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The collection of scientific works considers the current theoretical and practical aspects of the implementation of international financial reporting standards and legislative regulation in the Russian companies.

A comparative analysis of the competitive position of Ukraine and Poland in different spheres is given, and directions of competitive advantages development and competitive capacity improvement in the global recession are proposed. The strategic priorities of the innovative capacity of the regions of Ukraine are selected.

The international trade implications of economic integration between Russia, Belarus and Kazakhstan and European trade policy instruments in the context of the harmonization of trade relations between Ukraine and the European Union are analyzed.

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Contents

INTERNATIONAL FINANCIAL REPORTING STANDARDS IMPLEMENTATION INTO THE RUSSIAN ACCOUNTING SYSTEM

Pavel Aletkin*

1. Introduction

From the beginning of the transition to market economy the Russian accounting system undergoes substantial changes. As in many European countries financial reporting in Russia is regulated by state authorities. Taking into consideration scarce investment resources in the country the Government sets a goal of fast implementation of International Financial Reporting Standards into the Russian accounting system. The issues of introduction of international standards such as the necessity of statutory regulation reform, the development of high quality accounting standards by professional organizations are still a challenge so far.

The regulatory system of accounting where the Federal Law "On Accounting" is on the top of the regulatory hierarchy, is supplemented and completed by the number of other rules, issued by the Ministry of Finance. For the reason of low quality financial information disclosure the Government has to intervene to oblige the companies to publish financial reporting in compliance not only with Russian Accounting Standards but also with International Financial Reporting Standards (IFRS). Most of the biggest companies of the country are already performing financial reporting in compliance with IFRS on a voluntarily basis.

The analysis of International Financial Reporting Standards implementation into the Russian accounting system facilitates better understanding of what has to be done to improve this system.

2. Development of infrastructure for International Financial Reporting Standards Implementation into the Russian Accounting System

Historically several attempts were made by the Russian accounting regulatory body – the Ministry of Finance aiming to reform the accounting system in the country. For the first time ever the Government decided to implement international accounting and statistics standards in 1992. From our point of view three periods of transition to International Financial Reporting Standards (IFRS) can be distinguished.

In the period covering 1992–2004 a number of several Acts by the Ministry of Finance was issued. According to the Program of Accounting System Reform endorsed by the Ministry of Finance in 1994 the transition to International Financial Reporting Standards had to be finished by 2000.

In addition Conceptual Framework for Accounting in market economy (1994), Program for the Reform of Accounting in Accordance with International Financial Reporting Standards (1998) and Conceptual Framework for Accounting and Reporting Development for Medium-term Perspective (2004) followed.

Indicated regulatory acts imported into the Russian accounting system conceptual framework for financial reporting based on international standards. Most of the accounting principles such as

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accrual-basis of accounting, accounting policies, materiality and substance over form appeared to be new for Russian practitioners.

In the period covering 2004–2010 a number of Russian Accounting Standards underwent abrupt changes by the Ministry of Finance in order to bring them in line with International Financial Reporting Standards. In the critical 2004 a part of economic entities of the country was obliged to comply with IFRS. This happened as Central Bank ruled to prepare reporting in compliance with International Financial Reporting Standards for all banking institutions.

In the period covering 2010–2014 some Russian companies started to prepare financial reporting in compliance with IFRS on a voluntarily basis but in 2010 the scope of economic entities obliged to prepare financial reporting was broadened as the Federal law “On consolidated financial statements” has been endorsed. According to the Federal law only the consolidated statements had to be presented in compliance with International Financial Reporting Standards for such businesses as [1, p.26]:

a) Banking institutions;

b) Insurance companies;

c) Listed companies.

According to new provision a listed company is exempted from preparing the consolidated statements in compliance with International Financial Reporting Standards if its publishes the consolidated financial statements with other internationally accepted accounting rules, for instance, US GAAP. These specified companies will have to comply with International Financial Reporting Standards no earlier than 2015. According to our previous research these companies in Russia were Mechel, Cherkizovo Group, Gazpromneft, Gals Development, Mobile TeleSystems, MGTS, NLMK, Rosneft, Lukoil, Slavneft-Megionneftegaz, Sistema JSFC, Tatneft, TNK-BP (before take over by Rosneft) [1, p.26].

The Federal law “On consolidated financial statements” had facilitated the development of infrastructure for IFRS implementation into the Russian accounting system. To provide a legislative framework for IFRS in Russia Ministry of Finance in 2011 issued an order. According to the order 29 International Accounting Standards, 8 International Financial Reporting Standards and 26 Interpretations were enacted by this order.

By issuing a special order the Ministry of Finance delegated the right of official publishing of International Financial Reporting Standards to Russian magazine «Accounting».

During the period under consideration substantial changes were made to the Federal law “On accounting” as well. The amendments to the Federal law had several consequences for Russian accounting system:

a) new four-level hierarchy of regulatory acts was approved (federal standards, industry-specific standards, recommendations in the field of the accounting, standards of economic entity);

b) the set of financial statements was revised and brought into the line with IFRS and thus starting from 2013 auditor’s report was excluded from the set;

c) the obligatory use of standardized by the statistical authorities source accounting documents was cancelled in order to provide IFRS substance over form principle;

d) for small businesses simplified formats of balance sheet and income statements were developed;

e) several drafts of Russian Accounting standards were developed as well. These drafts included accounting standards concerning leases, revenue, employee benefits, inventories, property, plant and equipment.

Despite the development of infrastructure for IFRS Implementation [2] it is still too far to fully adopt International Financial Reporting Standards into the Russian accounting system. A lot of issues such as the development of Russian Accounting Standards by professional organizations, the remaining differences between Russian Accounting Standards and International Financial Reporting Standards, the prevailing of juridical form over substance preserving in Russian Accounting system and some other problems still have to be solved.

3. Practical Implementation of International Financial Reporting Standards by Russian Companies

Existing accounting studies cover the issues of practical implementation of International financial Reporting Standards mostly based on data for highly developed countries but not for developing countries. The intensifying processes of developing security markets, the need of funding for companies operating in countries with transitional economies such as Russia motivates management to provide high-quality information in financial reporting.

However in case with Russian companies it is not clear if the disclosure of information under International Financial Reporting Standards will help investors in getting high-quality information about financial position and financial results of companies. Historically the need for accounting under IFRS was higher for Anglo-American countries which are investor-oriented and have highly developed security markets [3].

Russian security market is too small in comparison with Anglo-American countries as it is shown in Tab. 1.

Tab. 1. Security market capitalization based on World Federation of Exchanges data (bln dollars)

Countries	Security market capitalization as of January 1, 2009	Security market capitalization as of January 1, 2013
Russia	337,1	825,3
Anglo-American countries:		
USA	11 457,9	18 668,3
Great Britain	1 868,2	3 396,5
Australia	683,9	1 386,9

Source: data.worldbank.org/indicator/CM.MKT.LCAP.GD.ZS

Russian security market capitalization relatively to GDP of the country tends to decline as it is shown in Tab. 2 [4].

Tab. 2. Security market capitalization based on World Bank data (% of GDP)

Countries	2008	2009	2010	2011
Russia	23,9	70,5	67,5	42,9
Anglo-American countries:				
USA	82,5	108,5	118,9	104,3
Great Britain	69,6	128,1	137,3	118,7
Australia	64,2	136,5	127,7	86,9

Source: http://www.world-exchanges.org/member-exchanges

In the conditions of week security markets it is important to determine the extent of application of International Financial Reporting Standards by Russian companies. Mandatory IFRS-compliant financial statements will have to be submitted by Russian companies only for 2013. In the chosen time interval we examine the voluntary application of IFRS by listed companies. Our sample is made up of the companies listed on MICEX. Our initial sample for the period from 2005 to 2010 consists of 307 year-observations relating to a total of 71 companies.

In 2010 there were 265 companies listed on MICEX but most of these companies were parts of group of companies (For comparison: on London Stock Exchange there were listed 2767 companies, Australian Stock Exchange – 2056 companies [4]).

Russian companies listed on MICEX were not obliged to report consolidated financial statements under IFRS. For this reason we took only companies that actually reported under IFRS. We also eliminated 13 companies that report under US GAAP (Mechel, Cherkizovo Group, Gazpromneft, Gals Development, Mobile TeleSystems, MGTS, NLMK, Rosneft, Lukoil, Slavneft-Megionneftegaz, Sistema JSFC, Tatneft, TNK-BP (before take over by Rosneft) and firms with missing data.

Tab. 3. Selection of Sample Firms

Year	2005	2006	2007	2008	2009	2010	Total
Initial Sample	106	106	106	106	106	106	636
Less:							
Firms with missing data	63	48	18	14	5	6	154
Firms with non-IFRS Statements	13	13	13	13	13	13	78
Total	30	45	75	79	88	87	404

Source: authorial computation

As it is shown in Tab. 3 starting from 2005 there was a steady growth of the number of Russian companies reported under IFRS. In critical 2007 the number of companies voluntary applying IFRS increased in 1,7 times from 45 to 75. Afterwards the growth was slowing down. In total the number of companies reported under IFRS increased in 2,9 times.

Tab. 4 gives an overview of application of accounting systems by Russian companies.

Tab. 4. Accounting systems applied by MICEX companies
(% of overall number of listed companies)

Year	2005	2010
Russian accounting standards	83,8	62,3
IAS/IFRS	11,3	32,8
US GAAP	4,9	4,9

Source: authorial computation

The share of Russian companies voluntary applying IFRS increased since 2005 from 11,3% to 32,8%. These results are consistent with European practice of IFRS adoption. To prove this we used data from German listed companies until the year 2000 when the EU announced its intention to make IFRS mandatory for all listed companies preparing consolidated financial statements (tab. 5).

Tab. 5. Accounting systems applied by German companies before 2000 (% of overall number of listed companies)

Year	1997	1998	1999	2000
German GAAP	70	47	27	17
IAS/IFRS	20	37	53	53
US GAAP	10	16	20	30

Source: unctad.org/en/Docs/diaeed20081_en.pdf

The numbers demonstrate that German companies had favoured IFRS even prior to the EU announcement [5]. Before the mandatory adoption of IFRS half of the German companies (53%) have already prepared financial statements in compliance with International Financial Reporting Standards. In Russia the share of such companies was lower – 32,8%. In this respect one can expect the sharp rise of IFRS application by Russian companies in the future.

From 106 companies 16 of them chose US Dollar as a functional currency used for presentation of financial reporting under IFRS, 88 companies used rubles and 2 companies (Tattelekom and VTB Bank) had switches from one currency to another during the 2005–2010.

The other distinctive feature of Russian economy that influences the quality of financial reporting is a big share of lossmaking companies (tab. 6).

Tab. 6. Data on Russian companies reported profits and losses under IFRS

Year	2005	2006	2007	2008	2009	2010	Total
Initial Sample	30	45	75	79	88	87	404
Less:							
Firms reporting profits	28	43	72	54	63	72	332
Share of companies reported profits, percent	93,3	95,6	96,0	68,4	71,6	82,8	82,2
Firms reporting losses	2	2	3	25	25	15	72
Share of companies reported losses, percent	6,7	4,4	4,0	31,6	28,4	17,2	17,8

Source: authorial computation

Table 6 shows that during the period of 2005–2007 more than 93% of Russian companies declared profits in consolidated financial statements under IFRS. In critical 2008 every third Russian company was loss making (31,6%). Only in 2010 there was shown a positive sign of financial results improvement when the share of loss making companies decreased from c 31,6% to 17,2% (almost in 2 times).

45 from 106 Russian companies (42,5% of overall number of companies) during the whole period of observation declared only profits in their financial statements. 9 companies (8,5% of overall number of companies) for the most period of 2005–2010 were loss making. These were such companies as United Aircraft Corporation, Transaero Airlines, Sollers OJSC, Rusgreyn Holding, RBK-TV Moscow, Quadra Power Generation, Pik Group, O2TV and Uralmash Izhora.

There was a small number of highly efficient Russian companies that showed only positive dynamics of net incomes in their financial statements under IFRS including Magnit, Gazprom, Novatek, Pharmstandard, Transkredibank, Transneft.

Tab. 7. Companies with highest net income growth rate

Company	Net income growth rate 2010 to 2005, times
Novatek	2,95
Gazprom	3,16
Pharmstandard	3,52
Transkreditbank	5,22
Magnit	9,03

Source: authorial computation

The presentation of solid financial position and sound financial results in statements under IFRS might be helpful in the conditions of increasing demand to access capital markets. Regardless of legal requirements to prepare financial statements under IFRS many Russian companies have already implemented consolidated statements based on International Standards, driven by general economic conditions. Currently the challenge lies in enhancing acceptance of IFRS.

4. Conclusion

The article, investigating International Financial Reporting Standards into the Russian accounting system, implies that during developing the infrastructure for IFRS implementation by Russian Government in the long-drawn period of the last twenty years many companies driven the necessity of getting access to capital markets complied with IFRS on a voluntarily basis.

Although the system of statutory regulation has already underwent substantial changes there is a lot of issues that have to be solved in the future. The standards-setting process has be to changed towards delegating the functions of development of Russian Accounting Standards from statutory level to private sector bodies, the process of elimination of substantial differences between Russian Accounting Standards and International Financial Reporting Standards has to be continued in the future.

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Summary

This study illustrates the process of implementing IFRS in Russia. The article deals with the description of the system of statutory regulation and its development through the process of International Financial Reporting Standards implementation. The problematic issues concerning the current state of the system of statutory regulation are systemized. The practical application of different accounting systems by Russian companies during the transition to International Financial Reporting Standards followed. The specifics of the financial statements performance are analyzed.

Key words: implementation of International Financial Reporting Standards; accounting system; statutory regulation; voluntary adoption; financial results.

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DIRECTIONS OF SOCIAL POLICY IN THE CONTEXT OF SOCIAL SECURITY

Oleg Chepurny*

1. Introduction

Policy of economic growth must be accompanied by a strong social policy that aims at increasing effective demand, ensuring social justice and stability. Analysis and evaluation of the current state of social security both the state and the regions revealed trends in social development and existing threats, including rapid stratification of the population into rich and poor, the deterioration of the demographic situation, reducing the level of economic activity, unemployment, criminalization of the economy and other that requires a systematic approach to the management of social policy and reform in the context of social security [1].

