiveness and Globalization*. Concepts and Cases. Mason: Thomson South-Western.
- Holland, J. H. (2006). Studying complex adaptive systems. *Journal of Systems Science and Complexity*, 19(1), 1-8.
- Ireland, R. D., & Hitt, M. A. (1999). Achieving and maintaining strategic competitiveness in the 21st century: The role of strategic leadership. *The Academy of Management Executive*, 13(1), 43-57.
- Johnson, G., Scholes, K., & Whittington, R. (2008). *Exploring Corporate Strategy*. Harlow: Pearson Education Limited.

- Johnson, M. W., Christensen, C. M., & Kagermann, H. (2008). Reinventing your business model. *Harvard Business Review*, 86(12), 57-68.
- Matzler, K., Bailom, F., Friedrich von den Eichen, S., & Kohler, T. (2013). Business model innovation: coffee triumphs for Nespresso. *Journal of Business Strategy*, 34(2), 30-37.
- Mayrhofer, U., & Urban, S. (2011). *Management international. Des pratiques en mutation*. Pearson Education France
- Michelini, L., & Fiorentino, D. (2012). New business models for creating shared value. *Social Responsibility Journal*, 8(4), 561-577.
- Mitchell, R. K., Agle, B. R., & Wood, D. J. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of management review*, 22(4), 853-886.
- Neely, A., & Adams, C. (2000). Perspectives on Performance: The Performance Prism. *Focus Magazine for the Performance Management Professional*, 4.
- Neely, A. D., Adams, C., & Kennerley, M. (2002). *The Performance Prism: The Scorecard for Measuring and Managing Business Success*. London: Prentice Hall Financial Times.
- Neville, B. A., & Menguc, B. (2006). Stakeholder multiplicity: Toward an understanding of the interactions between stakeholders. *Journal of Business Ethics*, 66(4), 377-391.
- Nowak, M., & Highfield, R. (2011). *Supercooperators: Altruism, evolution, and why we need each other to succeed*. Simon and Schuster.
- Ogrea, C., & Herciu, M. (2015). A Dynamic Model for the Global Corporation: The Triad Networks – Coevolution – Competitiveness. In Camillo, A. (ed.) *Global Enterprise Management*. Vol. I. New York: Palgrave Macmillan US, pp. 79-96.
- Porter, M. E., & Kramer, M. R. (2011). The big idea: Creating shared value. *Harvard Business Review*, 89(1/2), 62-77.
- Pfizer, M., Bockstette, V., & Stamp, M. (2013). Innovating for shared value. *Harvard Business Review*, 91(9), 100-107.
- Rowley, T. J. (1997). Moving Beyond Dyadic Ties: A Network Theory of Stakeholder Influences. *Academy of Management Review*, 22(4), 887-910.
- Savage, G. T., Nix, T. W., Whitehead, C. J., & Blair, J. D. (1991). Strategies for assessing and managing organizational stakeholders. *Academy of Management Perspective*, 5(2), 61-75.
- SDG Compass (2015). *The guide for business action on the SDGs*. [online]. Available: http://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf
- Snowdon, B., & Stonehouse, G. (2006). Competitiveness in a globalised world: Michael Porter on the microeconomic foundations of the competitiveness of nations, regions, and firms. *Journal of International Business Studies*, 37(2), 163-175.
- Svensden, A. (1998). *The stakeholder strategy: profiting from collaborative business relationships*. Berrett-Koehler Publishers.
- UN (2015). *Transforming our World: The 2030 Agenda for Sustainable Development*. [online]. Available: <https://sustainabledevelopment.un.org/post2015/transformingourworld>
- Urry, J. (2005). The complexities of the global. *Theory, Culture & Society*, 22(5), 235-254.
- Veliyath, R., & Zahra, S. A. (2000). Competitiveness in the 21st century: Reflections on the growing debate about globalization. *Journal of Competitiveness Studies*, 8(1), 14.
- Visser, W. (2010). The age of responsibility: CSR 2.0 and the New DNA of business. *Journal of Business Systems, Governance and Ethics*, 5(3), 7.
- Weiss, J.W. (2014). *Business Ethics. A Stakeholder and Issues Management Approach*. San Francisco: Berrett-Koehler Publishers, Ltd.
- Werther Jr, W. B., & Chandler, D. (2010). *Strategic corporate social responsibility: Stakeholders in a global environment*. Sage Publications.

Contact

Claudia Ogrea, Professor, PhD.
 Department of Management, Marketing and Business Administration,
 Faculty of Economic Sciences,
 “Lucian Blaga” University of Sibiu, Romania
 10, Victoriei Bd, Sibiu, 550024, România,
 e-mail: claudia.ogrea@ulbsibiu.ro

ASSESSMENT OF THE PERFORMANCE OF THE MORAVIAN - SILESIAN AUTOMOTIVE CLUSTER C.A.

Hana ŠTVERKOVÁ

Abstract

In recent years, there have been recording the number of sectorial clusters of firms and their links with a research and academic sphere unprecedented prosperity in the Czech Republic. The trend and popularity of clusters in regions are considered as an important source of competitive advantage of given locality. In particular, small and medium sized enterprises (next SMEs) can in this way overcome a certain weakness of this type of business and strategically use of so-called synergistic effect. Many times, it was stressed to be SMEs as the foundation of any economy, but they do not have the necessary economic force. These problems help to remove specific form alliances – the cluster. The competitiveness of regions goes hand in hand with support for cluster organizations. Clusters are perceived as modern and well-defined type groupings of entities from certain industry or field. The aim of this paper is to evaluate the effectiveness of the Moravian-Silesian Automotive Cluster c.a. in the Moravian and Silesian region. The partial aim is a generalization of international methodologies for assessing the performance of clusters and linking this methodology with the basic principles of competitiveness evaluation. On practical example will be applied Porter's diamond combined with the EFQM model and Cluster Management Excellence methodology. The subject of the research study is the Moravian - Silesian Automotive Cluster c.a. There will also be proposed basic precautions that should lead to the desired performance level of international excellence cluster. For the selection of appropriate proposals will be used the multi-criteria decision analysis, to identify those measures that are currently most advantageous for the cluster.

Key words

cluster, competitiveness, efficiency, BEE model, Moravian-Silesian Region.

JEL Classification: M1, M14, M21, L62, F6, R10

Introduction

The trend and the popularity of clusters in regions and micro-regions of the Czech Republic are considered as an important source of competitive advantage of given locality. The number of sectorial clusters of firms and their links with research and academic unprecedented prosperity in the Czech Republic has been recording in the recent years. As Stejskal (2011, p. 13) has interpreted, the regional policy objectives has been "balanced regional development with regard to their economic and social potential."

In the case of particular SMEs can overcome in this way certain weaknesses of this type of business and strategically use of so-called synergistic effect. There comes to multiplying the power of individual participating companies from the SME segment and mitigation, respectively elimination of some major negatives of their development. Many times it was stressed that SMEs are the foundation of any economy, but do not have the necessary economic force, high administrative burden acts on them and still persists difficult access to capital in many cases. Inalienable fact is the weak positions of SMEs in

public tenders. These problems can help remove specific form alliances - the cluster.

The competitiveness of regions, hence the entire national economy, goes hand in hand with support of cluster organizations that have been supported, among others, by public funds. The clusters have been perceived as the modern and well-defined type of groupings entities from certain industry or the field. The existence of clusters has opened the possibility of support for these sectors and has increased their efficiency and competitiveness.

The aim of this paper is to evaluate the effectiveness of the Moravian - Silesian Automotive Cluster c.a. in the Moravian and Silesian region. The partial aim is the generalization of international methodologies for an assessing the performance of clusters and linking this methodology with the basic principles of competitiveness evaluation. In the practical example will be applied the Business Environment Evaluation model, so-called the BEE model, which combines the principles of Porter's diamond (more in Porter, 1990 and Hertog, 2001) with the EFQM model (detailed in Hakes, 2007 and Oakland, 2014) and the Cluster of Management Excellence methodology (more in Vukamovic, 2014).

The result of the paper is the evaluation of cluster initiatives in the Moravian-Silesian Region on the basis of this assessment of its competitiveness according to the chosen methodology. There will be also proposed basic precautions that should lead to the desired performance at the level of the international excellence cluster. For the selection of appropriate proposals will be used the multi-criteria decision analysis (more in Greco, 2006) to identify those measures that are currently most advantageous in term of use at market opportunities and its economic benefits.

1 Clusters and cluster initiatives.

Business network has considered the interconnection of complementary businesses, within the businesses together to create the final product. The clusters have been the types of network business, which has experienced in the past ten years with a significant expansion. They can cooperate on the research and development to create common logical solution by the distribution network, also as the after-sales service in the situation where they remain independent businesses (Pavelkova, 2009). The networking for business growth should be strategic and focused on the specific thing. Not everyone can help to move business forward, but everything can be driven by the intention to grow the business.

The networks, respectively the clusters, have been primarily intended for the clustering and networking of the small and medium-sized companies in order to support the growth of their competitiveness. It is necessary to remember this one very important fact. In connection with the generally perceived opinion, that these small and medium-sized companies have been the backbones of the Czech, respectively the European economies. It is essential to mention the reasons, why these companies have been looking for business networks. These reasons has described Kolečák (2004) - the primary reasons for the creation of business networks have been the desire of companies to achieve an increase in the value of products, cost-sharing, or competitive forces reduction.

Therefore, in connection with the network business has been discussed the formation of the so-called Hollow and virtual businesses at meetings. These businesses have focused their processes on activities that add a high added value. This type of an enterprise, respectively the Hollow enterprise Mikolas (2005), interprets the company, which is broken down into sub-bundles, with its own potential, leads to a condition - the so-called enterprise management, or intra business. The earmarking and outsourcing of

individual identified activities and focusing on activities that add high added value have been leading to higher business efficiency, as in the Hollow enterprise.

The virtual company already has been representing a huddle of mutually reinforcing businesses that join together to collaborate frequently on clearly defined period of time, to ensure existing orders or to achieve certain goals. Synek et al. (2011, p. 246) define the virtual enterprise as "phenomenal specific forms of corporate networks, namely dynamic networks, because they have set up temporarily and changes its structure in relation to the problems, which has been the sort of structure formed ad-hoc and temporary." The business network in the form of clusters has been often also referred as the so-called sectorial group of companies and it is important to see all their specifics, including their understanding of the current economic environment.

"Principles of economic states that industries often have been locally concentrated and gain significant benefits from externalities, such as economies of scale and "knowledge spill-overs" arising from these concentrations." (Studenikova, 2011, 62 p.) The interconnectedness, especially industrial enterprises by Marshall has brought "localization economies" and as their primary reason for establishing have been the natural conditions in the form of climate, mineral resources, soil, etc.

There are many definitions of clusters, among the most concise definition include Porter's definition, when he says that the Clusters have been geographic concentrations of related industries and associated institutions. The agglomeration of related economic activity has been the central feature of economic geography. The cluster definitions have been groups of industries related by skill, technology, supply, demand, and/or other linkages. This paper has focused on the regionally comparable cluster definitions (i.e. the industries that constitute a cluster - e.g. Biopharmaceuticals - are the same for all regions). The inter industry linkages have been identified through the co-location patterns of industries across regions or with a range of national data available across industries. The identified linkages have been used to group industries into a set of defined clusters, allowing clusters to be compared across regions.

Another definition, which is important in terms of the concept of clusters for the purpose of this paper, is the definition the clusters according to CzechInvest agency, where the cluster have conceived as "a set of regional affiliated companies (entrepreneurs and associated institutions and organizations - especially tertiary education institutions (universities, colleges) - whose links have the potential to strengthen and enhance their competitiveness."

For the purposes of this paper have been therefore seen as clusters group of interconnected entities in a particular sector and in geographic clusters, which means close ties strengthen and enhance their competitiveness, hence the performance.

If it necessary to deal with the cluster's performance, it is essential to perceive the concept of the cluster initiatives, where "Cluster initiatives have organized efforts to increase the growth and competitiveness of clusters within a region, involving cluster firms, government or research community. These initiatives in the last ten years have become a central feature of microeconomic policy linked to industrial policy, regional policy, for SMEs, FDI attraction, and research and innovation policies." Sölvell, Lindqvist and Ketels (2006, p. 16)

1.1 Clusters and their benefits in regional policy.

The clusters have in the last years become one of the instruments for promoting of the regional development and the competitiveness. For this reason, the clusters have become a part of not only regional policies, but also policies at the national level, respectively in the Czech Republic, the in the European Union.

The groups of clusters in the connected companies that cooperate together to strengthen and increasing of their competitiveness, including e.g. the development and support of research, have been in the development and innovation sector. Sölvell, Lindqvist and Ketels (2006, p. 20) have confirmed the hypothesis that functional clusters have been carriers of the national economic growth and that "clusters have offered a fertile ground for innovation and improving the competitive advantage of companies." In this context Sölvell, Lindqvist and Ketels (2006) and Malerova (2014) have given the idea, with at least three very strong arguments proving the claim of the innovation and modernization related directly to the existence of clusters. In these arguments have been the need to reduce technical and economic uncertainty, the need for constant and continuous collaboration and cooperation between companies and specialized institutions for the research and educational institutions, including universities, and finally the need for contact and interaction of the information exchange for new findings and knowledge in their respective fields.

Generally it is possible to say that clusters have been primarily the concentration of small and medium enterprises (SMEs) that make up these clusters in small and large economies (Stverkova, 2012, Stverkova, 2013). Stverkova (2013) and Mynarzova

(2014). In this subject, where clusters have been representing a different way of organizing in economic activities and the perception of the economy, there has been often very difficult demonstrated the boundaries of the cluster. These boundaries of the cluster should be including all firms, industries, and institutions with strong ties horizontal, vertical or institutional, as a part of clusters have been often classified in different categories of industry and services.

CzechInvest (2007) has defined the basic principle of economic development based on a sequence of innovation - productivity - prosperity, which is the basis of the process in the relations between private parties (the business sector and the State as the government) and universities. In this environment has been a cluster called as "Connecting link" between relevant stakeholders.

From the above-mentioned it is clear that clusters have been currently gateway for clusters, respectively organizations, which significantly have helped the development of regions and the remarkable features of regional policies. This has confirmed the reason of Kloudova et al. (2010, p. 39), which has identified the creative clusters as: "A cluster has been very important for the development of the creative economy and unites, private and public activities and has assisted in the development of a creative city or region with the creative idea."

2 Clusters and their importance for competitiveness.

The influence on increasing competitiveness clusters has been generally indisputable. The basic economic effect of clusters has been the influence just on business competitiveness and regional extension states. This fact also has indicated Pavelkova (2009, p. 27): "Clusters allow to stimulate the economic growth of national economies through increased competitiveness and performance of businesses, encouraging innovation, including more efficient use of research and development, support for new businesses attracting foreign investment, increasing exports and influencing employment in the region."

The competitiveness of companies has the cluster derived from competitive advantages. These benefits have shaped by the activities of the companies in their presence in the market and have been often closely related to the level of innovation, respectively level of activity of these companies in the field of research and development. The clusters will play a significant role as primary actors initiate the process of research, development and innovative activities and projects. The important role of innovation has also confirmed

by Stejskal (2011, p. 28), who has argued that innovation is just "the way to increase the competitiveness of companies, respectively the whole region and that this process has closely related to research and development and new technologies, which have been an important factor in the development of the region."

The need to evaluate the performance of clusters, respectively cluster organizations, has been essentially based on their support of the institutions, public or private. According to the fact that clusters have been the regional clusters of firms, on the one hand financed from the resources of these businesses and on the other hand of the institutions in the public sphere, like government agencies etc. This idea has also confirmed Sölvell, Lindqist and Ketels (2006, p. 83), who have reported the information in the performance of cluster organizations as very important for institutions that have funded this initiative, whether they by the government agencies or private companies, mainly: "to be convinced that their money has been used and spent effectively."

3 Methodology of the research.

For practical application has been created the new model Business Environment Evaluation model, so-called BEE model. The emergence of this model has been used widely applied methodology for the evaluation of the competitiveness and assessment of the clusters.

Porter's diamond has been a model used as a part for the strategic analysis stage of the strategic planning process. The Porter's diamond has described and analysed the environment or branch of the organization, in this case the cluster and its members. This model identifies the competitive advantage and regarding to Stejskal (2011, p. 47) "identifies factors interrelated influences by which firms achieve competitive." In this model, it is necessary to follow four basic factors: the business strategy, the structure and rivalry, the terms of input factors, the demand conditions, and the supporting and related industries.

The second model, from which the BEE model has been created, has been based on the EFQM. Applied methodology for evaluating the performance of the cluster, respectively the quality of its management has been based precisely on the basic elements and principles of the EFQM model. This fact has closed ties between the EFQM model and method of benchmarking has confirmed Lang (2007, p. 235), who states: "The quality of this model can be used versatile, self-assessment, evaluation of third parties and as an indicator of the benchmarking. The EFQM Model has promoted benchmarking through the

creation of expert discussions and working groups. "The Czech Society for Quality has added: " The EFQM Excellence Model has been a practical, voluntary framework that enables organizations to assess where they have been on the road to excellence, or have developed a common vocabulary and way of thinking about the organization to facilitate effective communication of ideas, within the organization and outside, to unify existing and planned initiatives while removing duplication and identify gaps and have prepared a basic structure for the organization's management system."

The Cluster Management Excellence methodology has been based on the EFQM model. The Cluster management Excellence primary objective has had to evaluate the quality of the management of the cluster and helps to achieve its international cluster of excellence, respectively competitiveness and the competitiveness of its members. Svobodová (2013) has confirmed that this model currently has placed great emphasis on targeted change management within the organization, including the strengthening of its flexibility, sustainability, risk management and the ability of the organization to prove rationally, systematically and quickly identify opportunities to achieve its development and growth.

For the selection of appropriate proposals using multi-criteria decision analysis to identify those measures that have been selected cluster initiative currently most advantageous use of market opportunities and economic benefits. For these purposes, has most often used the Saaty method of paired comparisons. In the design of the method has created the so-called Saaty matrix through which has subsequently pairwise comparison performed.

Methodology Cluster Management Excellence has been based on the evaluation of the quality management from management, which has considered as the most important aspect of the activities and processes within the cluster, which has affected the efficient achievement of stated objectives. This methodology has been based on the principles of benchmarking. The common standards for excellent cluster management have enabled better mutual understanding, necessary for transnational cooperation between cluster and network organizations. There have been important to promote successful international cluster co-operation for the benefit of the participating SMEs. The Quality Indicators has focused on the cluster organization hosting and operated in the cluster management, not on the framework of conditions or a cluster as demonstrated in figure 1. The item to be managed (the cluster) have to fulfil certain minimum requirements when considering the excellence of its management (certain

minimum size, age, etc.). Quality Indicators have been covering the following dimensions:

1. Structure of the cluster (level 2)
2. Typology, governance, co-operation (levels 1 and 2)
3. Financing cluster organization management (level 1)
4. Strategy, objectives, services (level 1)
5. Achievements, recognition (level 1)

The simplified model called Business Environment Evaluation Model, BEE model, based on the EFQM methodology, the Porter's diamond and the methodologies Cluster Management Excellence had been created by the author himself, and it has been captured in the following figure.

The clusters have been the complex and dynamic structures as a subject to continuous change. The strong clusters can promote economic growth through leveraging the innovation and business potential of a region. New employment opportunities, new products and services, new companies, new R&D activities and new patents can be the result of activities within a cluster. A professional cluster management can contribute to a development through the projects and services that can tap into the cluster's potential. The European Cluster Excellence Initiative, initiated by the European Commission DG Enterprise and Industry, the developed methodologies and tools to support cluster organizations for improvement their capacities and capabilities in the management of clusters and networks. Being members of the European Cluster Excellence Initiative 13 project partners from nine European countries - all well experienced in the field of cluster management and support – have created a uniform set of cluster management quality indicators and have developed a quality labelling system for professional cluster management with the aim to get this methodology and to proof the quality accepted in the Europe.

4 The basic characteristics of the region - the Moravian-Silesian Region.

Moravian-Silesian Region has been established simultaneously with the other 13 Czech regions on 1. 1. 2001, under legislation adopted in 2000. It is located in the eastern most part of the Czech Republic (towards the center of Prague is located about 300 km as the crow flies). If the region has perceived as supra-regional, located on the border of three countries (Czech Republic, Poland, Slovakia), almost in the middle of a European space which is very convenient. In terms of the Europe, the region has been located between Austria, Poland and Slovakia. The power of

position throughout the region have been trying to further emphasize regional actors, who has long striven to link some activities Moravian-Silesian Region with a view to creating significant territorial center in a European perspective. (CSO, 2013)

The region currently has an area of 5,427 square kilometers and consists of six former districts and the 22 municipalities with extended powers. In the region, there are a total of 300 municipalities, of which 5 are statutory towns, 35 cities and 3 of the township. On the 31. 3. 2010 the region's inhabitants were 1,247,373, which was the highest state in the regions of the Czech Republic. On the 1. 1. 2011, the largest city of Ostrava had 310,464 inhabitants.

At the beginning of the third millennium, it is possible to speak about the Moravian – Silesian region as the major center of culture, social life, university education and business development, although it has been long time perceived only as a center of mining, engineering and steel. It was called "the steel heart of the Republic". It is a place where is a constant growth of quality of life - improving the state of the environment, improvement of the roads and rail networks, expanding the housing supply. The increased traffic of the region and has increased the attractiveness of the region as a tourism destination. In recent years, the heavy industry has gradually replaced the fields of manufacturing; there have been the considerable development services. The development of business in a free market environment, the structure of the business has changed beyond recognition. Many restructured companies have been bought by foreign investors, local companies operate in the field of information and innovative technologies, electronics and automotive industries. In addition, in the region there have been a number of smaller and larger companies that have been dealing with both traditional craft disciplines, so high-tech production and hi-tech products.

The Moravian-Silesian Region is a region where has been the wide application of new investment projects and where everyone has the opportunity to develop his potential and capabilities. Presently, there have been several differently focused business incubators (private, university or public) that have supported the start-ups of young entrepreneurs.

Basic data on the GDP in the Moravian-Silesian Region (Source: Yearbook of the Moravian-Silesian Region 2015)

- Population: 1 215 098
- GDP at market prices: 398,954 mill.CZK
- GDP per capita: 328,114CZK
- Average wage: 23,487 CZK
- General unemployment rate: 8.44 %

In the past, the Moravian-Silesian Region had been significant especially in heavy industry, particularly engineering, metallurgy and mining. These industries have largely affected the character of the region quantified the research and developed capabilities, and then the most of them have been associated with large companies in these sectors. The region has been standing out even more promising industry. Heavy industry has been replaced by fields of manufacturing; there has been a considerable development of services. Business development in a free market environment has significantly changed the structure of the business. Many restructured companies had been bought by foreign investors, local companies, small ones or medium, which has been evident in the field of information and innovative technologies, electronics and automotive industries. In addition, in the country, where has been a number of smaller and larger companies has been dealing with the traditional craft disciplines, so-called high-tech production and hi-tech products.

In the point of view, the region has been the only one key of industrial sites of the Czech Republic, which has caused by the long tradition of companies operating in this sector of the economy. In the past ten years, there have been still experiencing quite a significant transformation of industry structure. With the arrival of major investors in the automotive industry, there has been a significant momentum in the manufacturing industry, rising activity with the competitiveness on the other than mineral or low-cost resources. There has been an increasing of research and development activities, not only from the public sector, but also from the private sector. The result has been the development of specialized products, services or technologies with high added value in the engineering, IT, electronics, energy etc. which have been exportable worldwide. This case has led to an increase the competitiveness of the region on a global scale. To further strengthen competitiveness has also contributed the research university centers and collaboration with the local firms.

The Moravian-Silesian Region is a region where has been the wide application of new investment projects. There have been several differently focused business incubators (private, university or public) that have supported the start-ups of young entrepreneurs.

The domestic and foreign investors have also used industrial areas and industrial zones, which have been located in the region with the average about 75%.

The territory of Moravian-Silesian region have been registered a large number of brownfields. These places have been in a different mode, use or entirely

abandoned. They have been owned by the private or public sector, and already have been still looking for a future purpose. These have been several dozens of large areas, over 10 hectares and hundreds of smaller territories.

4.1 Moravian – Silesian region in economic data

The greater part of Moravian – Silesian region has already under Austro-Hungarian Empire become one of the most important industrial areas. The core of has been the Ostrava – Karvina course, industrial and mining basin, where the industrialization has been closely associated with the exploitation of mineral resources, especially high-quality coking coal and the subsequent development of heavy industry and metallurgy. The Region has been the national center of metallurgy, while there has also concentrated coal mining almost in the entire production of the Czech Republic, although there has been a decrease of the exploited. Besides these traditional sectors in the region, as well as a promotion of the production and distribution of electricity, gas and water, production of transport equipment and production of chemical products and chemical fibers.

Despite the current decrease of heavy industry, mining and quarrying has been working (according to the Labour Force Survey) in industries almost a third of the total, i.e. 557.5 thousand employees in national economy. Another 12.3% of employees have been working at a trade and repairing goods. The average gross wage in the region has been 23.487 CZK. The distribution of wages in industries has been similar in other regions of the country. The highest wages have been in the sector of information and communication, mining and quarrying and financial intermediation, while the lowest wages in the sector of accommodation and food service.

The sector structure of Moravian – Silesian region has currently caused many problems that have been particularly associated with higher rates of unemployment. Relatively the best in this township has been Frydek-Mistek – city with high unemployment rate, compared to Bruntál - city and Karvina - city, which have occupied one of the last places in all the districts in the country. Very big problem has been the share of long-term unemployed people (over 12 months), the total number of unemployed persons, which has been significantly higher in the region, than has been the national average. The situation in the Czech Republic, Moravian - Silesian region and few others regions have been shown in the next Table.

Table 1: The situation in the Czech Republic, Moravian - Silesian region and few others regions

	Czech Republic	Moravia-Silesian region	Prague region	Olomouc region	South Bohemia region
The region's share of GDP (%)	100.0	9.8	24.9	4.7	5.2
GDP per capita (CZK)	388,771	325,965	816,350	299,355	330,759
Disposable income of households per capita (CZK)	195,859	175,550	257,725	175,438	183,665
Share of unemployed persons (%)	7.46	9.80	5.03	8.82	6.20
Unemployed job applicants (persons)	541,914	83,877	43,499	38,990	27,645
Long-term (over 12 months/persons)	237,165	42,277	16,567	17,635	9,382
The number of entrepreneurs per 1000 inhabitants	-	180	384	190	214

The Moravian - Silesian region has been supported from 90 industrial zones, preparing the documentation and possibly the construction of infrastructure. They have been looking for these zones under very favorable conditions for suitable investors. These have been significant and promising areas, possibly with the objects that have been in all respects ready to launch the investment projects. The Moravian - Silesian region has been an extremely high supply of suitable sites for business purposes, whether an industrial zone (11), development areas (13) or brownfields (1). All these sites have been registered and regularly updated by the Agency for Regional Development.

The Moravian - Silesian region has been a region, where have applied a lot of new investment projects. Presently, there have been several differently focused business incubators (private, university or public) that have supported the start-ups of young entrepreneurs. For new ventures can all, domestic and foreign, investors also use existing industrial parks and industrial zones, which have been located in the country and several, which have been fulfilled in average of about 74%.

The structure of the business in the region has been dramatically changed for more than 20 years of business development in a free market environment. Industrial production focused exclusively into spheres of heavy industry has muted. The enterprise in Moravian - Silesian region will have in the future the best conditions for its development:

- the strategic position of the region in the triangle between Poland and Slovakia,
- the excellent starting position for the transport connections towards Eastern Europe,
- the production facilities,
- the quality technical infrastructure,

- the reliable and technically knowledgeable workforce,
- the quality secondary and higher education.

This region has had in the Czech Republic a long tradition and experience in strengthening the competitiveness of regional industries through cluster cooperation. This cooperation of the Moravian - Silesian region (also in the whole country) has based on a sector association of businesses, universities and research and development institutions in the Czech Republic that have been institutionalized in the form of cluster organizations. The purpose of these organizations has promoted the development of various sectors through joint projects in the field of business cooperation, marketing, human resource development, and last but not least, research, development and innovation. But in recent years, it has cleared that the Moravian - Silesian region has been the suitable place for the establishment and development of cluster organizations, notably through developed industry, extensive educational infrastructure and initiatives supporting research and development. Nowadays, there have been 9 cluster organizations:

The Safety & Security Technology Cluster has based on the vision of concentration of financial and human resources to the Moravian - Silesian region; in order to take advantage of the infrastructure and potential of the region. The cluster has focused primarily on the activities in the field of research, development and innovation, marketing and promotion, strengthening the links between members and supporting activities leading to effective training and development of the cluster member staff.

The IT Cluster has focused on ensuring the human resources, joint marketing activities and creating the potential new solutions for innovative IT projects.

The ENVICRACK Cluster has focused on research activities in the field of renewable sources of energy, focusing on the use of waste.

The Moravian - Silesian Automotive Cluster c.a. has aimed to develop the automotive industry in the region, in order to ensure lasting competitiveness of local suppliers for the automotive industry in the Czech Republic and abroad.

The Moravian - Silesian Energy Cluster has aimed the energy achieving of self-sufficiency in the region. They have supported the research and development of new technologies in the field of energy and environment with emphasis on the usage of renewable energy sources. The promotion of energy savings and involvement in the creation and update of the energy policy of the state has been in this case essential.

The Moravian - Silesian Wood Processing Cluster has focused on supporting the development of the timber sector in the region, which has the ambition to become a major supplier and exporter of timber and innovative components for timber structures and buildings.

The Moravian - Silesian Tourism Cluster has aimed to the creation of the competitive tourist region by coordinating tourism activities, communication with the public sector, involving the promotion of tourism and service innovations in tourism.

The National Engineering Cluster has aimed to the building of a highly prestigious modern engineering base that is ready in terms of human resources. The technology and innovation in the creation has supplied chains in strategic projects for the energy industry, transport and construction industries on a global scale.

The Moravian - Silesian Forest Cluster has focused on the influence of the Moravian-Silesian, Zlin, Olomouc and South Moravian regions in the field of forestry and timber industry. The mission has been to create the conditions for the utilization of an existing production and development potential in the aforementioned areas of the Czech Republic.

5 Basic characteristics of the Moravian - Silesian Automotive Cluster c.a.

The Moravian - Silesian region has had in the Czech Republic a long tradition and experience in strengthening the competitiveness of local industries with cluster cooperation. The cooperation has based on the industry association of businesses, universities and research and development institutions, which have been institutionalized into the form of cluster organizations. In the Moravian - Silesian region, there

have been currently 12 cluster organizations (CzechInvest, 2015). The oldest has been the National Engineering Cluster, based in Ostrava (founded in 2003, originally Silesian Engineering Cluster) and the youngest has been the Green Horizon Association Cluster (founded in 2011), based also in Ostrava with dealing the treatment waste for reuse.

For the previously outlined analysis has elected the Silesian Automotive Cluster. The Moravian - Silesian Automotive Cluster c.a. (hereinafter referred as MAK) has founded in 2006 to promote the innovation, increased competitiveness and export capabilities of interconnected companies, businesses and institutions in the region. The foundation of the company in the beginning, has especially sought to build a common identity firms in the cluster. The goal has been the formation of confidence and positive attitudes towards the automotive industry and the entire region. The main objective has been the development of the automotive industry through industrial businesses, secondary schools and universities and scientific research institutions. (MAK, 2015)

The mission of the cluster has been the creation conditions and promoting competitiveness members for sustainable development of the region. The vision of the cluster has become an integrator companies, educational and research institutions and other stakeholders, whose activities support in the development of the automotive industry in the region.

The values of the cluster:

- People, their knowledge and skills,
- Collaboration based on trust,
- Innovation and Flexibility,
- Mutual benefits (MAK, 2015).

Sustainability benefits for the cluster members has currently actively developed and provided innovative approaches through coordination teams that have focused on the following:

- Developing human potential - working team Human Resources Development (education and development competencies).
- Developing and supporting development activities, testing and metrology - working team for Laboratories and Testing (product testing and supporting for innovation)
- The development of trade and cooperation - working team for Trade Relations (savings funds and opening paths to new markets).

The first steps have included a study that has mapped the automotive industry in Moravian-Silesian region. Declared benefits for members of the cluster have been following:

- Cluster has developed and supported innovative projects, processes and products with added value.
- Cluster has increased the voice and power of small and medium businesses.
- Companies have had a better chance of obtaining assistance co-financed by the Structural Funds and other.
- Promoting civic association members and MAK at home and abroad.
- Member of the cluster has got easier, faster and usually free information from management cluster, support from institutions and members that have as a separate company gained or acquired very seriously.
- Cluster has been working closely with state organizations:
 - The Czech Invest, www.czechinvest.org
 - The Ministry of Industry and Trade, www.mpo.cz,
 - Regional Office of the Moravian - Silesian region, www.kr-moravskoslezsky.cz,
 - The Regional Development Agency www.arr.cz,
 - The Association for the Development of the Moravian - Silesian region, www.msunion.cz.

6 Brief description and analysis of data (selected areas)

The first step in the application of BEE model had been the analysis concerned the business environment. There have been analyzed internal factors as strategy and structure, processes and performance of the cluster, the next important step has been analyzed in the mezzo environment, including the related and supporting industries, demand conditions and rivalry, cooperation. In this step, there have been identified the underlying factors with an impact on the activity of the cluster and its influence on the development in the competitiveness of its surroundings. In terms of input factors there have been the geographic location, the specialization of higher learning and concentration of scientific research and the development activities, the outflow of skilled workers for better employee conditions. In the areas of strategy, structure and competition within the clusters had been identified as factors related to reserves in investments, foreign competition and opportunities in creating new innovative products and gaps in the aspects of cooperation within the cluster. The analysis of demand and the external environment

have led to the identification of a wide range of products demanded services, the existence of international relations as potential for the development of export activities. In the area of the related and supporting industries there have existed potential in synergic effect from interdisciplinary networking requirements, values and goals, increasing possibility with cooperation with a wide range of businesses and institutions including the region. It has been just a rough outline that has helped outline the basic parameters.

The presented results have selected from a larger set of data and results and have aimed to the document and support of the newly created model. The Moravian - Silesian Cluster has founded in September 2006, and at that time has had 22 members. Based on the age of the cluster can be today identified the maturity cluster. It has been demonstrated that the majority of cluster organizations have achieved excellence and have founded in 2002 - 2006. It has been in the period of the establishment of the Moravian - Silesian automotive cluster falls.

The legal status (civil association, today only the Association) has been the most common form of a legal clusters form in the country.

It has currently 66 cluster members, in the category of educational, and other 8 members have been classified into categories of R & D and 11 members has included into other categories, as follows:

- TIER 1 10 members,
- TIER 2 12 members,
- TIER 3 12 members,
- TIER 4 13 members.

If it should be focused on the aspect of financial resources in Silesian automotive cluster, there have been pumped 53% of public funds, 27% from private sources, and 20% from their own resources.

When analyzing the usage of regional growth potential, there have determined approximately 20% of the number of changes in cluster membership in 24 months. The 35% of the value of the ratio have determined for the number of cluster members to the total number of potential regional cluster members. Based on the results, it is possible to conclude the cluster despite the relatively long period of existence, where it is essential to seek the potential constantly for its development.

The analysis has studied other corporate governance cluster. Based on the results, it is possible to conclude the administration and management of the cluster at a strong level.

In the area focusing on the technology development and transfer information cluster has

performed many activities that have implemented by each working group. The purpose of these working groups has been the implementation projects, i.e. in 2014. The automotive without borders - and through individual projects have implemented the strategy of the cluster - see above. From this perspective, the cluster has achieved the results at a very high level. Among the individual cluster members for regular exchanges of information, there has been a strong support for the exchange of experiences. Also in this area have been achieved very good results. The large extents have led to the usage of modern communication technologies. Human resources development has not declared the strategy of the cluster, but it has been also continuously implemented. The results have been noticeable mainly in the field of cooperation with academic sphere.

Based on analyzes of the internal and external environment of the cluster have been identified the key environmental factors. The analysis has based on the identification of factors, continuing to justify as the factor identified in scales of internal and external factor. They have determined the importance and behavioral strategies in the factors and have created a matrix.

Within the application of multi-criteria of a decision-making, as the first step in the decision-making process, there has been evaluated the establishment of the criteria and the weight of their importance. The method has been used for the pairwise comparisons using a nine-point scale (Subrt, 2011, p. 174). The calculations weighting of the criteria had been subsequently used within the structure of the final table with the results of decision analysis with respect to the proposed recommendations. Based on the results of the pilot survey and consultations with experts in the clusters field, there has been as criteria based form multi-criteria decision analysis selected this criteria:

- financial expenses,
- time costs,
- consistency with the strategy,
- impacts and benefits,
- complexity of implementation.

For the formulation has been used the concrete recommendations of AHP method, which has decomposed the problem into individual sub problems and then worked individually with each evaluation criteria. The criteria (recommendations) had been chosen as follows (an excerpt):

- Determining the strategy for the period 2015-2020.
- Creation and development of products and services.

- Targeted support cooperation between cluster members.
- Strength and stabilization of the membership structure of the cluster.
- Creating a concept plan for financing cluster.
- The concept of the satisfaction monitoring of cluster members.
- Stabilization of cluster membership structure.
- Increased cross-border cooperation of neighboring regions.

For the pairwise comparisons have been used range between 1 - 9 and the weighting of each 0 - 0.5. The pairwise comparisons have been performed on the above criteria (i.e. determining the strategy for the period 2015-2020, creation and development of products and services, targeted support cooperation between cluster members, strength and stabilization of the membership structure of the cluster, creating a concept plan for financing cluster, the concept of the satisfaction monitoring of cluster members, stabilization of cluster membership structure, increased cross-border cooperation of neighboring regions). These have been compared in terms of five basic areas of the financial expenses, time costs, consistency with the strategy, impacts and benefits, the complexity of implementation.

In the criterion of financial expenses have been the following areas selected as priority: strength and stabilization of the membership structure of the cluster and the concept of the satisfaction monitoring of cluster members. In terms of time consumption has been following areas selected as priority: the concept of the satisfaction monitoring of cluster members and increasing cross-border cooperation of neighboring regions. The third area, the impacts and benefits, which has been chosen as a concept plan for financing cluster and targeted support cooperation between cluster members. In terms of compliance with the strategy has appeared the crucial determining of the strategy for the period 2015-2020, the concept of financing. Last part has aimed to the complexity of implementation, there has been chosen the concept of satisfaction monitoring the of cluster members.

The results of the evaluation of the biggest benefits of highest priority has assigned the implementation of the recommendations out of the strategy for the period 2015-2020, followed then by the targeted promotion of cooperation between members of the cluster concept and the satisfaction monitoring of cluster members.

During the general assessment in the condition is it possible to interpret the findings on the quality and performance of the cluster. The cluster has been in a stabilization phase. Looking still for potentials to

strengthen the membership base, strengthen relationships with partners and member institutions and seek to select latest potentials at regional level has been in this case essential. In terms of finances has set the income structure suitable for sustainable funding of the cluster. It has been necessary to form activities in area of products and services portfolio for members and the nearby cluster. On the basis of the analysis has been the need of strengthen activity in the area of development cooperation, especially communication, and streamline the process of transfer of information, followed by the data and experience. It has been also appropriate to consolidate the international relations by developing other international projects. Weak part of the cluster has been the level of media presentation of the cluster and its activities.

Based on the analyses has clearly showed the recommendation of regularly monitoring the individual elements that has affected the performance of the cluster, not only with one or a few selected methods, just on the basis of a comprehensive approach. There has been proposed BEE model, the Business Environment Evaluation model, which have included both the parameters and objectives of the Porter's diamond, followed by the characteristics and objectives of the EFQM model and the nature of the Model Cluster Management Excellence.

Conclusion

In the context, the increasing global competition and the pursuit of each company have achieved the highest performance, it has been important to find a competitive advantage. The end can also occur through cluster initiatives and streamlining the functioning of the sector. Businesses have exposed to global pressures of globalization and the need to evolve has had a great effort to maintain competitive advantage, which is absorbed by the market. One option for gaining competitive advantage has therefore involved in the cluster. The successful cluster initiative has enhanced the performance of participating enterprises and has driven an economic development across sectors and regions.

The first recommendation has been concerning the strengthening and stabilization of the membership structure of the cluster. Excellent cluster initiatives

have a broad membership base, which have created an efficient network of entities with the formed synergetic effects. It is therefore necessary that the management of the cluster has been seeking the potential new members - an increase of 10 to 20 bodies in one year, which will be a positive contribution for the cluster. It has been also advisable the increasing of an internationalization in the cluster activity within 6 months. The good thing on the funding has been the updating of the financial plan of the cluster; the creating of a new concept for stable and sustainable funding of the cluster. The reason has been the ability to secure long-term funding of the cluster and its positive impact on the strong foundation and development.

It is advisable to monitor the satisfaction of cluster members. The need to create a survey, an implementation plan, the evaluation method and schedule regular updates of the members satisfaction. The streamlining collaboration, increasing the satisfaction of cluster members can be more effective cooperation with the cluster management members and between members themselves.

Proposed recommendations will lead to the development and strengthening the performance of the cluster.

The performance evaluation of clusters and individual companies involved in cluster initiatives has been possible to use a simplified model - Business Environment Evaluation model. The advantage of this model has linked three main methodologies for assessing the performance of cluster. The cluster model of Management Excellence, the EFQM model, and the Porter's diamond have been essential. Another positive aspect of this BEE model, Business Environment Evaluation model, can be the effective usage of the cluster initiative itself, also the individual players of initiative cluster. There has been one of the ways to assess the performance of cluster initiatives and their members without hard financial indicators. The weakness of this model has been the same as at the other models, i.e. the subjectivity analysis and the asymmetric information. These two weaknesses can prevent the plugging of objective evaluators to process the applications of the Business Environment Evaluation model.

Literature

Greco, S. et al. (2006). *Multiple Criteria Decision Analysis: State of the Art Surveys*. Boston: Springer.

Hakes, Ch. (2007) *The EFQM excellence model for Assessing Organizational Performance*. Van Haren Publishing.

Hertog, P.D.; Remoe, S. (2001). *Innovative Clusters: Drivers of National Innovation Systems*. OECD.

Kloudova, J. et al. (2010). *Kreativni ekonomika: trendy, vyzvy, prilezitosti*. Praha: Grada Publishing.

Lang, H. (2007). *Management: trendy a teorie*. Praha: C.H.Beck.

- Mikolas, Z. (2005). *Jak zvýšit konkurenceschopnost podniku: konkurencni potencial a dynamika podnikani*. Praha: Grada publishing.
- Oakland, J.S.; Turner, M. et al. (2014). *Total Quality Management and Operational Excellence: Text with Cases*. Routledge.
- Pavelkova, D. (2009). *Klustry a jejich vliv na vykonost firem*. Praha: Grada Publishing.
- Porter, M. E. (1990). *Competitive Advantage of Nations*. Free Press.
- Solvel, O. (2008). *Balancing Evolutionary and Constructives Forces*. Sweden: Ivory Towee Publishers.
- Stejskal, J. (2011). *Prumyslove klustry a jejich vznik v regionech*. Praha: Linde.
- Subrt, T. (2011). *Ekonomicko-matematicke metody*. Plzeň: Vydavatelstvi a nakladatelstvi Ales Cenek.
- Synek, M. et al. (2011). *Manazerska ekonomika*. Praha: Grada Publishing.
- Stverkova, H. (2013). *The SMEs competitiveness&service quality evaluating not only in CZ*. Saarbrücken: LAP LAMBERT Academic Publishing, 2013.
- Stverkova, H., Kribikova, P., Humlova, V. (2012). *The impact of identity on organization efficiency*. ACTUAL PROBLEMS OF ECONOMICS, iss. 137, pp. 515-521.
- Vukomanovic, M., Radujkovic, M., Nahod, M.M. (2014). *EFQM excellence model as the TQM model of the construction industry of southeastern Europe*. In: Journal of Civil Engineering and Management, 20 (1), pp. 70-81.
- Malerova, L., Smetana, M., Drozdova, M. (2014). *Decreasing aftermath large extraordinary situations via the simulations*. In. Advanced Materials Research. 2014, č. 1001, s. 453-457.
- Mynarzova, M. a Kana, R. (2014). *Theory and Practice of Industrial Policy of the EU in the Context of Globalization Challenges*. In: International Conference on European Integration 2014. Ostrava: VSB – TU Ostrava. WOS: 000346144900056.
- CSO (2013). *Statistical Yearbook of the Moravskoslezský Region 2013*. [on-line] [cit.: 2014-11-18]. Retrieved from: [http://www.czso.cz/csu/2013edicniplan.nsf/t/DD002985CA/\\$File/80101113.pdf](http://www.czso.cz/csu/2013edicniplan.nsf/t/DD002985CA/$File/80101113.pdf)
- CzechInvest (2007) *Pruvodce klustrem*. [on-line] [cit.: 2014-11-18]. Retrieved from: <http://www.czechinvest.org/data/files/pruvodce-klustrem-63.pdf>
- Kolenak, J. (2004). *Vytvareni podnikatelskych siti jako strategicka variant pro male a stredni podniky*. [on-line] [cit.: 2015-2-12]. Retrieved from: http://www.fce.vutbr.cz/veda/dk2004texty/pdf/05_Ekonomika%20a%20rizeni%20stavebnictvi/5_02_Ekonomika%20stavebniho%20podniku/Kolenak_Jiri.pdf
- Moravian-Silesian Automotive Cluster c.a. [on-line] [cit.: 2014-12-12]. Retrieved from: <http://autoklastr.cz/en>
- Studenikova, J. (2011) *Konkurenční strategie zaměřené na spolupráci firem – proces klustrování v ČR*. [on-line] [cit.: 2014-11-2]. Retrieved from: <https://dspace.vutbr.cz/handle/11012/19841>
- Svobodova, D. (2013) *Model excellence EFQM 2013 jako nástroj k vyssi konkurenceschopnosti organizaci*. [on-line] [cit.: 2014-12-8]. Retrieved from: <http://www.businessinfo.cz/cs/clanky/model-excelence-efqm-2013-je%20nastroj-k-vyssi-konkurenceschopnosti-organizaci-32025.html>
- CSO (2013) *Statistical Yearbook of the Moravskoslezský Region 2013*. [on-line] [cit.: 2014-11-18]. Retrieved from: [http://www.czso.cz/csu/2013edicniplan.nsf/t/DD002985CA/\\$File/80101113.pdf](http://www.czso.cz/csu/2013edicniplan.nsf/t/DD002985CA/$File/80101113.pdf)

Kontakt

Hana Štverková, Ing., Ph.D., MBA.
Katedra podnikohospodářská,
Ekonomická fakulta, VŠB – TU Ostrava
Sokolská třída 33, 702 00 Ostrava,
e-mail: hana.stverkova@vsb.cz

PUBLIC SUPPORT FOR SMALL AND MEDIUM-SIZED ENTERPRISES ON EUROPEAN UNION INTERNAL MARKET IN THE CONTEXT OF NEW BLOCK EXEMPTION

Monika MYNARZOVÁ, Radomír KAŇA, Małgorzata OKRĘGLICKA

Abstract

This paper deals with the question of public support for small and medium-sized enterprises (SMEs) in the context of present development on EU internal market. The aim of this article is through an analysis of selected aspects of public support for SMEs to characterize and identify its trend through the prism of modernized state aid rules in the European Union (EU) with special emphasis on the area of new general block exemption regulation. The article focuses on state aid for SMEs in European Union Member States in accordance with Commission Regulation no. 651/2014 stating certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty. Special attention is given to certain categories of aid to SMEs in revisited General Block Exemption Regulation (GBER) which discharges EU Member States from the commitment to notify to the European Commission a number of state aid measures. The analysis covers the period from 2008 to 2014.

Key words

block exemption, European Union, internal market, public support, small and medium-sized enterprises, state aid

JEL Classification: F23, G38, H5, L26, M21, N44

Introduction

A significant precondition for economic growth and development is a dynamic business development. Entrepreneurship is an essential factor for competitiveness, because of new business projects, increasing competitive pressures, which are forced other firms to react in the form of increased efficiency or introducing innovation, thereby strengthening the competitive power of the whole economy (Křibíková, Štverková, Humlová, 2012). Small and medium-sized enterprises have a significant role as engines of economic and social development too (Okřeglícka, Mynarzová, Kaňa, 2015). Business support in the European Union therefore focuses on small and medium-sized companies, which are considered the backbone of national economies (Jünger, Mynarzová, 2009). The intent of public support for these enterprises is to provide support to processes leading to increased competitiveness of enterprises, leading to increased competitiveness in the municipal, regional, national, European and global level within the framework of sustainable development (Havierníková, 2014; Žebroková, Pellešová, 2014).

Union legislative framework considers state aid as generally undesirable and incompatible with the principles of the internal market, and therefore they are, with few exceptions, forbidden by EU law (Svoboda, 2011). Although the long-term constancy of the overall prohibition of state aid in Union law

with EU approach to public support developing, particularly in relation to the economic situation of the European Union and its Member States (Dziwiński, Barcik, 2014). The last economic and financial crisis has increased pressure on Member States to implement measures that could be contrary to the EU competition rules. This crisis has also caused an increase in demand for stronger and robust government role in stimulating economic growth and a substantial burden on public budgets of the Member States (Právní rádce, 2014). In these circumstances, European Commission launched a reform of the state aid rules. Nowadays, the EU is in the process of the application of these new state aid rules in programming period 2014-2020. Correct application of state aid rules becomes crucial because these new rules are necessary not only to aid financed from national sources, but they are also an important condition for the drawing from European Structural and Investment Funds (ÚOHS, 2014a).

1. European Union competition rules of public support

So that governments to make minimum disturb in the internal market, and hereafter competition, the European Union is seeking from the beginning of integration process in its primary and secondary legislation to protect competitive conditions and decrease state aid to enterprises (Kubátová, 2013).

Roots of public support rules are unchanged since the signing of the Treaty establishing the European Economic Community (Treaty of Rome) in 1957. The rules for the control of state aid are contained in Articles 107 to 109 of the Treaty on the Functioning of the European Union (TFEU – Lisbon Treaty) at the present time. According to current EU legislation, the concept of state aid is adapted in Article 107, paragraph 1, which states: „Any aid granted by a Member State or through State resources which distorts or threatens to distort competition by favouring certain businesses or production of certain goods shall, if they affect trade between Member States, be incompatible with the internal market, unless the Treaties provide otherwise “. European Union primary law does not prohibit state aid, but it is regarded as incompatible with the internal market. Primary law does not consider all state aid incompatible and provides a large area of aid from the scope of Article 107, paragraph 1 absolutely or conditionally exempted. The second paragraph of Article 107 TFEU states the cases of state aid, which are automatically excepted from mentioned general prohibition. There are three types of state aid: "social" aid character; assistance for the recovery from damage caused by exceptional occurrences and aid to the economy of certain areas of the Federal Republic of Germany affected by the division. The third paragraph of Article 107 TFEU lists the types of state aid that may be considered compatible with the internal market: a) aid to promote the economic development of areas with extremely low standard of living and high unemployment; b) aid to promote the execution of an important project of common European interest or to remedy a serious disturbance in the economy of a member state; c) aid to facilitate the development of certain economic activities or areas, without adversely affecting trading conditions to an extent which would be contrary to the common interest; d) aid to promote culture and heritage conservation, if it does not affect trading conditions and competition in the Union to an extent contrary to the common interest, and other types of aid that may be specified by decision of the Council to the Commission's proposal. State aids, which automatically are or may be considered compatible with the internal market under those exceptions, must be pre-notified to the European Commission. Exceptions listed in EU law can be categorized as: *general exceptions* (Article 107, paragraph 2 TFEU); *individual exceptions* (Article 107 Sec. 3 TFEU); *block exemption* (General Block Exemption Regulation no. 651/2014); *ad hoc exceptions established by the Council* (Article 108, paragraph 2, subparagraph 3 TFEU).

Can be argued that the legislation of provision and control of state aid and its development did not belong to the priorities and the Commission's

approach to changes in secondary treatment was by the early 90s of the 20th century rather case report approach (Mynarzová, Kaňa, 2015). In the last decade, however, this is an area in which in EU is a significant political progress, to which it responds with new regulations and their ongoing revisions. This caused situation where, unlike traditionally espoused concept of the prohibition of state aid to the private sector, was rather more appropriate to talk about the legal regulation of conditions of authorization granting state aid on the basis of their assessment by the European Commission (Janků, Mikušová, 2013). The requirements of the Strategy "Europe 2020" played an important role in determining the directions of state aid in the EU. According to their expectations the EU Member States had these priorities: reduce the level of aid relative to GDP, reduce state aid which has potential to decrease competition, reorient sectoral aid to horizontal and regional aid and change the forms of state aid from passive to active tools (Stepniak-Kucharska, 2013). On 8 May 2012, the Commission presented its Communication titled "State Aid Modernization", announcing a comprehensive reform program of the existing instruments concerning state aid control. Commission defined three goals of state aid process of modernization: foster growth in a strengthened, dynamic and competitive internal market; focusing enforcement on cases with the huge impact on internal market and streamlined rules and faster decisions (European Commission, 2012). The purpose of the innovative legislation in the field of state aid is rigorous and focused control of state aid, which should improve the functioning of the internal market through more effective policies aimed at reducing distortions of competition, maintaining equal terms for individual market operators and struggle with protectionism (Okřelická, Mynarzová, Kaňa, 2016).

2. State aid modernization in European Union by prism of block exemption

The European Commission adopted one of the key legislative instruments for the provision of state aid, and the EU Commission Regulation no. 651/2014, which in accordance with Articles 107 and 108 of the Treaty declaring certain categories of aid compatible with the internal market¹ on 21 May 2014. From 1 July 2014 this regulation replaced the Commission Regulation EC no. 800/2008 in accordance with Articles 87 and 88 of the EC Treaty

¹ Rules are defined separately for the agricultural sector in EC Regulation (EU) no. 702/2014 and for the fisheries and aquaculture sector in Commission Regulation (EU) no. 1388/2014.

declaring certain categories of aid compatible with the common market (i.e. General Block Exemption Regulation). The basic benefit of using this exception is to avoid the notification procedure with the European Commission and a relatively lower administrative problem (Mynarzová, Štverková, 2015).

2.1 Description of research and methodology

For this research authors used some of the fundamental methods of the scientific research to obtain information necessary to the complex systemic processing of the topic. The authors predominantly used methods of qualitative research but quantitative method too. The basic research methods include except literature review, method of analysis and comparison too. Concerning the establishment of General Block Exemption Regulation in the EU in 2008 was chosen period 2008-2014. In this article was primary used statistical data processed by the European Commission. The full impact of the new GBER, which came into force from 1 July 2014 take action from 2015. During the processing of this paper, unfortunately data for 2015 was not available.

Considering the main objective of this article, the following research hypothesis has been put forward:

H1: State aid awarded under block exemption including aid for small and medium enterprises including risk capital is becoming the main legal form of state aid in the European Union.

2.2 Block-exempted aid in European Union and evaluation of GBER – empirical approach

Table 1 highlights the development of individual aid block exemption in the Union in the period 2008-2014. By the analysis of the data presented in this table can be concluded that public aid granted under block exemption shows an increasing trend. During the period 2008-2014 the aid intensity for the EU-27 (resp. EU-28 since 2013) amounted to 2.6 times, which in 2014 reached a total of 27,16 billion EUR. Within the reference period, with the exception of 2012 and 2013, were dominated by means of aid for regional development. Aid for SMEs including risk capital in terms of volume was the second largest item, till 2010. This item for the entire period is gradually reduced, from 3 367,5 million EUR in 2008 to 1 606,9 million EUR in 2014.

Tab. 1. Categories of Block-exempted aid in EU in the period 2008-2014 (millions EUR)

	2008	2009	2010	2011	2012	2013	2014
Regional development	4416,4	7673,7	6925,9	6506,1	6213,9	6181,6	9776,1
Research and development including innovation	139,1	1256,2	1427,5	2060,5	2837,5	3257,0	5014,4
Environmental protection and energy saving	7,6	691,6	729,0	5376,9	7685,7	8152,2	7720,1
SMEs including risk capital	3367,5	3208,1	2171,2	1990,2	1904,6	1643,2	1606,9
Employment	1547,4	1308,8	1422,4	1363,6	1503,2	1656,3	1656,0
Training	853,1	922,8	763,3	850,8	1049,6	759,0	573,4
Culture	:	:	:	:	:	16,7	407,0
Promotion of export and internationalisation	0,0	:	:	:	:	:	:
Heritage conservation	0,2	0,0	0,0	:	:	:	:
Social support to individual consumers	:	:	:	:	:	:	350,9
Other	:	0,0	0,0	1,1	3,0	1,4	52,9
Total	10331,3	15061,3	13439,3	18149,2	21197,5	21667,4	27157,5

:=not available

Source: (European Commission, Statistics, 2016)

The new regulation applies for state aid in all economic sectors, except those explicitly excluded. The scope of the GBER has been extensively widened. It now covers almost all categories of exception in Article 107(2) and (3). The European Commission built-in a relatively wide range of new areas that had to be dealt with in the past through

notifications into the modernized system of block exemptions. The most essential new categories include: aid for culture and heritage conservation, aid for broadband infrastructure, aid for sport and multifunctional recreational infrastructures, aid for local infrastructure, support innovative clusters and process or organizational innovation or support for

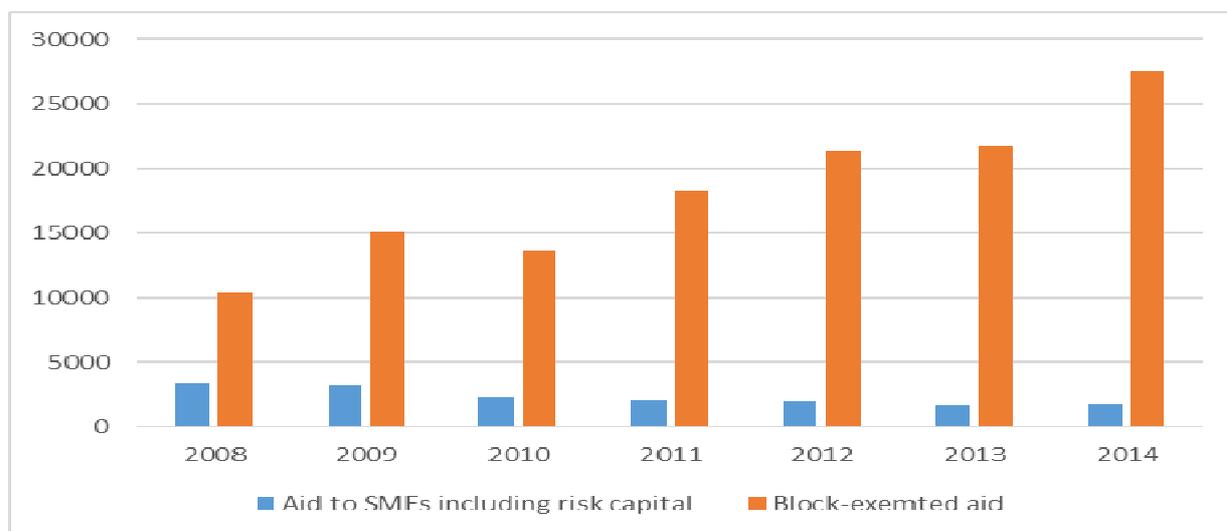
urban development. The maximum permissible aid intensity for several types of aid was raised. Many limits for notification of individual amounts of state aid have also been raised (Phedon, 2014).

Among the important changes the new GBER can be included: simplification of the rules for the evaluation of the incentive effect of the aid, modifying the definition of a firm in difficulty, adjustment of the maximum aid intensities, increased absolute thresholds for application of the block exemption, a tightening of possible sanctions by the European Commission in accordance with the conditions of the

GBER, the introduction of the threshold for a mandatory evaluation major support programs and the introduction of a number of incremental changes within specific rules on certain categories (MMR, 2015).

Graph 1 shows the development of block-exempted aid in the European Union in the period 2008-2014. For the entire period, with the exception of 2010, there was increase in block exempted aid. Conversely, aid to SMEs including risk capital in the period gradually decreases.

Graph 1. Block-exempted aid in European Union in the period 2008-2014 (millions EUR)



Source: (European Commission, Statistics, 2016)

Due to the European Commission should go in the future on the most frequently used legal title of public support within the Union. The original regulation covered about 60% of all aid in the European Union. The Commission estimates that about 3/4 of original state aid measures and 2/3 amounts of aid will be exempted according to the revised GBER (Euroskop, 2014a; Bucci, 2014). Block exemptions should in future become the most used legal title for the state aid and European Commission assumes their applications up to 90% of the state aid measures through the European Union.

2.3 Aid to small and medium-sized enterprises by prism of new GBER

The European Commission recognises the main role that small and medium-sized enterprises play in the economy, on the other hand that they are threatened by a series of market failures. SMEs represent 99% of all businesses in the European Union. To enable the development of the economic

activities of SMEs, new regulation therefore exempts specific categories of aid when they are granted in favour of small and medium-sized enterprises. In this subsection we focus on these selected categories. Category named “Aid to SMEs” include SME investment aid (Article 17), aid for consultancy (Article 18), SME participation in fairs (Article 19) and a new aid for cooperation costs incurred by enterprises participating in European Territorial Cooperation projects (Article 20). On the basis of these provisions, SMEs can benefit from public support of up to 7,5 million EUR (see table 2).

Another important category, which is intended for small and medium enterprises is “Aid for access to finance for SMEs”. These companies often have difficulties in obtaining capital or loans, given the risk averse nature of certain financial markets and the limited collateral that they may be able to offer. Their limited assets may also restrict their access to information, new technology and potential markets. The European Commission considers that the development of the venture funding and improve

access for small and medium-sized companies with market capitalization of the venture financing are very important for the Union economy in general. EC has created a flexible framework for granting state aid to SMEs at every stage of their development (including growth phase), allowing them to innovate - to promote new products and ideas and create new jobs. If mentioned aid for the provision of venture financing these companies properly directed, can be an effective

means to relieve the identified market failures and to enable private capital. Category titled "Aid for access to finance for SMEs" involves: risk finance aid (Article 21), aid for start-ups (Article 22), aid to alternative trading platforms specialized in SMEs (Article 23) and aid for scouting costs (Article 24). Table 2 points the threshold of the various types of aid and the aid intensity.

Tab. 2. Specific selected categories of aid to small and medium-sized enterprises in revised GBER

Category of aid	Threshold value (million EUR)	The aid intensity
Aid to SMEs		
Investment aid to SMEs	7,5	shall not exceed 20 % of the eligible costs in the case of small enterprises; max. 10 % in the case of medium-sized enterprises
Aid for consultancy in favour of SMEs	2	shall not exceed 50 %
Aid to SMEs for participation in fairs	2 /year	shall not exceed 50 %
Aid for cooperation costs incurred by SMEs participating in European Territorial Cooperation projects	2	shall not exceed 50 %
Aid for access to finance for SMEs		
Risk finance aid	15	10 % of the risk finance provided to the eligible undertakings prior to their first commercial sale on any market; 40 % referred to in paragraph 5 (b); 60 % of the risk finance for investment provided to eligible undertakings mentioned in paragraph 5 (c) and for follow-on investments in eligible undertakings after the 7-year period mentioned in paragraph 5 (b)
Aid for start-ups	not defined	the amount of aid provided for each undertaking in Article 22, paragraph 3, 4 and 5 GBER
Aid to alternative trading platforms specialized in SMEs	not defined	the amount of aid provided for each undertaking in Article 22, paragraph 3, 4 and 5 GBER where the platform operator is a small enterprise
Aid for scouting costs	not defined	shall not exceed 50 %

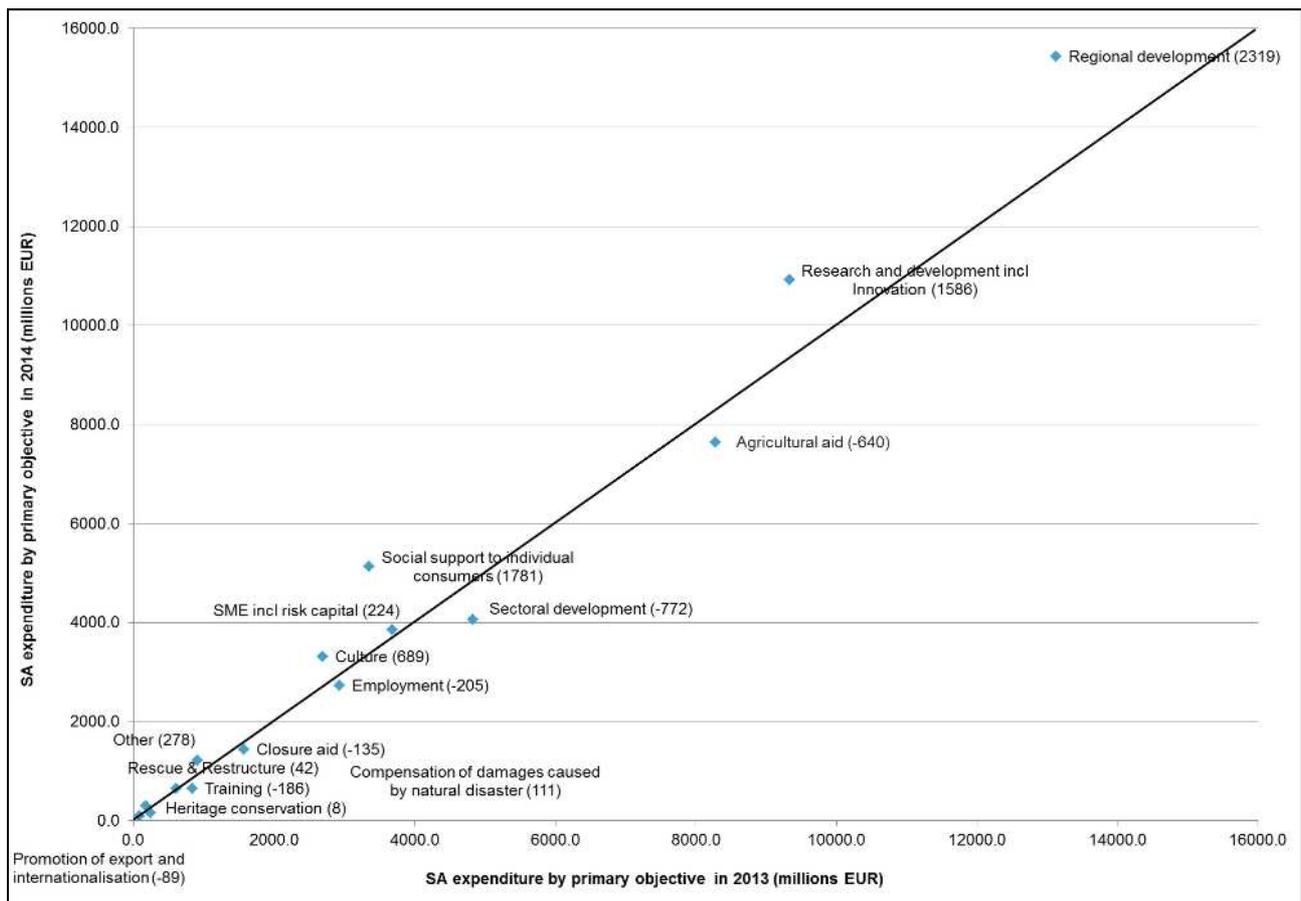
Source: (Commission Regulation (EU) No 651/2014; MMR, 2015)

In the past the European Commission carried out the amount of state aid of 1.5 mil. EUR per year for a single company but the new rules establish that aid up to 15 million EUR per year for one company may not go through an assessment of the compatibility of the aid (Euroskop, 2014 b). In accordance with these new schemes rules laid down in the GBER may be notified to the Commission. This permits easier distribution of aid and reduce bureaucracy. Nowadays exists a wider range of possible financial instruments to better reflect market practices, but also the phase and the industries in which the individual company operates. The new rules eliminated the obligation that the company was

70 % financed by own resources. Mandatory participation of private investors is still required to ensure that the aid will only serve to attract new investors than fully replace private funding. The minimum contribution of private investors is among 10 - 60 % depending on age and risk of the corporation (it was 50 % in non-assisted areas and 30 % in assisted previously).

Graph 2 shows the development of state aid expenditure by objectives in 2013 and 2014. Item "SMEs including risk capital" recorded slight increase (224 million EUR).

Graph 2. State aid expenditure by objectives in 2013 and 2014 (millions EUR)



Source: (European Commission, State Aid Scoreboard 2015, 2015)

Conclusion

This article discussed selected aspects of public support for SMEs in European Union in the context of the most comprehensive overhaul in the history of state aid control. The aim of this article was through an analysis of selected aspects of public support for small and medium-sized enterprises to characterize and identify its trend through the prism of modernized state aid rules in the European Union with special emphasis on the area of new block exemption regulations. We analysed the rules and its impact on state aid to SMEs on the basis of the implementing regulations, adopted by the European Commission in 2008 and 2014 on state aid provided under the General Block Exemption Regulation (Commission Regulation no. 651/2014 stating certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty), which releases Member States from the obligation to notify to the European Commission a number of state aid measures.

The process of modernizing the rules governing the provision of public funds aimed at the economic

activity of enterprises, while their provision has the potential to distort competition and affect trade between Member States, came to an end. The purpose of this reform of state aid was not only to stimulate economic growth and competitiveness of the internal market, in line with the Europe 2020 strategy, but also the rationalization of law and accelerating decision-making processes in matters of public support (Mynarzová, 2014). Appropriate application of the new rules is necessary not only for financing the aid from national sources, but they are an important condition for the withdrawal of Structural and Investment Funds in the period 2014-2020 too. Only time and experience will tell if state aid modernization will bring significant benefits. But we can already identify the first positive effects of new legislation on the volume of state aid for small and medium-sized enterprises in the European Union.

The research hypothesis was generally confirmed. Block-exempted aid in EU-28 in the period 2008-2014 amounted to 2,6 times. As a result of the new GBER measures, whose impact is fully reflected since 2015 can be expected that state aid awarded under block exemption is becoming the prevailing legal

form of aid in the European Union. The innovative, broader GBER allows for more types of aid to be exempted without notification. Almost all categories of exception in Article 107(2) and (3) are covered nowadays. The new GBER should cover the overwhelming majority of state aid measures to be granted by EU Member States: according to some approximations, 3/4 in terms of number and some 2/3 in terms of aid amounts.

As pointed out in the text, the amount of state aid provided to small and medium-sized enterprises within the block exempted aid, in the period 2008-2014 gradually decreased. Regarding to SMEs, they can profit from any category of state aid covered by the GBER. In addition, the category of aid, designed especially for small and medium-sized enterprises, covers investment aid, aid for consultancy services, aid for participation in fairs and a new aid for cooperation costs incurred by SMEs participating in European Territorial Cooperation projects. Based on these provisions, SMEs can profit from public support of up to 7,5 million EUR.

To allow EU Member State to raise SME's access to finance, the revised GBER covers a much wider range of enterprises, irrespective of their geographical

position, including not only SMEs from seed/start up and expansion stages but also SMEs in later growth stages. For better coordination with market practices and for the funding to the needs of eligible SMEs, the limit of annual funding tranches of 1.5 million EUR has been replaced by an overall limit of funding of 15 million EUR per enterprise. The scope of possible instruments and funding systems has also been extended - including equity, quasi-equity, loans and guarantees, to better reflect market practices. The new risk finance rules are focused on enhancing the incentives of private sector investors - including institutional ones - to invest and increase their funding activities in the area of small and medium-sized enterprise financing.

The object of supporting undertakings from public funds should be to strengthen the global and long-term competitiveness of enterprises and stimulate business activity. State aid should be an instrument for implementing state economic policy and should be based especially on horizontal aid, in particular supporting the development of SMEs. It may be stated that the process of modernization of state aid in European Union presented in this article complying with those criteria.

Literature

Bucci, V. (2014). The Modernisation of State Aid Control and Its Objectives: Clarity, Relevance, Effectiveness. *Italian Antitrust Review*, N. 3(2014), pp. 7-23.

Dziwiński, P., Barcik. A. (2014). The Compliance Mechanism in Management of the Company in Terms of European Competition Policy. In: Bylok, F. Uberžiová, I., Cichobłaziński, L. (eds.). *Management and managers facing challenges of the 21 sth century : theoretical background and practical applications*. Gödöllő : Szent István Egyetemi Kiadó Nonprofit KFT, pp. 140-147.

EUR-Lex (2015). *Commission Regulation (EU) No 651/2014*. [online]. [cit. 2015-11-10]. Available: <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014R0651&from=EN>.

EUR-Lex (2007). *Treaty of Lison amending the Treaty on European Uion and the Treaty Establishing the European Community*. [online]. [cit. 2015-11-10]. Available: <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:12007L/TXT&from=EN>

European Commision (2016). *Statistics* [online]. [cit. 2015-12-10]. Available: http://ec.europa.eu/eurostat/tgm_comp/refreshTableAction.do?tab=table&plugin=1&pcode=comp_bex_sa_01&language=en.

European Commision (2015). *State Aid Scoreboard 2015* [online]. [cit. 2016-12-6]. Available: http://ec.europa.eu/competition/state_aid/scoreboard/index_en.html.

European Commision (2012). *EU State Aid Modernisation* [online]. [cit. 2014-10-06]. Available: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0209:FIN:EN:PDF>.

Euroskop (2014a). *Hospodářská soutěž v lednu 2014* [online]. [cit. 2014-10-06]. Available: <https://www.euroskop.cz/13/23571/clanek/hospodarska-soutez-v-lednu-2014/#>.

Euroskop (2014b). *Hospodářská soutěž v květnu 2014* [online]. [cit. 2014-10-06]. Available: <https://www.euroskop.cz/13/24206/clanek/hospodarska-soutez-v-kvetnu-2014/>.

Havierníková, K. (2014). Convergence of the Slovak Republic Regions. In: 2nd *International Conference on European Integration (ICEI 2014)*. Ostrava: VŠB-TUO, pp. 228-235.

Janků, M., Mikušová, J. (2013). *Veřejné podpory v soutěžním právu EU*. Praha: C. H. Beck, 2013.

Jünger, J., Piskorzová, M. (2009). Význam podnikání ve společnosti. In: *Przedsiębiorczość w warunkach Unii Europejskiej. Podnikání v podmínkách Evropské unie*. Katowice: Górnoślaska Wyzsza Szkola Handlowa, Slezská univerzita v Opavě, Urząd Miejski v Chelmku, pp. 213-224.