2. Review of recent researches sources and publications

Theoretical and methodological foundations of social safety researchers A. Belyaev, V. Bliznuk, L. Veselska, A. Vlasyuk, Z. Gerasymchuk, I. Hnybidenko, V. Kutsenko, E. Libanova, V. Onyshchenko, V. Muntiyan, A. Novikov, G. Sytnyk, V. Skurativsky and others [2–8].

The factors that influence on formation of social policy were analyzed by A. Haletskoyu; the social development strategy was determined; the most significant threat to social security was identified and practical actions to create security mechanisms of blocked or eliminated the negative effects of threats the Ukrainian social security system was proposed [9, p.3–9].

The mechanism of national and regional social security management investigated O. U. Snigovoyu, who grounded the areas of state and regional policies aimed at overcoming regional disparities of socio-economic development of Ukraine in the context of social security [10].

Typification regions of Ukraine in structure and intensity of expression threats to social security, highlighting five types of regions realized by Y. Hrabko, noting the existence of permanent and common to all regions of threats, including such as low living standards and rapid depopulation, identifying specific threats to individual regions [11].

Justification of the social security of our country in conditions of financial and economic crisis is devoted to the research of I. A. Lapshina, who provided proposals for improvement and development of the conceptual basis of social security.

Scientists of the Center of Policy Social Research The Ministry of Social Policy of Ukraine and The National Academy of Sciences of Ukraine analyze the national security problems, and substantiated the theoretical and methodological approaches to the analysis of social security and defined national interests of Ukraine in the social sphere [12].

Feasibility of developing the theoretical and methodological bases and practical diagnosis of social development as a component of social engineering grounded by Z. Balabayeva, S. Ovcharenko, I. L Roskolotko who suggested that diagnostic criteria include the following indicators: the living conditions of the population, the financing of human development, the level of public services in education, health, social environment, material welfare the inhabitants of the region, labor market, demographic and environmental situation [13].

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3. Problem

Aggravation of contradictions and imbalances in reforming the social sphere in Ukraine needs to identify existing threats and hazards to minimize their impact on social security. The aim of the article is the identification and analysis of existing threats and dangers of social security reform and identifying areas of social policy.

4. The basic material and results

Social aspects of national security have become one of the priority values during the transformations in Ukraine's economy. The need to take into consideration the requirements of national security in the social sphere necessity a systematic approach for social policy that provides the social security, regulation of social processes, creating conditions for sustainable human development and social protection.

According to the national survey, conducting 21–24 December 2012, by Razumkov Center Foundation and the "Democratic Initiatives", the citizens of Ukraine indicate deterioration: in prices and tariffs – 75% in confidence in the future – 54% in the economic situation of the country – 52% in the level of stability – 51,5%; in relation to public authorities – 51% in health care – 50% in remuneration – 50% in the attitude of the authorities towards citizens – 46% in the crime situation – 44% in the international image of Ukraine – 41% not noted any areas where improvements prevailed [14, p.11].

Conducted subjective evaluation during monitoring studies of trends of social development Poltava region in the context of guarantee social security has allowed us to identify the response of the region to the transformation processes in society. As a result of subjective evaluation it was found that the unsatisfied needs of the population is vital for improving health and health care, availability of satisfactory conditions of housing and employment problems that serves as an information source and a base to form an effective social policy region [15].

The term "policy" is defined as a particular sphere of society, within the activities directed mainly at achieving, maintaining and realization government individuals and social groups to implement their demands and needs [16]. Social policy is a set of socio-economic activities of the state, businesses, organizations, targeted to reduce inequalities in the distribution of income and property, protection against unemployment, rising prices, the depreciation of labor savings, etc. [16, p.421]. The interpretation of the definition of "social policy" such scientists as T. Hansli, E. L. Ivanov, P. I. Shevchuk, V. A. Skurativsky, O. M. Paly, E. M. Libanova, M. V. Tulenkov and other [7, p.17–21] allow to conclude that social policy is a set of socio-economic activities of the state, local authorities, businesses and organizations to protect against unemployment, rising prices, the devaluation of labor savings to ensure a decent standard of living. In a socially oriented market economy the main subject of the formation of social policy is a State carrying out its reform based on such principles as social justice, social solidarity and individual social responsibility, social partnership.

The main objective of social policy is the obligation of a State to ensure legally, socially and economically, defined by the Constitution of Ukraine, the minimum necessary standard of living. On that basis, social policy areas are follows:

– income policy that provides for social standards of life, living standard settings, ensuring the growth of social standards (minimum wage, living wage, minimum payments in the event of disability and old age) and wages;
– employment policy, which is aimed at ensuring full and productive employment, preventing unemployment;
– social protection that provides the definitions and settings of compulsory social insurance, social assistance, social services and social benefits and guarantees;

- population policy that provides for incentives reproductive population growth, state aid families, including childbirth, management of migration;
- policy of social development: cultural, linguistic, religious, youth, recreation politics, health, education, science, and more.

In order to determine trends shaping social policy in the context of social security we found existing threats, one of which is poverty. The problem of poverty in Ukraine gained official recognition after approval by the President of Ukraine on August 15, 2001 № 637 Poverty Reduction Strategy, which established the term “poverty”, the only criterion for classification different relative population as poor, defined the main directions and stages of poverty reduction until 2010. The analysis of the dynamics of the indicator “proportion of the population with total costs are below 75% of median total costs (poverty level)” in Ukraine for 2001–2012 years showed a tendency to reduce it since 2009. In 2011, the poverty threshold calculated in accordance with the criteria specified in the Poverty Reduction Strategy was 1025 UAH per month, and poverty limit – 820 UAH, i.e. the difference between these two values was 205 UAH. Below the poverty line were 25,4% of the population, with 49% of them was below the poverty.

At the same time in Ukraine there are positive trends in the subsistence minimum increase in the last ten years. At the same time should be noted that the growth rate of total expenditure per capita growth rates higher than the subsistence minimum.

One of the threats is insufficient amount of pension provision of citizens. Despite the growth index of the minimum pension to the subsistence minimum from 2001 to 2012 in 6 times and further observed discrepancy indicator specified limit value, which is 1,5–2 times that needs further reform of the pension system in Ukraine. In the danger zone during the entire period of Ukraine is the indicator “ratio of the average wage to subsistence minimum”, whose value despite the rising trend below the threshold value, which ought to be at least 3 times.

Calculate the ratio of the index of nominal total household resources to CPI growth was detected total household resources at a faster rate than the increase in prices of goods and services, an increase household resources outpaced inflation. The exception is 2009, as the index of total resources is lower by around 10 percentage points for the consumer price index, which in our opinion is the result of the second wave of economic crisis in the country and the world.

Analysis of income the ratio of 20% most and 20% of least provided population in Ukraine for 2001–2012 years showed reduction of this indicator since 2009, which is certainly a positive trend because it indicates the reduction of the gap between the richest and poorest Ukrainians.

The optimal value of spending on food (foodstuffs and eating out) in total cash cost of consumer households was achieved only in 2008. The above indicator during the whole study period was in the danger zone, exceeding 50%.

Discrepancy of supply and demand in the labor market caused by transformation processes in the country, determined the necessity of analyze the level of unemployment. Since 2001, the unemployment rate in Ukraine is gradually declining and in 2008 was 6,4%. But in 2009, the indicator has increased to 8,8%, due to the deployment of large-scale economic crisis. In 2012, the unemployment rate fell by 0,4 percentage points over the previous year. The actual value of the indicator of social security during the whole analyzed period was in the safe zone.

During 2001–2012 years were found a positive trend to a decrease in the share of long-term unemployed from 2001 to 2009 (from 79,2% to 42,2%). In 2010 the proportion of people who were unemployed over 6 months increased by 10 percentage points from the previous year to 52,9% and in 2012 decreased to 46,2%. Throughout studied period, despite the downward trend in this indicator the social security was in the danger zone. In addition, the negative effect is rather high average duration of unemployment, which during the years 2001–2012 (excluding 2008, 2009, 2011 and 2012) was greater than one year [1].

Insufficient government funding of housing, low incomes are the main reasons of satisfying people with adequate housing conditions. Availability of housing an average per capita annually during the 2001–2012 years increased: from 20,7 m^2 per 1 inhabitant in 2001 to 23,3 m^2 in 2011, but at now this indicator is below the threshold value, which is 25 m^2. It should be mentioned that in Ukraine there is both a lack of housing and limited housing conditions [17–22].

High level of morbidity is one of the most dangerous risks of social security of the state, which is analyzed in terms of the number of cases reported first at 100 persons. Statistical data show that this indicator during the analyzed period was in the danger zone. At the same time we observe dynamics to increase the indicator, with its growth a rate is alarming (if in 2001 is 100 persons registered 68 cases of illness, in 2010, there were 72 per 100 persons). There is positive reduction in this indicator in 2012, although this value is far from optimal, which is less than 60 illnesses per 100 persons.

Over the past decade in Ukraine is constantly observed negative trend in such important indicators as life expectancy, mortality, morbidity and remained negative natural population growth. Under these conditions, there is a need to find new approaches to issues of budget financing efficiency of health care. In 2009 and 2010 showed the tendency to increase in consolidated budget expenditures on health as % of GDP and its value stays in the safe zone (above the threshold). The negative thing is its decrease in 2011 to 3,72% of GDP. Growth Indicator “consolidated budget expenditures on health” was held in 2012 to 4,15%, which corresponds to the optimum limit of at least 4% of GDP. However, according to research by the World Health Organization, health care financing at 6,41% of GDP is regarded as the minimum level of funding that can ensure the survival of the healthcare industry, 3,2% of GDP – as a critical level at which is lower and the reduction of health care by 1/3, 1,6% of GDP – as a transcendent, which is regarded as the level of the complete destruction of the structure of the healthcare industry. Thus, according to the criteria of health financing through the budget in Ukraine is at a critical level, which requires further reform of the health system in Ukraine.

Sustainable development of society is impossible without one of its fundamental values – education. The main sources of financing education are state-owned funds of state and local budgets, industries, government and additional revenues. The analysis showed that during 2001–2012 years, the public funding of education in Ukraine was unsatisfactory. In 2012, consolidated budget expenditures on education as% of GDP increased by 0,66 percentage points compared to 2011 (6,55% of GDP).

During the analyzing the level of social security indicator is calculated that reflects the level of coverage graduating 9th graders complete secondary education. According to the methodology for determining the level of Ukraine economic security, students who received general education should be secured wholly higher education in the country, i.e. the threshold value of this indicator is 100%. The value of the indicator “coverage graduating 9th graders complete secondary education” during the period was close to the optimum and to 2007 gradually increased (from 98% in 2001 to 99,5% in 2007. Starting in 2008 there was a downward trend indicator and in 2010 only 97% of graduates 9th graders continued their education to obtain the full secondary education. Increase of this indicator was in 2011 to 99%.

Systematization of analysis of social security indicators allows asserting a significant change in the social environment of Ukraine, and serves as a source of information and basis for the formation of effective social policies.

Basic principles of state policy on guaranteeing national security in all spheres of life, including in the social sphere, determined by the Law Ukraine “On National Security of Ukraine” [13]. In disclosing security issues key is the concept of threats that characterize the phenomenon and the factors that endanger national security. According to the Law of the major threats to national security in the social sector in the current development state are:

- inconsistency of economic reform programs and their results to certain social priorities;
- ineffective government policy to increase labor incomes, poverty reduction and balancing the productive employment of working population, the crisis of health care and social welfare, deteriorating health, drug addiction, alcoholism, social diseases;
- deterioration demographic crisis;
- reduce opportunities for quality education by the poorest segments of society;
- displays of moral and spiritual degradation of society;
- increase child and teen neglect, homelessness, vagrancy [1].

The main directions of the state policy on national security in the social sector are:
- significantly strengthen the social dimension of economic policy, the real increase in living standards, primarily based on the cost of raising wages, timely payment of wages and social benefits guaranteed by law, increased target orientation material support, reducing unemployment;
- creating conditions for poverty reduction and excessive property stratification in society;
- maintaining and strengthening demographic and labor resource potential; overcoming the demographic crisis processes, creating an effective system of social protection rights, protection and rehabilitation of physical and mental health, the elimination of alcohol, drugs and other negative phenomena, the elimination of homelessness, vagrancy and homelessness among children and adolescents [23–24].

So, in terms of providing social security to the areas of social policy rightly include the following:
- promoting social and economic activity;
- creating conditions for improving the living standards of the population;
- provision of rising labor costs and increases its share in the structure of public income;
- forming flexible protection system;
- reform of the system obligatory state social insurance;
- functioning three-tier pension system;
- improvement of the social welfare system;
- health care reform and education;
- reforming housing policy;
- providing support for young people, families, women and children.

5. Conclusion

In summary it is proved that the dynamic development of the Ukrainian state led to the aggravation of contradictions and imbalances in reforming the social sphere, which requires determination of the vector reform of social policy. Based on the analysis of indicators of social security definition of the social policy in the context of social security.

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Summary

The conceptual frameworks of social policy are revealed. Identified risks and threats in the social sphere. Indicators of social security are analysed. In papers is definition of the social policy in the context of social security.

Key words: social policy, social security, social security indicators, risks, threats.

UD classification: 316.4:338.24:001.891.5

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STRATEGIC PRIORITIES OF REGIONAL INNOVATION POTENTIAL DEVELOPMENT

Yulija Dovgal*

1. Introduction

Achieving significant advances in the development of the Ukrainian economy requires effective interaction between government, educational and research institutions, business, and community organizations. Their activity must be aimed at the enhancement of local factors of economic growth, mainly due to the innovative production. As the production and implementation of innovations were performed mainly at the level of the enterprise, then a centre of innovation activity should be determined as local unification – such as a region. Therefore modern regional development strategy should include the process of enhancing and strengthening of the potential and competitiveness of the region. And it can be realized through the development of region innovative potential, the expansion of innovative processes aimed at creating a functioning innovation system. Exactly that will help to create innovative products and will contribute to strengthening of competitive advantages of the region and the country as a whole.