- Křibíková, P., Štverková, H., Humlová, V. (2012). The Research of Organizational Structures in SMEs. In: *Zborník vedeckých prác Aktuálne problémy podnikovej sféry 2012*. Bratislava: Ekonomická univerzita Bratislava, Fakulta podnikového manažmentu, Katedra podnikovohospodárska, pp. 251-256.
- Kubátová, K. et al. (2013). *Fiskální a měnová politika a jejich vliv na mezinárodní podnikání a konkurenceschopnost v zemích EU*. Plzeň: Aleš Čeněk, 2013.
- Ministerstvo pro místní rozvoj (2015). *Metodické doporučení pro oblast veřejné podpory*. [online]. [cit. 2015-12-10]. Available: http://www.strukturalni-fondy.cz/getmedia/9533c967-ce10-4705-8bf9-87cf628d3b10/MDVP-fin-k-vydani-po-vlade_cista.pdf?ext=.pdf.
- Mynarzová, M. (2014). Veřejná podpora podniků na vnitřním trhu Evropské unie prizmatem nových pravidel. In: *Trendy v podnikání 2014*. Plzeň: Západočeská univerzita v Plzni.
- Mynarzová, M., Kaňa, R. (2015). Selected Aspects of Public Support for Enterprises. In: *Peer-Reviewed Conference Proceedings of International Conference Hradec Economic Days 2015*. Hradec Králové: Univerzita Hradec Králové, Fakulta informatiky a managementu, pp. 48-54.
- Mynarzová M., Kaňa R., Okręglicka, M. (2016). Selected Aspects of Public Support for Small and Medium-sized Enterprises in European Union through the Prism of Block Exemption Regulation. In: Okręglicka, M., Gorzeń-Mitka, I., Lemańska-Majdzik, A., Sipa, M., Skibiński, A. (eds.). *Proceedings of the 1st International Conference Contemporary Issues in Theory and Practice of Management 2016*. Częstochowa: Wydawnictwo Wydziału Zarządzania Politechniki Częstochowskiej, 2016, pp. 294-301.
- Mynarzová, M., Štverková, H. (2015). Veřejná podpora jako významný faktor konkurenceschopnosti malých a středních podniků na vnitřním trhu Evropské unie. In: *Zborník vedeckých prác Aktuálne problémy podnikovej sféry 2015*. Bratislava: Ekonomická univerzita Bratislava, Fakulta podnikového manažmentu, Katedra podnikovohospodárska, pp. 452-461.
- Okręglicka, M., Mynarzová M., Kaňa R. (2015). Business Process Maturity in Small and Medium Sized Enterprises. *Polish Journal of Management Studies*, vol. 12, no.1, pp. 121-131.
- Phedon, N. (2014). An Economic Assessment of the Usability of the New General Block Exemption Regulation for State Aid (Regulation 651/2014). *European Competition Journal*, vol. 10, issue 3, pp. 403-417.
- Právní rádce (2014). *Veřejné podpory podle nových pravidel* [online]. [cit. 2014-10-06]. Available: <http://pravniradce.ihned.cz/c1-57650400-verejne-podpory-podle-novych-pravidel>.
- Stepniak-Kucharska, A. (2013). Changes in the Rules for Granting State Aid to Enterprises in the European Union. *Comparative Economic Research*, vol. 16, issue 4, pp.101-120.
- Svoboda, P. (2011). *Úvod do evropského práva*. Praha: C. H. Beck, 2011.
- Úřad pro ochranu hospodářské soutěže (2014a). *Stručný průvodce problematikou veřejné podpory* [online]. [cit. 2014-10-06]. Available: <https://www.uohs.cz/cs/verejna-podpora/aktuality-z-verejne-podpory/1878-jak-se-orientovat-v-novych-pravidlech-verejne-podpory-nove-informativni-materialy-zverejneny-na-strankach-uradu.html>.
- Úřad pro ochranu hospodářské soutěže (2014b). *Modernizace veřejné podpory* [online]. [cit. 2014-10-06]. Available: <http://www.uohs.cz/cs/informacni-centrum/informacni-listy.html>.
- Žebroková, V., Pellešová, P. (2014). The Competitiveness of Small and Medium-sized Enterprises in Retail. In: *Sborník příspěvků XII. Mezinárodní vědecké konference Hospodářská politika v členských zemích Evropské unie*. Karviná: SU OPF Karviná, pp. 1075-1084.

Contact

Ing. Monika Mynarzová, Ph.D.
Department of European Integration, Faculty of Economics,
VŠB – Technical University of Ostrava
Sokolská třída 33, 701 21 Ostrava 1, Czech Republic
e-mail: monika.mynarzova@vsb.cz

Ing. Radomír Kaňa, Ph.D.
Department of European Integration, Faculty of Economics,
VŠB – Technical University of Ostrava
Sokolská třída 33, 701 21 Ostrava 1, Czech Republic
e-mail: radomir.kana@vsb.cz

Małgorzata Okręglicka, Ph.D.
Department Economics, Investment and Real Estate,
Faculty of Management, Częstochowa University of Technology
Al. Armii Krajowej 36 B, 42-200 Częstochowa, Poland
e-mail: m.okreglicka@wp.pl

THE IMPORTANCE OF SOFT SKILLS IN LEADERSHIP

Silvia MIKEŠOVÁ

Abstract

The most successful leaders have not only mastered technical skills, they've also mastered soft skills. Commonly known as people or interpersonal skills, soft skills like motivation, empathy, building morale, and maintaining relationships are key to a leader's success. Although a certain degree of analytical and technical skills is a minimum requirement for success, studies show, that emotional intelligence and soft skills may be a key feature that distinguishes great leaders from those average ones. The paper deals with the direct links between emotional intelligence and performance of the organisation as well as the measurable results of this relationship. Our intention is that the managers in practice will know which competencies they should focus, and also point to the ever-increasing need for organizations to address soft skills. The level and quality of education and expertise has long held a leading position as a criterion for the success of the work of managers. Who knew, had the knowledge, analytical and logical thinking skills, as if he was predestined to hold various functions and positions and assert themselves and had their career progression assured.

Keywords

Emotional intelligence, leadership, motivation, performance, soft skills.

JEL Classification: M12, M13, M14

Introduction

That people are the most valuable assets that companies have, is still the current idea that at the time of its birth, highlighted the importance of the human factor and nowadays it gets an even deeper meaning. It focuses attention on the potential of people, their attributes and their better and more quality exploitation. The level and quality of education and expertise has long held a leading position as a criterion for the success of the work of managers. Who knew, had the knowledge, analytical and logical thinking skills, as if he was predestined to hold various functions and positions and assert themselves and had their career progression assured. Soft skills were even denied as considered being ineffective in the work of a manager. Nowadays it is not enough to have just theoretical or expertise knowledge. One must know how to communicate with different types of people, influence and motivate them, or enter into disputes between workers and cope with stressful situations. It is emotional intelligence that brought a new way of thinking about the ingredients of success in life. Emotional intelligence is essential to all forms of relationships, especially those in the workplace.

1 Emotional intelligence

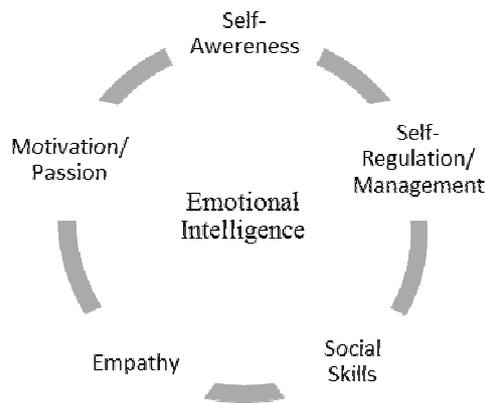
Psychologist and author Daniel Goleman first brought the term "emotional intelligence" to the

general public. In his research on nearly 200 large global companies he found, that truly effective leaders are characterized by a high degree of emotional intelligence (Boyatzis, Goleman, Mickee, 2016). Without it, a person can have a first-class education, a penetrating mind and an endless supply of good ideas, but they will still not be a great leader. Analytical and technical competences usually help to overcome the threshold of approach to a certain job and are therefore necessary for us to be able to keep this job. The top managers' IQ is around 110 – 120. They can be found in a group of people with above-average intelligence and the intelligence itself will not prevail. Therefore, the success becomes dependent on the social skills (Goleman, 2016).

Emotional intelligence (EI) is the ability to understand and manage one's own emotions and emotions of those around us. People with a high degree of emotional intelligence can explain what their feelings mean and how these emotions can affect other people. For managers, the emotional intelligence is the essential competence for success (Ahmed, 2014). After all, who has a better chance of success - a leader who yells at his team when it is under stress, or a leader who has things always under control and calmly evaluates the situation?

Daniel Goleman (Goleman, 2006) carried out an extensive research of emotional competencies. In his study, he summed up five essential emotional and social skills that we have illustrated in the following picture.

Figure 1: Emotional Intelligence Model



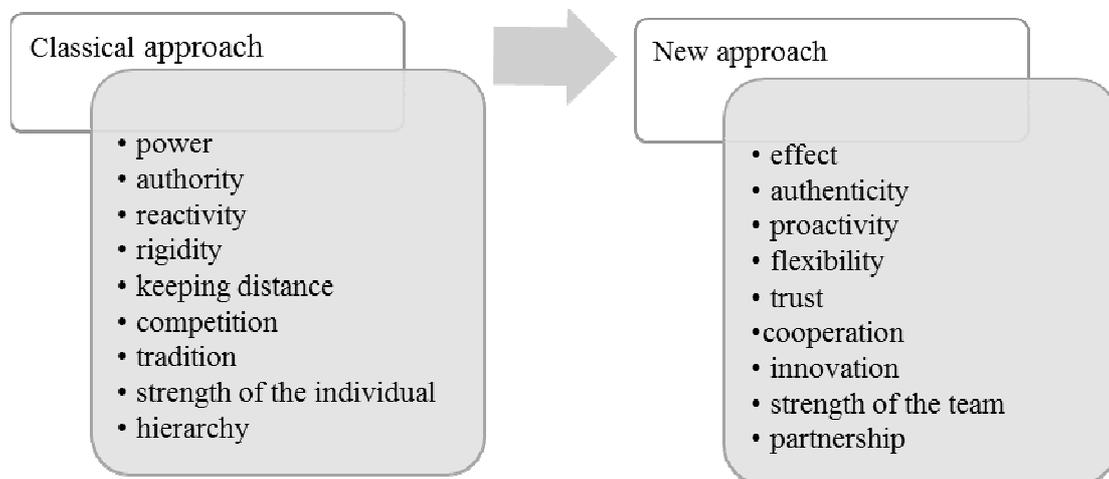
Source: Own elaboration

The higher the level of these competencies the manager achieved in each area, the greater the chance of success they have in their work.

Social reality and practice also causes transformations in this way in the work of managers. Those who want to be effective today, must change the following in the organization

2 Emotional intelligence and its role nowadays

Figure 2: Trends in leadership



Source: Own elaboration

It is the realization of these changes that the managers need at all levels of management. The higher we go in the enterprise hierarchy, the more important the emotional intelligence is. The high-performance managers differ from their less successful colleagues exactly in the competencies, which are based on the emotional skills. For top managers they make up 85-90 % of their job profile (Boyazits, Goleman, Mickee, 2016).

Emotional intelligence has, in a working group, an impact on behaviour. The level of the individual components of the emotional intelligence of the manager, affects the response of employees, their moods, values, expectations and goals (Goleman, 2015). Therefore, it largely leads to the influencing of the overall management process and to the work success.

3 Emotional intelligence in leadership

In the past, the emotions were associated with the idea, that the expression of such a characteristic does not belong to work and one should control their emotions, as they show weakness and instability. It was believed that the focus on the role was the only way to improve the efficiency. Today, however, it is not so. It is necessary to work professionally and at the same time, control emotions so that leaders can avoid conflicts and ensure smooth communication. Keeping emotions under control does not mean ignoring them or on the contrary, escalating them because it can lead to stress (Goleman, 2016). It's about understanding them and about the constructive expression. Emotions that are used positively can be very inspiring and motivating for others.

Self-awareness: If a manager is self-aware, they are oriented in their feelings and states, and know how these feelings may affect the people around them. Being self-conscious also means to have a clear idea of their strengths and weaknesses. Such a manager behaves with humility, can assess their possibilities and abilities, use intuition and act with self-confidence, and self-assurance (Goleman, 2015).

Self-control: Before anyone else, the manager has to manage himself in the first place. Our emotions are fuelled by the set of biological impulses. These impulses are beyond our control, but the resulting emotions are not. A manager who is able to handle immediate impulses will never attack others verbally, will not make an emotional decision. Self-control is to have everything under control. It also includes such features as reliability, respect for ethics, a sense of fair play, diligence, ability to adapt to changes, quickly recover from emotional stress. Manager who has that competence well developed, can maintain a fair environment in a team and its productivity is very high. Self-control is a competitive advantage, strengthens integrity. (Boyazits et al., 2016, Goleman, 2015)

Motivation: Motivated managers have the tendency to achieve objectives and the quality of work much higher. Motivation is an internal drive; it

is the ability to be able to inspire themselves as well as others on behalf of objective achievement (Goleman, 2006). The manager must be able to convince colleagues in a team to achieve goals, to introduce them to them as attractive and realistic. They must encourage commitment and positive approach to things and events.

Empathy: Empathy is a key component of emotional intelligence, as for the manager it has a decisive influence to successfully lead a team and the whole organization (Goleman, 2016). Manager with the ability to empathy to the feelings, needs and interests of other people, the ability to look at things through their eyes and from a different point of view, leads their employees more effectively (Ahmed, 2014). This way a manager can gain respect and faith in the team and can show he cares for employees. In a wider context this includes feeling for the interests of the organization, the ability to use and develop diversity, focus on internal and external customers, and to stimulate personal development and growth of employees.

Social skills: Managers who have this competence highly developed, are excellent speakers and can communicate well. They can both listen and express their views. They are also open to negative news. They bring their team on their side, they are passionate about things. These are the abilities to work in a team, influence, communicate, manage conflicts, build strong and lasting relationships and ties in the workplace (Boyazits et al., 2016).

The mentioned components of emotional intelligence are becoming the key to an excellent working performance. These components are to a greater or lesser extent, reflected in the value of organizations, which realize that just such managers are a guarantee of performance and success.

Daniel Goleman (2006) prepared a model, which heavily emphasizes the importance and power of the emotional intelligence. The latest version of this framework consists of a 2x2 matrix, which organizes the 18 competencies. The model is simple and concise.

Table 1: Matrix of the emotional intelligence

	Awareness	Management
Self	Self Awareness Emotional Self-awareness Accurate self-ssessment Self-confidence	Self Management Self management Transparency Adaptability Achivement Orientation Initiative Optimism
Social	Social Awareness Empathy Organizational Awareness Service Oreintation	Relationship Management Inspirational Leadership Influence Developing Others Change Catalyst Conflict Management Teamwork and collaboration

Source: Goleman, 2016

Being emotionally intelligent consists of 18 competencies in four areas - self-reflection, self-management, social awareness and relationship management.

Although the level of IQ is largely inherited, the emotional intelligence can improve up to 40 years of our life, as stated by Boyazits (2016). Regardless of whether someone is an innate leader or not, most people can enhance their working efficiency and improve EQ.

First of all, one needs to *know themselves*, know their strengths and weaknesses. Self-knowledge is extremely important. It is important to provide feedback to the colleagues, because it acts as a motivator and by using it, we can develop or change the behaviour of the subordinates. The key to the development is not to be defensive, but to provide any feedback and see an opportunity to grow in it (Goleman, 2015).

On the other hand, it is necessary to have *self-reflection*, when we recognize our mistakes and understand them as an opportunity to improve. Errors however, should not be an exercise of self-criticism, but an opportunity to address our weaknesses and focus on the strengths (Goleman, 2015).

Strive for *empathy* is essential when working with people. A good way to be empathetic, is to be in the shoes of others and avoid estrangement. For example, a colleague has been unproductive for about a week. After talking with him, you realize, that he is devastated by the loss of the cat. Although somebody may not an animal lover, we have all experienced a feeling of loss and therefore we can draw from this experience and show empathy.

4 Emotional contagion and emotional climate

"When my mind is full of anger, other people catch like a flu"

Goleman, 2016.

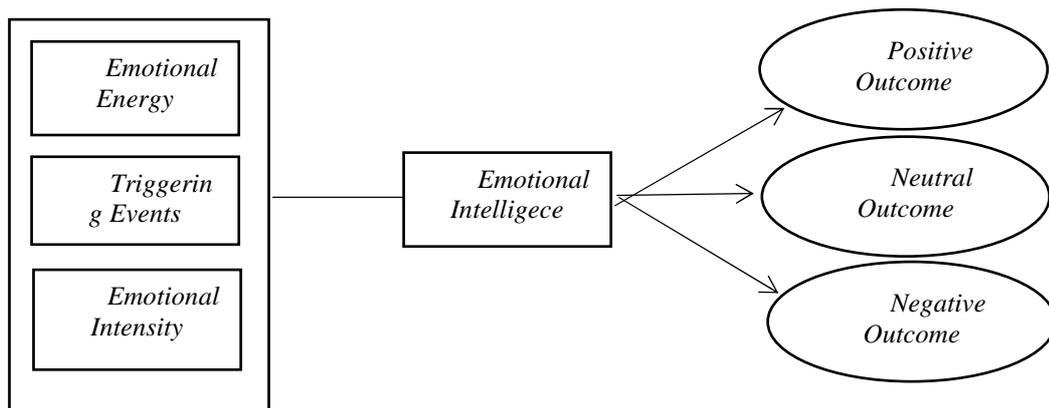
Whenever people communicate, their brains and bodies respond to the feelings of those around. Goleman explains that emotional contagion is happening all the time, including interactions at work. When a team leader in a good mood, the group builds on that feeling and their performance increases. If the leader is in a bad mood, the group feels it and their performance suffers. The leader (eventually the most powerful member of the team) sets the emotional tone for the others in the group. The workers grow with the emotions together, not only in that moment, but also in the memories that they will create. People remember the negative moments with superiors more than the positive ones (Boyazits at al., 2016).

When radiating negative emotions, the manager in the eyes of employees "a bad boss". Moreover, the manger can later regret the actions done under stress or anger. Psychologist John Gottman led an extensive research on relationship dynamics (Goleman, 2015). His advice for the managers is to wait 20 minutes and keep oneself aloof from the situation. This is the time during which the body can process the hormone washed away by anger and one can "cool down" and makes rational decisions. The researchers Sigal Barsad and O'Neill from the Wharton School at the University of Pennsylvania, specialize in the study of emotional contagion and its impact on organizations.

They propose ways how leaders can manage their emotions and create a positive emotional culture in their teams. It is important to be aware of their own moods and work effectively with it. One way to do this is to change your facial expression, as Dr. Barsad states, because our facial expressions can also affect our emotions (Barsad, Oniel, 2002). A deliberate smile leads to a feeling of positive emotions, too.

Each individual has emotional energy and the level of emotional intensity varies from an individual to an individual. Emotional energy is triggered by an event. Professor Ahmed believes that these three components are used in order to achieve the desired level of performance (Ahmed, 2014). His research shows that the use of emotional intelligence can have a positive impact on the enterprise performance. We tried to illustrate these ideas graphically.

Figure 2: Impact of EI on the enterprise performance



Source: Ahmed, R. M., 2014. Use Emotional Intelligence to Succeed at the Workplace [online]. Working Paper No. 1. Available: <http://url.ie/sr98>.

The desired performance results in a team therefore depend on how well the manager transmits their emotions to individual workers and how they understand them. Orientation in their emotions represents an analysis and control of triggers, regulation of the intensity of the emotion and the amount of emotional energy that is used in a given situation (Ahmed, 2014). Understanding this process leads to success in achieving the desired results.

Managers often refuse the role of feelings, but research shows, that they should pay attention to the emotional climate at work. Emotional climate, which is grown in an organization is often evident. Based on the research of Barsad and O'Neill (2002) we can say that emotions affect the work performance of employees and the whole organization. Some businesses directly mention components of the emotional intelligence in their final report. The two researchers also found that it is good to create a positive psychological space from that physical one. For example, an office, in which there are employees' photos from the common shares hang. It is associated with playfulness. Google Company is also proud of its entertaining decor and furniture and creates an appealing atmosphere. Based on simple gestures manager can create an attractive working environment for their team.

5 Emotional intelligence and performance

Research shows that emotional intelligence has a strong impact on organizational performance. Sanofi, a French pharmaceutical company focused on the skills of its workers employed in the field of emotional intelligence. Their latest annual revenue has increased by 12 % (Jennings, Palmer, 2007). After Motorola taught in their employees in a factory and increased their EQ, the productivity increased by more than 90 % (Bruce, McCraty, 2003).

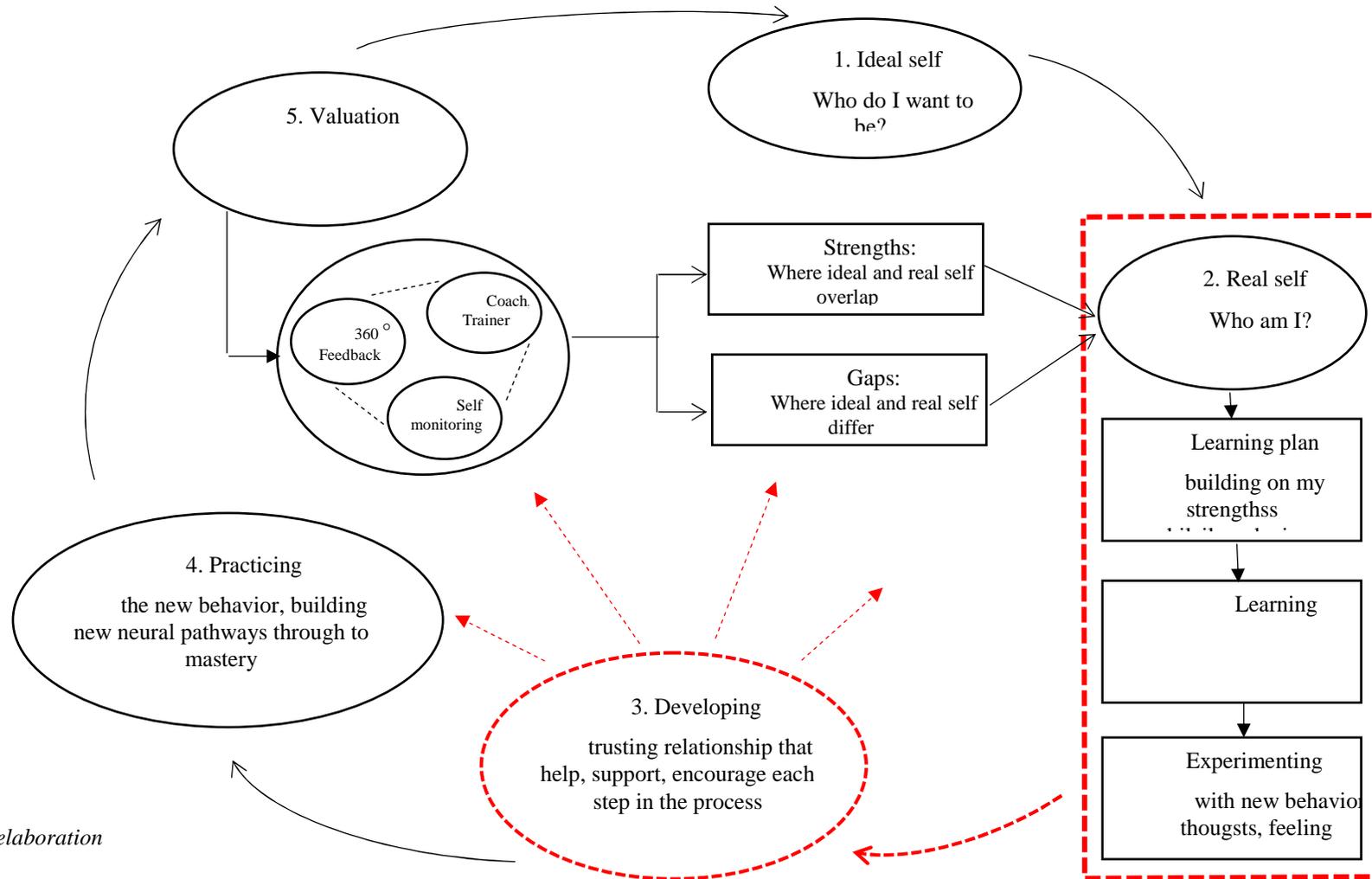
Emotional intelligence increases organizational performance for several reasons. The most fundamental one is the ability of self-awareness of the managers. If the manager is not interested in understanding their behaviour and motivation, it is impossible to understand their colleagues. The lack of self-reflection can frustrate the ability to think rationally and apply technical skills.

How to increase performance?

The good news is that emotional intelligence can be learned. Companies can see a difference in their performance just by the fact that the managers are aware of their own feelings and the feelings of others and were able to establish better relationships. A higher level of emotional intelligence will also be reflected in the labour deployment of the team. Proposals to increase emotional intelligence are as follows (Ahmed, 2014, Goleman, 2016):

- First of all, a manager must identify their strengths and weaknesses by asking for feedback from their co-workers. 360-degree feedback is an ideal way to develop self-awareness. Looking at oneself can also be obtained by observing other people's reactions to one's behaviour. It is important not to blame others for their reaction, but ask oneself what you could have done differently.
- Get a coach who will offer honest feedback on the behaviour of the manager.
- Pay attention to negative emotions and take responsibility for them. For example, if the manager is frustrated that people in the team still do not understand what he meant, although they explained it already three times, one needs to take responsibility. Doing the same thing and expect different results is Einstein's definition of insanity. The manager must explain it otherwise. Not to change the result, but change the methodology.
- The manager should watch his team, its thinking and emotional state of its members. They should address potential problems constructively.
- Be empathetic and try to understand how others feel. Not compare them with their own way of thinking and feeling. Own similar experience should be used and empathy shown.
- Have the courage to admit mistakes and learn from it is all right.
- Encourage open communication through listening. Workers in the workplace will be more open if it is of your interest in them.
- The manager should take time to thank to their team for their efforts and celebrate success.
- We illustrated the process of increasing emotional intelligence in the following scheme.

Figure 3: The process of increasing the emotional intelligence



Source: Own elaboration

Conclusion

After 80 years, the importance of the emotional intelligence changed dramatically. We would argue that this competence penetrates every level of individuals and the entire organization and should be considered as a hidden resource that largely affects the performance of the organization. Empathy is essential to all forms of relationships, especially those in the workplace. Nobody wants to work for a man who has messy emotions. An effective manager must carry out all forms of emotional intelligence on a daily basis. Companies should deal also with emotional intelligence more when selecting employees, not merely with the technical one. It is easy to push the

emotional intelligence aside to the edge of the working life and concentrate on the skills and know-how. However, such an approach is likely to hinder success. Inability to control oneself limits the effectiveness of a leader to use the hard skills such as technical competence, too. For the same reason, the emphasis on the emotional intelligence is a proven way to outdo the competition. An emotionally intelligent leader inspires others, encourages greater participation to the activities, communicates, creates healthy relationships and thus enhances the performance.

*Článok je súčasťou výskumného projektu MŠ SR
VEGA č. VEGA 1/0621/14.*

Literature

Ahmed, M.R. (2014). *Use Emotional Intelligence to Succeed at the Workplace* Working Paper No. 1. [online] [cit.: 2016-10-22]. Available at: <http://url.ie/sr98>.

Boyatzis, R., Goleman, D. McKee, A. (2016). *Primal Leadership: Unleashing the Power of Emotional Intelligence*. Boston: Harvard Business review press, 2016, 336 p. ISBN 978-1-4221-6803-5.

Goleman, D. (2016). *Effective Leaders Know the Science Behind Their Behaviour* [online] [cit.: 2016-10-22]. Available: www.danielgoleman.info.

Goleman, D. (2006). *Emotional Intelligence – Why it can matter more than IQ*. Boston: Published by Bantam. 384 p. ISBN 0-55-380-491X.

Goleman, D. (2015). *Self-Regulation: A Star Leader's Secret Weapon* [online] [cit.: 2016-10-22]. Available: <https://www.linkedin.com/pulse/self-regulation-star-leaders-secret-weapon-daniel-goleman>

Jennings, S., Palmer B. R. (2007). *Sales Performance Through Emotional Intelligence Development. Organizations and People*, Vol. 14, p. 55-61.

Bruce C., Mccraty, R. (2003). Pull the Plug on Stress. *Harvard Business Review*. Issue july 2006, p. 1-7. [online] [cit.: 2016-10-22]. Available at: https://davidmerzel.files.wordpress.com/2009/12/hbr_pull-the-plug-on-stress.pdf.

Barsad, S.G., Oniel, B., 2002. The ripple effect: Emotional contagion in groups. *Administrative Science Quarterly*. Vol. 47, No 3, p. 644-675.

Contact

Ing. Silvia Mikešová
Silesian university in Opava,
School of Business Administration Karvina
Department of Management
Univerzitní nám. 1934/3, 733 40 Karviná
e-mail: mikesova.silvia@gmail.com

THE RELATIONSHIP BETWEEN SOCIAL ORIENTED CORPORATE SOCIAL RESPONSIBILITY INITIATIVES AND CURRENT LIVING STANDARDS

Nadiya GRAZHEVSKA, Alla MOSTEPANIUK

Abstract

The purpose of this study is to identify relationships between social oriented forms of corporate social responsibility initiatives and current living standards based on advanced and transitional countries' practice. Living standards indicators used in this study include infant mortality, poverty and child poverty rates, availability of education to children and female employment rates. The main social oriented forms of corporate social responsibility initiatives are associated with supporting rights of workers, consumers and local population in general. This study uses comparative analysis of statistical indicators for two groups of countries; the first group includes pioneers and leaders of corporate social responsibility initiatives such as the United States, European countries and Japan, the second group consists of countries that follow business practices of developed countries, including post socialists countries. The results of this analysis can be used to detect economic contradictions as well as to substantiate practical recommendations in order to realize the potential of corporate social responsibility as a mechanism to overcome existing social problems.

Key words

Corporate citizenship, corporate governance, corporate social responsibility, social responsibility of business, sustainability.

JEL Classification: M14, M11, M13

Introduction

Corporate social responsibility (CSR) or social responsibility of business (SRB) is defined as the practice of business that takes into account economic, legal and social needs of the population in the form of providing social protection to employees, customers, partners, and society in general. This practice has two effects. The first one is that the practice of CSR is considered as a competitive advantage, which leads to an increase in demand for goods and services of such companies. The second effect of the CSR is improving the working conditions of workers, protecting the rights of consumers, support for vulnerable people, as well as actions aimed at protecting and restoring the natural environment, which in turn increase the standard of living in general.

A key feature of our time is the institutional framework development of the CSR not only within countries and groups of countries, but also at the regional and global levels. Thus, the UN Global Compact was adopted in 2000, which was designed to promote the development of social responsibility within businesses to solve current social problems; the European Alliance of corporate social responsibility was formed in 2006; International Standard ISO 26000 "Guidance on social responsibility" was published in 2010 and so on. In this context, the

problem of CSR implementation and development in the countries of post-communist camp is getting more important, as those countries are seeking to integrate into the modern world socio-economic space. Under such conditions a fundamental transformation of relations between the state and business takes place, at the same time as building a civilized market relations and forming the civil society.

As we know, the first attempt to conceptualize the practices of CSR was established in the mid-twentieth century. The study by H. Bowen "Social responsibilities of the businessman" was published in 1953, which reflected a systematic scientific analysis of the phenomenon of CSR. According to scientists, it is a duty of the businessman to pursue a policy of social responsibility, make decisions and follow such directions, which are desirable and valuable to society (Bowen, 1953). Further scientific debate in this area was related to publications by K. Davis, who first drew attention to the fact that social responsibility should be considered in terms of decision-making. According to the researcher, despite the fact that the implementation of CSR goes beyond legislative regulation in the long run it creates long-term economic benefit for the company (Davis, 1960). In this context, it is noteworthy to mention the definition of CSR by K. Davis who describes it as the responsibility of the person who decides to direct his activities to meet his own interests, to secure and increase social wealth (Davis, Blomstrom, 1975).

The supporter of A. Carroll ideas H. Bowen in his study "A Three-Dimensional Conceptual Model of Corporate Performance" (Carroll, 1979) defines CSR as meeting the expectations of society at four levels: economic, legal, ethical and philanthropic where only the first two are governed by law. Based on this structure scholar suggested classical pyramid of CSR and developed a detailed model of CSR based on four components of social expectations (Carroll, 1991). The recent work of A. Carroll in collaboration with M. Schwartz somewhat distorts the original pyramid of CSR, the philanthropic component joined with the level of economic or ethical responsibility. Scientists drew on the fact that distinguishing between ethical and philanthropic interests is extremely difficult, besides philanthropic interests are mainly based on economic ones (Carroll, Schwartz, 2003).

In the post-socialist countries, problems of formation and implementation of CSR were the subject of scientific debate that started in the late twentieth century within the new transitology. The studies of V. Bazylevych (Bazylevych, 2007), D. Bayura (Bayura, 2009), I. Belyaeva, M. Eskindarov (Belyaeva, Eskindarov, 2008), Y. Blagov (Blagov, 2004), Z. Varnaliy (Varnaliy, 2002), A. Kolot (Kolot, 2013), R. Ritvo (Ritvo, Feldmane, 2015), A. Zinchenko, N. Saprykina (Zinchenko, Saprykina, 2010), R. Spukiene (Spukiene, 2011), D. Stremikiene (Stremikiene, 2007), N. Suprun (Suprun, 2013) and others reflected the essence of the problem and the mechanisms of CSR, implementation of CSR in post-socialist countries. Many listed research focus on the interpretation of CSR as an important mechanism for solving social problems and the formation of social policy in the face of deteriorating living standards during the post-communist transformation.

Analysis of the scientific literature on these issues shows that considerable attention is given to the relationship between CSR and financial profitability. Analysis of CSR in the context of financial activities conducted by D. Wang and his colleagues confirmed a direct influence of the amount of implemented CSR projects on brand value and financial effectiveness of companies (Wang et al., 2015). C. Stellner and co-authors have performed an empirical analysis of the impact of CSR on credit risk, proved the existence of the relationship between the implementation of CSR projects and a reduction in credit risk of the company (Stellner et al., 2015). A. Fatemi focused on CSR as a mechanism for increasing the value of the company. Based on empirical data, it is proven that the company's costs related to the implementation of CSR projects increase its financial value (Fatemi et al., 2015).

In this regard, we note that in the last 30 years nearly 100 studies on the problems outlined were

published, the results of which are contradictory. In 53% of these studies, a positive relationship between profitability and financial indicators of social activity level of enterprises was found; in 4% of papers a negative relationship between these indicators was found and in 24% of these studies such dependence was not noticed at all. Thus 19% of the studies have shown mixed results, indicating a certain complexity and variability indices measuring the level of social activity of a company (Margolis et al., 2006).

Much of the publications in the theory and practice of CSR is also dedicated to the research of the relationship of CSR and corporate political strategies, due to global expansion of the geographical boundaries of international corporations and emergence of political conflicts. An important contribution to the study of these problems was made by K. Rehbein et al., who analyzed the relationship between CSR and corporate political efficiency of the company. Conclusions drawn from the authors' model confirmed that the implementation of CSR projects contributes to escalating human and organizational capital, which in turn increases the efficiency of corporate political activity of the company as a whole (Rehbein, 2015). However, M. Hadani with coauthors explored the role of CSR in the forming of corporate political strategy (also under conditions of political uncertainty) and proved that the activities of the company in the form of social philanthropy reduce political conflicts within unstable political situations (Hadani et al., 2012).

However, the problem of the relationship between forms of implementation CSR and standard of living in certain countries or regions are now scarcely explored. In a broad sense it refers to the practice of implementing CSR projects to cope with global social problems (child labor, poverty, discrimination), to achieve sustainable development goals (protection and restoration of the environment), to overcome the crisis of the welfare state caused by rising budget deficits and debts etc. These issues are extremely important for the post-communist countries that are trying to implement a model of social market economy; the transfer of state social functions to business is an integral part of it.

Methodology of research

This study is based on the analysis of global practices of the CSR projects and their relationship with the living standards of the population. Comparative analysis of the problem is linked to the differentiation of the developed countries (United States, European Union and Japan) and post-communist states, including Latvia, Lithuania, Estonia

and Ukraine. The choice of these countries is caused by KPMG research, according to which in 2013 among 250 world leader companies, 27% are American, 13% - Japanese, followed by European countries (KPMG, 2013). The experience of these countries in implementing CSR is particularly useful for post-communist states and for Ukraine, which is now experiencing great difficulties due to the aggravation of social problems in the course of radical socio-economic transformations aimed at forming civilized market relations and integration into the world economic system.

At the beginning of the article the authors analyze the stages of formation and common features of Western and Eastern models of CSR, which are associated with determining priorities based on certain indicators of living standards in the US, EU and Japan. Later, successful experiences and priorities of CSR in the developed world are compared with the experience of implementing CSR in post-socialist countries (the Baltic countries and Ukraine), that have chosen the European direction of development. This comparison reveals the specific features of CSR implementation practices in post-socialist countries and key barriers to the formation of civilized market relations and proves practical recommendations for the further development of CSR in the national economy to address acute social problems.