2. Strategic priorities determination in development of regional innovation potential

Considering the region as a complicated socio-economic system is appropriate to assume that it functions within vector (multipurpose) criteria of its (efficiency) quality. From the perspective of a system analysis, it is impossible to reduce the operation of a complex system to a single criterion as the other system goals are in different conditions that arise in the process of its functioning, to demand the unconditional move them to the forefront. In the analysis the development strategy of regional innovative potential is suggested to coordinate all the available local strategies using the analytic hierarchy process (AHP). This quantitative method of system analysis is intended to ground the selection of optimal solutions in terms of substantial uncertainty and the presence of a large number of efficiency criteria to correspond the solution. An assessment of the importance of such criteria (the value of their influence on the decision-making process), is calculated to quantify the ratio of each of these significances. The criteria in this study are proposed to consider the strategic priorities of regional innovation potential [1; 2]. The method of analytic hierarchy process was chosen to justify strategic priorities because of its versatility in the analysis of complex problems and systems, and because of its ease of use. It is possible to use judgment regarding the status and prospects of the development of regional innovative potential of well-known scholars and professionals in this field, using them as expert conclusions. For the analysis and ranking of these estimates the most correct use is the analytic hierarchy process, as it enables to take into account expert opinions, which are expressed not only by qualitative factors but also quantitative. The selection of the strategic tasks of regional innovation potential development was conducted on the basis of the analysis of publications and reports of authorities, leading experts in the field of innovation development of Ukraine. Besides the data tasks correspond to a display direction of the National Development Strategy "Ukraine – 2015", the Strategy for Economic and Social Development of Ukraine "On European integration" for 2004–2015, the National Regional Development Strategy for the period up to 2015, as well as strategies for the development regions to 2015. The analysis allows to determine the following primary tasks [3; 4; 5]:

- improvement the competitiveness of the country and the region;
- the development of high technology branches;
- reduction of regional differentiation;

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– ensuring the social stability of the state and regions;
– increase of the level of GDP;
– increase of revenues to the state and regional budgets;
– the growth of foreign investment;
– improving the standard of living and employment;
– the implementation of environmental programs.

Consequently, these objectives are the priorities in the development of regional innovative potential. That is innovation in the region should be directed first of all at achieving these priorities.

3. Assessment of priority strategic tasks

According to the methodology strategic planning and development of the region the prerequisite for the organization and implementation of the planning process is the involvement of representatives of various groups operating in the investigated territory and representing competing interests – central government, regional government, business leaders, investors, scientists and developers of innovation, the population of the region – and the establishment of their constructive partnership. These subjects of development (actors) present active forces that influence the decision of the assigned tasks. According to one of procedures for research planning in hierarchical systems, experts are given the opportunity to build a hierarchy, identification of actors, analysis of the actor's goals, forming a hierarchy scenarios (based on subjective perceptions of social values to be pursued in the future) and their analysis [2]. The process of planning the development of regional innovative potential begins with the construction of the first hierarchy of the direct process, which includes five levels: the focus of the hierarchy, actors, actor's goals, outcomes (contrasting scenarios) and generalized outcome (scenario). Future development of innovative potential of the region is taken as the focus of the hierarchy.

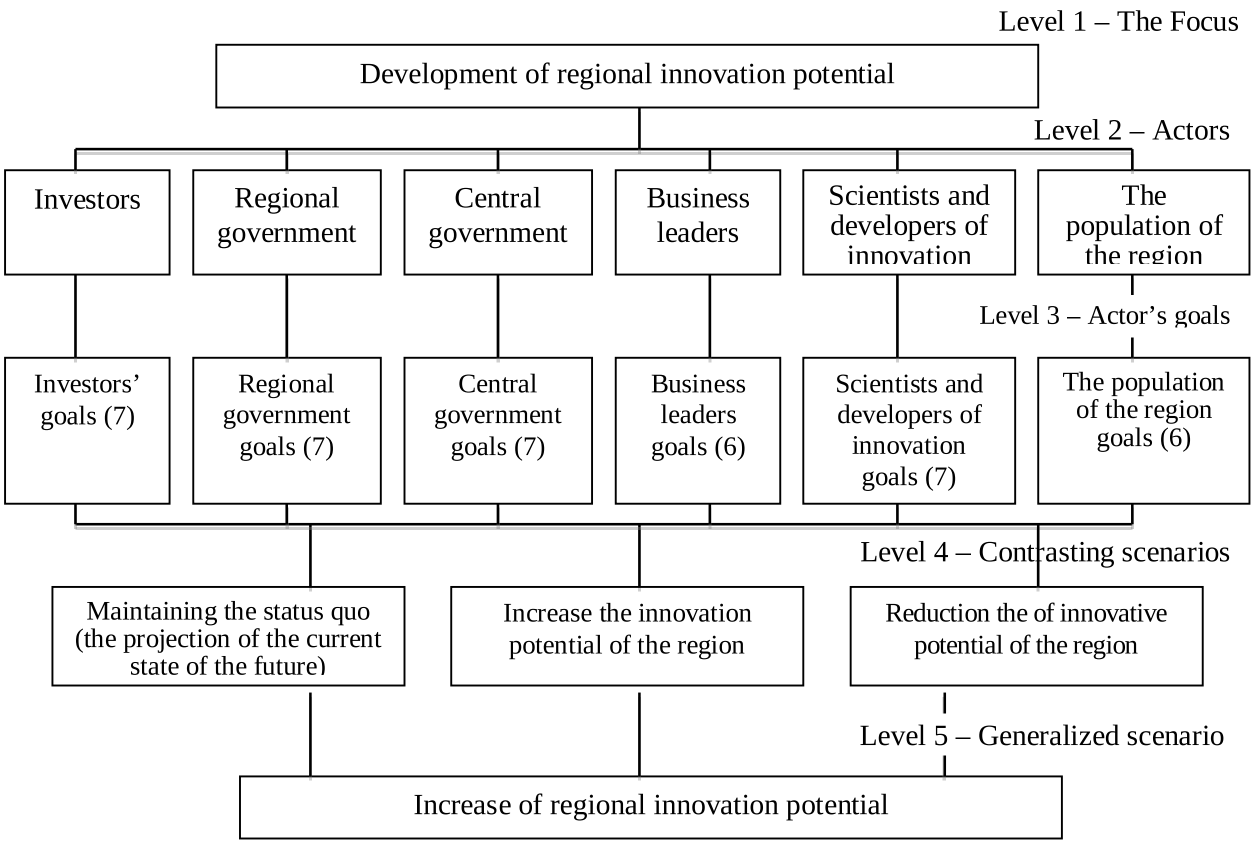

Fig. 1. The hierarchy of planning future development of regional innovation potential
Source: compiled by the author

From the point of view of the authors, the use of the subjects of their policies leads to the development of contrasting scenarios: 1) maintaining the status quo (the projection of the current state of the future), and 2) increasing the innovation potential of the region, and 3) reducing innovative potential of the region. The generalized scenario – the state of the problem of innovation potential of the region – integrates some contrasting scenarios to assess the impact of planning decisions, the consequences of subjects. Thus, our analysis provides an opportunity to present the planning process in direct order as hierarchical system shown in Figure 1. Algorithm researches the problem of regional innovative potential development management on the basis of the usage of a hierarchy, which can be represented by the following generic steps.

Step 1. Definition of the actors' influence on the development of innovative potential of a region. That is, the future impact of strategies of regional innovation potential. It is based on the matrix of pairwise comparisons of the actors of the objective hierarchy.

Step 2. Determination of the actors' objectives importance. The matrix of pairwise comparisons is built for goals of each individual actor. It allows to calculate the weight of each target, their consistency and to identify common goals for different actors.

Step 3. Further essentiality relative to goals of focus is defined. For this priority actor's goals multiplies by the weight of the goal (the number of targets subject is divided by the total number of the goals of all actors). The resulting ranks of actor's goals are multiplied by the actor's priority. The resulting vector is normalized for priority purposes. They unite the same objectives of different actors by summing their priorities. Analyses of the 40 targets development of the regional innovation potential provided an opportunity to identify 17 ones that are the most influential, which in total reach 91% of the influence. To further simplify the analysis, it is advisable to use only those 17 most influential goals of actors (Tab. 1).

Tab. 1. Weight goals actors about the focus

Actors	Goals	Weight goals about the focus
Investors	Profit opportunities	17,96900%
	Minimization of investment risks	10,71600%
	Enhancing capitalization	7,36700%
	Expansion in production volumes	3,89000%
	Release of new production	2,21900%
	Improving the quality of products	1,59100%
Regional govermant	Increasing the region's competitiveness	2,02100%
	Increasing GRP	4,10300%
Central govermant	Increasing the country's competitiveness	2,88500%
	Increasing GDP	5,14900%
	Increasing budget revenues	16,75900%
	Rising external investments	7,35100%
	Providing social stability of the country	1,30300%
Business leader	Attracting investments	1,96700%
	Provision of finansial stability	1,08100%
Scientists, developers of innovation	Material welfare	3,57400%
	Social protection	1,05300%

Step 4. It is necessary to determine the share of each of the contrasting scenarios regarding each of the seventeen most important objectives of the actors. For each goal, the consistency index (CI) and consistency ratio (CR) need to be estimated. In the AHP the pairwise comparisons in a judgment matrix are considered to be adequately consistent if the corresponding consistency ratio (CR) is less than 10% [1]. If the CR value is greater than 0,10, then it is a good idea to study the problem further and re-evaluate the pairwise comparisons.

Step 5. Next, to define the structure of a generalized scenario. For getting the weight of scenarios relative to the focus hierarchy one should multiply a matrix, which consists of vectors priorities scenarios for weight vector purposes. In our study, we obtain the following results (tab. 2).

Tab. 2. Weight of scenarios relative to the focus hierarchy

Contrasting scenarios	Weight of scenario
Maintaining the status quo (the projection of the current state of the future)	19,82%
The increase of regional innovative potential	64,88%
Reduction of regional innovative potential	6,30%

Thus, the most preferred is the scenario "The increase of regional innovative potential" – 64,88%. Less desirable, but possible scenario is the "Maintaining the status quo" – 19,82%. Step 6. The consequences of making the most of the possible scenarios are determined and generalized the scenario evaluation. Each scenario separately, and a generalized scenario can be quantitatively assessed set of criteria. The value of the criterion for the scenario defined relative to the current state. For this purpose in our research we will assess scenarios from the point of view of the two actors – regional government and investor. Further development of a generalized scenario is considered from the point of view of the most relevant and influential actors. Efficiency criteria in this scenario are the goals of investors and regional authorities (tab. 3).

Tab. 3. Integral estimation of generalized scenario

№	Changing the state (criteria for efficiency evaluation)	Scenarios and its weight			Generalized scenario	Weighted criteria value for generalized scenarios
		The status quo	The increase of regional innovative potential	Reduction of regional innovative potential		
Integral estimation of generalized scenario for investors						
1.1	Profit opportunities	2	6	-8	3,784978	1,416
1.2	Minimization of investment risks	1	4	-4	2,541285	0,651
1.3	Enhancing capitalization	1	4	-6	2,415251	0,425
1.4	Expansion in production volumes	2	4	-2	2,865488	0,238
1.5	Improving the quality of products	2	8	-6	5,208604	0,276
1.6	Output of new production	1	8	-6	5,010435	0,190
1.7	Solving social and ecological problems	1	3	-2	2,018523	0,042
Integral estimation					23,84456	3,238
Integral estimation of generalized scenario for regional government						
1.1	Increasing the region's competitiveness	2	8	-6	5,2086	0,859
1.2	The development of knowledge-based industries	1	8	-7	4,94742	0,148
1.3	Increasing GRP	2	6	-6	3,91101	1,310
1.4	Increasing employment of the region	2	4	-4	2,73945	0,192
1.5	Increasing regional budget revenues	2	6	-6	3,91101	1,271
1.6	Providing social stability of the region	1	4	-2	2,66732	0,152
1.7	The implementation of environmental programs	1	3	-2	2,01852	0,038
Integral estimation					25,4033	3,971

The results of the analysis, presented in Table 3, enable to make the conclusion about possible courses of development of the innovation system in the region. As it is seen from the analysis the state of innovation potential of the region in the future improve to some extent. This will be based on a significant increase of income of investors. On this basis, the risk of investment reduces and the capitalization of the investor's capital increases. Besides it slightly expand production and increases product quality. This also will lead to a significant increase in gross regional product and increase of revenues to the regional budget. The development of the innovation system in the region will enhance its competitiveness. To a lesser extent this will affect the increase in employment in the region provide its social stability. There will be a slight development of knowledge-intensive industries. The same positive changes, but very insignificant will occur for purposes of other investors and regional authorities.

4. Conclusions

The analysis conducted in the first direct planning has enabled to achieve the direct planning goal – designing the future state of the system, based on current trends. Thus the trends in the current state of the investor and the region are identified, as well as the condition of innovation potential of the region. The analysis demonstrated a positive trend, but in a very small extend, that does not give the possibility to improve significantly the innovation system in the region. Defined in the study of strategic priorities require further development and improve the innovative potential of the region. And, in general strengthen of the competitive advantages of the region and the country as a whole will improve the welfare of the population. Thus there is a need for the next phase of the analytic hierarchy – the reverse of the planning process. It will provide an opportunity to identify the best policy actors, the means of achieving goals, and to identify various problems that may arise in implementing different policies and different scenarios.

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Summary

Strategic priorities of the development of regional innovative potential are examined and defined in the article. The analysis of the objectives of the innovation potential of the region using the analytic hierarchy process is conducted by the author. Assessment of priority strategic tasks in the development of regional innovative potential is made.

Key words: region, strategic planning, regional innovation potential; analytic hierarchy process; development of region innovative potential.

UD classification: 332.145: 303.732.4

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FOREIGN TRADE EFFECTS OF THE ECONOMIC INTEGRATION BETWEEN RUSSIA, BELARUS AND KAZAKHSTAN: 2010–2013

Dymitr Gafarowski*

1. Introduction

Since the disintegration of the Soviet Union a lot of efforts to arrange economic integration within newly independent states have been undertaken. The desire for economic integration was especially noticeable between Russia, Belarus and Kazakhstan; however, the concluded integration agreements had not been accomplished in a proper way for a long period of time, and therefore were ineffective. The situation altered in 2010 with the establishment of the Customs Union (CU) between Russia, Belarus and Kazakhstan, which constitutes a major milestone in the development of post-Soviet regional integration. The earnest integration intentions of the member states have been underpinned by their transition to a new level of integration development on January 1, 2012, when the Single Economic Space (SES) was formed. It is noteworthy that right from the beginning the member states managed to achieve success in the institutional framework, decision-making structure changing as well as adjustment of trade tariffs [1, p.6–7].

Particularly, the Common Customs Tariff was adopted and brought into force, the internal customs controls as well as supranational institutions were abolished, the Commission of the CU and the Eurasian Economic Commission (since 2012) were introduced. The achievements in the field of the institutional framework are considered to be an outstanding indicator in achieving success in the integration processes; however, the key factor in the assessment of the integration association is its trade effects. Due to that fact, the main objective of the present article is to analyze the major trade effects of the integration processes in the framework of the CU/SES in the period of 2010–2013 taking into consideration macroeconomic trade indexes of the member states, particularly, their foreign and reciprocal turnover.

2. Common trade effects for the CU/SES

By the time the Customs Union came into existence the member states had possessed an extremely low share of reciprocal trade in their total foreign turnover. If at the turn of 1990–2000 the share of the reciprocal trade in the total foreign turnover of Russia, Belarus and Kazakhstan made 16–17% [2, p.11], the end of 2009 demonstrated its fall to 12,4% (Tab. 1). The above mentioned decrease was caused mainly due to the two following facts. Firstly, the favorable conditions of energy resources on the world market facilitated the export increase from the Customs Union member states to the third countries dramatically. Secondly, the increased demand on high-tech goods in the situation when the domestic markets were realigning their trade strategy contributed to the import bulge from the third countries as the local goods, in most case, did not correspond to the quality and assortment requirements.

The beginning of the CU can be marked by considerable liveliness in domestic as well as foreign trade relations. We should acknowledge that in the period of 2010–2012 the turnover growth rate of the CU exceeded the foreign growth rate. Due to that fact the share of the reciprocal trade in the total foreign turnover of the organization has risen to 14,5%. However, according to the statistics, this positive trend was not seen in the first three quarters in the year of 2013. The decrease of the foreign turnover of the CU in relation to the same period in the previous year (2012) was not significant, whereas the drop of the domestic trade turnover was considerable. This, in turn, affected the share of the CU reciprocal trade in total foreign turnover which dropped to 13,9%.

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Tab. 1. The share of CU/SES reciprocal trade in total foreign turnover

Year	CU/SES foreign trade		CU/SES reciprocal trade*		The share of CU/SES reciprocal trade in total foreign turnover [%]
	value [mln USD]	annual change [%]	value [mln USD]	annual change [%]	
2009	590 473,80	N/A	73 020,29	N/A	12,4
2010	686 278,59	116,2	94 269,20	129,1	13,7
2011	910 646,72	132,7	126 201,80	133,9	13,9
2012	934 585,96	102,6	135 659,54	107,5	14,5
2013 [I-IX]	681 169,41	99,3	95 019,49	93,4	13,9
* available export statistics was doubled.					

Source: statistical data of the Eurasian Economic Commission.
(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

The presented above indicators related to the domestic and foreign turnover of the CU display an overall short-term trade effect in the creation of integration associations. The trade effects observed in the member states upon the union formation are distributed unequally and vary in scope (Tab. 2). The analysis of the data in Tab. 2 shows that during the first two years of the CU existence (2010–2011) a beneficial impact of the integration process became evident, though with a different degree of intensity, at the domestic level of all the member states.

Tab. 2. Dynamics of major foreign and reciprocal trade indexes of the CU member states, 2010–2013

Country	Trade direction	Export			Import		
		year	value [mln. USD]	annual change [%]	year	value [mln. USD]	annual change [%]
RUS	CU/SES	2010	30 717,00	118,8	2010	15 676,02	150,7
		2011	40 814,72	132,9	2011	21 507,50	137,2
		2012	44 491,95	109,0	2012	22 439,39	104,3
		2013 [I-IX]	29 754,38	88,6	2013 [I-IX]	17 067,99	103,1
	Third countries	2010	367 920,49	133,5	2010	214 712,87	136,7
		2011	477 928,72	129,9	2011	284 709,26	132,6
		2012	484 497,42	101,4	2012	293 489,75	103,1
		2013 [I-IX]	358 147,80	100,7	2013 [I-IX]	215 104,26	101,4
BY	CU/SES	2010	10 418,40	148,3	2010	18 656,70	111,1
		2011	15 182,88	145,7	2011	25 615,65	137,3
		2012	17 116,31	112,7	2012	27 670,76	108,0
		2013 [I-IX]	13 199,59	105,5	2013 [I-IX]	17 148,57	79,6
	Third countries	2010	14 865,04	104,3	2010	14 865,04	137,8
		2011	26 236,09	176,5	2011	20 144,51	124,2
		2012	28 944,17	110,3	2012	18 735,33	93,0
		2013 [I-IX]	15 358,16	64,6	2013 [I-IX]	14673,73	110,7

KZ	CU/SES	2010	5 999,20	166,6	2010	12 895,39	139,2
		2011	7 103,30	118,4	2011	15 925,80	123,5
		2012	6 221,51	87,6	2012	17 603,12	110,5
		2013 [I-IX]	4 555,77	96,0	2013 [I-IX]	13 136,51	104,2
	Third countries	2010	54 281,70	137,1	2010	18 229,83	95,2
		2011	80 499,76	148,3	2011	21 128,38	115,9
		2012	80 220,19	99,7	2012	28 699,10	135,8
		2013 [I-IX]	55 972,28	92,7	2013 [I-IX]	21 913,19	105,6

Source: statistical data of the Eurasian Economic Commission.
(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

Tab. 3. Export from Belarus to CU/SES, 2010–2013

Year	Total		KZ		RUS	
	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]
2010	10 418,40	148,3	464,79	148,3	9951,26	148,2
2011	15 182,88	145,7	673,95	145,0	14 508,93	145,8
2012	17 116,31	112,7	806,90	119,7	16 309,40	112,4
2013 [I-IX]	13 199,59	105,5	639,16	100,0	12 560,43	105,8

Source: statistical data of the Eurasian Economic Commission.
(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

Except for the observed positive effect on the turnover of Belarus with the member states, the integration processes made a dramatic effect on the trade with the third countries. In the year of 2011 due to the trade liberalization in the framework of the SES, Belarus obtained an opportunity to import duty-free oil from Russia which led to facilitating oil supply. It is necessary to highlight that the abolishment of the oil and oil products duty was applied exclusively to the domestic trade between Russia and Belarus. In case of Russia's oil or oil products export from Belarus beyond the borders of the CU, the export duty was to be applied and transferred to the budget of the Russian Federation to the full extent. Along with the import increase observed in 2011 from Russia to Belarus (predominantly this is related to Russia's oil), the increase of the export growth rate from Belarus to the third countries was reported (Tab. 2), which outweighed the relevant variables for the member states (76,5% – third countries; 45,7% – member states). The present fact was conditioned by the increase of oil and petrochemical products share in the export structure, which was produced on the territory of Belarus from the Russian oil and exported outside the member states under the cover of «dissolvent and diluents» and «biofuel» [3, p.10]. The given goods were free of oil duty in favour of Russia; this brought substantial revenues to Belarus. In 2012 as a result of the negotiations between Russia and Belarus this practice to re-export oil goods under the cover of commodity positions, the export duty for which is not taken in favour of the Russian budget, was ceased. This fact was reflected in the trade turnover of Belarus with the third countries as well as with Russia. In 2012 the import growth from Russia to Belarus dropped to 8,1% (Tab. 4), whereas the export growth from Belarus to the third countries was reduced to more than 7 times and made 10,3%. This negative dynamics was also reported in the year of 2013. Upon the first three quarters the import volume from Russia to Belarus decreased by 21,4% (Tab. 4), whereas the export from Belarus outside the member states reduced by 35,4% (Tab. 3).

Tab. 4. Import to Belarus from CU/SES, 2010–2013

Year	Total		KZ		RUS	
	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]
2010	18656,70	111,1	407,88	544,6	18254,07	109,2
2011	25615,65	137,3	132,97	32,6	25482,68	139,6
2012	27670,76	108,0	119,02	89,5	27551,73	108,1
2013 [I-IX]	17148,57	79,6	62,35	67,1	17 086,22	79,6

Source: statistical data of the Eurasian Economic Commission.
(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

Trade effects for Kazakhstan

Although the formation of the CU for Kazakhstan was promising, overall the effects of the integration processes appeared to be less significant than for Belarus. In the year of 2010 the reciprocal trade growth between Kazakhstan and the CU member states comprised 66,6%, which considerably outweighed the similar indicator for the third countries for the previous year (Tab. 2). It is significant that in that period of time the export volume from Kazakhstan to Russia increased by 59,6%. In turn the export growth to Belarus became 6 times higher and reached a record-breaking value (Tab. 5).

This was mainly explained by the increase in the back oil share of Kazakhstan which was used in Belarus as a substitute of the Russian oil in the situation of the unsolved question of the abolishment of the exceptions which existed in the common customs regime. The abolishment of oil as well as oil goods duty between Russia and Belarus made a profound impact on the export dynamics from Kazakhstan to Belarus. Its volume started decreasing: in 2011 – by 68,9%, in 2012 – by 12,6%, at the end of the first three quarters of 2013 – by 35,5%. The similar trend can be observed if we take a look at the export from Kazakhstan to Russia. In 2011 its growth rate slowed down by twice and made 23,6%, in the year of 2012 its volume decreased by 12,4%, at the end of the three quarters of 2013 reduced by 3,5% (Tab. 5). Thus, on the whole, during the first three years of the CU and SES, Kazakhstan did not demonstrate a steady export growth rate to Russia and Belarus.

Tab. 5. Export from Kazakhstan to CU/SES, 2010–2013

Year	Total		BY		RUS	
	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]
2010	5 999,20	166,6	336,74	615,6	5 662,28	159,6
2011	7 103,30	118,4	104,73	31,1	6 998,57	123,6
2012	6 221,51	87,6	91,53	87,4	6 129,99	87,6
2013 [I-IX]	4 555,77	96,0	48,21	64,5	4 507,56	96,5

Source: statistical data of the Eurasian Economic Commission.
(http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

The major foreign effect of the CU formation can be characterized by some import reanimation from the member states to Kazakhstan (Tab. 6), which is explicitly shown at the beginning of the CU (2010–2011). However, in the subsequent period (2012–2013) the export growth rate from the third countries succeeded the relevant indicators for the partners within CU. This fact demonstrates that Kazakhstan has been more and more oriented to the trade cooperation with the third countries recently, particularly with China, the goods of which are re-exported to the member states [4, p.4]. This puts obstacles for developing the effect of “trade creation” for the partners in the CU.

Tab. 6. Import to Kazakhstan from CU/SES, 2010–2013

Year	Total		BY		RUS	
	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]
2010	12 895,39	139,2	521,76	142,1	12 374,53	139,1
2011	15 925,80	123,5	593,76	113,8	15 332,04	123,9
2012	17 603,12	110,5	662,90	111,6	16 940,22	110,5
2013 [I-IX]	13 136,51	104,2	46,83	97,3	12 668,16	104,5

Source: statistical data of the Eurasian Economic Commission. (http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

Trade effects for Russia

In the period of 2010–2011 the export from Russia to the member states demonstrated quite a stable growth rate. In the year of 2010 its volume increased by 18,8%, whilst the export growth to Belarus made 9,2%, to Kazakhstan – 36,3% (Tab. 7). In 2011 the export growth of Russia to the CU reached 32,9%, which exceeded, though not considerably, the similar indicator for the third countries. It should be noted that the export growth to Kazakhstan made 8,1%, whereas to Belarus – 39,6%. The marked growth, as mentioned above, was mainly related to the abolishment of the oil and oil goods duty between Russia and Belarus, which in turn led to the sharp growth of minerals supply to Belarus. In the following period the positive changes related to the export from Russia to the CU was superseded by negative trends. In 2012 the export growth rate reduced by three times, and at the end of the first three quarters it showed negative indicators.

Tab. 7. Export from Russia to CU/SES, 2010–2013

Year	Total		BY		KZ	
	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]
2010	30 717,00	118,8	18 254,07	109,2	12 465,07	136,3
2011	40 814,72	132,9	25 482,68	139,6	15 332,04	108,1
2012	44 491,95	109,0	27 551,73	123,0	16 940,22	110,5
2013 [I-IX]	29 754,38	88,6	17 086,22	79,6	12 668,16	104,5

Source: statistical data of the Eurasian Economic Commission. (http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

Russia, which comprises approximately 90% of the total GDP of the CU, possesses the most capacious domestic market. Therefore, from the theoretical point of view the import increase to Russia from the member states was supposed to become the most significant foreign trade effect in the formation of the CU. In 2010–2011 the significant import growth from the CU to Russia was observed, as well as the growth rate increase was obvious in comparison to the corresponding import indicators of the third countries (Tab. 8). However, in 2012–2013 the growth rate slowed down greatly, but Russia’s import volume from CU remained as it was in 2011.

Tab. 8. Import to Russia from CU/SES, 2010–2013

Year	Total		BY		KZ	
	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]	value [mln. USD]	annual change [%]
2010	15676,02	150,7	9951,26	148,2	5722,46	155,3
2011	21507,50	137,2	14508,93	145,8	6998,57	122,3
2012	22439,39	104,3	16309,40	112,4	6129,99	87,6
2013 [I-IX]	17067,99	103,1	12560,43	105,8	4507,56	96,5

Source: statistical data of the Eurasian Economic Commission. (http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

Furthermore, the value of intraregional import to Russia, in spite of its steady growth in the period in question, remains at an extremely low level (less than 8%, tab. 9). In addition, Russia's share indicator in reciprocal import is lower than the relevant indicator for Belarus and is not higher than 36% (Tab. 10). This proves the fact that Russia fulfills its integration function poorly.

Tab. 9. Import to Russia from CU/SES, third countries 2009–2013

Year	Import to CU/SES		Import to third countries		total import
	value [mln. USD]	share [%]	value [mln. USD]	Share [%]	value [mln. USD]
2009	10 402,14	6,2	157 068,67	93,8	167 470,80
2010	15 676,02	6,8	214 712,87	93,2	230 388,89
2011	21 507,50	7,0	284 709,26	93,0	306 216,76
2012	22 439,39	7,1	293 489,75	92,9	315 929,14
2013 [I-IX]	17 067,99	7,4	215 104,26	92,6	232 172,25

Source: statistical data of the Eurasian Economic Commission. (http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

Tab. 10. Total import, 2010–2013

Year	Russia		Belarus		Kazakhstan		Total
	value [mln. USD]	share [%]	value [mln.USD]	share [%]	value [mln.USD]	share [%]	value [mln.USD]
2010	15 676,02	33,2	18 656,70	39,5	12 895,39	27,3	47 228,11
2011	21 507,50	34,1	25 615,65	40,6	15 925,80	25,3	63 048,95
2012	22 439,39	33,1	27 670,76	40,9	17 603,12	26,0	67 713,27
2013 [I-IX]	17 067,99	36,0	17 148,57	36,2	13 136,51	27,7	47 353,07

Source: statistical data of the Eurasian Economic Commission. (http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/trade/Pages/default.aspx).