Results of Research

Analysis of successful implementation of CSR projects in developed countries, their relationship to quality of life and actual social challenges faced by the public and private sectors helps to determine priorities for the further development of CSR in post-socialist countries, namely: 1) institutional support of CSR by the creation of an appropriate legal framework; 2) promoting "openness" in actions of private business and the state sector in order to reduce the distrust level in society; 4) encouraging private business to implement CSR by providing certain tax benefits; 5) popularizing the image of companies that hold to the principles of CSR by the use of the media; 6) positioning CSR as an important competitive advantage of firms in national and global markets; 7) spreading the ideas of CSR among employees, consumers and society in general; 8) promoting coordination of public and private organizations to overcome the acute social problems of transitional economies.

Discussion

It is known that the United States, European countries and Japan are the world leaders in terms of CSR projects. This is confirmed by a number of recent studies, T. Fujii have performed analysis of CSR features in Japan and the impact of the Western economy, (Fujii, 2012), the survey made by R. Welford which covers the implementation of CSR practices in Europe, North America and Asia and specificity of each region and individual countries in the area (Welford, 2005), key areas for further development of CSR in European countries and the United States are proved by A. Forte (Forte, 2013) etc. But analysis of regions under a wide range of indicators, from the context of CSR establishment, findings of current social issues, CSR practices and their purpose, that enable to distinguish the specific features of each region still remains relevant.

First of all it is necessary to take into account that the formation and implementation of CSR in the developed world has passed through two stages: (1) establishment of CSR influenced by worsening of domestic social problems of individual states in order to provide social protection for vulnerable groups; (2) further development of CSR by external factors, largely in response to international organizations and to enhance the competitiveness of companies within the global economic system.

Despite the fact that the essence, the purpose and principles of CSR in developed countries are the same, mechanisms and priority areas for their implementation in the first phase had some differences due to the socio-economic, historical and cultural specificity of their evolution. Analyzing the differences in the formation and assigned priority of CSR in the developed world, single out its two models: the western inherent in EU countries and the United States and eastern reflecting features of CSR in Japan.

First, note that the specific forms and tools for CSR implementation within the western model vary depending on the sector in which the company operates. Analysis of scientific publications and practices of companies in these countries allows to distinguish following key areas of CSR: 1) Protection of the environment: a) Reducing pollution of soil, water and air; b) Minimizing the negative effects of climate change; c) More efficient use of natural resources. 2) Protection of human rights: a) Women's promotion, increasing the share of female workers; b) Improving business ethics; c) Reduction of child labor; d) The fight against corruption.

The companies working in the food production industry, in addition to these areas seek to fight poverty and hunger. These projects are implemented in two ways: (1) financing social programs; (2) transfer of own products to the regions that are needed

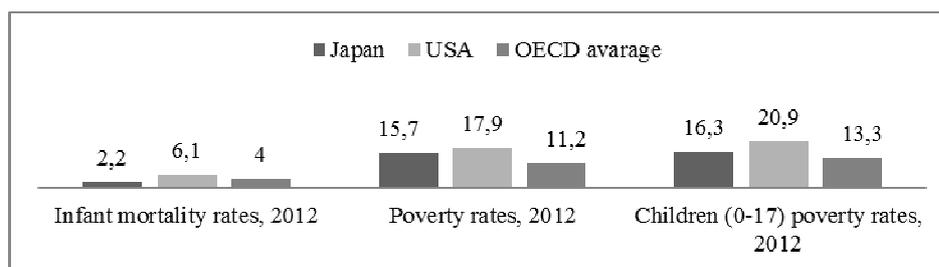
such assistance (based on published reports on CSR (Kraft Heinz, 2014; Nestle, 2014)). However, companies that design software and computer equipment are directing special attention to the development of education among children from poor families and in third world countries. The main mechanism of implementation of these projects is to provide computer equipment to education institutions or free software, and to conduct free courses and workshops for gifted children (based on published reports on CSR (IBM, 2014; Microsoft, 2014)). Pharmacological companies, in turn, focus their projects on the health of population, especially in third world countries where there is a need for vaccines and other essential drugs (based on published reports on CSR (Sanofi, 2014)).

By similarity of overall orientation programs, eastern model of CSR implementation has differences in areas and priority directions. According to a recent survey of private companies in Japan concerning the

most actual scope of CSR, such areas are: Environment - 92% of respondents; The preservation of culture - 71%; The preservation of maternal health - 69%; Human Rights - 67%; Promotion of women - 66%; Preventing disease - 28%; Overcoming child poverty - 23%; Overcoming hunger and poverty - 14% (Zentaro, Taku, 2015).

Comparing western and eastern models of CSR, we can conclude that the scope of implementation of CSR by private companies depends on the cultural and historical specificity, the standard of living and the implementation of social functions, that are not provided by the public sector in full. To confirm this we use four indicators of living standards of vulnerable populations in the developed world, namely: infant mortality, percentage of population and children living below the poverty line, the proportion of children with access to the necessary means of training, the level of employment among women and women with children under 15 years of age.

Figure 1: Infant mortality rates, poverty rates (%), child poverty rates (%) in the US, Japan, and the average for OECD countries, 2012.



Source: (OECD, 2015; Anonymous, 2015).

According to the data presented in Fig. 1 infant mortality in Japan is much lower compared to the average of this index among OECD (Organization for Economic Co-operation and Development) countries. The relatively high rate of infant mortality is also observed in the US. Thus, in 2012 infant mortality was 2,2 in Japan in 1000, in the US it was 6,1 and on average in OECD countries it was 4 in 1000. Data show that the problem of public health and recovery is relatively more important for western model than for eastern. In addition the data obtained by analyzing the official published reports of companies (Table. 1), confirms that. According to the western model of CSR 66% (4 out of 6) of companies decided to improve working conditions and the health of workers and in the eastern model - only 33% (1 out of 3).

As for the proportion of the population and children, that is living below the poverty line, according to data in Fig. 1 in Japan – 15.7% of the population and 16.3% of children live below the poverty line, in the US these figures are 17.9% and

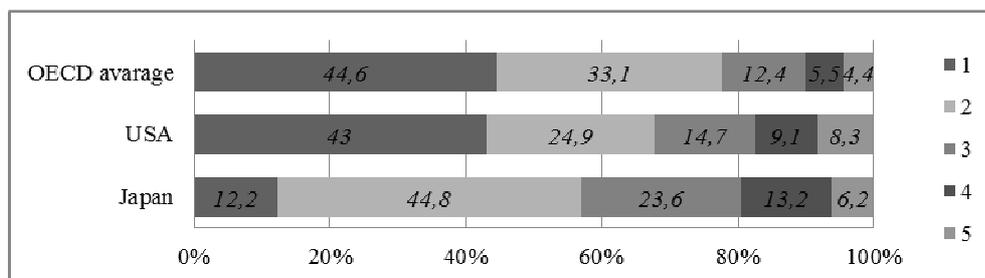
20.9% respectively, while the average for OECD countries are 11.2% and 13.3 % in accordance. So there is a significant prevalence of poverty among children in Japan (0.6%) and the US (3%), which respectively affects the orientation of actions towards poverty reduction, as from the state and from the corporate sector in the form of CSR. High levels of poverty and child poverty in particular, causes child labor (especially in the US), which is why for the western model combating child labor is a priority, that is confirmed by the data in Table 1. In the countries of the western model of CSR 33% (2 out of 6) of companies focus their efforts to decrease child labor, at the same time for the eastern model it is not a priority at all.

Data concerning equal access to learning tools among OECD countries varies (Fig. 2), in the US 43% of children have access to all necessary training facilities, the average level for OECD countries is 44.6% and for Japan - only 12.2%. According to this data, priorities among directions of implementing

CSR in Japan are associated with higher levels of education of children and youth, in preserving and spreading the national culture and traditions. Meanwhile, in the US and the EU problem of training

facilities for children are not dire, so this trend of implementing SCR is mainly focused on improving the situation rather than on coping with actual social problem.

Figure 2: Material deprivation based on access to educational resources, 2012. The share of children that have access to all educational resources (1), the share of children that don't have access to (2) a desk to study, (3) a quiet place to study, (4) a computer for school work, (5) educational software, internet connection, a dictionary and school textbooks.



Source: (OECD, 2015).

As for such an indicator of living standards as the level of employment among women and women with children under 15 years of age, according to the data presented in the statistical database for the OECD in 2011, the average level of female employment (with children up to 15 years) among OECD countries was 65.2%, in the US - 65.2%, in Japan - 52%. The above difference in the level of female employment also determines the priority areas of CSR implementation in different countries and regions of the world (OECD, 2014). These figures indicate that for the eastern SCR model employment of women is relatively more pressing problem than for the western. However, the data in Table 1 shows that all companies are trying to increase the share of female employment.

Thus, the comparison of empirical data on the living standards of vulnerable populations in the developed world allows to distinguish priority areas for implementation of CSR projects for western and eastern models. Thus, the common priority for both models is the focus on combating child poverty.

However, for the Eastern model the priority projects of SCR are to provide social protection of vulnerable groups (children and women), namely: to increase women's employment (for women with and without children) and to provide educational services for children. For the Western model, the social protection of women and children is not extremely important, because companies equally direct their CSR projects on social protection of employees, customers, partners and society in general.

Another approach based on the analysis of published reports by reputable companies allows assessing which areas of social life are attracting the attention of private companies while choosing the priorities for implementing CSR programs or projects. In our study we are using comparative analysis of the relevant indicators in correlation to current needs of employees, consumers, partners and society in general separately within the eastern and western models of CSR (Table 1).

Table 1: Comparative analysis of the priority areas of social protection implemented within the individual companies of eastern, western models of CSR and Ukrainian companies

Orientation of Social Protection	Eastern model			Western model				Ukrainian companies with Ukrainian capital			Ukrainian companies with foreign capital				
	CASIO	SONY	TOSHIBA	IBM	MICROSOFT	KRAFT	NESTLE	COCA-COLA	PROCTER AND GAMBLE	PLATINUM BANK	DTEK	ViDi GROUP	KPMG UKRAINE	Samsung UKRAINE	KYIVSTAR
Society as a whole:															
Educational activities for children and youth	++	+		+	+			+	+	+		+	+	+	+
Financial support of sporting and cultural events	+			+				+		+			+	+	+
Improvement of consumer products quality						+	+	+							+
Assistance to the population affected by natural disasters	++		++			+		+							
Reduction of child labor					+		+				+	+			
Charity					+			+		+	+		+	+	+
Employees:															
Fight against corruption – Business Ethics					+		+			+	+	+	+		+
Training and education of employees	+	+	+		+		+	+	+	+	+	+	+	+	+
Support health workers – improved working conditions		+		+			+	+	+	+	+	+	+	+	+
Prevention of discrimination					+			+			+	+	+		
Employment of people with disabilities	+	+	+				+					+			
Raising the level of female employment	+	+	++	+	+	+	+	+	+	+		+	+		

Source: (Casio, 2014; Sony, 2014; Toshiba, 2015; IBM, 2014; Microsoft, 2014; Kraft Heinz, 2014; Nestle, 2014; Coca-Cola, 2015; P&G, 2014; Platinum Bank, 2013; DTEK, 2013; ViDi Group, 2013; KPMG Ukraine, 2014; Samsung Ukraine, 2015; Kyivstar, 2014).

The table shows that the practice of CSR projects of large international companies in Japan is largely focused on the social protection of employees. CSR projects that are oriented on coping with corruption and preventing discrimination in the activities of these companies are absent at all, due to the low severity of the problems in the region and significant advances of the state aimed to solve such problems. However, in Japan projects aimed to support society are in priority, particularly oriented on improving of children and youth education, as well as funding some cultural and sporting events. The form of social projects directed on protecting the population from natural and man-made disasters is implemented "directly" from the

government without any assistance from charities that is typical for western model of CSR.

However, the western model of CSR is different from eastern by its equal distribution of projects between two areas: social protection of employees and society in general. Under such conditions important areas for businesses are: reducing child labor (including in the Third World, where their production capacity is allocated), employment of people with disabilities, fighting against corruption and preventing discrimination among employees, all of the above enable further improvement of living standards for society in general. Noteworthy that mentioned priority

areas were largely caused by the second phase of CSR development within the global economic system.

It is important to note that despite the similarity of CSR practices in the EU and the US, which leads to their unification within the western model of CSR, more detailed analysis of specification between countries reveals the following differences between them:

1) The principles of CSR implementation in these countries depend on the specifics of state regulation of economic activity, in the European Union this system is more centralized, so the social initiatives of private companies are controlled by appropriate state and overstate (at EU level) norms based on the principles of sustainable development. However, in the United States the decentralized management system dominates, which demonstrates itself in a variety of regulations governing the business actions at the level of states and causes pluralism of CSR forms in the country;

2) Traditionally, the level of state social protection in the EU is high, so private companies mostly concentrate their efforts on environmental protection. However, in the US public sector is not oriented to provide fully social protection to population, at the same time forcing private companies to take over these functions. This explains the particular importance of CSR in the US as a form of social protection;

3) CSR is widely used in the US as a policy of consumer protection, which is demonstrated in the possibility of anyone to "sue" a manufacturer, if the last provides unfair information about certain product or service. Therefore a question of business ethics, including reliability and responsibility for the information provided by companies to consumers is extremely important for US companies. Concerning European companies, the legal basis for filing a lawsuit can be only a violation of applicable law (Campher, 2011).

The process of formulation and implementation of CSR policies in less developed countries, particularly in post-socialist countries, started during the second phase of CSR. Therefore, the most important causes of it were not connected to solving internal social problems (unemployment, discrimination, corruption, etc.), but enforced by external demands mostly from international organizations (UN Global Compact, the International Labour Organization, UNICEF, UNIDO, the Council of Europe, the European Organization for Quality, the International Organization for Standardization) and, to some extent, by the task to improve the domestic companies competitiveness in the international market.

To study the specific features of CSR implementation in post-socialist countries we divide them into two groups: Central European countries (for example, the Baltic States) and Eastern Europe (former Soviet countries, for example, Ukraine). Analyzing the CSR development in the Baltic States, it should be noted that this process is disproportionate among these countries. Taking into account the number of companies that have joined the United Nations Global Compact, we can conclude that Lithuania is a leader in terms of implementing CSR policy, since 45 Lithuanian companies joined the UN Global Compact, as opposed to 15 Latvian and none of Estonian companies.

Key features of CSR projects and barriers faced by Lithuanian companies mostly describe the specific regional model of the Baltic States. The scientific works devoted to the study of CSR in Lithuania, enable to mention such specific features: 1) The higher level and greater interest in implementation of CSR projects are among companies with foreign capital compared to companies with predominantly Lithuanian capital, which shows "outdated" methods of doing business are still used by national companies; 2) Lack of interest and willingness of private companies to increase the openness and transparency of their business, including reporting on its financial activities to the public; 3) Lack of understanding about the nature and principles of CSR, low level of social demand to business to enforce companies to implement social oriented projects; 4) The absence of adequate institutions and methods to encourage SCR by the state, that transforms socially responsible activities in the private initiative of individual companies.

It is important to note that the principles of sustainable development, implemented by Lithuanian state are mostly aimed at improving and restoring the environment in the form of innovative, safe for the environment means of production. However, they are less aimed at improving the social situation. Thus, in the country there are some negative changes: an increase in relative poverty from 19.2% in 2010 to 20.6% in 2012; a growth of GINI index, which indicates unequal income distribution in the country (the level was 32.6 in 2011 and 35.2 in 2012, where 0 – absolutely equal income distribution among the population, and 100- absolutely unequal income distribution) (The World Bank, 2015; Laurinavicius, Vaiciulis, 2014; Vilke, 2011).

To study the characteristics of formation and development of CSR in Ukraine we should take in consideration that the creation of CSR regulatory framework began in 2011. During that period of time the Concept of National Strategy for CSR was formed, which identifies three key levels of CSR

implementation in the national economy: I. Compliance with legal obligations to the state and society (payment of taxes, health care and work safety, employee's rights, consumer's rights, environmental standards) and industry standards. II. Minimizing or eliminating the negative impact of business on society and risk management (human rights violations, environmental pollution, etc.). III. Strengthening the positive impact of business on society and creating additional value through innovation, investment and partnership, aimed at social and environmental well-being (job creation, social and economic development, conflict resolution, etc.) (Center "Development of CSR", 2011).

As for the priority areas of CSR projects in Ukraine, according to the survey results, conducted by the Center "Development of CSR" in 2010, the most significant were the efforts of companies focused on the social protection of workers (80.9%) and consumers (71.3%) and to reduce child labor (80.7%). However, the least popular were actions to restore and preserve the environment (42.1%) and maintaining ethical relationships with consumers (37.4%) (Zinchenko, Saprykina, 2010).

To study the specific priorities of CSR in Ukraine we use the official companies' reports on implementation of CSR projects, we divided companies that operate in Ukraine into two groups: Ukrainian companies with national capital and Ukrainian companies with foreign capital (multinationals) (Table. 1). The table shows that the practice of CSR projects implemented by Ukrainian companies does not reflect the specificity of national economic development and basically "copies" policy and areas of CSR implementation in developed countries, which is not helping to cope with current social problems of the transformation period.

Practice of CSR policy implementation in Ukraine allows distinguishing the following specific features: 1) companies that hold to CSR policy in Ukraine are mainly subsidiaries of international companies such as: Microsoft Ukraine, Nestle Ukraine, Kyivstar, Ukraine Samsung etc., so their priorities are international standards that do not always agree with the Ukrainian realities; 2) strategic European-oriented priorities encourage Ukrainian companies to follow CSR principles such as reduction of negative impacts on the environment, meeting international standards of product quality and protection of vulnerable populations (children and women) that sometimes are only declared and not implemented in practice; 3) absence of legislation on formulation and implementation of CSR in Ukraine, evaluation methods of its effectiveness, reporting practices, weak public support of CSR due to ignorance or distrust to large national companies

(perception of CSR projects as a form of "money laundering" or other forms of corruption), all mentioned above don't encourage companies to participate in social projects actively.

Thus, Ukrainian model of CSR has a weak correlation between the priority areas in its implementation and current social problems in the country. The main reason for this discrepancy is the direct "transfer" of the experience from developed countries into developing countries, at the same time excluding current realities, priorities of Ukrainian business environment and the level of social protection.

However, the significant changes took place in relations between the state, business and society, influenced by the events of 2013: a) "Revolution of Dignity" was the decisive step towards the definition of development vector for Ukraine towards integration into the European Economic Community, approaching European standards of quality of life, harmonization of Ukrainian and European institutional environment, developing of trade and economic connections with the EU; b) The process of social capital increase has begun together with the formation of civil society, whose main goal is to protect fundamental rights and freedoms of citizens; c) while combat operations are taking place in eastern Ukraine, we can notice some growth of charitable activities of private companies, aimed to help the victims of the hostilities, to rebuild destroyed towns and villages.

As a confirmation of changes in CSR priorities in Ukraine today we have the following examples: a) The corporation "System Capital Management" created a corporate charity fund "Development of Ukraine" in 2015, which currently funds the distribution of food to elderly people and children that are living in areas outside of the control of Ukraine and internal displaced privileged categories (System Capital Management, 2015); b) UniCredit Bank and East Europe Foundation launched a new social project "Warm Heart" in March 2015, which aims to establish a system to restore mental health and to provide social adaptation of immigrants from Eastern Ukraine (UniCredit Bank, 2015); c) Brain Basket Foundation in partnership with "MTS Ukraine" launched the project "Coding for Future IT" in October 2015, to train the people affected by fighting in the east of Ukraine. The project allows immigrants and the members of ATO (Anti-terrorist operation) to adapt to the new environment, learn a new profession and to become employed in leading Ukrainian IT-companies (Brain Basket Foundation, 2015); d) PrivatBank has become a partner of the international non-governmental organization GOAL in December 2015, within the new program of financial support to

internally displaced and people affected by the conflict in Eastern Ukraine (PrivatBank, 2015).

However, there is a mismatch between the activation and spreading of CSR policy among Ukrainian companies and formed institutional environment for CSR that creates some difficulties and limitations for private business to implement their projects. It is also the obstacles (formal and informal), which slow down the development of CSR in Ukraine under current conditions: 1) Legal nihilism of economic actors and their attempts to evade existing legislation; 2) Terminological and regulatory uncertainty on nature and mechanism for implementing CSR, low public awareness on the usage of CSR; 3) "Closed" way of acting for many Ukrainian companies, lack of transparency of their financial activities, their unwillingness to report to society; 4) The lack of effective mechanisms to harmonize the interests of economic actors in the implementation of government social policy; 5) Rent seeking behaviour of economic agents and imitation of fighting against corruption.

Proof of that limitations is the low index of economic freedom in Ukraine calculated by the 'Wall Street Journal' and the "Heritage", which confirms the existence of certain economic and social obstacles to the development of CSR in the national economy. In 2015 Ukraine was ranked as 162 out of 178 countries on this indicator (46.9 on a scale from 0 to 100, where 100 corresponds to the maximum rate of freedom). So Ukraine was attributed to the group of countries with unfree economy together with Belarus (49.8), Bolivia (46.8), State of Burma (46.9) and Uzbekistan (47.0). Indicative in this respect are also sub-indexes, based on which the integral index of economic freedom was calculated. Thus, the index of investment freedom in Ukraine is 15.0, which indicates the presence of certain constraints for investment flows, and movement of capital within the country and abroad; index of property rights protection in Ukraine is 20.0, indicating a low level of specification in property rights, lack of "clarity" in legislation and a lack of "independence" of the judicial system to protect these rights; index of corruption in Ukraine is 25.0, indicating a high prevalence and impact of corruption on the economy; index of financial freedom in Ukraine is 30.0 and indicates the low efficiency of the banking system, and the dependence of the financial sector from state control and interference (Heritage, 2015).

Examining the specific of CSR in post-socialist countries based on Baltic states and Ukraine we can note that despite mentioned differences, common to these countries are the key issues that slow down the further development of CSR, including, the low degree of openness and acceptance of CSR among

private companies and public, lack of effective coordinated trilateral cooperation between the state, business and society. In this context, the priority directions of CSR development in Ukraine should be as follows: 1) The refusal of blind copying of foreign experience and the formation of a national model of CSR, aimed to solve urgent social problems; 2) SCR institutional arrangements, normalization of "transfer" the state functions to private business aimed at social protection; 3) The restoration of social capital, fighting against corruption, ensuring transparency in making socially important decisions by private companies and by the state as a whole; 4) Support and encourage private companies that stick to the principles of CSR, both by the state and by society in general.

Conclusion

Research on relationship between the forms of CSR implementation and current living standards in some countries allows us to formulate the following conclusions:

- The spread and development of CSR took place during two main phases: the first phase, when the CSR priorities were shaped by internal social problems of the state and acted as mechanisms to protect socially vulnerable groups; the second phase, when the basic principles of CSR were formed under the influence of external factors due to the requirements of international organizations and in order to improve the global competitiveness of the country;

- Living standards greatly affect the features of CSR policy implementation in different countries. Comparative analysis in this area is extremely important because it allows identifying areas of social life, responsibility for which the state "replaces" onto the private sector. Thus, despite the existence of common features, eastern model of CSR implementation in the developed world aims to provide education to children and youth, and cultural and sporting events, as well as the rights of women and women with young children at their workplaces, which greatly improves living conditions for society in general. However, the Western model of CSR largely focused on the fight against corruption, promotion of business ethics, rejection of child labor in the production process, etc.;

- Specific characteristics of CSR implementation practices in post-socialist Baltic countries are a higher level of participation in CSR projects of companies with foreign capital; lack of interest of private companies in the "open" and "transparent" conduct of business and reporting to the public on its financial

activities; lack of understanding of CSR among the population and appropriate requirements to the business from the society; absence of appropriate institutional support and state mechanisms to encourage socially responsible business activities; CSR is largely focused on improving and restoring the environment and less on improving the social situation of population;

- Implementation of CSR practices in post-socialist Ukraine is characterized by the following features: most companies hold to CSR policy, are subsidiaries of international companies; Ukraine's Europe-oriented strategic priorities urge Ukrainian company "formally" to follow CSR principles of the EU; in the country the legal framework for CSR is not formed still, the evaluation methodology of performance and reporting methodology are not developed yet; there is an inadequate public support for CSR and distrust to large domestic companies (perception of CSR projects as a form of "money laundering" or other forms of corruption); there is a weak correlation between the priority areas of CSR implementation and current social problems in the country. However, the events of recent years have contributed to enhance of CSR within Ukrainian companies due to launch radical economic reforms and military actions in Eastern Ukraine;

- Post-socialist countries generally have much in common in the way of CSR development in national economies. However, the formation of a national model of CSR requires consideration of the specifics of present economic stage of development, historical

and cultural features of countries. In this context, effective development of CSR in post-socialist countries envisages the following priorities: 1) institutional support for CSR practices by creating an appropriate legal framework; 2) promote "openness" in actions of private business and the state to reduce the level of distrust in society; 4) encourage private business to implement CSR priorities of state social policy objectives by providing certain tax benefits and advantages; 5) information support and promotion the image of companies that hold to the principles of CSR; 6) Positioning CSR as a global competitive advantage of domestic business; 7) improving economic literacy, spreading the ideas of CSR among employees, consumers, the population in general; 8) promoting coordination of public and private organizations to overcome the acute social problems of post-crisis development of the national economy.

Limitations in this study are incomplete statistical bases and the lack of a unified method of evaluating the effectiveness of CSR projects implemented by individual companies in various regions of the world. Used in the paper studies and information submitted in the form of rating lists, and based on expert assessments led to some subjectivity in the comparative analysis of the implementation of CSR practices within its regional and national models.

Further research can be directed to study methods for determining the socio-economic efficiency of CSR policies in developed countries and in transition economies, determining its impact on improving the global competitiveness of countries.

Literature

- Anonymous. (2015). Saving children from poverty. *The Japan Times*. Available: <http://www.japantimes.co.jp/opinion/2015/05/12/editorials/saving-children-from-poverty/#.VoPZHJcIXi>
- Bayura, D. (2009). Corporate social responsibility in the corporate governance. *Ukraine: aspects of labor*. Vol. 1, pp. 21-25.
- Bazylevych, V. (2007). Indicators of social efficiency. In Bazylevych, V. at al. *Economics: Political Economy*. Kyiv: Znannya pres, 2007.
- Belyaeva, I, Eskindarov, M. (2008). *Corporate Social responsibility: Management dimension*. Moscow: Knorus, 2008.
- Blagov, Y. (2004). The concept of corporate social responsibility and strategic management. *Russian Management Journal*. Vol. 3, pp. 17-34.
- Bowen, H. R. (1953). *Social responsibilities of the businessman*. New York: Harper, 1953.
- Brain Basket Foundation (2015). New wave of social educational project Coding for Future for refugees and ATO participants. Available: <http://brainbasket.org/en/coding-for-future-2/>
- Campher, H. (2011). The Europe vs US CSR Myth. Corporate social reality. Available: <http://corporatesocialreality.net/2011/02/15/the-uk-is-better-puh-lease/>
- Carroll, A. B. (1979). A Three-Dimensional Conceptual Model of Corporate Performance. *The Academy of Management Review*, Vol. 4, No. 4, pp. 497-505.
- Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, Volume 34, Issue 4, pp. 39-48.
- Carroll, A. B., Schwartz, M. S. (2003). Corporate Social Responsibility: A Three-Domain Approach. *Business Ethics Quarterly*. Vol. 13, Issue 04, pp. 503-530.
- Casio (2014). Sustainability report. Available: http://world.casio.com/file/csr/pdf/report_2014/2014report_casio_en_all.pdf
- Center "Development of CSR". Available: <http://csr-ukraine.org/en/>

- Coca-Cola (2015). Corporate responsibility and sustainability report 2014/2015. Available: http://www.cokecce.com/system/file_resources/277/CCE_Factsheets_Complete.pdf
- Davis, K. (1960). Can business afford to ignore social responsibilities? *California Management Review*, 2, pp. 70-76.
- Davis, K., and Blomstrom, R.L. (1975). *Business and Society: Environment and Responsibility*. New York: McGraw-Hill, 1975.
- DTEK (2013). Integrated report. Available: <http://www.dtek.com/library/file/richnij-zvit-rosijskoju-movoju-2013.pdf>
- Fatemi, A. et al. (2015). Valuation effects of corporate social responsibility. *Journal of Banking & Finance*. Vol. 59, pp. 182-192.
- Forte, A. (2013). Corporate Social Responsibility In The United States And Europe: How Important Is It? The Future Of Corporate Social Responsibility. *International Business & Economics Research Journal*. Vol. 12, No. 7, pp. 815-823.
- Fujii, T. (2012). Japanese corporate social responsibility from a Global Perspective. *Nikkei CSR study meeting*. Vol. 10. Available: <http://www.nikkei.co.jp/gsr/global/report/10.html>
- Hadani, M. et al. (2012). Complementary Relationships Between Corporate Philanthropy and Corporate Political Activity: An Exploratory Study of Political Marketplace Contingencies. *Business & Society*. Vol. 54, Issue. 6, pp. 859-881.
- Heritage (2015). Index of economic freedom. Available: <http://www.heritage.org/index/ranking>
- IBM (2014). Corporate responsibility report. Available: <http://www.ibm.com/ibm/responsibility/2014/>
- Kolot, A. (2013). Corporate social responsibility: the evolution and development of theoretical views. *Economic Theory*. Vol. 4, pp. 5-26.
- KPMG (2013). The KPMG Survey of Corporate Responsibility Reporting 2013. Available: <https://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/corporate-responsibility-reporting-survey-2013-exec-summary.pdf>
- KPMG Ukraine (2014). Social report. Available: http://www.kpmg.com/UA/uk/IssuesAndInsights/ArticlesPublications/Social-Report/Documents/KPMG_Ukraine_UN_GC_Communication_on_Progress_2014.pdf
- Kraft Heinz (2014). Annual report. Available: <http://ir.kraftfoodsgroup.com/annuals.cfm>
- Kyivstar (2014). Sustainability and social initiatives report. Available: <http://www.kyivstar.ua/pl/about/responsibility/>
- Laurinavicius, A., Vaiciulis, M. (2014). Corporate social responsibility in foreign and Lithuanian capital companies. *Business systems and economics*. Vol 4, No 1. pp. 53-63.
- Margolis, J. et al. (2006). *Building the Business Case for Ethics*. Business roundtable institute for corporate ethics. 2006.
- Microsoft (2014). Citizenship report. Available: <http://www.microsoft.com/about/corporatecitizenship/en-us/transparencyhub/citizenship-reporting/>
- Nestle (2014). Nestle in society. Creating shared value and meeting our commitments (report). Available: http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-csv-full-report-2014-en.pdf
- OECD (2015). Family Database. Available: <http://www.oecd.org/social/family/database.htm>
- OECD (2015). Material deprivation based on access to educational resources. Available: http://www.oecd.org/els/family/CO_2_3_Material_deprivation_among_families_with_children.pdf
- OECD (2014). Maternal employment rates. Available: http://www.oecd.org/els/family/LMF1_2_Maternal_Employment_Sep2014.pdf
- P&G (2014). Sustainability report. Available: http://www.pg.com/en_US/downloads/sustainability/reports/PG_2014_Sustainability_Report.pdf
- Platinum Bank (2013). Sustainability report. Available: http://ua.platinumbank.com.ua/upload/files/orientaciona_klienta_ua.pdf
- PrivatBank (2015). PrivatBank has become a partner of the international financial aid program to immigrants from Eastern Ukraine. Available: <https://privatbank.ua/news/privatbank-stal-partnerom-mezhdunarodnoj-programmy-finansovoj-pomoschi-pereselencam-vostoka-ukrainy/>
- Rehbein, K et al. (2015). Linking Corporate Community Programs and Political Strategies: A Resource-Based View. *Business & Society*. Vol. 54, No. 6, pp. 794-821.
- Ritvo, R. A., Feldmane, A. (2015). Corporate social responsibility in Latvia: building partnerships on public support for NGOs. *Journal of management policy and practice*. Vol. 16(2), pp. 26-37.
- Samsung Ukraine (2015). Sustainability report. Available: http://www.samsung.com/common/aboutsamsung/download/companyreports/2015_Sustainability_Report.pdf
- Sanofi (2014). CSR report. Partnering to promote access to healthcare. Available: http://en.sanofi.com/Images/38734_CSR_Report_2014_EN.pdf
- Sony (2014). CSR reporting. Available: http://www.sony.net/SonyInfo/csr_report/issues/CSR2014E_PDF_all.pdf
- Spukiene, R. (2011). Development of corporate social responsibility in Lithuania: present situation and future perspectives. *Economy Transdisciplinarity Cognition*. Vol. XIV, Issue 1, pp. 81-88.

Stellner, C. et al. (2015). Corporate social responsibility and Eurozone corporate bonds: The moderating role of country sustainability. *Journal of Banking & Finance*. Vol. 59, pp. 538-549.

Stremikiene, D. (2007). Corporate social responsibility in Baltic States. *Ekonomika ir vadyba: aktualijos ir perspektyvos*. Vol. 2 (9), pp. 285–293.

Suprun, N. (2013). Corporate social responsibility as a factor of social involvement. *Ukrainian society*. Vol. 2, pp. 163-176.

System Capital Management (2015). Humanitarian aid statistics. Available: http://www.fdu.org.ua/en/hum_center/stat

The World Bank (2015). Data base. Available: <http://data.worldbank.org/>

Toshiba (2015). CSR report. Available: http://www.toshiba.co.jp/csr/en/report/files/report2015_all.pdf

UniCredit Bank (2015). UniCredit Bank and East Europe Foundation launched a joint social project *Warm Heart* (2015). Available: <http://www.eef.org.ua/ua/novyny/item/381-unicredit-bank-ta-fond-skhidna-yevropa-zapustyly-spilnyi-sotsialnyi-proekt-teplo-sertsia.html>

Varnaliy, Z. (2002). Legal and social responsibility of business. In Varnaliy, Z. *Fundamentals of entrepreneurship*. Kyiv: Znannya pres, 2002.

ViDi Group (2013). Annual report. Available: http://www.vidigroup.com/upload/iblock/e5f/go_2013.pdf

Vilke, R. (2011). CSR development problems in Lithuania: evaluation of promoting and hindering factors. *Social Responsibility Journal*. Vol. 7 Issue. 4, pp.604 – 621.

Wang, D. et al. (2015). The effects of corporate social responsibility on brand equity and firm performance. *Journal of Business Research*. Vol. 68, Issue 11, pp. 2232-2236.

Welford, R. (2005). Corporate social responsibility in Europe, North America and Asia. *Journal of Corporate Citizenship*. Issue 17, pp. 33-52.

Zentaro, K., Taku, H. (2015). Issues and Prospects for CSR in Japan. The Tokyo Foundation. Available: <http://www.tokyofoundation.org/en/articles/2015/issues-and-prospects-for-csr#content>

Zinchenko, A., Saprykina M. (2010). *Corporate social responsibility 2005-2010: current situation and development prospects*. Kyiv: Farbovanyi lys, 2010.

Contact

Nadia Grazevska, Doctor of Sciences (Economics), Professor, Taras Shevchenko National University of Kyiv, Kyiv, Ukraine, email: grazevska@ukr.net

Alla Mostepaniuk, Asst. Prof. Dr., Girne American University, Turkish Republic of Northern Cyprus, email: a.mostepaniuk@gmail.com

CONSUMER ETHICS AND SMALL AND MEDIUM ENTERPRISES IN SLOVAKIA

Zsolt HORBULÁK

Abstract

The paper deals with the special field of company ethics, with the corporate social responsibility from view of small and medium enterprises, especially from sole entrepreneurs. To do the business ethically is usually required only from the multinational companies. However, today both public opinion and theoretic view is beginning to change. In 2013 we made a research about the ethical attitude of Slovak small companies from the perspective of their clients. In this research we analysed the consumer behaviour and the consumer consciousness. The results of our research shows that the customers of the small companies are acquainted with generally difficult economic situation of entrepreneurs and their requirements in field of social responsibility is consistent with the possibilities of these companies. On the other hand the customers are familiar with their consumer's rights.

Key words

Business ethics, Corporate social responsibility, Small and medium sized enterprises

JEL Classification: D22, L26, M14

Introduction

Small and medium-sized enterprises (SMEs) represent 99% of all businesses in the EU. The situation is very similar in Slovakia. In the Slovak Republic 99.9% of all business entities belong to this group of companies. SMEs offer 71.8% of job opportunities and they produce 55.1% of the country's GDP. In 2014 the small companies (0 – 19 employees) employed 42 166 workers, the middle companies (20 – 249 employees) employed 149 423 workers. The total turnover of the first group during the same year exceeded 3 billion EUR, in the case of middle companies the number reached almost 19 billion EUR. It is also important to say that in 2014 the whole Slovak industry employed 496 074 persons and its total turnover was more than 82 billion EUR. These numbers unambiguously shows how important role have the SMEs in the Slovak industry.

The greatest difference among the developed countries and the East Central European countries is that the second group of states reached the western level during two decades. Before the fall of iron curtain only Hungary had quite developed entrepreneurial sector. While in the whole region the big companies were transformed from the former socialist companies or were newly established by the assistance of foreign capital, the SMEs, especially the small companies, were created inside the state by the sole entrepreneurs. The above stated numbers are presenting the vitality of the Slovak entrepreneurship.

The economic importance of SMEs is already sufficiently assessed. Among other things, the

economic performance of SME's is regularly monitored with statistical indicators and all national governments consider as their duty to support their development. The sector has its own professional organizations. Management of SME's is at universities taught as a separate scientific discipline. The only view of SMEs what still remains quite unsearched how these types of firms can participate on the improvement of social welfare. Until now the corporate social responsibility has been the expectation only from big companies, but what kind of role can have the SMEs which representing the 99% of businesses in country?