3. Conclusions

Taking into account the above analysis, it can be concluded that the formation of the CU and SES did not affect the economic collaboration between Russia, Belarus and Kazakhstan in the examined period. During the first two years after the formation of the CU (2010–2011) some activation in the trade relations of the member states was observed. However, this was mainly caused by the trade increase of mineral products. In the subsequent period the reciprocal trade dynamics of the member states slowed down significantly.

It is noteworthy that the impact of the integration processes was reflected in the selected countries of the CU/SES differently. Due to that fact the final trade effects are not uniform and differ markedly in their scope. The most profound effects of the CU formation are displayed in the trade of Belarus: the export increase to Russia and Kazakhstan. The liberalization of the trade relations within the CU affected the export of Belarus to the third countries favorably. The export of Kazakhstan to the member states, regardless of some activation in 2010, connected with the black oil supply to Belarus, did not demonstrate a steady growth rate. The most critical foreign effect of the CU formation for Kazakhstan is considered to be the import increase of Kazakhstan from the member states during the first two years of the CU existence (2010–2011). Russia did not manage to achieve substantial trade effects as well. Except for some activation of the export to the member states in 2010 and sharp export growth to Belarus in 2011, caused by the increase in oil supply, there was no significant improvement in the cooperation with the member states. The formation of the CU did not make any positive profound impact on Russia's import which has an infinite capacity for the member states. The growth rate of Russia's import from Belarus had been decreasing dramatically since the formation of the CU. As for Kazakhstan, the growth rate had negative indicators in the years of 2012–2013.

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Summary

The article provides a concise overview of the integration processes efficiency between Russia, Belarus and Kazakhstan during the period of 2010–2013. The main aim is to analyze the major trade effects of the formation of the Customs Union and Single Economic Space based on the macroeconomic trade indexes of the member states, particularly, their foreign and reciprocal turnover. The article consists of four parts which throw light on the major trade effects observed in the formation of the CU/SES. In the first part of the article, the common dynamics of the CU reciprocal trade turnover have been examined and compared to the dynamics of the CU foreign trade turnover. The second part gives insight into the most significant trade effects relevant for Belarus. The third section is an attempt to present some key trade effects applicable for Kazakhstan. The final part of the article looks into the major trends of Russia's foreign and reciprocal turnover in the period of 2010–2013 as well as its import capacity from the member states.

Key words: Trade effects; Customs Union; Economic integration.

UD classification: 658:68.231

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MODERN APPROACHES TO FORMATION OF MARKETING STRATEGIES IN AGRICULTURAL ENTERPRISES

Inna Gogol*

1. Introduction

Formation of the marketing strategies of agricultural enterprises in modern conditions is not perfect, and the main share of marketing functions entrusted to managers and partly to all professionals in the management structure. They can not only create an effective marketing approach that will ensure effective functioning of management strategy, but there is also unavailability to use marketing approaches in its production and financial activities.

2. Raising of the problem

In modern conditions of managing creation marketing service on farms should be directed to the comprehensive study of impacts and the development of such an enterprise development strategy that would ensure maximum profit making in the future.

3. Analysis of recent research and publications

The problems of theoretical generalization and practical approaches concerning the questions of marketing, marketing activities and identification of problems that arise when developing marketing strategies found their reflection in the works of foreign and native scholars, as Assel Henry [1], T. I. Balanovskoy [2], E. A. Beltyukova [3], V. O. Vasylenko, T. I. Tkachenko [4], P. I. Haidutsky, E. A. Berezovsky [5], N. M. Kozub [6], V. M. Kolesnik [7], F. Kotler [8; 11], S. S. Nahornova [9], N. T. Ivashchenko [10], A. A. Thomson [12], A. D. Strickland [12], R. A. Fatkhutdynov [13], V. V. Yurchishin [15] and other marketing scientists who have made significant contributions to the development of marketing and marketing activities. Most scientific papers do not disclose the peculiarities of the marketing strategies formation processes in agricultural enterprises completely. Moreover, there are no methodological approaches and algorithms for forming such a marketing system that would stimulate a commodity producer to study the market and do its market research.

4. Statement of the problem

The aim of the research is the development of theoretical, methodological provisions and practical recommendations for the implementation of organizational marketing structures that have developed actionable marketing strategy that will increase the efficiency of enterprises, regardless of forms of ownership.

5. Exposition of basic material research

In modern conditions marketing activities should be aimed at improving the financial situation of enterprises, regardless of ownership. Nowadays entrepreneurs don't pay enough attention to the organization of marketing activities in enterprises and the creation of marketing services that will develop such marketing strategies that will ensure profitability in the future. The development of marketing strategies allows the enterprise to achieve the best operation indicators.

Unfortunately the real situation at the enterprises testifies the lack of management attention to new concepts of management – marketing and there is also a certain management unavailability of agricultural enterprises to create their own marketing services. We conducted polls based on questionnaires of enterprises in Khmelnitsky region. They proved that almost a third of managers,

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chief accountants and their deputies, wanted to create a marketing service for their enterprise. Depending on the firm size and production volumes the number of employees various marketing services, there can be a large number of people and one person for whom appropriate job description approved by the Administration was developed.

But whatever the reason may be to encourage agrarians not to create a marketing department in the company, we can not agree with the assertion that in the process of its formation it must be based on the principles: an analysis of the existing management structure, including structural elements that are engaged in marketing activities, the development and construction of the structure of marketing management, selection of required marketing qualifications, distribution of responsibilities, rights and responsibilities in the management of marketing, creating conditions for effective employee performance marketing departments, organization of an effective interaction of marketing with other departments of the enterprise [2, p.214].

Marketing at the enterprise always starts with an analysis of consumer demand and serves to implement consumer desires in a specific type of product, which after manufacturing (processing) have different ways to attract attention through advertising, namely to place the product on the market. The regional enterprises promote themselves, or use special organizations, using mostly promotional events to print and distribute on billboards, participating in various fairs and exhibitions, and Internet Service as advertising and information have recently become popular. Almost all analyzed enterprises can be found on the Internet.

We are convinced that marketing service can exercise market research chaotically and by chance, they should be well planned, organized and systematic, but it is necessary to conduct a comprehensive analysis of all the collected information, predicting consequences and threats, developing recommendations and making the report provided to the supervisor, which after studying it closely, should be approved for execution. And the fact that agriculture is seasonal, marketing service activities must consider this feature and clearly identify the specific target of marketing research in enterprises and develop a program for its implementation. For this purpose it is necessary to have accurate information about the market environment to collect systematically and assess the processes such as procurement, production and marketing.

Information may conventionally be divided into directions of entrepreneurial activity or impact on the efficiency of economic activities and sale on the market. You do not want to underestimate the relationship of all segments of the market that affect the factors of production and economic activity, taking into account market trends. Please note the following trends and the impact on production, sales, final consumption, as more expensive fuel and lubricants, electricity, fall in crop production and livestock, feed, seed, the impact of price change of the consumer basket, income and so on. We have investigated the latest developments and scientific developments in plant growing (effective technologies, varieties, agricultural machinery, fertilizers, pesticides, etc.), livestock (effective technology breeds, equipment, feed, animal protection, etc.) and related industries.

The only thing we can say is that not all agrarian enterprises at the time are able to hold their own service, so we proposed an approach to create a group of similar enterprises gained in Department of Agricultural Development Kamenets-Podolsky district administration which gained its embodiment when writing a program of social-economic development of the district in 2012 (Fig. 1).

But placing these centers required according to basic principles: concentration raw material base and potential customers, transport communications and export prospects. We are convinced that international experience in marketing activities confirms the expediency and effectiveness of creation of marketing centers that provide comprehensive services and create more than favorable environment for buyers and sellers, creating a clear mechanism for the wholesale and small wholesale sales of agricultural products, stimulating sales and exercise other marketing functions.

Although the international experience suggests that the main role in increasing marketing effectiveness, have not the costs of establishing marketing service, so it should be the retention and must have a small proportion to the total resource consumption of 0,1–0,3%. Since the specialists in marketing reduce the time spent on marketing activities in the government apparatus considerably, in each case individually, and form the favorable channels produced agricultural products, creating the most profitable conditions for optimal ratio of “cost-price” at all stages of production and sales.

Marketing service or agro-marketing centers can not perform marketing research erratically and randomly, they should be well planned, organized respectively and be systematic. It is not single measures, but some well thought set of actions and processes for collecting, maintaining, updating and analysis of information data. They are acquired from different sources and should be accurate, complete, objective, pithy, deep, etc to prevent in the future wrong actions and decisions.

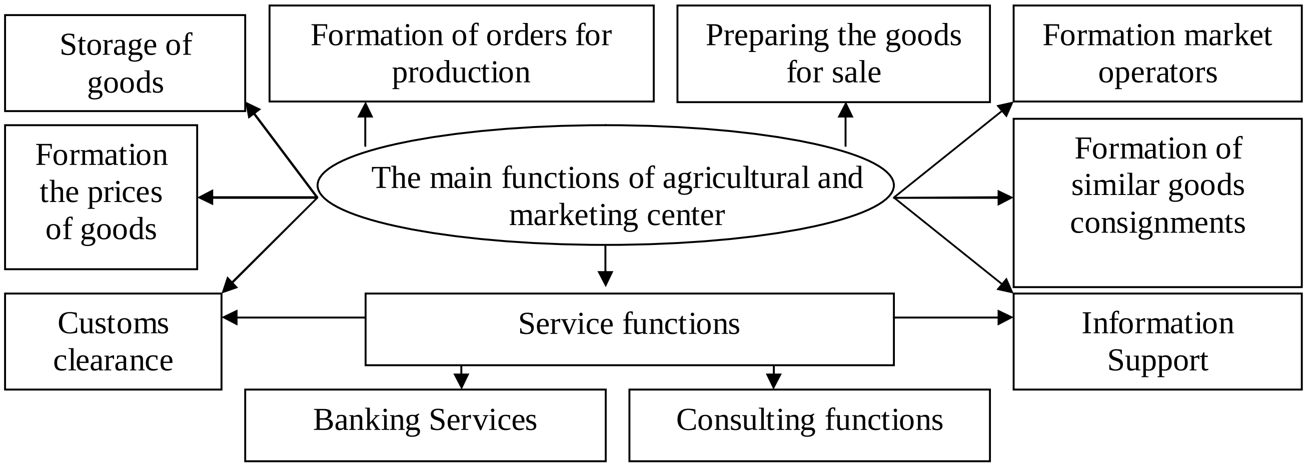

Fig. 1. The main functions of agricultural and marketing center in the Department of Agricultural Development Kamenets-Podolsky district state administration

According to the experience of many countries, even firms that have significant state marketing services, for conducting fundamental market research using the services of specialized formations, firms and consultants, research institutions and centers of market research, information companies, companies conducting panel studies, research centers, etc. that primarily conduct market research using modern analysis of economic-mathematical methods of forming marketing strategy.

At the present level of economic development of Ukraine in most agrarian enterprises there is still no marketing service, and it is dealing mainly with sales activity. The effectiveness of marketing service can only be provided with a comprehensive study of the situation and of close cooperation with all structural subdivisions of enterprises.

After conducting marketing research, you need to have skilled professionals, sizeable cash costs, systematic work on the collection and analysis of market information. There are many arguments regarding the advisability of the marketing system and marketing service for any enterprise. For the development of marketing strategy for all enterprises of the region conducting a thorough market research and their results are mainly used for sound management decisions.

After that enterprises develop marketing strategies, where elements of marketing used in the conduct of commodity, pricing and distribution policy and agreements for the marketing of produce. Preferably, these measures perform special companies and marketing organization on the basis of special agreements and for the appropriate payment. They make all required calculations and sometimes it is more profitable for enterprises to contact them, than hold their own marketing service.

We are convinced that marketing should first of all be directed for the marketing strategies development, based on the main principles of them such as: reduction strategy, a strategy of stabilization, growth strategy. We recommend investigating the following areas of business development, which will be based on marketing – Functional direction.

It is focusing on the interaction of production and sales of plant, animal products and other agricultural products, resources, technology, communications and human factors as a major in marketing activities that promote the goods from the producer to the consumer.

We propose to pay attention that without the proper approach to these issues it is not possible to solve the problems prevailing in the present conditions, and without proper study and analysis of marketing activities carried out by well organized system of marketing research of food consumer markets, information and advertising provide sales, optimization in the structure of agricultural production it is not possible to stay on the market and receive a stable income.

We believe that agricultural policy at present should be first and foremost directed to support agricultural producers, the implementation of government measures to stabilize and increase production of major products gradually, support these trends, which is possible only through the application of leading technologies and advanced concepts of agrarian science, that provide growth of productivity in the harmonic actions to ensure positive profitability of agricultural products by reducing the cost of agricultural production, which makes the importance of economic criteria in the development and implementation of marketing management techniques that will lead to systematic optimization of all components of agricultural production.

Conclusions

Practically all enterprises have no holistic concept of marketing planning and developed special methodological approaches to the process of forming marketing services in corporate structures. Furthermore, today there is a need to create a system of marketing activities of agricultural enterprises in the market of agricultural products and the use of marketing events in the work of these companies have increased.

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Summary

The article considers the scientific basis for forming the directions marketing services and proposes the creation of agricultural and marketing center in the Department of Agricultural Development Kamenets-Podolsky district administrations that have developed actionable strategies of agricultural enterprises Khmelnitsky region and ensure effectiveness of their activities in the future. Suggestions in effective enterprise development based on modern research are offered – justified strategies for a matter of choice of strategy is determined by different factors that might affect in the future.

Key words: marketing, strategy, agriculture, efficiency, production, company, rating, agricultural enterprises.

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INNOVATION OF INDUSTRIAL ENTERPRISES IN POLAND AS COMPARED TO OTHER EUROPEAN UNION COUNTRIES

B. Grzybowska*

1. Introduction

Innovation is presented as business entities' capability and motivation to constantly search for previously unknown concepts, ideas and inventions, and to make practical use of results of scientific research and outcomes of work in the area of R&D. Innovation activities which are an important element of the operation of enterprises, allow them, at the same time, to raise the level of competitiveness in the market [1, p.23]. The aim of the study is to assess the innovation potential and innovation activity of industrial enterprises in Poland as compared to other European Union countries. This particular economic sector has been selected for the following reasons: on the one hand, industrial enterprises report the demand for cutting-edge solutions in the field of science and technology, while on the other hand, they provide their market partners with technological innovation. Therefore, as it was pointed out by M. Bukowski, A. Szpor and A. Śniegocki [2, p.119], relationships between the industry and other participants of innovation activities (i.e. science and the government) determine the competitive position of the given country's economy on the international scene. In addition, the growing importance of knowledge in the field of economic management results in an enhancement of the status of both research and development work and innovation in the operation of that economic sector [3, p.107].

2. Methods of research

The subjective scope of the analysis as presented in the study included industrial enterprises in Poland and other European Union countries. The objective scope of the research covered innovation being expressed as an organization's capability and motivation to constantly search for and make use of results of scientific research, and of modern concepts, ideas, and inventions [4, p.6]. The study considers the timeframe for research including the period of 2002–2010. The adoption thereof was substantially influenced by the nature of the programme for statistical research in the field of innovation, namely the Community Innovation Survey. Research results of consecutive rounds covered a two-year period. The measures as made available (primarily in the Eurostat database) for the years 2002–2004 are the results of the fourth round of the research (CIS 4); for the years 2004–2006 – the results of the fifth round (CIS 2006); for the years 2006–2008 – the results of the sixth round (CIS 2008); and for the years 2008–2010 – the results of the seventh round (CIS 2010). The following indices of industrial enterprises' innovation were analysed and compared: the percentage of innovative enterprises in the total number of enterprises (%); the percentage of enterprises being engaged in the in-house R&D activities in the total number of innovation-active enterprises (%); and the percentage of enterprises which co-operated in innovation in the total number of innovation-active enterprises (%). Attention is also drawn to the scope of public support for innovation activities of industrial enterprises.

3. Results and discussion

What is indicative of innovation measures being taken by industrial enterprises is their innovation activity, the basic index of which is the percentage of innovative entities in the total number of enterprises. In particular EU countries, the levels of that index varied greatly, and ranged from 16% in Romania to 70% in Germany (Fig. 1). It should be stressed that Germany is the unquestionable leader of the ranking. A significant difference was recorded between the level of innovation activity of industrial enterprises in Germany and the level being represented by countries that follow: in Belgium the index amounted to 58%, and in Ireland to 57%. According to Weresa [5, p.16], the high

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level of innovation activities in that country results from the systemic and institutional support of German enterprises. The government programme of the so-called "grand coalition" as established following the 2005 election provided for increasing the importance of policy in the field of science, innovation and technology. An outcome of such an approach was both institutional changes to the system of innovation, and cutting-edge instruments of innovation policy. An example of the above-mentioned changes was the establishment of the Ministry of Economy and Technology which participates in shaping the Germany's innovation policy. The countries in which the percentage of innovative companies was the lowest in relation to the total number of enterprises in the industry included Romania, Poland, Hungary and Latvia (with the index level ranging from 16% to 19%).

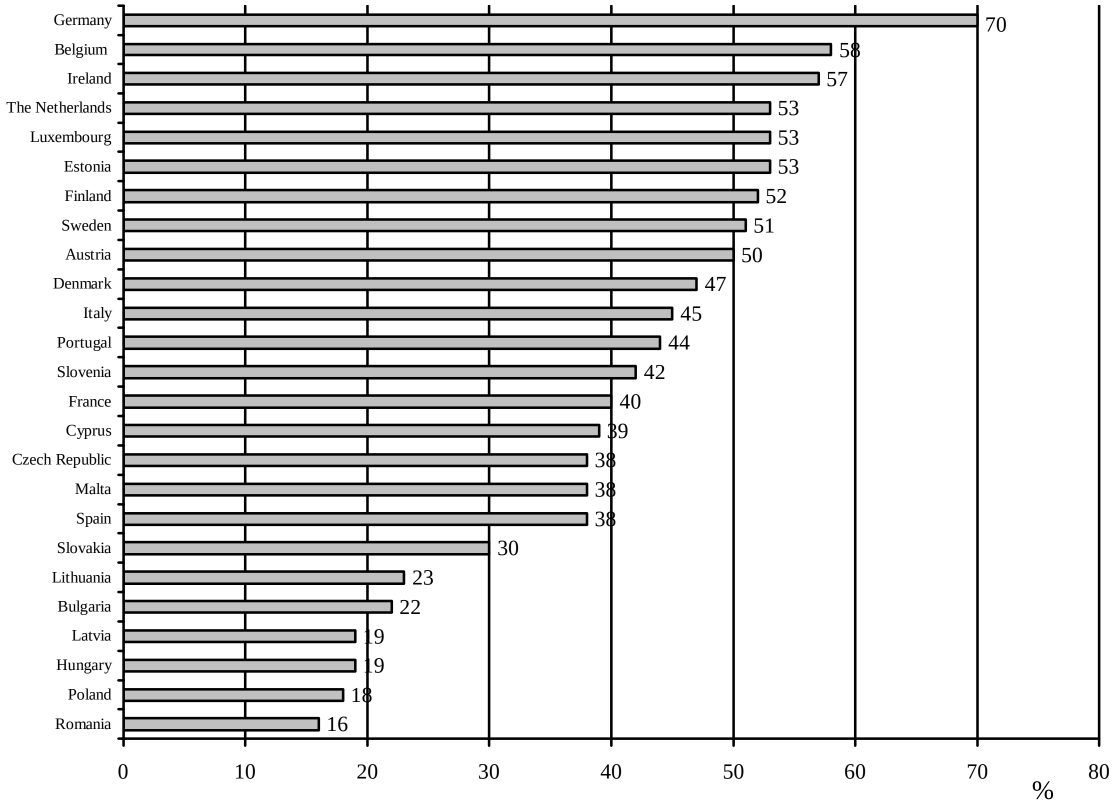

Fig. 1. Percentage of innovative enterprises in the total number of enterprises (%)

Source: own work based on: http://appsso.eurostat.ec.europa.eu/nui/setupModifyTableLayout.do.

When searching for the causes of the low level of innovation activities of industrial enterprises in Poland, attention was drawn to the percentage of enterprises being engaged in the in-house research and development (R&D) activities. This is because the essence of R&D activities is searching for both the new areas of knowledge and the possibilities for making use of the already existing ones. In the years 2002–2004, the percentage of companies being engaged in the in-house R&D activities amounted to 31%. Our country was thus ranked at 18th position among 22 European Union Member States. A comparison of the index level in our country with the maximum index level as observed in the European Union (85%) indicates that the situation is unfavourable (Tab. 1).

Tab. 1. Percentage of enterprises being engaged in the in-house R&D activities in the total number of innovation-active enterprises (%)

Specification	Years			
	2002–2004	2004–2006	2006–2008	2008–2010
Poland	31	38	33	34
Countries with values similar to those of Poland	Romania Lithuania	Spain Cyprus	Estonia Latvia	Latvia Romania

Poland's position in the EU	18	16	20	23
Min.	9 (Bulgaria)	12 (Bulgaria)	8 (Bulgaria)	13 (Bulgaria)
Max.	85 (Ireland)	74 (Slovenia)	81 (Finland)	83 (Finland)

Source: own work based on: http://appsso.eurostat.ec.europa.eu/nui/setupModifyTableLayout.do.

In the recent years under analysis, despite the increase in the percentage of enterprises being engaged in the in-house R&D activities, our country's drop in the ranking down to the penultimate position among 24 European Union Member States was recorded. In the years 2002–2010, the countries characterized by the index level being similar to that of Poland included Romania, Lithuania, Spain, Cyprus, Estonia and Latvia. The outcomes in this field, being unfavourable to Poland, indicate the need to take measures to intensify research and development activities being carried out by enterprises. They should be focused on the development of infrastructure, increasing the expenditure on R&D, and stimulating private investments. Greater attention should also be paid to the links between the scientific and business circles, and particularly to the improvement of transfer of both knowledge and research results between research institutions and the industry [6, p.18; 7, p.28].

Another factor contributing to an increase in innovation of enterprises is their establishment of co-operation with other entities (Tab. 2). Co-operation provides broader access to knowledge and new technologies, promotes the exchange of experience, and allows decreasing costs and reducing risks of the innovation activities being carried out. In the period under analysis, an adverse phenomenon was recorded, namely the reduction in the percentage of industrial enterprises establishing co-operation (from 44% in the years 2002–2004 to 34% in the years 2008–2010). This resulted in a significant drop in the ranking from the relatively good (6th) position in the beginning of the period under research; in the years 2008–2010, industrial enterprises were low in the ranking (16th position among 25 EU countries). In the years 2002–2010, the countries characterized by the index level being similar to that of Poland included the Netherlands, Denmark, Sweden, Hungary, Austria, Slovakia and France. Particularly unfavourable was the lack of co-operation between enterprises and the R&D circles. There are many causes of this situation. It is most often reported that this results from the scientific circles being focused on basic research with a lower level of interest in the applied research and development work [8, p.223]. The weaknesses of the determinants of innovation activities also include the lack of relevant regulations to facilitate co-operation between companies and higher education institutions [9, p.83]. In addition, the entities whose task is to assist in the flow of technology are characterized by a relatively low level of development, and those which operate are much more often focused on incubation activities than on maintaining contacts between the scientific and economic circles*.

Tab. 2. Percentage of enterprises which co-operated in innovation in the total number of innovation-active enterprises (%)

Specification	Years			
	2002-2004	2004-2006	2006-2008	2008-2010
Poland	44	46	39	34
Countries with values similar to those of Poland	The Netherlands Denmark	The Netherlands Sweden	Hungary Austria	Slovakia France
Poland's position in the EU	6	4	12	16
Min.	11 (Italy)	11 (Italy)	13 (Romania)	11 (Italy)
Max.	51 (Slovenia)	68 (Cyprus)	56 (Denmark)	57 (Cyprus)

The innovation activities being carried out by enterprises may also be contributed to by involving public resources, and an appropriate innovation policy. This is because innovation is a certain

* http://www.poig.gov.pl/Dokumenty/Lists/Dokumenty%20programowe/Attachments/116/Program_Innowacyjna_ Gospodarka_zatwierdzony_przez_KE_22122011.pdf.

characteristic of the system, which consists in a propensity to support activities in both the short and long term, while innovation at macro level is defined as a new approach to the development of a country, which results in the emergence of new values [10, p.657]. In Poland, the percentage of enterprises which, in the years 2002–2010, received public support, ranged from 16% to 27%. As a consequence, Polish entrepreneurs were at 8–17th position in the ranking among the Community Member States. M. Bukowski, A. Szpor and A. Śniegocki [2, p.25–27] present the following causes of such a situation: one of them is the lack of activity in obtaining public support by the entrepreneurs themselves; another one is the low level of national expenditure on R&D, resulting from the fact that the main source of support for innovation activities is the funds being obtained from the EU. The authors also indicate that in Poland, three instrumental difficulties related to support for innovation are found, including: the lack of harmony between the type of an instrument and a problem; a conservative approach while evaluating applications; and the structure of funds not being adjusted to the needs of an enterprise.

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Summary

The analyses as carried out indicate that in the years 2002–2010, the level of innovation of industrial enterprises in Poland, as compared to other European Union countries, was relatively low. This particularly refers to the areas associated with R&D activities (a small percentage of enterprises being engaged in R&D activities, and a low level of expenditure being incurred by enterprises in that area), as well as a small percentage of innovative enterprises. Only as regards the percentage of enterprises which co-operate in the field of innovation, and benefit from public support, industrial enterprises in Poland came out relatively better, ranking in the top, or in the middle, of the list including other EU countries. The causes of this situation mainly result from financial barriers, insufficient involvement of public authorities in supporting the innovation activities, and the lack of co-operation between the R&D circles and enterprises.

Keywords: innovation, industrial enterprises, the European Union Countries.

UD classification: 334.716:658.589 (4-672EC)

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SENSORY MARKETING AND CUSTOMERS' DECISIONS ON THE FOOD MARKET

M. Grzybowska-Brzezińska, A. Rudzewicz, A. Kowalkowski*

1. Introduction

The concept of sensory marketing defines that it is the most effective marketing strategy tool influencing the customers' sensual experiences. This is a marketing strategy whose function is to lead the incentives to the recipient senses, involving the senses of sight, hearing, taste and touch, in fulfilling the purchasing process. The recipient's senses are being used to build the effective marketing strategies, especially on the food market. For many customers the perception, pleasures and emotions are a powerful incentive to shape attitudes and help people make impulsive decisions, in which the price is tangential. The sense of sight, touch, hearing, taste and smell allow the purchaser to reminisce about the particular product.

Sensory marketing is a novel and useful concept integrating subareas at various levels of development such as visual, auditory, olfactory, gustative and tactile. Sensory marketing, also called the marketing of five sense, aims at enriching the perception process of the goods on the market so that the positive emotions arouse around the product and encourage the customer to purchase it. The most important factor in sensory marketing is to activate the largest number of receptors (preferably all five) of potential purchasers as well as use incentives to elicit positive associations and reactions, as it is a basis of sensory satisfaction, which plays an important role in purchase decisions [1, p.53; 2, p.77].

Olfactory incentives reach the brain directly and much faster than any other senses. Human organism reacts to these senses promptly and unconsciously. Not only does the smell influence a person's emotions but it also has a very evocative power of memories. Smell is so important for a human being that it can evoke certain behaviors and thus combining marketing with the sense of smell can create a new concept of marketing – scent marketing [3, p.44].

Mass marketing has been used for quite a long time in communicating messages and stressing the company's position and products, mainly in radio and television commercials. The role of the music is to strengthen and dramatize the communication. By means of the sound, corporations are trying to express their identity as well as strengthen their image. The sources of auditory experience can be various sensory impressions such as a jingle, a human voice, music, atmosphere, leitmotif, the ability of attracting attention, sound branding or a characteristic sound [4, p.74; 5, p.44].

Sight contributes to increasing the brand awareness and creating its image by means of visualizations. In order to make this process possible, there are different sensory impressions such as design, packaging, color, light, superficies and interior design. Those sensory impressions, individually or collectively, enable the visualization of the goods, services or business premises. Design, packaging or style are mainly associated with physical goods, whereas incentives such as color, light or a leitmotif can be both related to goods and services [6, p.18].