1 The fundamentals of economic and business ethics

The first abstract philosophical reflections in this issue we can observe by St. Thomas Aquinas (1225-1274). A fair price in commercial contracts was one of the main issues of the review of scholastics. The phenomenon of morality does not avoid also Adam Smith (1723-1790), the founder of modern economic science; primary announcer of a free market, formulated as the known abstraction of an invisible hand of the market. Specifically, he dealt with it in the book *Theory of Moral Sentiments*. Despite the fact, that he did not consider selfishness as unethical, Smith realized the importance of moral rules in maintaining of social order. Based on his ideas, everyone should have the same conditions for enrichment, and Smith denounced acquisition of wealth by unfair ways. At present, to this phenomenon is used the term

Corporate Social Responsibility. Canadian Centre for Philanthropy explains the term as a set of management practices that ensure the company minimizes the negative impacts of its operations on the society while maximizing its positive impacts.

The traditional basic marketing goal of every company is to achieve the consumer satisfaction. Valentinas Navickas and Aida Navikaite (2015) listed several theoretic models and research examples. It is very interesting, that in the evaluated six models not any mentions the business ethics. It means that there is still high distance between measurable economic figures and not measurable ethical principles. Of course, it does not mean, that there are no other theories taking into account importance of ethical values.

Another term, which is closely related to ethical entrepreneurship, is a stakeholder. This word describes any individual, any group and organization, private or government, in any sector; which operation of the company influences, or their activity influences the operation of the company. Next the term is Corporate Citizenship. It expresses that also a company should behave as a good citizen, should be interested in public welfare, should care for the region in which it operates, and according to its possibilities should it also support. Corporate Citizenship cannot be confused with the term sponsorship. Finally, there is one phrase that is also close to the topic, the Corporate Philanthropy. Sometimes is it understood as corporate sponsorship, but corporate philanthropy rather refers to cooperation between businesses and non-profit organizations, but also with individuals.

Anna Putnová and Pavel Seknička characterize the principles of ethical behaviour in terms of three dimensions: 1. philosophical basis – effort to guarantee human dignity and the common good; 2. own principles of ethical behaviour and conduct of an enterprise; 3. negotiations between the participating groups (Putnová, Seknička 2007, p. 72). Jakub S. Trojan accesses to business ethics from other side. He argues that “one of the fundamental pillars of ethics in economic life constitutes reliability. This is available with a perseverant and gradual acquirement of confidence in own fruitfulness, which is, at least, obvious prospectively, on a long-term basis. In term of a short perspective also adventurers can achieve success. In the context of a long-term developing and stable economy, however, reliability wins.” Further he notes that “the reputation of the company is the family silver. In a long-term perspective, it is incidental to its reliability. Reliability relates to what and how an enterprise produces or provides. However, it also relates with the moral integrity of its management and employees; that together form the image of the company.” (Trojan 2012, s. 100-101)

It is necessary to emphasize that in the current economic system, market and profit belong amongst fundamental pillars of the business. For each participant provides market an absolutely free space to realize own business activities. Profit represents on one hand the objective of business, on the other hand the basis for financial planning; it indicates the direction, whether it is rational, in the given conditions, to carry out a business activity or not. Also, it must be kept in view, that despite the existing imperfect competition; it is extremely difficult to achieve profitability. Doing business ethically and morally, be out of gear to use various unethical or immoral practices in the harsh environment of the free market is a daily challenge for the entrepreneur, or vice versa, everyday temptation. But it would be unfair to put all the burden of ethical business on the shoulders of an ordinary entrepreneur, because “society has to facilitate market replacement by creating a specific legislative environment, which ensures limitation of moral failure for participants of market replacement.” (Vajda 2004, p. 151)

Despite above reasons, describing the need for doing businesses based on ethical principles, it is difficult to formulate the essence of ethical business. Vladimír Gecelovský, Miroslav Kmec and Mária Marinicová understand by responsible entrepreneurship following: “Doing business responsibly means to achieve success in ways that feel ethical values, appreciate people and communities and protect environment. Such business activities reduce the negative effect of a company to its surroundings, environment, people, and increases a positive, good functioning of a company.” (Gecelovský, Kmec, Marinicová 2011, p. 74) And they continue: “Business ethics is the study of what constitutes right and wrong, or good and evil in human behaviour, in the context of the business.”

As we already stated, there is very difficult to describe the essential of ethical behaviour. There are lot of authors, who try to approach the problem from the other view. Michal Bízík and Štefan Hittmár (2012) in their article deal with the culture of the organization. The attributes of knowledge, besides other aspects, like reach successfulness in the market etc., also helps to protect against the decline of moral. Other authors as Valentines Navickas and Rima Kontautiene (2012) pointing out the relation of corporate social responsibility with the enhancing motivation of employees. Navickas and Kontautiene say, that “... CSR enhances job satisfaction because demonstrated social responsiveness directly satisfies the employees’ social requirements of the company.” Professor of marketing at the Economic University of Bratislava Viera Čihovská (2013) writes about the social marketing. “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. [...] Social marketing includes the change of deeply rooted opinions and opinions and a complex change of economic, social and political environment.“

2 Corporate social responsibility of SME's

In a long term, a view that to do business ethical is the duty only of large companies prevails. It is true that SME's, but especially trades, simply cannot pay regard to all components ethical business. An ordinary tradesman is primarily striving to survive on the market. To form an opinion that ethics does not concern the micro-enterprises would be inept. Small businesses operate on the basis of socially responsible business, because they are in more intense contact with people and regions. In a well-functioning and coherent communities already the local entrepreneurs, farmers and artisans establish various voluntary organizations, are patrons of culture and organizers of charitable collections. Therefore, corporate social responsibility is for many SME's merely a new term for something, which they do since long (Bunčák et al. s. a. p. 34). We consider that it rather applies to such companies, whose economic development has been continuous. Before 1948, and partially in the present, SME's represent a major component of civil society, also in Slovakia. Their relatively minor appearance in social events primarily relates to their short existence and modest ways of financing public-beneficial projects. An important reason for disengagement of small businesses to events in their environment is also a poor external motivation. While the community directly expects that multinational companies will actively participate in various projects and will create specific funds for their financial support, by SME's such pressure doesn't exist. The motivation for SME's is personal involvement or personal interest. For example, support for a school or a local sports club can take as long as the son of a businessman attends the given school, respectively until he spends his free time playing the sport. In the case of medium-sized enterprises, whose number of employees exceeds 49 persons, at the local level may already be a certain public pressure. In the minds of a large part of the population, a company with fifty employees is already considered as a large enterprise. At the European level are these companies categorized as medium-sized. Despite this, at the regional level and particularly in towns and villages, they can be categorized as a monopoly employer. At this level, sponsorship and corporate social responsibility intersect each other. Because in a

community of several thousand people an entrepreneur with his sponsorship activity is not seeking to increase awareness of his business, he maybe doesn't need either to improve his image, but he willingly contribute, for example, for prizes in sports and school competitions. These activities of small and medium-sized enterprises often arise spontaneously, without previous calculations. In these cases, and the sponsorship activities can be categorized as socially responsible business.

The corporate social responsibility in the sector of SMEs has become so wide that there is high time to catalogue the already published contributions. This task was completed by Rosario Vazques-Carrasco and Eugenia Lopez-Perez (2013). It is fact that a well-known and most cited scientific journal contents articles in this topic. Yves Fassin, Andrea Werner, Annick Van Rossem and their research fellows (2015) made an exploratory study about SME owner-managers' mental models with regard to CSR and related concepts across six European countries (Belgium, Italy, Norway, France, UK, Spain). The authors found differences which are linking individual cognition to macro-environmental variables, such as language, national traditions and dissemination mechanisms. The results of the study show that nationality matters but that classifications of countries as found in the comparative capitalism literature do not exactly mirror national differences in CSR cognition and that these classifications need further differentiation.

There were already realized scientific researches about the relationship of business ethics and SMEs. Laura Spence in Royal Holloway University of London evaluated the topic (2016) from theoretical view, more precisely, the article tries to apply the theory of corporate social responsibility of Archie B. Carroll for SMEs.

3 The survey of business ethics in Slovakia

In 2013 we realized a questionnaire survey aimed at ascertaining views of inhabitants of Slovakia about the level of social responsibility of entrepreneurs and traders. We wanted to find out, what extent is the desired state in conformity with reality, and what extent are ethical principles applied in performing ordinary (commercial) activities of SME's. The basis of the survey was to determine the attitude of the population to entrepreneurs and traders across the country. This form of activity is in Slovakia allowed since 1990. During socialism it was strictly forbidden. Our survey differs from other surveys in the fact, that in the centre of exploration are not business entities, but their customers, more particularly customers of

SME's and sole traders. Despite the fact that entrepreneurial freedom we can enjoy two and a half decades, the ethical side of business has not yet been investigated from the perspective of buyers. The partial results of the survey were already published in the scientific journal of Economic University of Bratislava (Horbulák 2014) and presented in a conference in Košice (Horbulák 2014).

The aim of the paper is to point out to consumer understanding of ethical entrepreneurship in Slovakia and find out to what measure the factors of corporate social responsibility (environmental, charitable activities etc.) influence their buying behaviour. From the number 450 distributed questionnaires we received back 269, what means 59.78 per cent return. 6 questionnaires were decommissioned. For exploratory purposes, we could effectively use 263 questionnaires (58.44%). In this paper we would like to present partial results of the survey.

In this survey were participated 107 men and 156 women from whole Slovak Republic. According to

the activity, we have addressed 12 unemployed, 24 retired, 60 students, 72 employees in a private sphere, 56 employees in public sector and 36 entrepreneurs and sole traders. Regarding the education level of respondents, 8 had primary education, 34 had secondary education without leaving examination, 137 gained upper secondary school examination, and 82 had university education.

In this article we treated two, maybe the most important questions of the questionnaire. The worked up questions are the followings: "Which sides of enterprising are the most important? Determine the degree of priority" and "How many resources give traders and entrepreneurs from their own sources to charitable causes?"

The first question is analysed in the Table 1 and Table 2. In this question we offered a choice of 7 possible answers. The preferred degree of priority is given in Table 1.

Table 1 The order of priority of the importance

Answer	Number of placement on the 1 st place	Gender	Total number
Offer of goods and services in the highest quality	107	men	46
		women	61
Protection of health and costumer safety	81	men	26
		women	55
Providing the widest range of goods and services	37	men	15
		women	22
Offering the cheapest goods and services	22	men	13
		women	9
Increased emphasis on the environment	13	men	5
		women	8
Offer of additional services (packaging, transport etc.)	2	men	2
		women	0
Offer of the more forms distributions (various forms of e-commerce, postal packets etc.)	0	men	0
		women	0

Source: Own elaboration

Regardless of gender, most respondents prefer "offer of goods and services in the highest quality" (40.84% of respondents). At the first place labelled the answer 46 men (42.99% of the total number of men) and 61 women (39.35% women). In the answers of respondents, we can see some discrepancy with other surveys. According to each study, Slovak customer is price sensitive. In our survey, this answer indicated only 12.15% men and 14.19% women on the first place. By men, buying the cheapest goods

most commonly figured on the third place (26.53%) and least frequently on sixth place (7.14%). Women preferred it most on the 7th place (16.67% women) and at least on the 6th place (11.81%).

Table 2 shows the absolute order of answers by gender and education. If a respondent assigned to the answer 1st place; we gave it 7 points. The second place got 6 points; etc. This way we achieved a number, whose amount determined the final order of respondents' choice.

Table 2. The order of preferred business symbols based on importance

Answer	Men				Women			
	Weighted order of preference	Absolute order in %	Rank of occurrence		Weighted order of preference	Absolute order in %	Rank of occurrence	
			most	least			most	least
			frequently					
Offer of goods and services in the highest quality	621	21.77	1 st	6 th	882	21.26	1 st	6 th –7 th
Protection of health and costumer safety	454	15.91	1 st	7 th	797	19.21	1 st	7 th
Providing the widest range of goods and services	486	17.03	2 nd	6 th	645	15.55	4 th	7 th
Offering the cheapest goods and services	398	13.95	3 rd	6 th	569	13.71	7 th	6 th
Increased emphasis on the environment	347	12.16	5 th	1 st	563	13.57	5 th	1 st
Offer of additional services (packaging, transport etc.)	272	9.53	7 th	1 st	336	8,10	7 th	1 st
Offer of the more forms distributions (various forms of e-commerce, postal packets etc.)	275	9.64	6 th	1 st	357	8,60	6 th	1 st

Source: Own elaboration

The choices “Offer of goods and services in the highest quality” and “Protection of health and costumer safety” are on the first and second places by both gender. In spite of the fact that every analyses or public opinion is talking about the primacy of price sensibility of Slovak customers, in our survey is in third place (13.27% men, 15.28% women). Men chose the choice of purchasing the cheapest product most frequently in the third place (26.53%), less frequently in the sixth place (7.14%). Women chose this choice most frequently in the 7th place (16.67%, 24 times), less frequently in the 6th place (11.81%, 17 times).

It is visible that the rank of responds made by their whole weight comparing with rank made by their first choice is little bit different. While the respondents of both gender preferred above all quality, in the second places are already differences. The male respondents more prefer on range of choice, female respondents chose mostly health and safety. We assume that in the price sensitive Slovak society chose quality in the first places was not very faithful.

The question “How many resources give traders and entrepreneurs from their own sources to charitable causes?” followed up with the previous question. Answers of respondents by gender are shown Table 3.

Table 3. Respondents' opinion on the level of entrepreneurs' charitable activities

Answer	Men		Women		Average
	Number	%	Number	%	
Over their own economic possibilities	7	6.54	11	7.05	0.07
To a reasonable degree	34	31.78	50	32.05	0.32
Few resources	54	50.47	77	49.36	0.50
Don't give resources	12	11.21	16	10.26	0.11
No answer	0	0.00	2	1.28	0.01

Source: Own elaboration

The respondents' answers, based on their economic activity, shows Table 4. Up to 13.16% of traders think, that they don't contribute for charitable activities of their own resources. 42.11% of them

maintain that they give only few resources, 5.26% of entrepreneurs marked the alternative “over their own economic possibilities”. The answer “to a reasonable degree” marked 39.47% of entrepreneurs.

Table 4. Respondents' opinion on the level of entrepreneurs' charitable activities – economic activity

Economic activity / Answer	Over their own economic possibilities	To a reasonable degree	Few resources	Don't give resources	No answer
Entrepreneur, tradesman	3	15	16	4	0
Employee in a public / state sector	4	24	26	3	0
Employee in a private sphere	3	17	45	5	2
Student	7	17	26	10	0
Retired	1	8	14	1	0
Unemployed	2	3	4	3	0

Source: Own elaboration

As we expected the amount of resources devoted to public purposes by traders, is generally considered low. This was the opinion of 50.47% of male and 49.36% female responders. The second most shared opinion is “To a reasonable degree” – men 31.78%, women 32.05%. It is very interesting that 13.16% of entrepreneurs suppose they give for charitable purposes nothing and 42.11% not much. The most content group of respondents were the unemployed: 16.67% of them consider “Over their own economic possibilities”, but 25% chose the choice “Don't give resources”. Besides the unemployed even students shared the opinion that entrepreneurs donate very much (11.67%), but more of them consider the opposite (16.67%). People employed in private sphere mostly say (62.5%), that entrepreneurs donate “To a reasonable degree” to charity. On the other hand employees in a public and state sector thought that the donated resources are few (42.11 %).

Conclusion

After the summarization of result of the first question we can notice two facts: In case of evaluation

Literature

Analýza stavu malého a stredného podnikania [on-line] [acc.: 2016-10-07]. Available at: <http://www.economy.gov.sk/male-a-stredne-podnikanie/127944s>

Štatistická ročenka Slovenskej republiky 2015 (2015). Bratislava: Štatistický úrad Slovenskej republiky, Veda, 682 s.

Gecelovský, V., Kmec, M., Marinicová, M. (2011). *Etika podnikania a biznis protokol*. Prešov: Vysoká škola medzinárodného podnikania, 121 s.

Bízik, M., Hittmár, Š. (2012). Absorpčná kapacita v znalosti kultúre organizácie. *Sociálno-ekonomická revue*, 12 (3), 13–17

of first choices the absolute winner is quality. In case of taking into account every rank of responds, the result is changing significantly. The proportion of quality falls into half and the positions of price and range of goods rises. The second mostly chosen requirement by men and third by woman was the wide range of offered products. We think this result is talking about understanding the principle of market economy or society of wealth. The women's second choice “Protection of health and customer safety” on the other hand shows the traditional female role of protection of family.

The following question shows a realistic view on possibilities of Slovak entrepreneurs. During early times of plural democracy the sole entrepreneurs were many times accused by selfishness and greediness. However, the public opinion is continually changing. In our days the employees are already fully aware of difficult situation of entrepreneurs. The people usually know how complicated is to run a business and lot of entrepreneurs are not reach and thriving for survival in the saturated market. In spite of 50% proportion we expected even more responds as “Few resources”.

Spence, L. J. (2016). Small Business Social Responsibility: Expanding Core CSR Theory. *Business and Society*, 55 (1), 23–55

Vazques-Carrasco, R., Lopez-Perez, E. M. (2013). Small & medium-sized enterprises and Corporate Social Responsibility. *Quality & Quantity*, 47 (6), 3205–3218

Fassin, Y., Werner, A., Van Rossem, A. at al. (2015). CSR and Related Terms in SMES Owner-Managers' Mental Models in Six European Countries: National Context Matters. *Journal of Business Ethics*, 128 (2), 433–456

Bunčák, M., Markuš, M., Bussard, A., Marček, E., Mazurkiewicz, P. *Spoločensky zodpovedné podnikanie. Prehľad základných princípov a príkladov*. (s. a.) Nadácia Integra - Nadácia Pontis, 132 s.

Navickas, V., Kontautiene, R. (2012). Využitie spoločenskospovedného podnikania na podporu

motivácie zamestnancov. *Sociálno-ekonomická revue*, 12 (4), 62–68

Čihovská, V. (2013). Social Marketing Helps to Solve the Social Problems. *Sociálno-ekonomická revue*, 13 (4), 49–55

Putnová, A., Seknička, P. (2007). *Etické řízení ve firmě*. Praha: Grada, s. 168 s.

Trojan, J. S. (2012). *Etické vztahy v ekonomice*. Praha: Oikoymenth, 215 s.

Vajda, J. (2004). *Úvod do etiky*. Nitra: Enigma, 2004, 251 s.

Navickas, V., Navikaite, A. (2015). Methodological Problems and Limitations in Customer Satisfaction Valuation *Sociálno-ekonomická revue*, 13 (1), 88–94

Horbulák, Z. (2014). Etika alebo zisk? Vnímanie živnostníkov zo strany spotrebiteľov. In *Aplikovaná etika – kontext a perspektívy II*. Košice: FF UPJ, s. 108–123

Horbulák, Z. (2014). Vnímanie etického správania podnikateľov zo strany spoločnosti. *Ekonomika cestovného ruchu a podnikania*, 6 (4), 14–24

Contact

Zsolt, Horbulák, Ing. Mgr. PhD.
Department of Social Sciences,
Faculty of Social and Economic Relations,
Alexander Dubcek University in Trenčín
Študentská 2, Trenčín 950 11, Slovakia
e-mail: zsolt.horbulak@tnuni.sk

CORPORATE SOCIAL RESPONSIBILITY AS AN ELEMENT OF COOPERATION BETWEEN NON-GOVERNMENTAL ORGANISATIONS AND LOCAL COMPANIES

Justyna KOGUT

Abstract

The article presents the phenomenon of cooperation between NGOs and local companies. The issue is put forward within the scope of the Corporate Social Responsibility concept. Firstly, the main characteristics of NGOs are presented. Secondly, models and stages of development of this type of cooperation are outlined. Finally, the article presents a few case studies of such a cooperation. Local companies and non-governmental organisations belong to two different sectors of the economy. Their activities take place in different spheres. Nonetheless, currently more and more often we can observe a more intense cooperation between the NGO sector and business world. There are plenty of reasons why this happens – starting from the common good up to reaping significant benefits from such cooperation. Non-governmental organisations are incessantly striving to fulfill their social mission. On the other hand, commercial companies notice a need to complement their business goals with social ones. As a result it constitutes a good foundation for building long-term mutually beneficial relations. The development of the society and public trust are key factors facilitating the cooperation between these two sectors. The CSR concept plays a crucial role in connecting the actions of the NGO organisations and local firms. The main goal of this article is to set out the characteristics of the cooperation between non-governmental organisations and local firms as part of the CSR concept. In the first part of the paper characteristics of non-governmental organisations were presented as well as their functioning. A lot of emphasis was put on the aim of their actions and characteristic features of these third sector organisations. It was also described what mainly differentiates them from commercial institutions.

Key words

NGOs, local companies, corporate social responsibility, CSR, NGOs' cooperation with businesses

JEL Classification: L31, M14, M15

Intruduction

Nowadays relations between non-governmental organisations (NGOs) and local businesses are becoming more and more common. The concept of corporate social responsibility (CSR) has become a basis for this cooperation.

Corporate social responsibility is a concept based on voluntary engagement of organisations which act for the greater good of the society and the environment through their economic activity and relations with stakeholders. CSR is mainly treated as a management strategy, but it is also considered as a more complex social phenomenon. Moreover, according to this concept, when companies work out their strategy they do not care solely about their economic interest, but also about social issues, local community, ethical aspects and environmental concerns. Taking into consideration all of these elements enables them to maintain sustainable development and simultaneously leads to increased competitiveness, positive brand image and good relations with target groups. Non-governmental organisations and local companies are also involved in relations based on CSR.

Local companies are focused on achieving the highest profit possible. It constitutes their primary goal. On the other hand, non-governmental organisations do not act for the sole purpose of profit. Their main focus is to help the society. Despite the fact that cooperation between these two forms of activity is still not very noticeable in the marketplace, organisations are becoming more eager to start such a cooperation. It may be attributed to potential benefits and profits resulting from starting this type of cooperation.

The aim of this paper is to present and discuss the concept of corporate social responsibility which represents a significant element of cooperation between non-governmental organisations and local businesses. Available literature and internet resources have been used in order to present the aforementioned issue.

1 The essence and characteristics of the non-governmental organisations

In the state economy we can distinguish three sectors of the economy. The first sector is comprised

of national institutions whereas the second one is made up by entities focused on making profit. Moreover, we identify the third sector which consists of social organisations, also called non-governmental, charitable or non-profit organisations. Organisations which belong to the third sector are not under any type of supervision or oversight, apart from oversight with regard to legality of their activities (Roszkowska, Hołysz, 2002, p. 34). The third sector also consists of voluntary associations of citizens, which play a crucial role as intermediaries between the society and the centers where state power is exercised. Non-governmental organisations are not entities which belong to the public finance sector and they do not operate to make profit. Non-governmental organisations such as foundations, associations and the like can operate as entities with legal personality and entities without legal personality established on the basis of provisions in the law (Oniszczyk, 2008, p. 257).

Some scientists claim that non-governmental organisations were first established around 2000 B.C. and they were connected with the Egyptian population which was preparing holidays or other religious celebrations. These scientists also noticed a relation between these institutions in Europe and the development of religious orders around 15th to 17th centuries. These orders were helping many poor and sick people through their charitable activities (Kurleto, 2008, pp. 35-36).

The term „non-governmental organisation” first appeared with the establishment of Organisation of United Nations in 1945. The main mission of social organisations is to offer goods and services which will satisfy society’s needs. They are also characterized by many other features (Świdarska, 2011, p. 9). Among their characteristics, we can distinguish:

- productive and entrepreneurial activity
- innovativeness in offering services and acquiring funds
- actions which lead to the improvement of local development
- jobs creation
- stimulation of professional activity among the youth and the unemployed (Borzaga, Santuari, 2003, pp. 39-40).

According to Article 3 Section 2 of the Act dated 24 April 2003 (Dz. U. nr 96 poz. 873, ze zmianami) non-governmental organisations are:

- entities which do not belong to public finance sector as stipulated in the Public Finance Act;
- entities which do not operate to make profit;
- legal persons and organisational entities without legal personality, which have been given legal

capacity by separate Act, such as foundations and associations, with the exemption of:

- political parties
- labour unions and employers’ associations
- workers’ control
- foundations whose only founder is State Treasury or entity of local government, unless:
 - a) separate provisions state otherwise,
 - b) wealth of such foundations is not entirely owned by the state, municipality or is not financed by public means as stipulated in the Public Finance Act or
 - c) statutory activity of a foundation is within the scope of education
- foundations established by political parties;
- entities operating based on provisions regulated in the Physical Culture Act.

Non-governmental organisations can be also defined as contemporary forms of social self-organisation, as structures integrating groups of citizens characterized by relatively mature social identity, defined level of organisation, private initiative, freedom of association, their independence and non-commercial character. They may be also characterized by voluntary service and crucial role in forming human attitudes (both for members of such organisations as well as for people having contact with them) (Gliński, 2006, p. 8).

Non-profit organisations differ significantly from commercial institutions. Among the differences are:

- operating without making profit.
- variety of stakeholders who are not only clients, but also society, public institutions, employees,
- acquiring funds thanks to sponsors, donors and grants,
- variety of moral and ethical values as well as differences in organisational culture,
- members of the board do not get remunerated for their role,
- lack of success indicators which show to which extent a goal has been achieved (Courtney, 2002, pp. 47-50).

To summarize, it can be stated that non-governmental organisations are private institutions which are brought to life and operate thanks to common desire of those engaged, not based on decisions made by public institutions. It is worth remembering that private character of NGOs does not mean that these organisations do not operate in the public sphere. On the contrary, public sector is their main area of activity. Third sector is preoccupied with solving social issues and helping those in need. All the profits these organisations make is used for further help for communities and to achieve social goals (Domański, 2010, p. 26).

2 Cooperation between non-governmental organisations and local companies within the scope of Corporate Social Responsibility

Establishing long-term cooperation between the business sector and NGOs sector is not a result of solely good will, but also identification of potential benefits from working on preservation of the environment. It is crucial to know that a main issue is to identify this common endeavour as a social investment which can take advantage of resources, possibilities, skills and methods available to both partners. High dynamics and globalisation leads to the creation relationships network between different groups. All three sectors of the economy are becoming more and more interdependent. A new perception of the role of business in the society is making these sectors even more inclined to work closer together. Consumers' expectations and public opinion make companies feel responsible for their results and social consequences of their actions. These beliefs are reflected in new rules, practices and norms (Ćwik, Januszewska, 2010, p. 9).

Human capital and mutual understanding are crucial elements of cooperation between enterprises and NGOs. It is essential to understand that this is not a purely commercial relationship focused on generating revenues. In many cases, the value of such cooperation may be unmeasurable for some businesses and may not be noticeable straightaway. Nonetheless, it plays a crucial role in the long-term outlook. Brand improvement, responsibility for the community, raising awareness among employees that their employer is a credible business partner may prove priceless for the company (Ćwik, Januszewska, 2010, p. 10).

Many models of cooperation between business and non-governmental organisations can be distinguished. One of the most well-known typology of relations was proposed by James Austin. He categorized the models of CSR concept, based on seven levels:

- business's engagement;
- meaning for the business's assignment;
- invested resources;
- scope of activities;
- mutual influence;
- strategic meaning;
- management.

James Austin claimed that there are three levels of cooperation between business and a NGO. It is the philanthropic, transactional, and integrating cooperation (Austin, 2000, p. 72).

Philanthropic model is one of the simplest CSR models. The level of engagement is low and is mostly

based on giving money to the non-governmental organisations. The actions taken by businesses usually do not have a strategic character. In this CSR concept does not give businesses bigger profits. That is why they usually decide to move on to transactional and integrating model. Transactional model is based on transactional form of relation, which is beneficial for both parties. The cooperation between organisations is significantly expanded. The companies become more engaged in social programs and activities conducted by non-governmental organisations. Finally, in the integrating model, a real form of partnership takes place. This stage requires a considerably bigger commitment from both sides (Austin, 2000, pp. 73-75).

There are many reasons to engage in a partnership. NGOs can contribute to the partnership by providing information about the local community or transferring unique knowledge this community posses. They also have an ability to mobilise communities and make sure that the actions taken are in alignment with actual needs of a particular community. Additionally, NGOs can provide a business with independent monitoring, focus on sustainable development and other unique resources. For a business this kind of partnership can also present new channels of communication between an enterprise and local community and it can help manage social conflicts and potential risks. Cooperation and partnership with a non-governmental organisation can finally constiute a part of a corporate social responsibility of a given company (Ćwik, Januszewska, 2010, p. 11).

From NGOs point of view, potential profits resulting from cooperation with the business world include:

- increased effectiveness thanks to external support;
- adoption of work standards, commonly present in the business world;
- access to resources: financial, human, material;
- access to knowledge about management;
- increased professionalism;
- increased efficiency and quality of work;
- diversification of financing sources;
- improved market standing .

On the other hand, businesses can benefit from:

- easier access to local communities and other groups of stakeholders (non-governmental sector is more trustworthy),
- access to professional knowledge regarding social issues, especially local ones as and ways of solving them,
- improved image and reputation,
- possibility to take advantage of NGOs' experience with volunteers to facilitate the corporate volunteering programs,

– accumulation of value inside of the company (Ćwik, Januszewska, 2010, p. 11).

Non-profit organisations are naturally open to cooperation. This attitude encourages inter-sectorial cooperation.

Good and beneficial cooperation should be based on mutual understanding of the organisation and sector in which the partner is operating. NGOs should know the specifics of having an economic activity and they should understand goals and aspirations of their business partners. Moreover, previous experience in cooperation with other non-governmental organisations may be a sign that a given NGO is capable of making mutual efforts.

Knowledge, experience and time are necessary components of successful cooperation between non-profit entities and businesses. Non-governmental organisations should also initiate new relations and suggest new partnerships. It is essential to ensure that cooperation is expected to continue in the long-term so the partner can feel comfortable. That is why it is necessary to work on a good image of a given organisation so it is perceived as a trustworthy partner (Rudnicka, Reichel, 2011, pp. 18-19).

The stages of cooperation between NGOs and local businesses, are based on three levels. The first stage is focused on forming a cooperation. Organisations are looking for adequate partners who can help them fulfil their social mission. At this stage they need to prove, that they are a reliable and trustworthy partner. There are many things they can do to achieve that. They can for example post information about the organisation on the website or publish regularly activity reports. Business and NGO ought to act according to Corporate Social Responsibility rules.

The second stage is the execution of the project which requires signing an agreement. It can take several forms such as cooperation, , donation, sponsoring or a barter deal. Every agreement should be complemented by an annex which defines the budget and the schedule of the project.

The third stage is the termination of cooperation or evaluation. Evaluation is comprised of overall summary and assessment of both partners. The values of the project are assessed using specified criteria. They gather analyses and interpret data. Results of the project are compared with initial assumptions (Ćwik, Januszewska, 2014, p. 32).

Despite the fact that good cooperation usually brings only great results, it is not always the case. Before starting the cooperation, it is crucial to take into account potential risks and analyze them thoroughly. Negative consequences may include:

- loss of independence – in case of an organisation which for the sake of obtaining financing may feel inclined to abandon its mission and values;
- negative reaction from the external environment – being judged because of a desire to improve the image;
- loss of credibility by an NGO in case of having an acquiescent attitude;
- focus on short-term gains – lack of prospects for long-term cooperation;
- waste of time and money – in case of engagement in an ineffective and inadequate projects;
- negative media coverage or lack of attention from the media;
- leakage of information for example information covered by business secrecy protection (Ćwik, Januszewska, 2010, p. 12).

3 Relations between NGOs and businesses – case studies

3.1 Research methodology

The aim of the article is to exhaustively analyze and characterize the cooperation between non-governmental organisations and local companies. The main research method was a statistical analysis of the data presented in the Report based on the research conducted within the project ‘Support for partnerships - knowledge, tools, practice’. Additionally, the paper presents a case study regarding the cooperation between the business world and non-governmental organisations as part of the concept of Corporate Social Responsibility.

3.2 Exemplary relations between NGOs and local businesses

All over the world, there are multiple examples of relationships between non-governmental organisations and local companies within the scope of Corporate Social Responsibility. The parties engaged in such a cooperation do their best to make sure that such a partnership is noticeable and acknowledged by a general public.

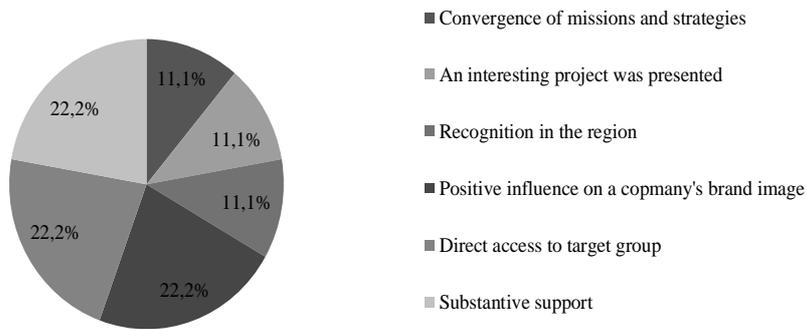
A survey was conducted in Lubuskie Voivodeship in Poland in 2015 as a part of the project ‘Support for partnerships – knowledge, tools, practice’. The aim of the research was to recognize preferences expressed by from the business world and the NGO sector when it comes to starting a cooperation. The emphasis was put on rationale for such a decision and ensuing consequences. Figure 1 presents reasons, given by representatives of the business sector to start the

cooperation with non-governmental organisations in Lubuskie Voivodeship.

The research conducted by the CSR Profit Foundation showed that there are multiple reasons for starting cooperation with NGOs. 22,2% of those asked are of the opinion that cooperation with the NGO sector positively influences company's image. It

enables direct contact with target groups. Almost half of the abovementioned percentage starts cooperation with NGOs because their activity is in alignment with mission and strategy of a company. The same number of respondents claimed that a particular organisation suggested an interesting project and it is of great renown in their region.

Fig. 1. Reasons for starting cooperation with NGOs (expressed by businesses)

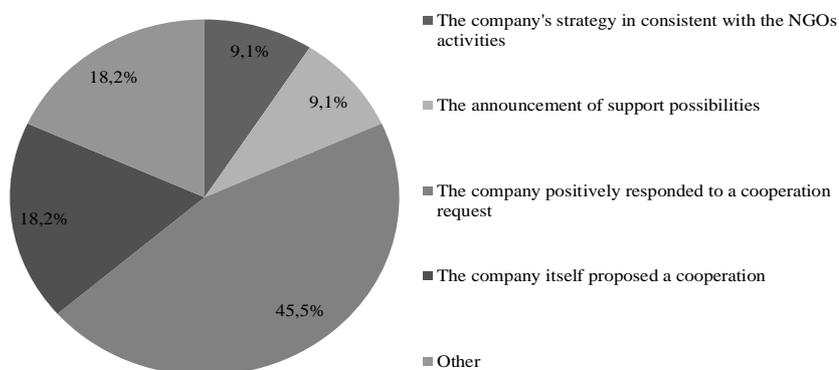


Source: (Nieporowski, 2015, p. 8)

From the NGOs' point of view, cooperation with businesses in Lubuskie Voivodeship seems remotely different. Figure 2 shows reasons to start cooperation with local businesses in Lubuskie Voivodeship. 45,5% of the entities started cooperation because a company replied to their enquiry. 18,2% of NGOs started cooperation because of their previous cooperation with a given business. Only 9,1% of the respondents, said that deciding factor to start cooperation was the

mission and strategy of the firm which was in compliance with the one the organisation has. Moreover, advertisements presenting a possibility of support were also encouraging to contact a particular company and start cooperation. Non-governmental organisations shared that their cooperation was generally short-term and was mostly based on financial support.

Fig. 2. Reasons for establishing cooperation with businesses (expressed by NGOs)



Source: (Nieporowski, 2015, s. 9)

Furthermore, the research included analysis of areas where two parties are most likely to cooperate. Partnerships are usually formed in three areas: education, social innovations and social inequalities. Over 20% of respondents mentioned each of those spheres.

Similar number of those questioned perceived their cooperation as very good and as bad (about 30% in both cases). That is why, it is hard to assess the cooperation and make a final evaluation of cooperation between companies and non-governmental organisations in Lubuskie Voivodeship.

Lubuskie Voivodeship is a place where cooperation between these two sectors of the economy is very dynamic and versatile.

An initiative taken by Interniti company targeted at NGOs is an example of cooperation between businesses and non-governmental organisations in Lubuskie Voivodeship. Interniti is a company which specializes in creating Internet services and vertical portals and internet applications, internet stores and the like. Between January and June 2014 the company implemented system for technological support for local NGOs. Interniti started cooperating with six non-governmental organisations having its seat in Lubuskie Voivodeship. Partnership helped to create an IT product thanks to which NGOs could be present on the Internet and have their own websites. These websites enable communication with stakeholders and enable NGOs to present their activities. On the other hand, improving the image of Interniti, building lasting relationships with social organisations and popularizing CSR strategy was important for the company.

Lubuskie Voivodeship is one of regions in Poland where cooperation between the NGO sector and commercial sector is noticeable. Both partners care to raise awareness of such practices in the hope of potential benefits (*Podsumowanie prac nad projektem strona WWW dla NGO*, 2014).

In Poland this kind of practice is gaining in popularity. These actions are being noticed nationwide they are made locally.