Touch is an important factor in customers' perception of products and their quality, especially in case of buying food products when the decision is often based on the physical contact with the product. Taste is perceived through taste buds concentrated on the tongue [7, p.55]. Taste buds recognize four basic tastes: sweetness, saltiness, sourness and bitterness. The ability to perceive tastes is decreasing with age and using stronger incentives to achieve the same goals is necessary.

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Gustatory perception is individual and depends majorly on the contents of an individual's saliva [5, p.44].

2. Substantive area of research

The principal focus of the research was to present the influence of the sensory marketing tools on buyers' behavior on the food market. The main thesis of the research:

– sensory characteristics of food products such as taste, smell, color and texture decide about the consumer attractiveness of the unpacked goods;

– the packaging, color and well-known brand logos influence purchasing of packaged food products and have an impact on a better product evaluation declared by consumers.

The following research problems have been taken in consideration:

1. Specifying the influence and the importance of fragrance on consumers' mood and creating good atmosphere as well as eliciting positive emotions in the shop;
2. Specifying the influence of touch in the consumer decision-making process when purchasing a product;
3. Specifying the influence of gustatory experiences on the reception of a product and purchasing decisions among the interviewed consumers.

Direct survey without the pollster was the method used in the research. The questionnaire was used as the measurement tool. The research was conducted in the north-east Poland. 473 respondents participated in the research. Material for the research was collected in spring 2012.

The questionnaire was prepared after establishing the diversity of sensory incentives influencing the decision-making process (the criteria was individualized after studying reference books). After designing the questionnaire, the pilot study was carried out to verify the final version of the questionnaire.

Women comprised 55% and men 45% of all the respondents. The age pyramid indicates that most of the respondents are young people between 19 to 25 and they comprise 55,1%, and people between 36 and 45 comprise 14,5% of the people surveyed. The respondents are the people with secondary (35,4%) and higher education (25,9%), and among them are city dwellers (49%).

3. Research results

Sensory marketing instruments use the product and surroundings, in which it is presented, effectively, to such an extent that customer's senses are activated and participate in creating the perception and attitudes towards the product. In the process of purchasing, customers use the senses of smell, sight, hearing, taste or touch, and their participation depends on the incentives which are sent to the customer.

The effectiveness of the sensory marketing instruments increases when the adequate incentives are directed at customers with active senses which are used when buying products. The choice of food products is made with the involvement of all the senses, however, consumers' experiences are different, and the activeness of the senses depends on personal attributes or the form of the assessed product (a packed and non-packed products).

At the initial stage of the research, all the respondents were asked to specify which sense they use when choosing food products. In the opinion of the respondents, they choose food products by judging the look and feel of the products, as it has been indicated by 70%, and a quarter considers sight as a decisive sense in consumers' behavior on the market.

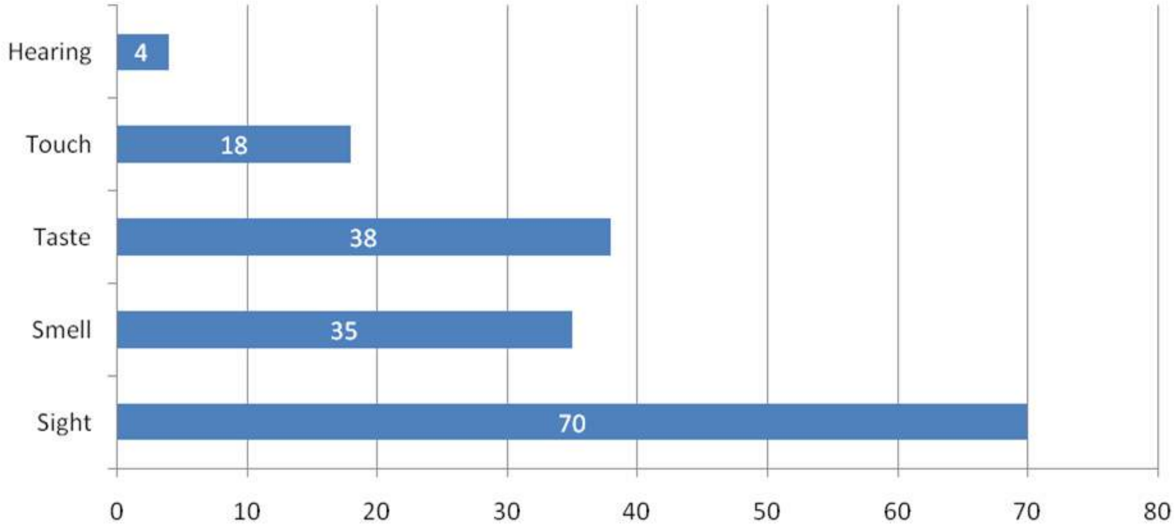

Fig. 1. Senses used in the process of decision-making when buying food products according to respondents (%)

Source: own survey

The people surveyed also use the sense of taste when judging food products. 38% of people indicate this sense as important. According to 35% of the respondents, smell is also very important, and in case of 18% of interviewees, touch is also used to confirm the quality of products. As stated by the respondents, the sense of hearing is not used when evaluating food products although they indicate music is an important factor in creating the attractive atmosphere of the place.

The features of the food products, which the respondents evaluate using sight are usually the presentation of the product or packaging. In respect of the presentation of the product, 85% of the respondents appraise color, and its intensity accounts for tastiness, freshness and attractiveness of the product. For the large group of respondents, texture (turgidity, mellowness, lucidity, density etc.) is the characteristic feature of food products as an indicator of freshness and naturalness.

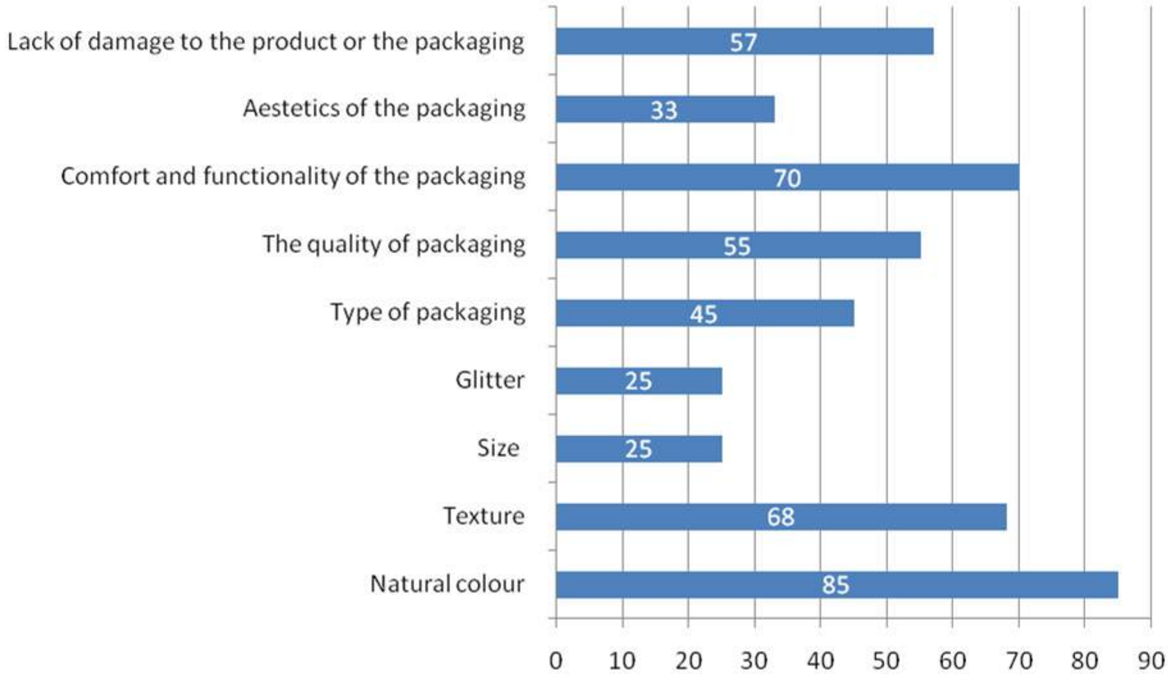

Fig. 2. Physical attributes of food judged by respondents (%)

Source: own survey

The sense of touch allows the physical contact with the surroundings we live in. We receive the information about products' freshness and mellowness through touch. In case of packed products, the features that people judge are the packaging, robustness, convenience and attractiveness.

Packaging features as well as aesthetics may decide about sensory judgments consumers make or define its destination. Wrapping the product may emphasis its functionality and therefore it can be used as a present. This idea is absolutely essential in tourism when we promote the particular region and regional food, then the attractiveness of the packaging and its originality increases the functions of the product.

During the research the attempt was made to prove how important the decor is when choosing the retailer (Fig. 3). The vast majority of consumers participating in the research indicated that the decor was important (62%), whereas 23% of the respondents said that the interior design was very important. Only 6% of the people interviewed claimed that it was insignificant.

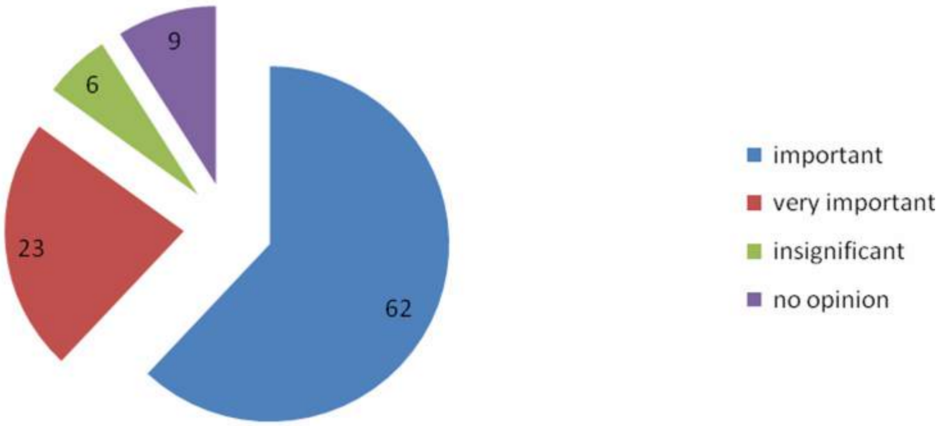

Fig. 3. Importance of decor and purchasing decisions concerning food in the opinion of the respondents (%)

Source: own survey

The decor of the shop, and especially light, is the most important factor in the opinion of the majority of the respondents as it creates the friendly atmosphere, exposes the attractive products and gives the place a really individual character.

The respondents gave their opinions on the tasting of food products and to what extent it is a convincing instrument to trial the product. More than 63% of the respondents would opt for purchasing the products they had tested which indicates the need to familiarize with the product before buying it. Approximately 11% of the respondents would try a product, but they would need to verify their opinions and would not buy the product directly after degustation, and almost 25% of the people interviewed were incapable of choosing the right answer to this question.

Smell is mainly used to judge the freshness and tastiness of food, especially in case of lack of packaging (meat, fruit and vegetables, bakery products etc.). In sensory marketing, the consumer's senses are activated to judge the place in which the food is sold. The main focus of the research was the smell and its influence on the decisions the customers make when choosing the shop. The people surveyed were asked about their preferences concerning the intensity of smell in the place where they buy products and more than 80% choose places in which the fragrance is delicate. No more than 1,5% tolerate the intensive flavor and more than 11% of respondents are satisfied with the lack of any fragrance.

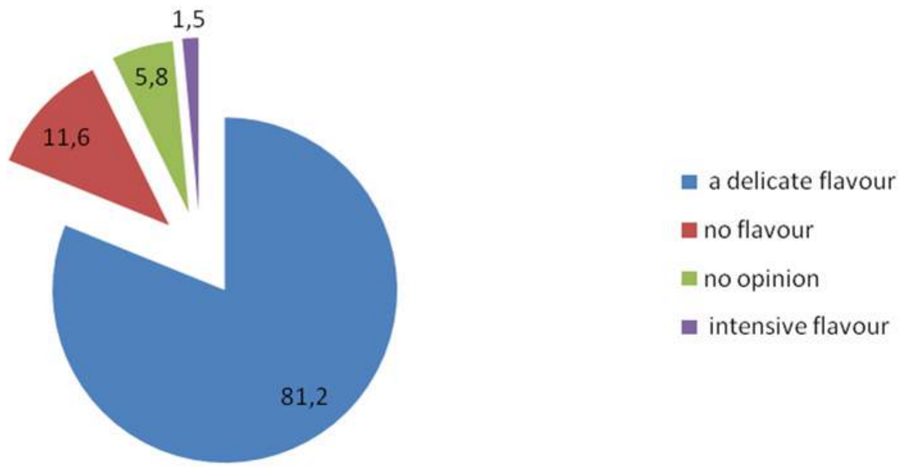

Fig. 4. The preferable intensity of flavor in the shop in the opinion of the respondents (%)
Source: own survey

Music is an important issue influencing the choice of the shop. The people surveyed defined the basis concerning music in shopping centers and almost a half of them (46,4%) indicated that music is a crucial element creating the atmosphere of the place and evoking good mood in customers, which as a result, made the shopping more pleasant. Approximately 28% of the respondents acknowledged that they did not pay the attention to the music in grocery shops.

4. Conclusions

Sensory marketing aims at providing clients with the highest possible sensational experiences. Human senses, which are the source of providing necessary information about objects and actions, are the carriers of incentives conditioning the perception, attitudes, preferences and choices. The main problem with the effective usage of sensory marketing tools is the individualization of consumers' perception. As a result, it determines the companies' operations in the area of precise choice and specificity of tools comprising incentives.

A consumer choosing a product, which looks interesting in the sense of color, shape, exuding pleasant aroma and is exposed in an interesting way in the shop window, will certainly return to the same product ignoring the competitive product. The price change is becoming a less activating mechanism.

As to food products, consumers are very sensitive to sensory incentives under the influence of various sensory impressions they decide, or not, to buy particular products. A well-associated brand contributes to acquiring and sustaining close, anonymous and long-term relationships, which are characterized by trust and commitment.

Fragrance in shopping centers and the smell of a product have an influence on consumers' well-being and create a positive atmosphere. The aroma may have a positive impact on the customers' loyalty to the company. Certain smells refer to certain associations and consequently consumers' habits, which judge the product and its attributes and verify the repeatability of standards. Smell intensifies the recognition of the brand. However, the company applying the sensory marketing ought to take into consideration the intensity of smell because customers definitely prefer delicate fragrance and avoid places with strong aroma.