One of the examples may be nationwide educational and informational campaign "Sprawdź, kto sprzedaje Ci energię" ("Check, who's selling you the energy") which was conducted in April 2014 as a result of cooperation between The Association of Energy Trading (TOE) and RWE Poland (public corporation of energy trading in energy industry) and other Polish energy companies. The Association of Energy Trading along with its coworkers raised awareness among consumers with regard to their rights on the energy market. They tried to do it using mass media such as radio, internet and press. As part

of the campaign RWE signed Electrical Energy Sellers' Code of Conduct, prepared by TOE, where it declared that its actions will comply with the Code of Conduct in order to support the protection of clients against deceptive sellers. Individual clients were the addressees of this campaign. One of the goals of this action was to support the development of competitive electrical energy market, which will be based on fair play rules. A possibility to change the seller should serve customers who should receive comprehensive information before signing the contract about prices of energy, distribution fees and other agreements which may potentially influence the settlement (*Zasilamy społecznie innowacje...*, 2015, p. 15).

Another example may be cooperation between Citi Handlowy Bank and Anna Dymna's foundation "Mimo wszystko" ("Regardless of anything") during the organisation of the Polish Nationwide Festival of Enchanted Songs in honour of Marek Grechuta. In years 2006-2009 volunteers from the bank were several times engaged in organisation of the festival. They were taking care of disabled people before and during the concerts, working as conference service, entertaining children in the "play area", selling gadgets promoting the foundation "Mimo wszystko". Additionally, they twice organised a trip to Cracow for a group of 30 intellectually disabled people from Theatre Radwanek.

Volunteers from Citi Handlowy Bank also cooperated with many other organisations such as Orphanage "Julin", Fundacja Teatru Małego Widza (Foundation Small Spectator Theatre), Fundacja Młodzieżowej Przedsiębiorczości (Youth Entrepreneurship Foundation), Agricultural Association "Masurian Land". AKAT Foundation, Housing Estate Club Surma, Warsaw Marathon Foundation, Center for Social Communication of Warsaw City Council and many other organisations and institutions from all over Poland (<http://www.citibank.pl/poland/kronenberg/polish/6602.htm>).

Another example of the cooperation between non-governmental organisation and local business can be "Wielka Kampania Życia" ("A Big Life Campaign"), run by the Avon company. It has been hosted since 1992, and its aim is to fight with the illness, which is the most common type of cancer concerning women. Along with the Stowarzyszenie Amazonki Warszawa-Centrum (Warsaw-Center Amazon Association), the company manages to spread knowledge about the prevention of breast cancer, and making women aware that the early detected illness can be treatable. Both subject take upon themselves initiatives such as "Gabinety z Różową Wstążką" ("Cabinets with Pink Ribbon"), where one can get an ultrasound of breasts, and the "Marsz Różowej Wstążki" ("March of the

Pink Ribbon”), which aims at highlighting the issue and support of the campaign by the society (AVON kontra rak piersi, 2016).

Aforementioned campaigns and projects are one of many examples that are organised in Poland and all over the world. They prove that cooperation between businesses and social organisations is becoming more and more popular and receive increasingly more support from many social groups

Conclusion

Cooperation established by non-governmental organisations and local companies is a process which requires engagement in planned actions and initiatives. To fulfill the mission and reach goals partners need to invest their time as well as human and financial resources.

In order to have a regular and worthwhile cooperation non-governmental organisations and local companies need to be convinced that they are valuable

Literature

Austin, J. (2011). Strategic Collaboration Between Nonprofits and Business. *Nonprofit and Voluntary Sector Quarterly*, 29 (1), 72.

AVON kontra rak piersi (2016): [cit.: 2016-07-23]. Available at: <<http://avonkontrarakpiersi.pl>>.

Borzaga, C., Santuari, A. (2003). New Trends in Non-Profit Sector in Europe. The Emergence of Social Entrepreneurship. In Noya, A., Nativel, C. (eds.): *The Non-Profit Sector in a Changing Economy*. OECD, Paryż, 39-40.

Courtney, R. (2002). *Strategic Management for Voluntary Nonprofit Organizations*, London-New York: Routledge, 2002, 47-50.

Citi handlowy (2016): [cit.: 2016-07-23]. Available at: <http://www.citibank.pl/poland/kronenberg/polish/6602.html>.

Ćwik, N., Januszewska, J., (2010): *Współpraca organizacji pozarządowych z biznesem. Poradnik efektywnej współpracy*. Forum Odpowiedzialnego Biznesu, Warszawa 2010, 9-11.

Domański, J. (2010). *Zarządzanie strategiczne organizacjami non profit w Polsce*. Oficyna a Wolters Kluwer business, Warszawa, 2010, 26.

Gliński, P. (2006) *Style działań organizacji pozarządowych w Polsce. Grupy interesu czy pożytku publicznego*, Warszawa 2006, 8.

Kurleto, M. H. (2008). *Organizacje pozarządowe w działalności pożytku publicznego*. Lexis Nexis, Warszawa, 2008, 35-36.

partners and they need to be aware of their needs and expectations. An NGO which is fully aware of its goals will be able to compromise, inspire others, share its knowledge and lead projects by effectively taking advantage of both its and its partners resources.

Organisations need to remember that common execution of one-time project can be very beneficial for both sides, but only long-term cooperation and desire to consistently fulfill their mission constitute a way to achieve social goals. Partners should strive to cooperate in the long-term. Only this type of attitude can ensure the continuity of the project and can provide beneficiaries with real support. That is why maintaining a good relationship with a partner is of crucial importance. Partners should be informed about progress in the project and made aware of considerable effects. Cooperation should be evaluated. Contact and further actions should be initiated. Organisations which managed to win long-term partners over can more easily face challenges and more effectively strive to fulfill their mission.

Nieporowski, P. (2015). *Wsparcie dla współpracy partnerskiej – wiedza, narzędzia, praktyka*, Raport statystyczny z badania, CSR Profit, Zielona Góra, 2015, 8-9.

Oniszczyk, J. (ed.) (2008). *Współczesne państwo w teorii i praktyce. Współczesne elementy*. Oficyna Wydawnicza SGH, Warszawa 2008, 257.

Podsumowanie prac nad projektem strona WWW dla NGO, (2014): [cit.: 2016-07-23]. Available at: <<http://docplayer.pl/5238057-Podsumowanie-prac-nad-projektem-strona-www-dla-ngo.html>>.

Roszkowska-Hołyś, D. (2002). Funkcjonowanie organizacji pozarządowych w Polsce: In Fic. M. (ed.): *Funkcjonowanie instytucji non-profit do norm i standardów Unii Europejskiej*, Uniwersytet Zielonogórski, Zielona Góra, 34.

Rudnicka, A., Reichel J. (2011). *Jak przygotować program współpracy organizacji pozarządowej z przedsiębiorstwami*. Centrum Strategii i Rozwoju Impact, Łódź, 2011, 18-19.

Świdorska, A. (2011). Zarządzanie działaniami fundraisingowymi. In Grzegorzcyk, A. (ed.): *Fundraising w działalności organizacji pozarządowych*. Wyższa Szkoła promocji, Warszawa, 9.

Ustawa z dnia 24 kwietnia 2003 r. O działalności pożytku publicznego i o wolontariacie, Dz. U. nr 96 poz. 873, ze zmianami.

Zasilamy społecznie innowacje. Zrównoważony rozwój RWE Polska i Rwe Stoen Operator. (2014), Raport RWE Polska, Warszawa 2014, 15.

Contact

Justyna Kogut, M.Sc., Ph.D student
Department of Economics
Faculty of Economics and Law

Kazimierz Pulaski University of Technology and
Humanities in Radom
Malczewskiego 29, 26-600 Radom, Poland
e-mail: justynakogut5@wp.pl

SYSTEMIC APPROACH TO INFRASTRUCTURE DEVELOPMENT FOR INDUSTRIAL INNOVATIONS IN A CERTAIN REGION

Jana KADLUBCOVÁ

Abstract

The paper concerns a question of the systemic approach to industrial innovations creation and implementation in selected region of the Czech Republic. It is focused mainly on infrastructure development for industry innovations from economic, political, social, technological and ecological point of view. Industrial innovations can significantly contribute to a long-term economic prosperity and competitiveness of enterprises as well as the whole region. Their successful and open creation, implementation and management are dependent on appropriate business strategy and also on quality of external environment, especially infrastructure background and its sustainable development. The paper deals with the importance of industrial innovations for long-term economic development and competitiveness of enterprises, region and states. It is mainly about external environment, consisting of political, economic, social, technological and ecological factors that have inevitable influence of industry innovations success and worldwide competitiveness. The analyses have shown the increasing importance of innovation governance on regional level. Part of several studies showed that regional policy has some impact on innovation capacities of region. Innovations require cooperation and networks

Key words

innovation infrastructure, competitiveness of enterprises and region, industry innovations, systemic factors of external infrastructure of innovations

JEL Classification: O14, O18, O31

Introduction

Innovation efficiency of firms is often considered as the key factor of a long - term competitiveness of regions. Mainly the industrial innovations are inevitable for long-term economic growth with positive influence to social sphere, especially employment and increasing of skills. The prosperity of business is reflected also within regions and states, anyway, not implicitly. Actually, the success of enterprises is strongly dependent on their market position, ability to avail an opportunity, flexible action. To be successful, they have to offer appropriate quality and price of products and services to customers.

Nowadays, due to intensive global influences, most of enterprises are exposed to international competition caused mainly by advanced information technologies and technological progress. Due to these worldwide trends they have to flexibly launch innovations that can drive business activities to success and also considerably contribute to economic growth and socio-economic development of regions and states. But successful innovation process from invention to implementation is depended on effective research, technical, organizational, financial, business activities that must be appropriately managed. Actual

economic situation requires necessity of innovation activities, flexible decisions and operation of enterprises according to their individual goals and economic incentives.

Anyway, innovations are depended not only on internal environment of a firm, but also on external conditions, they are costly and connected with risk. Therefore enterprises are looking for a stable and convenient environment for their development projects.

It is closely connected with the infrastructure level and conditions for business activities. Regions that are in stagnation or recession have an opportunity to systematically support their development. One of the possible ways is a systemic attitude to positively influence innovation activities in a region within the whole innovation process (from creation, testing, applying, successful commercialization to final diffusion). This approach is increasingly interesting for national, regional and even local authorities to achieve the social and economic goals.

1 Systemic approach to innovations driving towards economic and social development

The systemic approach to innovations is a favoured framework for describing, analysing and understanding the process of innovation of various levels. It enables to promote and ensure sustainable, ethically acceptable and societally desirable innovations.

Innovations act as essential drivers of competitiveness and economic dynamics. According to Schumpeter, innovations are the basic impulse of economic change and an occurrence of discontinuous change is the core of economic development which moves the economy from its static stage to the dynamic phase of fits and starts. Mainly technological innovations often lead to temporarily monopolies with competitive advantage. Other firms are motivated to innovate and improve their products, services and business processes too. In this phase Schumpeter highlighted the role of entrepreneurs and their ability to carry out new uses and combinations to be competitive and survive. He admits that innovation is a process of “industrial mutation” that incessantly revolutionizes the economic structure from within incessantly destroying the old one, incessantly creating the new one.

Development of a region is a long-term process of structural changes substantially driven by innovation. Successful innovation process is leading to real economic growth, investments and employment. Anyway, it inevitably depends on entrepreneur personality and ability to coordinate activities within invention, innovation, diffusion and imitation phases.

The two latest phases lead to the real economic growth and development but they are most risky and expensive. That is the reason to point that the intelligence, alertness, energy and determination are essential characteristics of these, who are responsible for successful innovation process (Schumpeter, 1982).

2 The role of appropriate entrepreneurship for prosperity of business units and a whole region

It may seem limiting or too difficult for many economic subjects, business units, research institutions to undertake innovations in ethically acceptable way considering common good, interest of sustainability for future generations as nowadays the national economies are open and connected and it brings more intensive competition influences. Recent economic crisis caused a drop of economic and political efficiency in many countries. Many of them experienced a weakening in economic, social and industrial sphere; they did not then invest even to the basic infrastructure and now it is reflected in their

national and regional structural weaknesses and disability to use opportunities.

Most states of the European States produce less than before the crisis in 2008 and most of their economic areas are improving slowly (e. g. unemployment rate, mainly for disadvantaged people and groups). The economic crisis and recession strongly influenced manufacturing area – the whole output in EU declined within 2008 – 2013 by 12 %. Anyway, it is one of the most important sector that provides employment. In the Czech Republic the manufacturing output is now 35,5 %, the employment range is similar (34,8 %), (Eurostat, 2012). These figures reflect the significance of this economic area for complex economic development and growth. Pressure on resources, new technologies, knowledge and skills bring challenges for enterprises and whole states to meet requirements of a new economy demand (Novakova, 2011).

How to find proper ways leading to manufacturing sector development? There is a question, how to guide the progress of research and development realized within science and business subjects into socially beneficent tracks?

3 Interaction of enterprises and other subjects engaged in innovations and regional development

Many authors emphasize both the necessity of entrepreneurship and systemic approach to innovations within the whole innovation process. Veber considers innovations as changes, that occur in real structures and meet a requirement of novelty. They are connected with inventions as results of natural human thinking activity about natural and social relations and their utilization to an own development (Veber, 2009). Klas emphasizes that innovation is a new technology, i. e. the systematic application of a new knowledge to new resources to produce new goods or new services (Klas, 2005). On the other hand, innovations are about responding to the change in a new, original way. They are about generating new ideas, conducting research and development, improving processes, revamping products or services (Brem, Wolfram, 2014).

According to Drucker, innovation is a specific tool of entrepreneurship, the means by which firms exploit change as an opportunity for different business or different services. He emphasizes that innovations shall be attractive and beneficiary for managers to motivate them to realize innovation process successfully. He doesn't focus on the entrepreneurial psychology or traits, but on their actions and behaviour. Entrepreneurs shall focus on systematic

innovation which consists in the purposeful and organized search for changes, and in the systematic analysis of opportunities such changes might bring new value. Moreover, they have significant impact on the economy and society. Drucker stresses managerial visions shall be focused on strategic planning that considers threats and opportunities and shall concentrate on the knowledge-based innovations. His view of their source is in a careful analysis of missing social, economic and perceptual factors, cooperation with scientists, focus on strategic position and market, practicing entrepreneurial management to reduce risk. It is inevitable to have an innovation plan and specific objectives to realize successful innovation process leading to the real growth of a business, a branch and whole economy on the national and regional level (Drucker, 1982).

On the international level there are many organizations supporting systemic approach to innovations as all-society affairs. Innovation policy includes elements of research and development policy, technology policy, infrastructure policy and education policy. Innovation policy – or other kinds of public intervention – shall be a complement to the market, not replace or duplicate it. In most other kinds of public policy, the state does not use the market mechanism.

Instead it complements or corrects the consequences of it. This is certainly the remarkable share of all public policy. Most public policy of this kind is selective, rather than general. It is selective in the sense that the consequences of it are not uniformly distributed between different activities. Politicians and policy-makers must, for example, allocate public research funds between fields of research (Dvoracek, 2003).

On the European level mainly the European Union and European Commission activates this field through continuous analysis, dialogue, actions and financial support and distribution to the appropriate fields of economic, social, technological, ecological and political sphere of life. It also cultivates relations among different subjects, considering complex features of future development. One among them is an entrepreneurial management. Thus, the force of entrepreneurs is always a strong base for future success in business, development and growth.

According to European Commission surveys, there are also many strengths within the European space. It has a talented workforce, a powerful technological and industrial base. There is an internal market and a single currency that have successfully helped it resist the worst. Social market economy was tried and tested. There should be a confidence in the ability to set a common agenda for future sustainable development and then gear efforts to deliver it. Firms

normally do not innovate in isolation. They interact with other organizations and they do so within a context of institutional rules. The long-term innovative performance of firms in manufacturing, high-tech and science-based industries is strongly dependent upon the interactions of these firms with universities and research institutes. Therefore, settlement of an innovation system must be more than simply an enumeration of its elements.

Currently, many emerging and also developed countries invest into research, industrial technologies and infrastructure to gain a competitive advantage on global markets. They can use systemic tools that are able to significantly influence intensity in which firms create, manage, develop and implement innovations. The guidelines may be found in Europe 2020 Strategy where innovations are perceived as a means to tackle major societal and economic challenges.

So, the innovation activities should be systematically supported mainly via building of infrastructure and systemic conditions by local, regional, national governments and international institutions. They are able to influence and activate external frameworks determining innovation activities and competitive advantage of firms. And it usually concerns all main political, economic, social, technological and ecological factors of external infrastructure.

The paper concerns the area of infrastructure development for industry innovation creation and implementation in Liberec region of the Czech Republic. The main goal is to analyse and summarize the conditions for industrial innovations support driving to the successful development of competitive and effective industrial sector and contribute to increasing business performance. These analyses shall lead to finding the tools and ways to encourage innovations, research and development in proper economic branches. Due to an ever changing and competitive environment, enterprises and also whole states have to adapt to these global trends. The sustainable economic growth is increasingly related to the capacity of regional economies to innovate, transform and develop. For this purpose the European Commission allocates substantial amounts towards innovation in a wider sense – supporting appropriate infrastructure, areas and branches. It is reflected in cohesion programmes for a period of 2014 – 2020 that aim to smart specialization strategies for individual regions to mobilise the innovation potential of EU and national regions driving into long-term sustainable economic growth.

4 Regional context of industrial innovations development and support

The empirical analyses concerned the analysis of external conditions for industrial innovations creation and implementation in a selected region of the Czech Republic. There are eight regions on the NUTS II level and in terms of GDP per capita, there are one of the largest disparities among regions in the Czech Republic. The 80 % of Europe's export accounts industry, 65 % private sector research and development comes from manufacturing (Klusacek, 2004). Thus, Czech government plays an important role in encouragement of firms to increase investing, research and innovation-related activities. In accordance with EU cohesion policy and recommendations of Innovation Regions in Europe it points the significance of regional infrastructure and system of relations among key players in innovations.

The main goal of a paper is to detect key features of political, economic, social, technological, ecological infrastructure supporting innovations, development and growth. The key information to

know the characteristics of a region according to the competitiveness pillars set by the cohesion analysis methodology of Ernst and Young. One of them is the *infrastructure*.

Within the analysis of statistical data according to this methodology key features of infrastructure were analysed and described:

- Transport infrastructure
- Network effectiveness
- Infrastructure network design
- Quality of life
- *Innovations and business environment conditions*

When analysing the *innovations and business environment conditions*, the political, economic, social, technological and ecological factors were considered. Every factor was evaluated as an average from its 3 features that describe it in detail (on a scale 1 – 5, 1 ... the best value, 5 ... the most weak value).

Table 1. Innovations and business environment of Liberec Region, factors evaluation

Factors of business environment	Factors evaluation based on efficiency
political	2,3
economic	2,7
social	3,0
technological	3,0
ecological	3,3
business environment conditions (av.)	2,9

Source: calculations of the author

The political factors influencing innovations and business environment conditions were evaluated according to political stability in region (2), activity of regional governments in regional development support (3) and ability to create cooperation networks (2). The average value is: 2,3.

The economic factors were evaluated according to regional GDP per capita (3), gross value added (3), cohesion policy (2). The average value is: 2,7.

The social factors were evaluated according to rate of unemployment and new job opportunities (4), education (2), risk of social disabilities (3). The average value is: 3,0

The technological factors were evaluated according to private investments to technology development (4), research and development (3), public and cooperative projects (2). The average value is: 3,0.

The ecological factors were evaluated according to pollution (3), environment (4) and energy (3),

The analysis shows that the most stable is the regional government action towards innovation development, followed by economic level of the

region. The ecological factors have a weak evaluation in Liberec region infrastructure of innovations and business environment. The results show that the goals in the area of industrial innovation, traditional manufacturing innovation, social innovation, public procurement innovation and workplace innovation shall be set.

The qualitative analysis of surveys and documents showed, that much unique tangible and intangible results occurred in these branches within this region through ages.

Another reason is the knowledge - knowledge of individuals, who are educated, skilled, experienced in an initial area, knowledge of managers who successfully led enterprises in the past and at present, who have the vision for the future - and also the culture and ability to common work and inventions. Key role play also local and regional authorities that shall guide the region to sustainable economic and social prosperity (Deschamps, 2014). Interaction and interdependence is one of the most important characteristics of the systemic innovation approach, where innovations are thought to be determined not only by the elements of the system but also by the

relations among them. For example, the political, economic, social, technological and ecological.

Initiative entrepreneurship, ambition, ingenuity and innovations are important for success in business. Industrial innovations are result of research, technical, organizational, financial, business activities that together form an innovation process from invention to innovation implementation within industrial or social business environment. Then comes an adoption of market that responses to a diffusion - reaction of customers decides about the success of an innovation. But there is also the structural and social dimension to consider when aiming to the long term sustainable development and economic growth (Dytrt, 2009).

Question is, how many entrepreneurs are able to keep up with nowadays dynamic changes and operate their business appropriately? Historically and also nowadays the imbalances occur, especially in the economic and social sphere within states or regions. That is a reason for necessity of institutional interventions to relieve their impact and focus on appropriate direction of activities and changes leading to the future sustainable development of state or region (Ziolkowska, Ziolkowski, 2008). That is the reason for interventions of regional and state governments, and even international institutions aiming to support and set the appropriate long-term infrastructure and support for active entrepreneurship and positive actions in every sphere of local, regional, national and even international development. Together with proper entrepreneurial activities and market power they contribute to positive sustainable development growth in economic sphere with positive impacts to economic, social sphere and quality of life. And it usually involves all four sectors – business, government, society and the household (Hajek, et al., 2014).

Firms also interact with non-firm organizations such as universities, research institutes, private foundations, financing organizations, schools, government agencies, and others that are connected with innovation process realization on market and its positive feedback. The infrastructure context within which enterprises interact is constituted by laws, social rules, cultural norms, routines, habits, technical standards, etc.

The infrastructure consists of rules, it shapes the behaviour of firms and other organizations by constituting constraints and/or incentives for innovation. It is partially created by design, for example patent laws or (some) technical standards. Another part has evolved spontaneously over periods of time, such as various kinds of social rules or habits. Those designed by public agencies may serve as

innovation tools. Through infrastructure the behaviour of firms is also influenced by a social and cultural context in a wide sense.

These external conditions are often seen as specific to local, regional or national contexts, but they are also dynamic: their forms of operation change with political conditions, changing technological opportunities, economic integration processes, demographical and social context and so on (Pavlik, 2005).

Conclusion

Seven years after the beginning of the financial crisis in 2008, its consequences are still being felt around the world - lower productivity growth and high unemployment, recent geopolitical affairs - have added to economic difficulties. At the heart of an economy's competitiveness is its capacity to grow. Initiative entrepreneurship, ambition, ingenuity and innovations are important for success in business. Industrial innovations are result of research, technical, organizational, financial, business activities that together form an innovation process from invention to innovation implementation within industrial or social business environment. Then comes an adoption of market that responses to a diffusion - reaction of customers decides about the success of an innovation. But there is also the structural and social dimension to consider when aiming to the long term sustainable development and economic growth (Herman, 2008).

Question is how many entrepreneurs are able to keep up with nowadays dynamic changes and operate their business appropriately. Historically and also nowadays the imbalances occur, especially in the economic and social sphere within states or regions. That is a reason for necessity of institutional interventions to relieve their impact and focus on appropriate direction of activities and changes leading to the future sustainable development of state or region. That is the reason for interventions of regional and state governments, and even international institutions aiming to support and set the appropriate long-term infrastructure and support for active entrepreneurship and positive actions in every sphere of local, regional, national and even international development. Together with proper entrepreneurial activities and market power they contribute to positive sustainable development growth in economic sphere with positive impacts to economic, social sphere and quality of life. And it usually involves all four sectors – business, government, society and the household.

Literature

- Deschamps, J. P., Nelson, B. (2014). Innovation governance: how Top Management Organizes and Mobilizes for Innovation. John Wiley & Sons, Ltd.
- Drucker, P. F. (1980). Managing in turbulent times. Taylor and Francis Ltd.
- Dvoracek, J. (2003). Entrepreneurship support: Industrial policy. *Oeconomica*.
- Dytrt, Z., Stříteská, M. (2009). Effective innovations: Management responsibility. Computer Press.
- Herman et al. (2008). Industry innovations. *Oeconomica*.
- Sroka, W., Hittmar, S. (2015). Management of network organizations: Theoretical Problems and Dilemmas in Practice. Switzerland: Springer International Publishing.
- Schumpeter, J. A. (1982). The Theory of Economic Development: an Inquiry into Profits, Capital, Credit, Interest and the Business Cycle. John E. Elliot.
- Ulwick, A. (2005). What customers want. Mc Graw – Hill Education.
- Veber, J. (2009). Management: Basics, Modern managerial attitudes, Performance, Prosperity. Management Press, 2009.
- Brem, A., Wolfram, P. (2014). Research and development from the bottom – up introduction of terminologies for new product development in emerging markets. *Journal of Innovation and Entrepreneurship*. vol. 3, no. 9, pp. 2-22.
- Hajek, O., Smekalova, L., Novosak, J., Zahradnik, P., Spatial coherence of national and European regional policy: findings from the Czech Republic and Slovakia. *Political Economy*, vol. 5, No. 5, pp. 630-644.
- Kessler, A. (2007). Success factors for new businesses in Austria and the Czech Republic. *Entrepreneurship & Regional Development: An International Journal*, vol. 19, No. 5, pp. 381-403.
- Klas, A. (2005). Technology and innovations as a basic factor of the economic development *Economic Journal*, vol. 53, No. 6, pp. 576-592.
- Klusacek, K. (2004). Technology foresight in the Czech Republic. *International Journal of Foresight and Innovation Policy (IJFIP)*, vol. 1, No. 1/2, pp. 89-105.
- Novakova, J. (2011). Research, development and innovations in EU: Knowledge transfer and influence on innovations creation. *Contemporary Europe*, No. 2, pp. 121-136.
- Pavlik, M. (2015). Innovations in the area of local economy support. *Innovation Entrepreneurship and Technology Transfer*, vol. 23, No. 2, pp. 31-33.
- Ziolkowska, J., Ziolkowski, B. (2008). Eco innovations in Europe – state and development prospects. *International Journal of management practice*, vol. 3, No. 1, pp. 20-30.
- Pose, A. R., di Citaldo, M. (2015). Quality of government and innovative performance in regions of Europe. *Journal of Economic Geography*. vol. 15, No. 4, pp. 673-706.
- Introduction to Innovation Collaboration Techniques: Advance Problem Solving for the Knowledge Economy (2016). *Journal* [online]. [cit. 2016-01-08]. Available: <https://greenbuzz.ch/2016/01/08/buzz-in-feb-introduction-to-innovation-collaboration-techniques-advanced-problem-solving-for-the-knowledge-economy/>.
- European Union (2015). *Documents* [online]. [cit. 2016-01-08]. Available: http://europa.eu/about-eu/institutions-bodies/european-commission/index_en.htm

Contact

Jana, Kadlubcová, Ing., Ph.D.
 Department of Business Administration and Management,
 Obchodněpodnikatelská Fakulta v Karviné,
 Slezská Univerzita v Opavě
 Univerzitní nám. 1934/3, Fryštát, Karviná,
 Czech republic,
 e-mail: kadlubcova@opf.slu.cz

PUBLIC ADMINISTRATION IN THE TERRITORY OF THE SLOVAK REPUBLIC UNTIL 1989

Eva KOIŠOVÁ, Jana MASÁROVÁ, Jozef HABÁNIK

Abstract

Public administration in the Slovak Republic stems from traditions related to public and local governments in its territory. Historically, Slovakia used to be part of other larger political and state units. The beginnings of the territorial public administration of present Slovakia date back to the 9th century under the first Slavic state known as Great Moravia. Following the demise of Great Moravia, the territorial state administration underwent many changes and evolved under the Kingdom of Hungary, followed by Austro-Hungarian Empire, the Czechoslovak Republic of 1918; independent Slovak State after 1939; and unified Czechoslovakia after the World War II with a socialist system of public administration governance. Managing certain social issues and needs that are necessary for the coexistence is as old as civilization itself. That is why, people have long been trying to find civilized forms of mutual cooperation and social life. The purpose of the paper is to present the history of public administration in the territory of Slovakia from the 6th century to 1989.

Keys words

Public administration, territorial and administrative division, municipality, Samo's Empire, Austria-Hungary, Czechoslovak Republic

JEL Classification: H70, H83, N93, N94

Introduction

Managing certain social issues and needs that are necessary for the coexistence is as old as civilization itself. That is why, people have long been trying to find civilized forms of mutual cooperation and social life. It should be borne in mind that the current forms and methods of managing issues of public interest have their origins in ancient times or early Middle Ages. (Raadschelders, J. C. N., 1998, IX)

1. Historical evolution of public administration until Great Moravia

Archaeological findings indicate that settlements of higher importance had existed in the first centuries AD in the territory of today's Slovakia, and some had been preserved until the arrival of the Slavs. From the 6th to 9th centuries, the vast area of Slovakia, Pannonia (area stretching to the Hungarian Great and Little Plain), Bohemia and Moravia was inhabited by Slavic tribes. (Kútik, Karbach, 2011, p. 16). The first supra-tribal union of Western Slavs was the Samo's Empire (623-658), which was established after a successful rebellion of Slavic tribes against Avars. The revolt was led by a Frankish merchant called Samo who was later elected as the king of the empire. Samo's empire, however, cannot be regarded a state. It was a loose and voluntary tribal union of highly independent tribal territories and it was also a defensive union of tribes at times when the Slavs felt most threatened by the

Avars and later by the Franks. Janas states (2007, p. 8) that Samo managed to protect his empire from the Avars and the Franks, and booked his greatest success in 631 in a three-day battle of Wogastisburg when he defeated a Frankish army. Samo's Empire collapsed after the death of Samo – an authoritarian leader and ruler in 658. Then, the Slavs fell once again under the rule of Avar elite, but this time not as vassals. After the fall of the Avar Empire, old Nitra region was created in the territory of present-day Slovakia (above the Danube river). Social and economic changes went hand in hand with building fortresses – centres administration, production and military power. The Principality of Nitra was ruled by the dynasty of Slavic origin that helped to establish a new state organization. The Principality of Nitra was not ruled by a king, but one of the elders. The elder or vладыka (according to Western custom, a prince) was the leader of domestic tribes who made all the decisions. Prince Pribina was the first and most significant in Nitra. The territory of the Principality of Nitra was divided into smaller administrative units called "grady" that were later referred to as counties (župy). Counties were headed by county heads (župani) who were of noble birth.

This period is also known for the foundation of Principality of Moravia. The principality was ruled by Mojmir I. who defeated Pribina in one of their military clashes and unified Moravia and Nitra principalities in 833, thus founding a new territorial unit known as Great Moravia.

2. Historical development of territorial and administrative arrangement in the territory of the Slovak Republic until the foundation of the Kingdom of Hungary

The oldest territorial organization was formed during the Great Moravian Empire (833-907). This system gradually became one of the most important clearly organized state formations in Central Europe. From the perspective of local government, the empire was built on the system of castles and the so-called castle counties. Many of the fortified settlements were centres of the second-level territorial administration of the Great Moravian state. Its territories were located on the present-day Slovakia, Czech Republic, Pannonia, parts of Poland, Germany (Srbská Lužica/Lusatia) and Austria. Fortified settlements were headed by vladikas or county heads. (Hromada, 2008). The most important forts, and thus the administrative centres in the present-day territory of Slovakia were located in Nitra, Devín, Bratislava, Ducové, Pobedim, Bíňa and Zemplín. (Mesíková, 2008, p. 72) Great Moravian state form of government was a centralized monarchy. The state power was vested in the hands of the king – the supreme body of state power. (Šutaj, 2003, p.7) The entire Great

Moravia was referred to as the Kingdom – Regnum. (Šutaj, 2003, p.7) The king – Prince of Great Moravia possessed unlimited military, political and economic power, i.e. he acted as the highest administrative, judicial and legislative body as well as the chief commander of the army. In order to manage the country, special court offices were set up and the highest official and administrator of the entire court was a court county head – comes, palatii, palatinus. Chancellor was responsible for written agenda and correspondence with the Pope as well as the rulers of surrounding countries. The territory of central regions of the state was further divided into counties (civitas), consisting of a county's fort and some smaller settlements. Counties were led by county heads possessing administrative, judicial and military powers. The local government was organized at the level of present-day village and was referred to as a "villa" headed by a "villicus" who was elected by village residents.

Svätopluk was one of the most important rulers of Great Moravia (according to some sources, he had the title rex, meaning king). The date of his birth is not known, he died in 894. Under Svätopluk, Great Moravian Empire reached the largest territorial expansion.

Figure 1: The map of Great Moravia



Source: <http://historyweb.dennikn.sk/clanky/detail/cytil-a-metod-trvale-dedicstvo#.VdNPdfntmko>

Thanks to the strong personality of Svätopluk, Great Moravian Empire flourished economically. After his death in 894, the Empire gradually crumbled to pieces. The Empire disappeared in 970 as a result of internal conflicts (between Svätopluk's sons: Mojmir II and Svätopluk II) and constant attacks by Arpad's army that later gained control of Nitra and surroundings. In the beginning of the 11th century, the

territory of the Principality of Nitra became a border duchy of the Hungarian Kingdom.

3. Territorial and administrative arrangement until 1918

After the fall of Great Moravia and the foundation of the Kingdom of Hungary in 1000, the territory of Slovakia became part of Poland until 1029, when it was re-incorporated in the Kingdom of Hungary. From the 11th century, the Slovak territory gradually became part of the multinational Hungarian medieval state. In the beginning, the Hungarian state was a centralized monarchy and all powers were held by the king. The king had the final say in all the civil and judicial matters. In controlling the kingdom, he was assisted by the Royal Council. The Royal Council was composed of the representatives of the church and the high nobility, and their powers were extended over time.

Kútik and Karbach (2011, p. 17) state that the first known state administration reform in Hungary was carried out in the early 11th century by Stephen I, a member of the Arpad dynasty. The reform introduced a system of comitati. Comitati were larger administrative areas within the system of castles, which were further broken down into castle districts. The centres of comitati were royal castles – castra, civitates. (Šutaj, 2003, p. 7) Gradually, comitati of Bratislava, Komárno, Esztergom, Nitra, Tekov, Hont, Novohrad, Zvolen, Gemer, Spiš, Turany, Abov, Šariš, Zemplín and Už were formed. Comitati were headed by county heads – royal officials.

After the issue of the Golden Bull by Andrew II in 1222, the Royal Council fulfilled even the legislative function and was involved in executing executive power of the king. Special institutions called credible places (loca credibilia) created in 1231 were of considerable significance in the administrative development in this period of time. Any chapter or convent owning an authentic seal could become a credible place. There were three loca credibilia in Slovakia – Chapter of Bratislava, Chapter of Nitra and Chapter of Spiš as well as five convents – Turčiansky Convent, Zoborský Convent, Svätobeňadický Convent, Jasovský Convent and Leleský Convent. (Mesíková, 2008, p. 75)

In the second half of the 13th century, efforts were made to make the Royal Council subordinate to the Diet. In 1298, a law was passed according to which members of the Royal Council included two representatives of the Hungarian archdioceses and two

by the Diet-appointed noblemen, which significantly limited the decision-making powers of the king. Due to the donation policy, huge amounts of land and property of rulers passed into the hands of secular and church dignitaries. Simultaneously, revenues of comitati began to shrink and county heads were not able to maintain their own army. For the donation policy of rulers, only expenses of royal counties were covered which aroused concerns among those dependent on the system of comitati, especially among servientes regis. (Práznovszky, 2010) These events triggered efforts to abolish the system of royal counties.

In the 30's of the 13th century, royal counties gradually turned into noble counties. The territorial scope of noble counties was identical with the original territory of royal counties. The process of transforming royal counties into noble counties was not simultaneous and equal. In addition, consolidating the territory and boundaries was lengthy and highly complicated. For example, the territory of the Zvolen comitatus fell apart, its core, however still making up the core of the Zvolen county, and Liptovská, Turčianska and Orava counties incorporated in its northern part. (Kútik, Karbach, 2011, p. 17) The main body of the county local government was the General Congregation, which made decisions on all important issues (approving statutes, announcing provincial laws and regulations of the king or central Hungarian or court offices, electing deputies to the Diet, controlling activities of and managing county officials, negotiating important economic, administrative, political and military issues). A county was led by a county head (comes), from the 15th century onwards by the main county head who was appointed by the king. Deputy county heads, and not the county head himself, were the real administrators of the county.

Volko and Kiš state (2007, p. 21) that the rigid feudal system, means of transport and the road network as well as conservative Hungarian nobility and gentry made the system of counties last until the end of the 18th century, however, the most profound changes occurred in districts led by “iudices nobelium”. From the 14th century, there were 21 counties in Slovakia (Table 1).

Table 1 Counties in Slovakia from the 14th century

1. Abovská	8. Nitrianska	15. Tekovská
2. Bratislavská	9. Novohradská	16. Trenčianska
3. Gemerská	10. Oravská	17. Turčianska
4. Hontianska	11. Ostrihomská	18. Turnianska
5. Komárňanská	12. Rábska	19. Užská
6. Liptovská	13. Spišská	20. Zemplínska
7. Mošonská	14. Šarišská	21. Zvolenská

Source: Volko, Kiš (2007, p. 21)

In the 16th century, the Kingdom of Hungary was attacked by the Turkish army and the Hungarian Army suffered a crushing defeat at the Battle of Mohacs in 1526. The battle of Mohacs was a decisive event in the history of Slovakia for centuries. After the battle of Mohacs, Slovakia was incorporated into the Habsburg Monarchy, but this process was neither easy nor smooth. The country's internal weakness, Turkish pressure and large-scale domestic unrest caused the Kingdom of Hungary split into three parts: the Habsburg Royal Hungary, Principality of Transylvania and Budatínsky pašalík. (Janas, 2007, p. 19) The division of the Kingdom of Hungary was a new chapter in the history of Slovakia. Slovakia became the centre of the Hungarian part of the Habsburg Monarchy and Bratislava became the capital city of Hungary for decades. The city of Trnava became the religious centre.

After the expulsion of the Ottomans in the 17th and 18th centuries and internal unrest caused by attempts to preserve freedoms for the Estates, the Habsburgs managed to consolidate their power and exercised centralization policy, thus significantly strengthening their dominant position. The policy of centralization continued under Maria Theresa and Joseph II. It was Joseph II who attempted to do away with the self-government of nobility and make it subordinate to the state administration. The country was divided into ten districts (dištrikty) led by royal commissioners. Three districts were formed in Slovakia, such as the district of Nitra, Banská Bystrica and Košice. The district of Nitra was composed of Bratislava, Nitra, Trenčín and Tekov counties. The district of Banská Bystrica was made up of Turiec, Zvolen, Hont, Liptov and Gemer counties. The district of Košice was composed of Spiš, Šariš, Abov-Turňa and Zemplín counties. Joseph II, however, abrogated the reform before his death, in 1790.

The year 1847 was another important event in reforming the administration of Hungary when negotiations were held on reforming and modernizing the country. These efforts resulted in the adoption of the Hungarian Constitution (also the March laws) in March 1848 by which serfdom was abolished and the law on the independence of Hungary was adopted. In addition to setting limits on the powers of the king, the March Laws brought about changes in the local government. Stolice (administrative units similar to counties) lost their estate status. Within the self-government of these administrative units, a new body, the so called Standing Committee with executive powers was established. Changes also affected towns and villages. Janas claims (2007, p. 25) that the royal free cities were divided into three categories, such as large cities (above 30,000 citizens), medium-sized towns (from 12,000 to 30,000 citizens), and small

towns (up to 12,000 citizens). A city was headed by the city council and the mayor, who was elected by city residents. Villages (former feudal towns and villages) that abolished serfdom had also their internal self-government system, which was composed of the Municipal Representation and Municipal Council headed by a mayor (richtár).

The revolution of 1848-1849 was a turning point for the Slovak nation in terms of the administrative structure of the country. In autumn 1848, the Slovak National Council was created in Vienna. Three days later, the Council declared the independence of the Slovak nation from Hungary. Mesíková (2008, p. 80) maintains that the revolution of 1848 meant a significant breakthrough for the formation of the territorial and administrative organization of Slovakia. The stolica administration was built on Representation of People which replaced the General Congregation, and was adopted by the Assembly of Estates in Bratislava as a new law on the administrative structure of the stolica system.

The period from 1850 to 1860 was the period of renewed absolutism. The Imperial Decree of November 1, 1849 abolished the Hungarian Constitution of 1848. Formally, Hungary was the Lands of the Hungarian crown consisting of five military districts (in the territory of present-day Slovakia: Bratislava and Košice, in the remaining Hungarian territory: Sopron, Pest-Budín and Veľký Varadín) that were not territorially identical with districts (dištrikty) established under Joseph II. Military districts were divided into civilian districts (normally four of them). The system of administrative units called stolice was abolished and replaced by the county system. Counties lost their autonomy and were controlled by commissioners. Under the Geringer Provisional Arrangement (September 13, 1850 – January 18, 1853), military districts turned into civilian districts that were subdivided into counties. Counties were divided into processuses. Districts were headed by main district county heads, counties were led by chairmen and processuses were controlled by noble judges. (Volko, Kiš, 2007, p. 22) In the following period of time, administrative territories of a governorship department were established whose territories were identical with the formerly established districts. Hungarian administrative territory was divided into five branches, each located in one of the districts. Within each district, one branch of administrative territory administered the respective number of administrative units (stolice). In the district of Bratislava, there were 11 administrative units and there were 6 administrative units (stolice) in the district of Košice. The Bach's regime ended in 1859. Mesíková (2008, p. 81) states that the regional and administrative organization of the country under the

Bach's regime was justifiable and even more innovative when compared to the reforms made under the rule of Joseph II, yet not important in the long-term perspective.

In 1860, the emperor Francis Joseph issued the October Diploma proclaiming a new constitutional and federal structure in Hungary, which was based on historical constitutional rights of individual countries. (Šutaj, 2003, p. 25) Districts were abolished, and the *stolica* was renewed. The October Diploma completely ignored the Slovak national interests, which made Slovaks to act. Early June 1861, the Memorandum of the Slovak nation was adopted in the town of Martin, which called for an independent Slovakia

After the Austro-Hungarian Compromise of 1867, the districts were abolished and the previous administrative structure was restored (including artificially delineated territory of some units), and the name of *stolica* was changed to *župa* (county). Volko and Kiš (2007) state that the county borders were changed again to those of 1848.

During the dualism era, the Hungarian Parliament adopted the Nationality Act that declared that every citizen of the country, whatever his personal nationality is a member equal in rights. In that period of time, the system of public administration in Hungary was composed of two levels, i.e. counties that were subdivided into processuses. District processus offices performed the function of executive bodies. The lowest components in the county system were notariato general and district and municipal authorities. Processuses gave rise to the establishment of districts in Czechoslovakia.

64 counties were established in 1867 in Hungary (71 including Croatia – Slavonia). This number (71) had not changed until 1918, except that the county of Turňa ceased to exist in 1882. The number of processuses was steadily increasing until 1910. Around 1891 there were approximately 409 such processuses. There were also changes concerning towns. In 1870 municipal towns were set up and made equal to counties. Towns with municipal rights were initially all the free royal towns. Their number decreased in 1877 (Bratislava, Košice, Banská Štiavnica and Komárno). Other major towns were granted the status of a municipal town including a municipal office.

4. Territorial arrangement of Slovakia from the foundation of the Czechoslovak Republic to 1945

The public administration system was significantly affected by the collapse of the Austro Hungarian

Empire and the establishment of the Czechoslovak Republic in 1918. Since the public administration system in Slovakia and the Czech Republic was distinctly organized, a uniform system had to be put in place. This, however, was not an easy task for many reasons, mainly for the theory of Czechoslovakism which related to the efforts to create one nation from two. These facts played an important role in the organization of public administration in Czechoslovakia. Since 1918, Slovakia was administered by the Ministry Plenipotentiary for Slovakia. The Hungarian county administration remained effective, i.e. there were 16 historic counties and municipal towns (Banská Štiavnica, Bratislava, Komárno, Košice) that worked independently from the county administration. As stated by Mesíková (2008), after the establishment of the Czechoslovak Republic, the county system worked only on a temporary basis under the changed political system. The county autonomy was limited and the power was concentrated in the hands of county head – a government appointed official. Following the demarcated borders with Hungary, there were also county boundary changes and counties were subdivided into 95 processuses.

In 1920, a law envisaging county and district bodies of public administration system was adopted. Even though its nationwide implementation failed, the act was amended and came into force as of January 1, 1923 in Slovakia. Pursuant to the law, Slovakia was divided into 79 districts and six counties: Bratislava county (seat in Bratislava), Nitra county (Nitra), Považská county (Martin), Pohronská county (Zvolen), Podtatranská county (Liptovský Mikuláš) and Košice county (Košice). Counties were headed by county heads who controlled county offices. County representations were established at county offices. (Kútik, Janas, Hrtánek, 2006, p. 61) Abolishing 16 counties and municipal towns gave rise to new large counties, which according to experts, ignored the regional structure of Slovakia and were more or less artificially created units. Districts (*okresy*) were headed by Chief District Officers. In addition, there were district committees that performed activities similar to those of a county representation and their members were elected by citizens. In villages and towns, a notary performed state-administration related duties, whereas self-government related duties were carried out by a municipal office, representation, council and mayor (*starosta*).

This situation did not change until 1928, when the Act No. 125 of 1927 came into effect. The Act introduced a provincial system, Czechoslovakia split into four provinces-*krajiny* (Czech, Moravian-Silesian, Slovak and Carpathian Ruthenia), thus Slovakia became one territorial and administrative

unit. The Ministry Plenipotentiary for Slovakia ceased to exist, and a provincial office based in Bratislava was established, headed by an appointed provincial president. Brindzová (2015) states that provincial representation with elected and appointed members was a kind of self-government. Members of provincial committees were elected. Slovakia was divided into 77 districts, 3,476 municipalities and two autonomous cities (Bratislava and Košice). Districts were headed by district chiefs. District representations were composed of both elected and appointed members, and some of them fulfilled their role in district committees. Municipal bodies – the lowest administrative units were represented by a municipal representation, municipal council and mayor.

The following years were known for the efforts of the Slovak representatives to make Slovakia autonomous, culminating in the 1938 Munich Agreement and the adoption of the Constitutional Act on the Slovak Autonomy. As stated by Kútik and Karbach (2011) the Vienna Arbitration of 2 November 1938 by which Hungary received a large part of southern Czechoslovakia was a disruptive event for the territorial organization of Slovakia.

The Slovak struggle for autonomy and independence was concluded with the declaration of Slovakia's independence on March 14, 1939. The Constitution enshrined the formation of the highest constitutional authorities – the Assembly, the Council of State, the President and the government. Furthermore, it was necessary to tackle the issue of a new territorial and administrative arrangement as the existing provincial system was no longer efficient. A two-level local government of 1940 based on the system of counties and districts was restored. Thus, Slovakia was divided into 6 counties – the county of Bratislava, Nitra and Trenčín (named after their location), Pohronská county (seat in Banská Bystrica), Tatra county (seat in Ružomberok) and Šariš-Zemplín county (seat in Prešov). Counties were headed by county heads and subdivided into 59 districts headed by district chiefs. District offices continued to perform their duties. As claimed by Mesíková (2008), solving administrative matters was in the scope of the municipal administration led by a government commissioner who was assisted by the Advisory Board, whose members were appointed by a county head. The category of statutory towns was abolished at the municipal level.

Figure 2: Administrative division of Slovak Republic in 1944



Source: [https://en.wikipedia.org/wiki/Slovak_Republic_\(1939%E2%80%9345\)](https://en.wikipedia.org/wiki/Slovak_Republic_(1939%E2%80%9345))

Other changes in the public administration system occurred during the Slovak National Uprising in 1944. On the rebel territory, local, municipal and district national committees that performed the role of the state power and administration body were established. The Slovak National Council was the superior body for national committees. Territories that were only marginally or not at all stricken by the fights did not

experience any changes in the public administration system.

5. Public administration in Slovakia after the WW II

A unified Czechoslovakia was restored after the World War II. Initially, Slovakia was administered by

the Slovak National Council, whose executive body was the Board of Commissioners. Efforts for a centralized state form materialized in the third Prague Agreement of 1946 by which the government in Prague gained control over the directive activities of the Slovak National Council. Public administration was a district-based system working the same way as before the Munich Agreement and the Vienna arbitration. However, the county and district offices were abolished, and local national committees and district national committees became public administration bodies. This regional and administrative arrangement of public administration did not change until 1948.

In 1948, a new model of territorial arrangement of public administration was adopted and Czechoslovakia was divided into 19 regions from 1949, out of which 6 were located in Slovakia: region of Bratislava, region of Nitra, region of Žilina, region of Banská Bystrica, region of Košice and region of Prešov. Regions in Slovakia were subdivided into 92 districts (out of them, three were municipal districts). Regional national committees were established and were complementary to the system of district and local national committees. Collective bodies, such as the plenary, council and commissions worked within each national committee. Even though national committees possessed some self-government features, they were mainly bodies of state power and state administration. Over 1949 and the following years, there were 102 districts in Slovakia (out of them 12 municipal districts). The number of regions increased to 9, including the regions of Bratislava, the High Tatras and Piešťany.

When the 1960 Constitution of Czechoslovakia was promulgated, the name of the country was changed to Czechoslovak Socialist Republic. As stated by Kútik, Janas and Hrtánek (2006), the Constitution sheared the Slovak National Council of what little power they had enjoyed before and the

Board of Commissioners ceased to exist. In 1960, a new model of administrative arrangement of Slovakia was adopted. Due to the strictly centralist system, the number of regions was reduced to 10, whereas Slovakia was divided into three regions: the region of Western Slovakia (seat in Bratislava), the region of Central Slovakia (Banská Bystrica), the region of Eastern Slovakia (Košice). The number of districts decreased dramatically, there were 33 of them in Slovakia. Regional, district and local/municipal national committees possessing limited self-government features continued to perform state-administration duties.

In 1968, the Czechoslovak Socialist Republic was federalized consisting of the Czech Socialist Republic and Slovak Socialist Republic. Bratislava became the capital city of the Slovak Socialist Republic and was granted the status of a region (capital city of Bratislava), thus the number of regions increasing to four. Number of districts gradually increased to 38. Bratislava was later divided into 12 sub-districts that were made equal to districts, and thus the number of districts rose to 49.

In the process of normalization, regions and regional national committees were abolished in 1969, and restored again in 1971. The three-level organization of national committees did not change until the revolutionary changes in 1989.

Conclusion

Public administration serves as an instrument of power for the ruling groups. It can be said that any political regime or system attempts to adapt the management of issues of public interest to the existing political situation, and its own goals and needs. This fact has been confirmed by historical events and real occurrences that had influenced the public administration reforms in Slovakia.

Literature

Brindzová, Z. (2015). Proces vývoja územnej a správnej koherencie Slovenska. *Finančné trhy* 2/2015. Finančné trhy, č. 2 (2015), p. 1-17 [on-line] [cit.: 2016-16-03]. Available at: http://www.derivat.sk/files/2015_financne_trhy/FT%20_Jun_2015_Brindzova_Proces_vyvoja_uzemnej_samospravy.pdf

HISTORYWEB:

<http://historyweb.dennikn.sk/clanky/detail/cyril-a-metod-trvale-dedicstvo#.VdNPdfntmko>

Hromada, S. (2008). *Historický vývoj územnosprávneho usporiadania na území Slovenska*. [on-line] [cit.: 2016-16-03]. Available at: <https://beo.sk/historia/860->

[historicky-vyvoj-uzemnospravneho-usporiadania-na-uzemi-slovenska](#).

Janas, K. (2007). *Dejiny verejnej správy na Slovensku*. Trenčín: FSEV TnUAD v Trenčíne. ISBN 978-80-8075-263-7.

Kútik, J. - Janas, K. - Hrtánek, L. (2006). *Verejná správa a jej historický a právny vývoj*. Trenčín : TnUAD, 111 s. ISBN 80-8075-123-4.

Kútik, J., Karbach, R. (2011). *Systém verejnej správy*. Bratislava: Sprint dva. ISBN 978-80-89393-53-4.

Mesíková, E. (2008). Vývoj územného a správneho členenia na Slovensku. *Politické vedy*. [online]. Roč. 11, č. 3 – 4, s. 72 – 96. ISSN 1338 – 5623. [on-line] [cit.: 2016-16-03]. Available at:

http://www.fpvmv.umb.sk/userfiles/file/3_4_2008/MESI KOVA.pdf

Okresy Slovenskej republiky 1990-1996. [on-line] [cit.: 2013-16-03]. Available at: https://sk.wikipedia.org/wiki/Administrat%C3%ADvne_%C4%8Dlennie_Slovenska_v_rokoch_1990_%E2%80%93_1996

Práznovszky, M. (2010). *Vznik a vývoj Uhorskej šľachty a šľachtického práva*. Dostupné na: <http://www.historickaslechta.cz/uhorska-slachta-id2010090001-2>.

Raadschelders, J. C. N. (1998): *Handbook of Administrative History*. New Brunswick: Transaction Books.

Šutaj, Š. (2003). *Dejiny verejnej správy na Slovensku*. Košice: FVS UPJŠ.

Volko, V., Kiš, M. (2007). *Stručný prehľad vývoja územného a správneho členenia Slovenska*. Bratislava: Ministerstvo vnútra SR.

Contacts

Eva Koišová, Ing., PhD.
Department of Economy and Economics
Faculty of Social and Economic Relations
Alexander Dubček University of Trenčín
Študentská 2, Trenčín
e-mail: eva.koisova@tnuni.sk

Jana Masárová, Ing., PhD.
Department of Economy and Economics
Faculty of Social and Economic Relations
Alexander Dubček University of Trenčín
Študentská 2, Trenčín
e-mail: jana.masarova@tnuni.sk

Jozef Habánik, Doc. Ing., PhD.
Department of Public Administration and Regional Development
Faculty of Social and Economic Relations
Alexander Dubček University of Trenčín
Študentská 2, Trenčín
e-mail: jozef.habanik@tnuni.sk

POSITIONING OF A REGION AND SHAPING ITS IMAGE IN A GLOBAL ENVIRONMENT

Olena KOLOMYTSEVA

Abstract:

The problem of regions' positioning in the contemporary global environment and creation of the image that can increase the competitiveness of the region by making an attractive product for targeted audience, attraction of strategic investors, creation of innovative areas of development, promotion of the region in the global environment is examined in the article. Some Ukrainian cities and regions, following the example of the world leaders have already been working on a creation of a sustainable positive image that can be "converted" into a reputational capital and private equity. Theoretical and practical foundations of positioning are considered and the cases of their implementation on the example of European countries are analyzed. The author's own algorithm for positioning of the region is proposed. The example of the region positioning and formation of its image according to the author's own methodology is provided in a simplified form.

Keywords:

positioning of a region, an image of a region, information layers of positioning, parametric analysis, competitive analysis, reputation of a region.

JEL Classification: M31, M30, M32

Introduction

In the conditions of increasing global competition for investment and tourist flows, the governors of foreign regions and large cities use the principles of regional marketing and, among them, positioning and intensive promotion of the territory as a place for comfortable living, leisure and business in their activities. Some Ukrainian cities and regions, following the example of the world leaders have already been working on a creation of a sustainable positive image that can be "converted" into a reputational capital and private equity. Such steps face a range of obstacles of theoretical and applied nature: the absence of national methodological developments on the choice of technology of positioning, taking into account the peculiarities of Ukraine, the mentality, the presence of a number of destabilizing factors and so on. As a result, try-out of foreign experience (mainly case-study method), such as event marketing of Sydney and Beijing in the Olympic Games, promotional campaign «Madrid Global» and «BeBerlin», anticriminal promotion of New Jersey State and Israel, re-branding of Dubai and renaming of Johannesburg etc.

The fulfillment of positioning technology of the country and its regions is also prevented by the funding issue. In comparison with the leading countries of the world: the US, Germany and the UK annually allocate more than 1 bln. USD from the budget to promote the image abroad; France -

about 3.1 bln. USD; Saudi Arabia - 6 bln. USD. In Ukraine the financial support to promote a positive image in 2014 totaled to 294 thousand UAH, in 2015 - 698.9 thousand. UAH (Ministry of Foreign Affairs of Ukraine..., 2015). Accounting for the current realities of Ukraine – the expansion of terrorism, military conflicts and political strife, destruction of infrastructure - the question of funding of the image is quite controversial and tendentious. Given the acute shortage of budget funds, the financing of the country's image abroad loses its validity. On the other hand, having a negative image of the economically weak, corrupt country, Ukraine loses the possibility of mobilizing investment resources from the foreign public and economic confidence from Western donors and the International Monetary Fund. The mentioned issue makes a significant negative impact on the development of intellectual capital, contributing to the emigration of specialists in various fields, students leaving to study abroad. Such tendencies form the adverse image of the country, though Ukraine has the powerful intellectual, natural and recreational potential in order to be interesting for the international public.

A number of contradictions and problems associated with the need of positioning the country for improvement of its competitiveness led the author to explore heuristics of the positioning of the regions as the carriers of internal potential of national economic system that allows to beneficially promote the features and advantages of the country as a whole, reveal

different aspects of its identity, build an image that would become a powerful way to influence the world public opinion, which will facilitate the attraction of the investment in regional economic development, establishment of the mutually beneficial relations in trade and partnership relations.

1 Historical retrospective of the positioning of the regions

The concept of "positioning" appeared in marketing in 1972 due to the works of American marketers Al Rice and Jack Trout (Traut, Rice, 2004, p. 46). The authors said that traditional marketing approaches were obsolete, and offered, providing the number of examples, the new efficient approach, which was called positioning. The founders of the theory of positioning defined it as "the creation of a certain position of the product among the competing products, a kind of niche, which could be reflected in the hierarchy of the values created in the minds of potential buyers, the development of such image of the product that it would take the rightful place in the mind of the buyer, other than the provisions of competing products" (Traut, Rice, 2007, p. 108).

Positioning was a fashionable expression in advertising and marketing circles in the 1970s, and the word "positioning" characterized the development of advertising. In fact, positioning originally was used as a tool to enhance the effectiveness of advertising or the process of identifying competitive advantages of the company's products and their use in promotions.

After 15 years of the dominance of positioning theory of Al Rice and Jack Trout, a lot of works emerged on the concept of "positioning." Having examined the theory presented in the modern interpretation of the concept of "positioning", the author has identified its three basic components: positioning as a set of actions, which is supported by T. Ambler, J. Landrevi, J. Levi, D. Lindon, S. Garkavenko – determines positioning as a set of actions or measures (Ambler, 2006, p.213; Garkavenko, 2002, p.59; Landrevy..., 2007, p.156); positioning as the concept (Rice, Trout, Cravens) - reflects ideological aspect in determining positioning as a system of ideas, opinions, formulation of offers (Traut, Rice, 2007, p. 107; Cravens, 2003, pp.127-128); positioning as a strategy (Kotler, Aaker, Hooley) - regards the positioning as a strategy of development of competitive position (Kotler, 2005, p.94; Aaker, 2003, p.145; Hooley, 2005, p.218).

In order to define "positioning of the region" most scientists rely on the same methodological approaches that have been used for the positioning of the products on the market. The main objective of the regional

development is the development and implementation of socio-economic programs aimed at achieving the priority objectives of regional development, taking into account the economic conditions, in making rational decisions that are not limited interests of some influential stakeholders. Solving this problem is possible by using the positioning of the region as an instrument of its strategic development for the long term.

In this regard, the positioning of the region should be perceived as an integral part of the overall strategic plan for its development, aimed at defining the possible position of the region at the present time and in the future and to strengthen its competitive position by creating desirable for potential consumers incentives to use it a residence, business or leisure.

Positioning of the regions in the world became popular in the twenty first century, which was fastened by the increase of the growth of the global economy in the end of twentieth century, which in turn led to increased demand for investment resources by dynamically growing countries. Globalization of financial markets, international distribution of communication opened up access to the larger investment inflows in the countries, and in some specific regions with a positive image (Sykes, Shaw, 2008, p.68). Accordingly, there is a direct link between efforts on positioning of the region or country and the resulting commitment of the global environment in a form of tourist influx, intellectual, investment resources, and so on.

2 Forms of positioning and European experience of their implementation

Positioning of the region can be quite variable. The scale of positioning depends on many factors, primarily, the existing reputation of the region, current trends in the global movement, real opportunities of the region, and so on. Positioning can occur in the mild form as the strengthening of the existing positions and heavy form - a radical repositioning. In the situation, where the current position is the most appropriate (i.e. closest to the desires of the target segment and different from competitive proposals), positioning of the region is implemented as strengthening of the acquired position - saving the current configuration of the unique parameters in the region and tools of marketing promotion.

In situations where the target group of consumers wants or expects changes or ways of meeting the needs, relocation of existing positions is inevitable. Such changes may be gradual or radical. If the parameters of the region mostly meet the desires of consumers, there is a need to reconstruct the image for

further approximation to the desires of consumers. If the position of the region is unfavorable (too separated from the target segment or a little different from competitors), more intensive repositioning may be required. This can imply the entirely new parameters of the region's attractiveness in order to adapt to the wishes of the target group of consumers. The radical repositioning could also mean capturing of the new target segment. Repositioning can appeal to the new values, which are not common at the present moment in society.

A striking example of the radical repositioning is the positioning of Katowice (Poland). Having a reputation of a mining town with dubious ecological environment, Katowice was converted into an innovative IT hub. The opening of a giant business center - GPP Business Park, which was certified by the British organization BRE Global was the starting step of the repositioning process. The communication campaign that was launched successfully facilitated the transformation into the city of high technology. In a relatively short period the city experienced the construction boom and significant investment inflows due to the new image of "high-tech outsourcing destination".

The experience of the Polish city Zielonka is very interesting in terms of gradual repositioning. The city aimed to attract the local community in the current and strategic management of the city and introduced the program called "Creating a culture of public consultation." When Grzegorz Dudzyk, the best mayor, the winner of the national contest "SuperGovernance - 2011" was giving a lecture in 2012, he said that the municipal authority was guided by the principle that "the more forms of communication exist between the municipality and the residents, the more initiators of changes to the urban environment it will provide."

The program implementation included the following measures: 1) engaging in communication (annual information booklet (in January every year, in every apartment, to every citizen); sms Zielonka: information about city events, announcements, warnings about dangerous situations and so on; internet- television (live broadcasts of city council meetings and other official events); online portal: direct communication of the residents and the administration, information about the city problems using GoogleMaps; e-mail for ideas and suggestions (direct contact with the mayor); interactive internet service Zielonka.pl (questions to the mayor, consultations); 2) increase of interactivity: services in social networks (Facebook, etc.): commenting of the events, openness to a dialogue, personalized contact (no anonymous comments), regular meetings "Let's talk about the town"; advice column in the local

newspaper (polls, questionnaires, etc.); 3) expanding forms of communication: the creation of partner groups on various aspects of urban development (Dudzyk, 2012).

The example of a mild form of change in the position can be the positioning of Czech Republic, whose government decided to change the name of the country from Czech Republic to a brief Czechia. This name has been around for a long time – it was first mentioned in 1634 - and the full name of the country would still be in use. Actually such form of positioning can be related to the mild re-branding.

The example of the successful repositioning is the capital of Germany – Berlin. In order to overcome the dark image of the cold war time, in 2008 the government allocated 10,6 bln EUR to launch the positioning project "Be Berlin/A Great Place To Live". The aim of the project was the creation of the more attractive for investors image of the capital, the center of political, cultural and interesting civil life.

3 Algorithm of the positioning of the region

Given the significant complications, particularly of financial nature, which configure the modern Ukraine, the most appropriate and effective form of positioning of the country would be the positioning through its regions. Granting the relative autonomy to the regions through decentralization, creating favorable conditions for the inclusion of the regions to the global economic system, on the one hand, greatly enhances and intensifies competition on interregional and international levels and, on the other hand, encourages regions to develop social -economic potential, search for the new forms and tools of enrichment and achievement of social welfare.

Due to historical and geographical identity of Ukraine, a complex system of the different historical, ethnographic and ethno-cultural regions was formed. These regions are distinct not only due to the geographical, cultural conditions, but also social and economic development. Accordingly, the positioning of each region, accounting for their exclusive differences and competitive advantages, can be a powerful image of Ukraine abroad, as it can offer a variety of options for investment projects for a wide range of potential foreign investors.

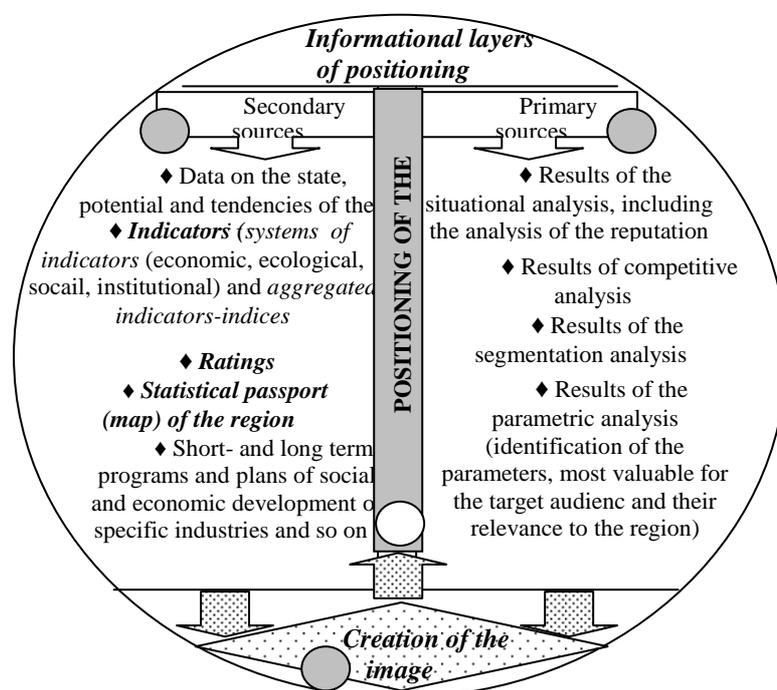
In the process of creating an algorithm for the positioning of the region, the strategic goals and objectives of positioning should be clearly defined. Inadmissible mistake, in the author's opinion, is the focus of marketing tools of positioning only on the external environment, because internal stakeholders are more important. It is inappropriate to focus on the interests and needs of target audiences, as it is easy to

fall into the trap of subjectivity. That's why it is necessary to focus on positioning on the unsatisfied needs of the target audiences. This is important due to the ongoing divergence of interests of stakeholders.

The core of the perspective positioning algorithm should be based on structured information

about the economic, technological, and natural and other features of the region. The entire array of information about the regions is divided by the author by into layers (primary and secondary sources of information), each of them has its own specifics (Fig. 1).

Figure 1. Simplified positioning algorithm



Source: Author's own work

These information layers are the common components of the regional management that enable to identify and formalize the problem, give a comprehensive picture of the prospects of the region, which ultimately makes it possible to develop an effective technology of the positioning of the region.

Secondary sources of the information describe the data on the current state, potential and trends in the region. The system of indicators of socio-economic development of the region is presented by the analysis, calculation and comparison of indicators, indexes and rankings that are used for evaluation of the actual state of the region and forecasts of future development.

State indicators characterize such issues of the regional development, as the availability of housing, infrastructure, the ability to use different services,

safety, pollution and others. The two most prevalent methodological approaches to the development of such indicators in the theory and in practice should be noted:

- 1) creation of a system of indicators, where each of them reflects some aspects of development. Very often the following subsystems within the overall system are distinguished: economic, environmental, social, institutional;
- 2) creation of an aggregate (integral) indicator that can be a base to judge the degree of stability of the socio-economic development. Aggregation is usually based on the following groups of indicators: ecological, economic and environmental.

In the modern methodology of the system analysis

the increased popularity is gained by the system of indicators that are built and ranked on the minimalist basis instead of systems with a wide range of indicators (Statistics and indicators for the post-2015 development agenda, 2013, p.I(3)). For the decision-makers who require only the most priority information on the development of the region, the short list of the key (or basic) effective indicators of socio-economic development is recommended.

The choice of indicators' system for the monitoring of socio-economic development of the region should, in the author's opinion, be made with the account for the characteristics of the region's population as the object of statistical observation and also based on the goals set by the regional management.

Evaluation of the stability of the socio-economic development can be done by the calculation of a certain index as the integral indicator. Indices are related to the major general indicators that determine the actual parameters of the region. In an index different indicators are combined into a single number that is used to compare the events regardless of time or their location. In practice of international organizations the following integrative indices for evaluation of the socio-economic development gained popularity: index of gross regional product (GRP) per capita, human development index and index of the region's development (Pankrukhin, 2010, p. 69).

Along with the indicators and indices it is advisable to allocate another layer of information that includes formal ratings, often in the form of scales, instruments of matching a number of analyzed objects to certain integral characteristics. Typically, the rating evaluation is the prerogative of the expert institutions that possess good reputation, the trust of society, operate on the principles of openness and accessibility of information and play an important role in making decisions on the choice of the region as an object of fulfillment of certain requirements.

In Ukraine, like in other countries, the activities on the rating evaluation of regional development are intensified. Thus, major modern systems of rating evaluation of the regions are: competitiveness index, monthly monitoring of socio-economic development (monthly calculation of the rating) and rating of the investment attractiveness.

Therefore, the goal of the use of indicators, indices and ratings is to monitor and analyze the changes in the system of social and economic relations in the region, the dynamics of the conditions and standard of living of different social groups, change in their values and needs, attitude towards politics of state and regional authorities. With the integrated use of such indicators it is possible to make

a statistical passport (map) of the region that characterizes changes in the state of various subsystems.

The primary sources of information consist of the data that is generated directly in the course of conducting special studies (surveys, observations, tests, interviews and so on). The most important source of marketing information is the target groups of consumers in the region. Their views, expectations and needs, opportunities of influence on the results of marketing underlie a prospective strategy for positioning of the region.

Since in some cases the target groups of consumers can be incompetent in the matters of the positioning and promotion plans, there is a need to engage experts in these areas in order to collect quality information that is relevant for the purposes of the research.

In terms of analysis of primary sources, the logical sequence in gathering information and its analysis should be followed:

1. Situation analysis that including the analysis of the region's reputation (assessment of the current position and the parameters of the region that meet the needs of consumers, evaluation of the social and economic reputation of the region).

The starting point for the positioning of the region is a search for a combination of unique and trivial factors of positioning. Determination of these factors should be based on real or created parameters of the region. The important point here is the development of a matrix, based on a primary strategic analysis (SWOT-analysis). This is the most famous and recognized method that makes it possible to integrate various aspects of external and internal environment of the region and can help to clarify the current position and find the optimal parameters of the region. The results of SWOT-analysis give a general picture of the attractiveness of the region as an object of positioning. The next step in conducting the situation analysis is to determine the socio-economic reputation of the region, which is presented by a set of ideas, values beliefs of internal and external users, which are based on the experience of interaction and objective information about various features of the functioning of the socio-economic system of the region (the level of comfort, salaries/wages, effectiveness of the regional government, responsibility of government and businesses to fulfill their obligations and so on). For the assessment of socio-economic reputation of the region it is appropriate to use the expert evaluation method.

2. Competitive analysis (analysis of competitors' positions and plans of promotion).

One of the key conditions that determine the choice of positioning technology of the region is the identification of the competitive relationship among the regions. The practice of conducting the competitive analysis involves search of the main competitors for further comparison, especially of the internal environment, evaluation of the current position and means of promotion of the region.

The author identifies the following types of inter-regional competition, based on which competing regions can be identified:

- Competition at the regional level for the socio-economic criteria (level of socio-economic development, size, population, geographical location and so on);
- Competition at the regional level, based on the subject of inter-regional competition (investments, innovative technologies, and required and unique resources needed and so on);
- Competition at the regional level that satisfies the same needs (i.e. competition between resort areas that meet the need for quality recreation);
- Competition at the regional level for the rank and status (rank for the most ordered region and so on).

At this stage, it is necessary not only to determine the circle of competing regions, but also to analyze the characteristics of their positioning and promotion plans.

Analysis of the position of competing regions can be performed by questioning of the experts in strategic planning as well as by analyzing the secondary information on the state of regions and their capabilities. Competitive analysis in the system of the regions includes two main aspects: the evaluation of the achieved level of socio-economic development in comparison to competing regions and the identification and comparison of the unique parameters of the competitors, which they use as a competitive advantage in building up their position in the information space.

3. Segmentation analysis (selection of the target market). After analyzing the position of the region and its main competitors, consumer groups should be identified, for which separate parameters and a set of marketing tools have varying degrees of significance and attractiveness. It is necessary to conduct market segmentation.

Segmentation of customers in the region enables better understanding of the specific needs of each customer group and creates conditions for better fulfillment of these expectations.

4. Analysis of the region's parameters in terms of usefulness for consumers (identification of the most important parameters for the customers and

assessment of their appropriate significance). After the evaluation and selection of target segments, the next task is the identification of the basis for making the choices by the target groups of consumers. The key point at this stage is the establishment of the most important parameters for customers in the region.

This information is collected more efficiently, using the qualitative research methods, such as group discussions. Projection methods of the research on the image of the region such as the association techniques and interpretation of the drawings can also be useful.

The result of the analysis is to determine the position of the region and competing regions according to the most important parameters. When making this decision it is necessary to determine how the studied target segments of consumers and competitors evaluate region based on the various parameters. A quantitative study using representative samples is used at this stage. It is important to identify the differences in perception among individual consumers.

Determination of the position of competing regions for the most important parameters of the region is a difficult process because of the lack of information in the hands of the consumers. In most cases, consumers can evaluate the region in which they live, work, rest and so on. They have only a general knowledge about competitive regions and in order to identify specifics and determine the position of competitors the detailed information is required.

Therefore, in this case it is also possible to use competent secondary data on the competing regions for the most important parameters according to the target group or to conduct a survey of experts, which are able to provide clear information about the competing regions.

Technology of the positioning is formed according the principle of maximum satisfaction of the needs and demands of the target audience of the region, formation and expression of the benefits that exceed similar characteristics of the competitors.

The use of the information layers is considered necessary and sufficient for the information support of the management decisions about the prospective positioning region.

Thus, during the creation of the effective technology of positioning the current state of the region is determined, and also the state (compared to competitors) in which the region intends to be in the future. The choice of key terms and means depends on whether the region chooses the technology gradually move to a new state with the preservation of the existing preferences or opt for a sharp change in the existing economic structure (the radical restructuring and fierce competition with other regions) or will try

to combine different ways (including, for example, selective targeted stimulation to accelerate development of certain areas, forms, business entities).

4 Competitive parametric analysis of the region

In order to provide the example of competitive parametric analysis the author studied Cherkasy region, located in the central part of Ukraine.

As part of the competitive analysis it is important to determine the position of the region in the competing system, evaluate parameters that determine the attractiveness of Cherkasy region when compared to major competitors.

In order to objectively select the competing regions for Cherkasy region the author investigated the modern most common approaches to the typology of regions of Ukraine.

A. Kornus offers the division of the regions according to the structure of employment. Based on such methodology, the regions are divided into:

- 1) hyper-service regions (where 80% of the population is employed in services);
- 2) service regions (where nearly 75% of the population is engaged in non-production sphere);
- 3) industrial-service regions (where 20-25% of the population is engaged in industry and construction and 60% in the service sector);
- 4) hyper-industrial regions (in which the industry and construction employs over 50% of the population);
- 5) industrial regions (where 20% of the population works in the agricultural sector and about 35% - in industry);
- 6) industrial-agricultural regions (where about 15-25% of the population is employed in the agriculture and forestry and about 30% - in industry);
- 7) agro-service regions (the agricultural sector employs 25-30% of the population and the services — more than 60%);
- 8) agro-industrial regions (where 25-30% of the population works in the agricultural sector, up to 20% - in industry and construction);
- 9) agricultural (regions where more than 30% of the population is employed in the agricultural sector, up to 15% of the population - in industry) (Kornus, 2014, p. 119 -121).

According to the considered approach Cherkasy region belongs to the eighth type (agro-industrial region) along with such regions as Ivano-Frankivsk, Volyn, Mykolaiv, Chernigiv, Kirovograd, Kherson

and Chernivtsi. However, analytical evaluation of GRP of these regions does not allow considering them as competitors. For example, according to the data of 2015, in terms of GRP Cherkasy region exceed Chernivtsi for more than 65%, Kherson region - 31%. The relatively close to Cherkasy regions according to the measure of GRP and typology of A. Kornus is Kirovograd and Mykolaiv regions.

N. I. Dyshlyuk considers the division of the regions in terms of development pace and industry specialization. In particular, he notes that the regions with a low level of development and agro-industrial orientation, such as Vinnitsa, Poltava, Sumy, Ivano-Frankivsk, Cherkasy comprise 28% of Ukraine's regions (Dyshlyuk, 2010, p.228).

O. Beydyk notes the importance of recreational and tourist zoning of Ukraine, according to which Cherkasy region along with Kyiv, Sumy, Chernigiv and Poltava comprise Kyiv-Dnipro recreational and tourist area (Beydyk, 2001, p. 125).

According to L. Chmyriova, regions of Ukraine can be divided into economic areas based on the territorial distribution of the productive forces (Chmyriova, 2013). From this perspective, Cherkasy region, along with Kirovograd are the part of Central economic region of Ukraine.

The author proposes to conduct the analysis on the basis of comparison of socio-economic development of the neighboring to Cherkasy regions. This choice is based on the fact that the closest interregional connections can result in a powerful momentum that can both positively and negatively affect regional development, causing regional convergence. For example, the placement of a new production or implementation of a major infrastructure projects can enhance the competitive position of a region thus can reduce the attractiveness of neighboring regions and worsen the prospects of economic growth. On the other hand, the economic growth of the neighboring regions and increase of solvent demand of the residents, introduction of the advanced technological solutions and innovations is the additional incentive for a region and opens up opportunities for entering new markets in similar institutional conditions. Under this hypothesis, we assume that the growth rate of the region depends on the level and structure of production in the region, and the average growth rate of the neighboring regions. Thus, the region can develop quicker if the growth rate of its neighbors is high and their starting position is positive if the interregional interactions provide the positive effects. The reverse side is that growth of the region can be significantly hampered by the dynamic economic activity of the neighboring regions that is derived from the increased competition between neighboring regions for labor and investment

resources, for the implementation and deployment of national and international projects.

Cherkasy region has such geographical location that it borders with Kyiv region (northwest), Poltava (east), Kirovograd (south) and Vinnytsya region (west).

Evaluation of the positions of competing regions was conducted by the author through the analysis of secondary information on the state of the regions and their capacity (official statistics and strategic development plans). For the comparison of the state of social and economic development of regions for 2010 - 2015 the author selected 12 key indicators:

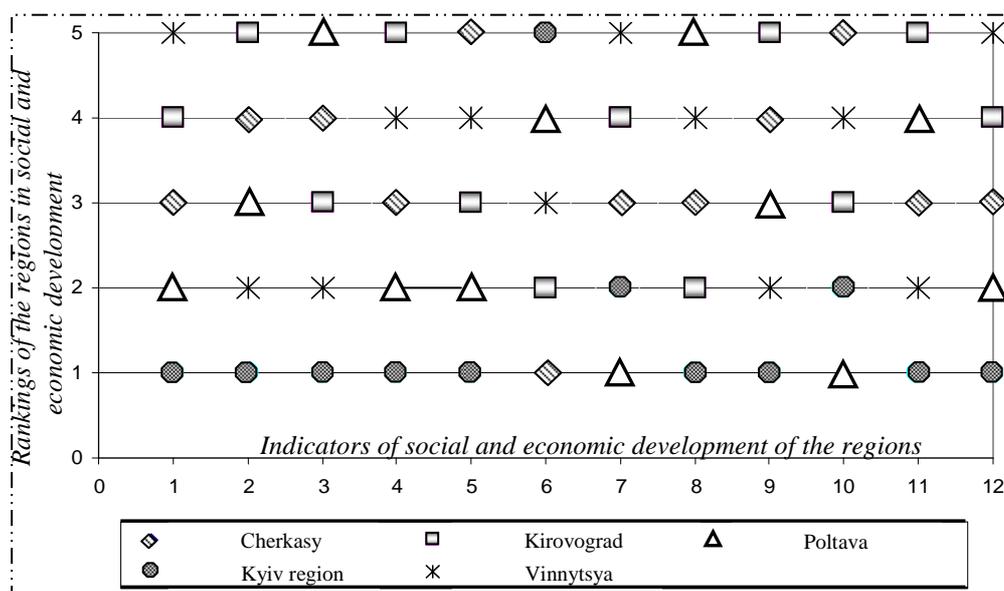
- 1) gross regional product;
- 2) total population;
- 3) natural increase (decrease) of population;
- 4) foreign direct investment in the region;
- 5) capital investment;
- 6) gross agricultural output per capita;
- 7) volume of industrial output per capita;

- 8) amount of provided services per capita;
- 9) retail trade;
- 10) volume of sales of innovative products, including export;
- 11) new housing;
- 12) average nominal wages.

For each of the analyzed indicators the author calculated the positions of competing regions. The first place was assigned to the region that has the best result of the respective indicator. Figure 2 shows the results of the evaluation of socio-economic development of the competing regions according to the selected parameters.

The figure shows that Cherkasy region is a leader on the 6th indicator - "gross agricultural output per capita" and has the average positions in the majority of the studied parameters. Cherkasy region received the last place (5th) in terms of capital investment and the volume of sales of innovative products.

Figure 2. Rating of competing regions based on the studied indicators of socio-economic development (average for 2010 – 2015)



Source: Author's calculations

Analysis of the results of the first phase of evaluation of competitive state allows the following conclusions: the main competitors of Cherkasy region in terms of the quality of life are Kyiv and Poltava regions. Kyiv region is a strong leader in terms of the availability of jobs, as evidenced by the highest salary level, GRP level and other indicators related to business activity of the region. Poltava region is a strong competitor in terms of investment

attractiveness (ranked second in the volume of capital investment and in terms of foreign direct investment), due to the leadership of the region in terms of sales of innovative products, including export. Thus, at the present stage Cherkasy region is the middle position (3rd place) among the neighboring regions on a number of indicators of socio-economic development. To strengthen the competitive position it is appropriate to diminish the weaknesses in the

development of the region, implying the need for systematic implementation of the set of measures included in the strategic plan of socio-economic development.

In the context of parametric analysis, there was a need to determine the most attractive parameters of the region and degree of compliance with these parameters according to the target segment. To perform this task the author used the information resources of the regional administration and the survey was conducted among residents of Cherkasy

region. The survey involved residents of Cherkasy, Uman, Zolotonosha, Kaniv, Smila, residents of Gorodyschenskyi, Zvenygorod, Zolotonosha, Korsun-Shevchenko, Uman, Shpola, Cherkasy and Chornobai administrative districts. The survey polled 1,300 people (754 women, 546 men). To summarize the results, the table with the list of parameters and their significance for the target segment and the extent of compliance of Cherkasy region to these parameters was created (Table 1).

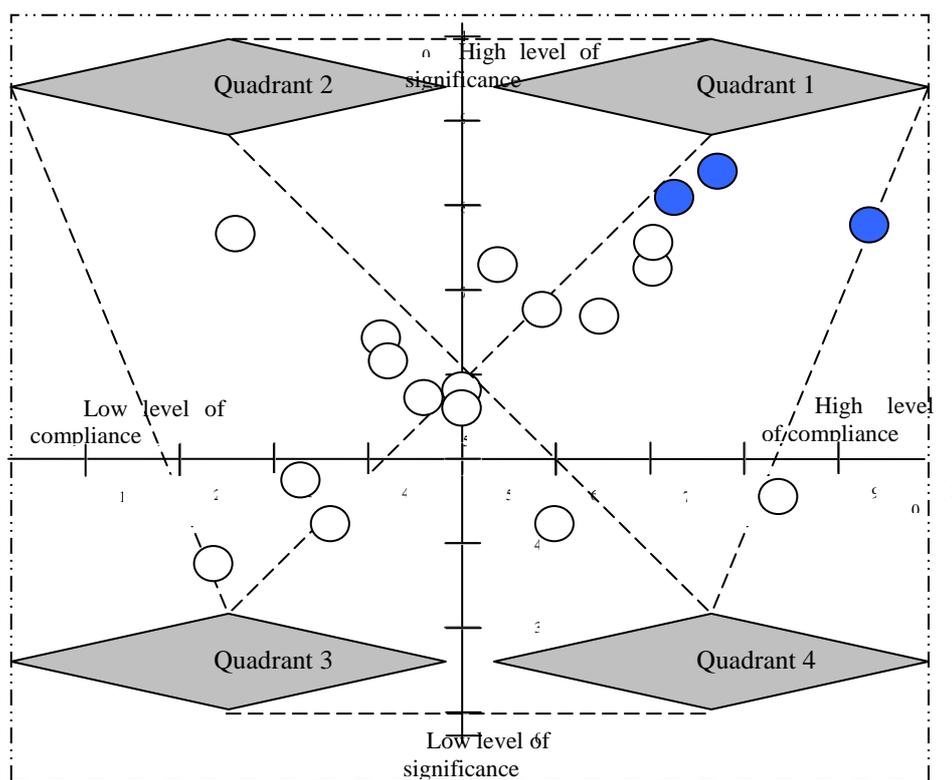
Table 1. Correlation of the obtained results of parameters' significance for the target segment and the degree of compliance with these parameters by Cherkasy region

Parameters of the region, significant to the target consumers	Average ratings	
	significance of the parameter	compliance with the parameter
1. Beneficial geographical position on the crossroads of important	7,9	9,4
2. Developed industrial potential	8,0	7,4
3. Developed services industry	6,4	4,1
4. Rank in different international rankings	3,8	2,4
5. Development of banking sector	5,8	5,0
6. Development of transport, engineering and social infrastructure	7,6	2,8
7. Development of housing infrastructure	5,8	4,6
8. Powerful agricultural complex	8,4	7,8
9. Existence of the developed system of the social support of the population	6,1	4,2
10. Existence of the programs and concepts of development of the region	4,3	6,0
11. High educational, professional and cultural level of population	7,3	5,4
12. Existence of traditions and international reputation in culture and arts	5,6	5,0
13. Existence of traditions and international reputation in sports	4,2	3,6
14. Привабливість регіонального середовища, архітектури і дизайну	6,9	6,5
15. Significant historical past	4,6	8,2
16. Significant tourist and recreational potential	7,1	7,0
17. Existence of the broad opportunities for the individual realization	4,7	3,2
18. Low crime level	6,9	5,9
19. Development of education	7,5	7,0

Created by the author according to the results of the survey

Based on the data in Table 1 the map of "importance /extent of compliance" was created (Figure 3).

Figure 3. Map of "importance/extent of compliance" with parameters according to the needs of target segments of consumers by Cherkasy region



Created by the author

Quadrant 1 includes such parameters of the region that must be maintained at the current level, quadrant 2 consists of the parameters that require improvement in the short term, quadrant 3 is comprised of the parameters that require improvement in the long term, quadrant 4 is composed of the parameters that are not sufficiently significant in terms target segments of consumers.

Such important parameters for the target segment of Cherkasy region as a developed services sector, banking sector, housing infrastructure, transport, engineering and social infrastructure, and presence of a developed system of social support are to be improved in the short term due to the fact that they don't meet the requirements of consumers. The parameter with a high degree of relevance to the target segment (average - 7.9) and compliance of the region (average - 9.4) is a relatively favorable geographical location at the crossroads of important communications - can be used as a key factor in positioning of Cherkasy region. In addition, the parameters that must be maintained should include: powerful industrial potential and agriculture, high educational, professional and cultural level of the majority of the population, development of the education, significant tourist and recreational potential.

Based on the results of competitive parametric

analysis, the positioning of Cherkasy region should be based on the development and promotion of agriculture and industrial potential. However, it should be noted that for global positioning of Cherkasy region it is unacceptable to disregard its significant tourist and recreational potential, which provided by its unique spatial and historical and cultural potential. The development of this area will automatically catalyze the development of the transport infrastructure, trade, communications, agriculture and other industries and, therefore, open up the opportunities for investment, increase of jobs, acceleration of socio-economic development. Thus, additional positioning of Cherkasy region should be directed to the development of tourism. Modern inefficient development of the tourism potential of the region is the result of neglect or lack of effective use of transactional factors such as institutional arrangements, organizational and economic mechanisms and information systems. In modern conditions of hypercirculation of the information environment, the information may help to increase the competitiveness of the region, its stability and, respectively, safety. Objectively incomplete information, its absence or distortion may become an obstacle in a promotion of tourist product of the region. Therefore, it is necessary to use marketing mechanisms, which can provide powerful impulse for

constructive processes of the flow of capital and resources in the economic area. Based on current global trends and available regional capacity, the author considers it appropriate to develop agritourism in Cherkasy region.

5 Shaping the image of the region

The result of a thorough analytical study of primary and secondary information is the creation of the image of the region as a key element positioning.

While working with the foreign literature sources the author found and reviewed at least two dozen theoretical and practical articles covering issues of building the images of specific regions and cities. The following are the examples, "Strong communities: from image to action" by L. S. Hempel (Hempel Lamont, 1998), "Practical guide for the development of the image and strategy for local community" by National Civil League (Colorado). In addition, there is a target group of the projects to create images of a number of American cities: "The image of New Haven» (Vision for a Greater New Haven) — state of Connecticut, "The image of Chattanooga» (Chattanooga Visioning) — state of Tennessee and others. All the abovementioned studies are based on the theory of stability and are aimed at a search for the stable balance of territories' prosperity. However, in the domestic practice these issues are almost not disclosed and it reduces the ability of the regions for identification. The image of the region is its vision of the future, short and concise expression of what it should be in the long run. The ideas of this kind are characterized by the scale, width, comprehensive coverage and perspective thinking that should be created in order to achieve the goals.

Maximum focused image of the region can provide dynamic promotion and enhancement of the image of the region as a pattern that facilitates its identification by the target audiences by minimizing their cognitive costs, i.e. time costs and efforts for conduction of rational activities. In this sense, promotion of the image of the region is focused on the implementation of associated with the region templates and stereotypes in the minds of target groups. The important areas of the integration of the regional pattern in the mass consciousness is the identification and overcome of the stereotypes regarding the region, formation of the positive associations and elimination of the negative connotations that requires associative analysis and accurate determination of identity.

Creation of the image can be performed in two ways: in the process of learning (from the real to the ideal) and in the creative process (from ideal to real)

(Rubel, 2010, pp.31-32). During this process it is required to focus the incentive on solving of the problems of social and economic development of the region and the availability of professional skills, contributing to the creation of the image. This requires the involvement of the public, government officials and a group of experts from various fields (engineers, ecologists, economists, futurists). The scale of the regional economy does not allow for the creation of the image from one strategic idea. The image of the region is a unique, multi-dimensional combination of the elements that are able to attract the attention and firmly fix in the memory and to ensure it a system of differentiation and relevance for all target audiences.

Based on the complexity of the regional space organization, it is assumed that the image of the region can be expressed in different areas. The formation of the image must reflect the region as holistic creation, which is the interaction of different sub-images (economic, social, geographical, etc.). This is achievable due to the complex nature of the visualization of the image of the region, which the author sees as a polyhedron with a complex internal structure that rotates in three-dimensional economic space: regional, national and global. In this context, the author examines the rotation polyhedron image as a process of transformation and improvement of the image depending on the speed and quality of implementation of the desired image of the region. The starting point of the transformation of the image is a regional space that assumes the image through the population of the region. It is followed by a chain reaction and the active promotion of the image into the national and global economy through the understanding of the importance of establishing a positive sustainable image for the socio-economic development of the region. One can say that the image of the region is a mesophase (intermediate phase) between the already established reputation and future image.

The image of the region is a complex, multidimensional construction that involves constant movements, strengthening of the influence of some components and reducing others. When the key components of the image are determined, the new problem arises, that is of making the decision for selecting one of the components or the use the integrated image. This choice, which is made in the process of the regional positioning relates to the unstructured type, because there are different options of development. That is, the image of the region can be formed, based on one of the four mentioned components; in this case, all other components are seen as additional or supportive. Because it is inadmissible to make the role of the image absolute,

the system of prioritized images as a basis for creation of the new image for the region should be layered depending on the factors affecting the formation of the image at a particular time. Created understanding of the region has to be intensified and enriched with the every act of communication with the external environment. Region "exports" its image for trade, tourism, investment, attraction of labor resources, own promotion in the acts of domestic politics, sports and cultural events. And of course, when the inhabitants of the region see that their economic and socio-cultural achievements are recognized abroad or at national level, it helps integration and creation of the productive and regional culture.

In the context of creating a positive image is important to support new socially significant ideas, to shape a positive civic identity among the representatives of different ethnic groups. It is about the presence of common values, agreement on the strategic development priorities. It is important to have the skillful informational support of the image of an open, dynamic region, conduct active work to attract tourists, foreign students, and on this wave - foreign investment.

Based on the results of the analysis of Cherkasy region, the author determined that the timely image for the region is the image of "the region attractive for investment." It was determined Cherkasy region has a strong potential, represented by, primarily, agriculture and developed industry, which, if well positioned will improve the competitiveness of the region in the near future. This statement assumes the primary focus of the positioning on the target group, which is made from investors, active entrepreneurial and business structures, involvement and activation of which will ensure achieving not only a positive economic effect, but also socially meaningful effect, that can be expressed in the creation of new jobs, improving housing. It is fundamentally important to systematically implement the procedure of correction or modification of the image of the region. This requires periodic reinforcement of a certain component as a component of the attractiveness of the image of the region. In this case the role of positioning of the region will lie in the focus on promotion of the historically formed regional specialization, set of selected economic activities (institutions), with an attempt to effectively present them to the target audience. For each of the target audience groups the foreground consists of the components of the image that they find interesting. For example, the population of the region finds important the level and quality of life within the region, peculiarities of the socio-economic policy, the activities of regional authorities on creation of the favorable conditions for life, work, business,

development of social infrastructure, social and environmental security and so on. Potential investors, primarily emphasize the importance of the presence of the guarantees of business opportunities, minimization of risks, the availability of the necessary resources, infrastructure development, legal and tax conditions for the business, reputation of the regional authorities etc. Tourists are attracted, on the one hand, by the unique natural objects, on the other hand, by the achievements of civilization (historical and architectural monuments, museums, recreational areas), supplemented by the developed infrastructure.

Conclusion

Regions as socio-economic systems in modern conditions are acting as the main engine of market relations and business communications, basis for the development and use of the aggregate production capacity that is able to mobilize competitive advantage. The use of the concepts and tools of regional marketing by the regions as market players significantly determines the effectiveness of the positioning of the regions on national and global markets.

In Ukraine, the problem of regions' positioning is not gaining sufficient attention and, as a result, practical advice and techniques of regions' positioning tend to have low levels of operations and instruments. The vast majority of regional marketing strategies are created within the framework of socio-economic development, or reduced to re-branding programs. Development of the positioning technology must be clearly established, staged and applied with an adequate analytical content. In the article the algorithm for regions' positioning is proposed and it provides a balanced use of information sources, dividing them into two main platforms. The first one is the result of the collection, organization and analysis of the available information on the specific region that is ranked in terms of indicators, indexes, ratings, and more. The second platform results from the research of the targeted region, its reputation, trends, competitive position, determination of a target segment for positioning, identification, prioritization and definition of its parameters. The quality of the information array depends on successfully composed complex of quantitative analysis and expertise.

The initial part of this algorithm is the creation of the positive image of the region. Creation of such image suggests the impact on public consciousness, therefore, the key to its success is the deeply elaborated and consistent communication policy, which, at least, does not create negative information occasions. The main tool is the increase and spread

of the awareness, persuasion, that is intended to change public understanding of the social models, social technologies and the legitimacy of political goals and ways of their achievement. Conviction should be complemented by a broad discussion, otherwise, marketing innovations will have inevitably narrow social base. The lack of attention to the communication is one of the typical weaknesses of regional marketing strategies and programs of positioning and promotion of the image

of the region.

Positioning of the region should be flexible, continuous and relevant to the changes in the external environment. Only in this case unique programs, developed by a regional community will provide the critical information about its customers, competitors and changing environment and promote the efficient allocation of available resources for adequate response to various external challenges.

Literature

Aaker, D. (2003). *Strategic market management*. St. Petersburg: Piter, 319 p.

Ambler, T. (2006). *Practical marketing*. St. Petersburg: Piter, 400 p.

Baker, M. J. (2002). The IEBM Encyclopedia of Marketing. Hooley, G. J. (ed.): *Positioning*. SPb.: Piter, 394-403.

Beydyk, O. (2001). *Recreation and tourism resources of Ukraine: methodology and methods of analysis, terminology, zoning*. Kyiv: Kyiv National University, 397 p.

Chmyriova, L. (2013). *Zoning of Ukraine as a factor of spatial socio-economic development of regions*. [on-line] [cit.: 2013-16-03]. Access: <http://www.economy.nayka.com.ua/?op=1&z=1878>

Dudzyk, G. (2012). *Theory and practice of city management in the XXI century*. [on-line] [cit.: 2012-05-10]. Available at: <http://shabunin.info/upload/iblock/388/388a55f41831cb4f19f6389d9756e68f.pdf>

Dyshlyuk, N. I. (2010). Features of the regional rural development of Ukraine. *Scientific Bulletin of National Agricultural University of Ukraine*, 154 (3), 226-230.

Hempel Lamont C. (1998). *Sustainable communities: from vision to action*. [acc.: 2013-10-09]. Available at: http://sites.redlands.edu/globalassets/depts/provost/sustainability_book_mh.pdf

Hooley, G. (2005). *Marketing Strategy and Competitive Positioning*. Dnipropetrovsk: Balance Business Books, 774 p.

Kolomytseva, O. (2016) Positioning of regions of Ukraine in competitive environment. *Theory and Practice of Management*. Czestochowa, p. 203-210.

Kornus, A. (2014). Deindustrialization or postindustrialization: problems of typology of the regions of Ukraine. *Journal of Social and Economic Geography*, 16 (1), 117-122.

Kotler, Ph. (2005). *Marketing Places. Attracting Investments, Industry, Citizens and Tourism to Cities, States and Nations of Europe*. St. Petersburg: Stockholm

School of Economics in Saint-Petersburg, 143 p.

Krevens, D. (2003). *Strategic marketing*. Moscow: Willame, 512 p.

Landrevy, J., Levy, J., Lyndon, D. (2007). *Theory and practice of marketing*. Moscow: MTFER, Vol. 2, 325 p.

Ministry of Foreign Affairs of Ukraine (2015). *Information about the budget and the budget programs with details on the codes of economic classification of expenditures or the classification of lending to the budget*. [cit.: 2016-10-02]. Available at: <http://mfa.gov.ua/ua/public-info/fininfo>

Moilanen, T., Rainisto, S. (2008). *How to brand nations, cities and destinations: a planning book for place branding*. England: Macmillan Publishers Limited: Palgrave Macmillan, 230 p.

Pankrukhin, A. P. (2010). Territory as a product: general settings, examples, marketing tools. *MarketingPro*, 07 (08), 67-71

Rubel, O. (2010). Regional economic and ecological image as institutional management mechanism. *Bulletin of the Odessa State Environmental University*, 10, 27-36.

Trout, J., Ries, A. (2007). *Positioning: The Battle for Your Mind*. SPb.: Piter, 256 p.

Statistics and indicators for the post-2015 development agenda. (2013). *A report from the Working Group on Monitoring and Indicators*. [on-line] [cit.: 2013-10-09]. Available at: http://www.un.org/en/development/desa/policy/untaskteam_undf/UNTT_MonitoringReport_WEB.pdf

Sykes, O., Shaw, D. (2008). Investigating Territorial Positioning by Sub-state Territories in Europe. *Regional and Federal Studies*, 18 (1), 55 - 76.

Contact

Professor Olena Kolomytseva
Economic Cybernetics and Marketing Department
Cherkasy State Technological University
30 Rokiv Peremogy 50, apt.73, Cherkasy, Ukraine,
18000,
e-mail: olenakolomytseva@mail.ru

INFORMÁCIE PRE PRISPIEVATEĽOV

Časopis je zameraný na aktuálne problémy ekonomickej teórie, hospodárskeho rozvoja, sociálne, právne, politické, environmentálne a kultúrne aspekty ekonómie, financií a manažmentu.

Rukopisy prechádzajú nezávislým, anonymným recenzným konaním. Za originalitu, odbornú a metodologickú úroveň, formálnu a jazykovú úpravu príspevku zodpovedá autor. Recenzent musí pochádzať z inej vysokej školy alebo univerzity ako pracovisko autora príspevku. Recenzenti posudzujú, okrem iného, aktuálnosť témy, vedeckú originalitu, metodologickú a odbornú úroveň predloženého článku, jeho formálnu a jazykovú úpravu. Recenzent odporúča zverejnenie príspevku bez výhrad, s menšími úpravami, s prepracovaním a opätovným predložením textu k posúdeniu recenzentom alebo príspevok k publikovaniu neodporúča. O vhodnosti témy a prijatia textu do recenzného konania rozhoduje redakcia. Redakčná rada si vyhradzuje právo príspevok odmietnuť. O výsledku upovedomí redakcia autora písomne alebo telefonicky. Pokiaľ nie je príspevok prijatý, je redakcia oprávnená ponechať si jeden jeho výtlačok. Na uverejnenie príspevku neexistuje právny nárok.

Príspevok musí byť pôvodný, tzn. že je originálne vypracovaný autorom a doposiaľ nebol ponúknutý k publikácii inému vydavateľovi.

Dĺžka príspevku by nemala presiahnuť 22 normovaných strán A4 (1 AH).

Rukopisy sa predkladajú v anglickom, slovenskom alebo českom jazyku v dvoch vytlačených exemplároch a v identickej elektronickej verzii vo formáte *doc* (e-mailom na: revue@tnuni.sk, alebo na pamäťovom médiu). Aspoň jeden vytlačený rukopis musí byť **podpísaný autorom**, ktorý tým potvrdzuje, že vydavateľovi bezplatne poskytol právo k publikovaniu textu v tlačenej aj elektronickej verzii (vo formáte *pdf*) a že príspevok vytvoril vlastnou tvorivou činnosťou a neexistujú k nemu autorské práva iných osôb.

Každý príspevok musí obsahovať tieto základné prvky:

nadpis príspevku – veľké tučné písmená (12 Times New Roman Bold) zarovnaný na stred;

- Meno autora (autorov) – bez titulov (písmeno 12 Times New Roman *Italics*) zarovnaný na stred;
- Abstrakt (8 – 10 riadkov) – v slovenčine (češtine) a angličtine (písmeno 10,5 Times New Roman *Italics*);
- Kľúčové slová (min. 5) – v slovenčine (češtine) a angličtine (písmeno 10,5 Times New Roman *Italics*).

Vlastný text: *Úvod* (vrátane definovania problému, reflexie literatúry, vymedzenia cieľa, metodológie, predmetnej oblasti skúmania, vedeckej originality, resp. praktického významu a pod.). *Text* je vhodné členiť do kapitol. Názvy kapitol sa číslujú, píše tučným písmenom veľkosti 10,5 a zarovnávajú do ľavého okraja; *Záver*; *Poznámkový aparát*. Požiadavky k spracovaniu textu:

- zarovnanie do bloku,
- typ a veľkosť písma: 11 Times New Roman,
- riadkovanie jednoduché,
- odsadenie nového odstavca: 3 pt,
- stránky nečíslovať.

Tabuľky a grafy majú byť výlučne čiernobiele, číslujú sa a v texte musia na ne byť odkazy. Názov tabuľky (Tab.1), grafu (Graf 1) alebo obrázku (Obr.1) sa píše písmenom 10,5 Times New Roman *Bold Italics*. Pod každým obrázkom, tabuľkou alebo grafom musí byť uvedený zdroj, z ktorého autor čerpal údaje (8 Times New Roman): *Zdroj: Cihelňová. (2009). Svetá ekonomika, s.23., Podľa: www.slovakia.culturalprofiles.net/?id=-13602, (2012-15-03). Vzor* sa označujú číslom v guľatých zátvorkách.

Zhrnutie (Summary) na separátnej strane na konci príspevku v angličtine pre príspevky v slovenskom a českom jazyku a v slovenčine (češtine) pre príspevky v anglickom jazyku v rozsahu 2600 - 3000 znakov (s medzerami): nadpis príspevku – veľké písmená 12 Times New Roman Bold) zarovnaný na stred.; meno autora (autorov) bez titulov - písmená 10,5 Times New Roman *Italics*); text – písmená 11 Times New Roman, zarovnaný do bloku, jednoduché riadkovanie; JEL klasifikácia (viď: http://www.aeaweb.org/journal/jel_class_system.html).

Literatúra v zozname na konci príspevku sa zaraďuje v abecednom poriadku podľa priezviska a mena autora a v súlade s normami platnými v SR. Pri citovaní v texte sa na príslušnom mieste v zátvorkách uvádza priezvisko autora (resp. prvého autora), rok vydania a čísla citovaných stránok diela (Drucker, 2005, s. 87), ktoré je uvedené na konci príspevku v zozname použitej literatúry (viď vzor). Poznámky pod čiarou nie sú prípustné.

Adresa autora (autorov): plné meno s titulmi, názov VŠ, fakulty, katedry, adresa, telefón, e-mail.

K príspevku priložte svoj krátky odborný životopis (cca 6 – 8 riadkov), vrátane uvedenia plného mena s titulmi a vedeckými hodnosťami, poštové a e-mailové adresy a telefónneho čísla.

GUIDELINES FOR AUTHORS

The journal is focused on current issues of economic theory, economic development, social, legal, political, environmental and cultural aspects of economics, finance and management. Paper submission deadlines are as follows: 31 March, 30 June, 30 September and 31 December in the respective year.

After submission, manuscripts are double-blind peer reviewed. Authors are responsible for the content, originality and scientific accuracy of their contributions, as well as compliance with the journal's instructions for authors and clear and concise language. Reviewers' affiliation is to be different than the author's institutional affiliation. Reviewers will consider the research contribution significance, adequacy of methods, paper's layout and author's writing style. Reviewers can make the following decisions regarding submissions: a) to accept the paper in its current format, b) accept the paper with minor changes, c) resubmit with major changes, d) decline the submission. The journal's editorial board reserves the right to decide whether to accept papers and send them for full review or reject them. Author(s) will be informed in writing or by phone about the acceptance or rejection of their manuscripts. In case of rejection, the editorial office is authorised to keep a hard copy of the manuscript.

Submission of a manuscript implies that it reports **unpublished** work which has not been published and/or is not under consideration for publication elsewhere.

Manuscripts **should not exceed** 22 standard A4 pages in length.

Manuscripts are to be submitted in English, Slovak or Czech language. Send two printout versions and an identical electronic manuscript in *doc* or *docx* format (revue@tuni.sk). One of the printout copies is to **be signed by the author** to declare that s/he gives consent to have his/her manuscript published free of charge in print and electronic version (*pdf* format) by the Social and Economic Revue journal. By signing, authors are confirming that their manuscript is not copyrighted by others and was written solely by them.

Manuscript format

- Title of the paper – centred, capital letters (12-point font size, Times New Roman Bold);
- Author's name – centred, do not include professional, official or academic degrees (12-point font size, Times New Roman (TNR) *Italics*);
- Abstract (8 – 10 lines) – written in Slovak (Czech) and English language (10,5-point font size, TNR *Italics*);
- Key words (at least 5 words) – written in Slovak (Czech) and English language (10,5-point font size, TNR *Italics*);

Body of main text: *Introduction* (establish the existing state of knowledge of your research topic, identify the specific focus of your work, include relevant citations from primary literature, justify how this topic requires additional study, state specific objectives/hypotheses, methods, describe the meaning of your research); *Body of main text* should be divided into chapters and subchapters. Chapter titles are to be numbered, 11-point font size bold, align left; *Conclusion; Notes*.

Manuscript formatting:

- aligned to block,
- 11-point font size, Times New Roman,
- single spaced,
- indent each new paragraph 3 pt,
- do not paginate.

Tables and graphs are to be in black and white colour, numbered in order of their being referenced in the text. Table titles (Table 1), graph titles (Graph 1) and/or figure titles (Fig.1) should be written in 10,5-point font size, Times New Roman *Bold Italics*. Indicate source in 8-point font size, Times New Roman. *Source: Cihelková. (2009). Svetá ekonomika, s.23., By: www.slovakia.culturalprofiles.net/?id=-13602, (2012-15-03).* **Formulas** are to be numbered using a parenthesis.

Summary in English is to be on a separate page of the manuscript for papers written in Slovak and Czech and in Slovak language for papers written in English (2600 – 3000 characters, including spaces): Title of the paper – all caps, 11-point font size, Times New Roman Bold centred; author's name(s), do not include academic degree – 10,5-point font size, Times New Roman *Italics*; body of main text – 11-point font size, Times New Roman, aligned to block, single spaced; JEL Classification (http://www.aeaweb.org/journal/jel_class_system.html).

References should appear in the reference list at the end of the paper. List references in alphabetical order by surname and name of the author in line with the applicable Slovak style of reference/citation. References within the text (name, date and page number) may be given in parenthesis (Drucker, 2005, p. 87). Do not use footnotes.

Author's address/authors' addresses: full name and surname, incl. academic degrees, institutional affiliation, address, telephone number and e-mail address.

Include a short **professional CV (6 – 8 lines)** with your full name, academic degrees, mailing address, telephone number and e-mail address.

Formulár pre zadávanie príspevkov

NÁZOV PRÍSPEVKU (Times new roman BODY TEXT ALL CAPS VEĽKOSŤ 12)

Názov príspevku v AJ (Times new roman Body text Italics 11)

Meno Priezvisko autora (bez titulov Times new roman veľkosť 12)

Abstrakt Times new roman Italics Body text (10,5)

Text Times new roman Italics (10,5)

Kľúčové slová Times new roman Italics Body text (10,5)

Text Times new roman Italics (10,5)

Abstract Times new roman Italics Body text (10,5)

Text Times new roman Italics (10,5)

Key words Times new roman Italics Body text (10,5)

Text Times new roman Italics (10,5)

JEL Classification: Xxx, Xxx, Xxx. (Times new roman (10,5))

Úvod Times new roman Body text 11)

Text Times new roman (11)

1. Nadpis kapitoly. Times new roman Body text (11)

Text Times new roman (11)

1.1 Nadpis subkapitoly. Times new roman Italics text 11)

Text Times new roman (11)

Záver Times new roman Body text (11)

Text Times new roman (11)

Literatúra (Times new roman Body text (10,5)

Priezvisko, M., Druhe, P. (2009). *Názov publikácie*. Miesto vydania: Vydavateľstvo, 136 s. (monografia, kniha)

Mcheill, A. (2002). Correlation and dependence. Dempster, M.A.H. (ed.): *Risk Management: Value at Risk*. Cambridge: Cambridge University Press, 176–223. (kapitola v knihe)

Dluhošová, D. (2003). Performance analysis. *Business Economics, Management and Marketing*. Ostrava: EF, VŠB, s. 205–213. (článok v zborníku z konferencie)

Bartman, S. M. (2007). Corporate cash flow. *Journal of Corporate Finance*, 10 (2), 101–111. (článok v časopise)

Woolman, N. (2011). *Investment in creative industries is not high risk*. [acc.: 2012-15-11]. Available at: <http://www.thestage.co.uk/news/not-high>. (internetový zdroj)

Štatistický úrad SR. (2010). *Trendy v nezamestnanosti*. [cit.: 2012-15-03]. Dostupné na: <http://www.slovakia.culturalprofiles.net/?id=-13602>. (internetový zdroj)

Kontakt Times new roman Body text (10,5)

Meno, priezvisko, tituly.

Katedra, Fakulta, Univerzita

Adresa, tel.: , e-mail: Times new roman (10,5)

SUMMARY (Times new roman Body text (12))

Title of the Paper (Times new roman Body text centered (12))

Nme and Surname (Times new roman Italics centered (12))

Text Times new roman (11)

JELL Classification: Xxx, Xxx, Xxx. (Times new roman (11))