Sight is claimed to be the most important of all the senses. Color, light and leitmotifs attract the customers' attention, who notices all the visual alterations very quickly. The vast majority of customers are of the opinion that the decor has in impact on the purchasing process. A display in a shop window and the interior design are the first encounter of a customer with a product or a brand, and therefore, the display should include all the attributes and strengths of the company.

Taste makes a valuable addition to food products and their brands as well as strengthens their identity. It is often a lasting competitive advantage. Sensory impressions strengthen the way the product is served, its packaging, visual side and name. Food tasting is a crucial issue when making a decision which food to buy and thanks to the previous possibility of tasting the product, the customers decide to buy it. Evaluation of food products is made through judging the color, and the visual side is one of the main criteria when choosing food. Smell and taste are significant senses when judging the freshness and tastiness of food products and the tactile evaluation of texture strengthens the product credibility. Touch is also a crucial sense in creating emotions in the choice of packaged products.

Sounds stimulate different emotional relations in customers. They declare the importance of music which is played in the shop. The people interviewed cannot indicate any characteristic tunes associated with a particular shop. That is why, music should be chosen carefully to suit the particular shop as well as create associations with the venue and product, soothe the customers and create a pleasant atmosphere. All these factors can prolong the time spent in the shop.

Sensory marketing influences the buyers' behavior on the market, making the purchasing process more interesting and creating positive and long-lasting relations between the customer and the product or brand or a customer with a shopping venue.

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Summary

The main purpose of this paper is to make an attempt to present the influence of sensory marketing on buyer's buying behavior. The paper covers the topic regarding the theory of influence of individual senses on buyer's behavior. Sight is the most used sense in sensory marketing. The first way of brand's identification is through colors, shapes, and lights. When the light is natural or softened customers spend more time in one place, but when light is an intensive customer become more dynamic. Sound is also important for sensory marketing users. Taste is often used when companies offer free-tasting promotional operations. Companies take emotions spared off by touch during the conditioning of the product or its conception. Sensory marketing is a deep and effective concept.

Key words: sensory marketing, consumers' behavior, food product.

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PANEL STUDY OF LOAN LOSS PROVISIONS

Veselin Hadzhiev, Slaveya Zhelyazkova*

1. Introduction

Using loan loss provisions to "smooth" the financial performance of commercial banks is not an unfamiliar phenomenon. The motives of commercial banks for the management of this process are diverse. It is believed that the main reasons can be divided into three groups: achievement of the regulatory requirements to bank capital adequacy, creation of hidden reserves and control of the financial performance, etc. [1, p.42]. Balancing between the objective need and making an attempt to manipulate accounting data the transactors form rules and trends typical of a particular sector or industry. These rules and trends are disclosed and characterized using specific econometric techniques. The enrichment of the structure of data of the activities of the commercial banks and the improvement of the econometric methods requires also development of the techniques for their study. A goal of this article is the development of econometric techniques for evaluation of the impact of selected factors on loan loss provisions.

2. Overview of the literature

A number of empirical studies using various econometric techniques, factors, models, evaluation methods, etc., were used to clarify the impact of loan loss provisions on the management of the financial result. They include classical studies of the management of financial performance of American banks [2, p.4], studies with extended scope of the factors of commercial banks [3, p.10] and others. The first econometric study of the impairment of loans in Bulgaria was conducted for the period 2005–2008 [4, p.259]. The latest study of the management of the financial performance of commercial banks with improved econometric technique was carried out for the period 2007–2010 [5, p.295].

The study of loan loss provisions utilizes classical regression techniques consisting of use of linear models, estimation through the simple method of the least squares and dummy binary variables. For example, J. Zhou and K. Chen use a classical linear regression model with 17 variables, including 3 dummy variables [3, p.26]. 989 observations were used for the period 2000–2001 to assess the regression model. "Bank Compustat" is used as a source of statistical information. In their study F. Filipova et al. also applied a linear regression model with 10 factors including 3 dummy variables [4, p.286]. 35 observations for the period 2005–2008 were used to assess the regression model. The annual financial statements of commercial banks were used as a source of statistical information. The replica of the above study is based on a similar model divided into three parts in order to achieve statistical reliability [5, p.305]. 58 observations for the period 2007–2010 were used for the evaluation. The annual financial statements of commercial banks were used as a source of information.

What is common between the used econometric techniques is the classical regression analysis. A linear multifactor model is used for the investigation of the relationship between loan loss provisions and the determining factors. The simple method of the least squares is used to evaluate the parameters. The studies differ in the selection of factors, the selection of the dummy variables, etc. It should be noted that the studies generally use a matrix of data having the nature of panel data. This creates preconditions for violation of the conditions for application of the regression analysis. Therefore, the recent research in this area tends to diversify and refine the econometric techniques used to study the management of financial performance [6, p.119].

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3. Panel approach

Panel data are used to evaluate the parameters of the discussed models as an effort to obtain more reliable estimates. This is achieved by multiple increase of the number of observations. The application of simple regression without taking into account the panel structure of the data leads to evaluation of parameters which are supposed to remain unchanged over time and are the same for all units of the panel. These assumptions are not always sufficiently justified. They need to be tested before using a simple linear regression with a panel data structure. In panel models this assumption does not apply to all parameters but only to the parameters before factor variables or before some of them. This condition must be also checked by an appropriate statistical test.

The most commonly used linear panel models are divided into two basic types: fixed-effects regression and random-effects regression. The main difference between them is the assumption of non-correlation of unobservable effects and factor variables in the random-effects regression model. After evaluation of the fixed-effects regression model, apart from the other diagnostic tests typical of linear regression models, there is also an investigation of the statistical significance of individual fixed effects [7, p.13]. This involves examination of the homogeneity of the free member and is based on the F-test. In the linear panel model with random effects, apart from the other diagnostic tests, use is made also of the LM test of Breusch and Pagan for random effects [7, p.59]. It tests whether the value of the dispersion of unobserved individual effects is zero. In addition, the test of Hausman should also be applied in order to select between a fixed-effects model and a random-effects model [8, p.288].

4. Econometric model

This study is based on earlier studies of loan loss provisions conducted using classical regression techniques [4, pp.259–298; 5, pp.295–309]. The panel study includes the commercial banks which are licensed by the Bulgarian National Bank, operate on the territory of Bulgaria and have published complete annual statements for the period 2007–2010. After adjusting the statistical data the number of the studied banks decreased to 19 from the initial 30. The final panel sample consists of 76 observations over a period of four years. The following panel model was applied to assess the effect of the individual factors on the loan loss provisions:

$$LLP_{it} = a_0 + в_1 BSIZE_{it} + в_2 BIG4_{it} + в_3 CAR_{it} + в_4 \Delta LP_{it} + в_5 LWO_{it} + в_6 NPL_{it} + в_7 SIZE_{it} + в_8 EBTP_{it} + в_9 DUMMYFOWN + в_{10} DUMMYLISTED + e_{it} \quad (1)$$

where LLP $_{it}$ – Loan loss provisions/total loans;

BSIZE $_{it}$ – Number of board members;

BIG4 $_{it}$ – Dummy variable: 1 – if auditor is any of the four big auditing companies; 0 – if the auditor is different from the four big auditing companies;

CAR $_{it}$ – Capital adequacy ratio;

ΔLP $_{it}$ – Change in loan portfolios (thousand BGN);

LWO $_{it}$ – Write-offs loans/ total assets;

NPL $_{it}$ – Non-performing loans/total loans;

SIZE $_{it}$ – Log of total assets;

EBTP $_{it}$ – Earnings before taxes and loan loss provision/total assets;

DUMMY FOWN – Dummy variable: 1 – if it is a foreign bank with majority ownership; 0 – if it is a Bulgarian bank with majority ownership;

DUMMY LISTED – Dummy variable: 1 – if it is a public bank which is listed on the Bulgarian Stock Exchange; 0 – if it is not.

ε_{it} – stochastic component;

α_0, β_1, β_2, β_3, β_4, β_5, β_6, β_7, β_8, β_9, β_{10} – parameters of the model;

i – serial number of the bank;

t – serial year.

5. Empirical results

The admissibility of pooling together the data from a simple regression and a panel model with dummy variables of time was checked on the basis of model (1) and the F-criterion of Chow [7, p.57]. The results are presented in Tab. 1.

Tab. 1. Chow's F-test of the poolability of the panel data

Years included in the panel	P-value
2007–2010	0,000*
	0,000**
2007–2009	0,021*
	0,136**
2007–2008	0,725*
	0,528**
2008–2010	0,001*
	0,002**
2008–2009	0,118*
	0,509**
2009–2010	0,010*
	0,007**

* simple regression
** panel fixed-effects regression

It was found that for all variants of the panel, including 2010, it was impossible to pool the data. Other variants of the panel are admissible. An important conclusion can be made on the basis of these results that the correlation modeled by (1) has changed significantly in 2010 compared to the previous period. This is interpreted as a change and a reconsideration of the arguments and motives used by the bank management with regard to the management of the financial performance in 2010 as a result of the coming financial crisis.

Model (1) is considered in three variants of panel models. The first panel model (M1) is assessed for the period 2007–2009 with fixed and random effects and includes 8 basic factors:

$$LLP_{it} = a_0 + \text{в}_1 BSIZE_{it} + \text{в}_2 BIG4_{it} + \text{в}_3 CAR_{it} + \text{в}_4 \Delta LP_{it} + \text{в}_5 LWO_{it} + \text{в}_6 NPL_{it} + \text{в}_7 SIZE_{it} + \text{в}_8 EBTP_{it} + e_{it} \quad (2)$$

The second panel model (M2) is assessed for the period 2007–2009 with fixed and random effects and includes 8 basic factors plus dummy variable "DUMMY FOWN". The latter reflects the effect of foreign majority ownership:

$$LLP_{it} = a_0 + \text{в}_1 BSIZE_{it} + \text{в}_2 BIG4_{it} + \text{в}_3 CAR_{it} + \text{в}_4 \Delta LP_{it} + \text{в}_5 LWO_{it} + \text{в}_6 NPL_{it} + \text{в}_7 SIZE_{it} + \text{в}_8 EBTP_{it} + \text{в}_9 DUMMYFOWN + e_{it} \quad (3)$$

The third panel model (M3) is assessed for the period 2007–2009 with fixed and random effects and includes 8 basic factors plus dummy variable "DUMMY LISTED". The latter reflects the effect of the listing of the bank on the Bulgarian Stock Exchange:

$$LLP_{it} = a_0 + \text{в}_1 BSIZE_{it} + \text{в}_2 BIG4_{it} + \text{в}_3 CAR_{it} + \text{в}_4 \Delta LP_{it} + \text{в}_5 LWO_{it} + \text{в}_6 NPL_{it} + \text{в}_7 SIZE_{it} + \text{в}_8 EBTP_{it} + \text{в}_{10} DUMMYLISTED + e_{it} \quad (4)$$

The panel models were evaluated with Stata 10.0. The selection between fixed-effects panel models and random-effects panel models was performed with the Hausman test. The results are presented in Tab. 2.

Tab. 2. χ^2 Hausman test for model selection

Panel model	χ^2	P-value
M1	10.34	0.11
M2	13.92	0.04
M3	14.18	0.02

It was found that with significance level of α=0,05 the Hausman test is unconvincing with regard to model M1. In this case the LM test of Breusch and Pagan (P-value=0,03) was used which provides grounds for preferring the fixed-effects panel model. The alternative hypothesis is accepted in the study of models M2 and M3 through the Hausman test. Therefore, the fixed-effects panel models are preferred again. The main results from the evaluation of the three panel models are presented in the following table.

Tab. 3. Evaluations of fixed-effects panel models

Variables	Model M1		Model M2		Model M3	
	β	P value	β	P value	β	P value
Intercept	-.025	0.791	-.039	-.228	-.025	0.791
LWO it	**1.762**	**0.000**	**1.848**	**0.000**	**1.762**	**0.000**
NPL it	.024	0.589	.024	0.579	.024	0.589
SIZE it	.005	0.399	.005	0.396	.005	0.399
EBTP it	**.933**	**0.001**	**1.125**	**0.000**	**.933**	**0.001**
BSIZE	-.006	0.228	-.004	0.449	-.006	0.228
ΔLP	-2.33e-09	0.506	-2.08e-09	0.542	-2.33e-09	0.506
CAR it	6.04e-06	0.995	-1.92e-06	0.999	6.04e-06	0.995
DUMMY FOWN	–	–	-.016	0.114	–	–

The assessed models are adequate. For model M1 F (7,31)=6,32 and P<0,000, for model M2 F(8,30)=6,15 and P<0,000 and for model M3 F(7,31)=6,32 and P<0,000. The F-test of significance of individual fixed effects was applied to each of these models and it confirms their statistical significance (for model M1 F(18,31)=2,14, p-value=0,03, for model M2 F(18, 30)=2,40, p-value=0,02 and for model M3 F(18,31)=2,03 and p-value=0,04). In all three models the variable “BIG4” is removed due to co-linearity. The variable “DUMMY LISTED” is removed from model M3 due to co-linearity. As a result model M3 is reduced to model M1.

It was found that the statistically significant regression ratios (with accepted level of significance α=0,05) in the assessed panel models are those measuring the influence of the relative share of write-offs and the relative share of profit before taxation. Therefore, the relative share of write-offs and the relative share of profit before taxation have statistically significant influence on the relative share of impaired non-performing loans. An increase of 1,76–1,84% in the impaired non-performing loans corresponds to each percentage point increase in the relative share of write-offs. An increase of 0,93–1,12% in the impaired non-performing loans corresponds to each percentage point increase in the profit before taxation. The positive correlation between the percentage of write-offs and the percentage of impaired non-performing loans should be seen as an attempt of the management to make an adjustment. At the same time, the positive correlation between the share of profits and the share of impaired non-performing loans should be interpreted rather as an attempt, albeit minimal, to smooth the financial performance.

The increase of significant regression ratios after removing the 2010 panel is clearly impressive. This is further proof that significant changes were initiated in 2010 in the bank management policies with regard to financial performance management. There are still insufficient data to assess the direction of the changes in the ratios between the resultative and the factor variables during the economic crisis itself and after that. However, it can be definitively concluded that the restructuring of the ratios between the impaired non-performing loans and their determining factors is a dynamic process which depends on the cycles of market economy.

6. Conclusion

The refinement of the techniques for investigating the impact of various factors on the financial performance is due to the use of increasingly abundant data of the activities of commercial banks and the new and improved evaluation techniques. One possible solution to support the studies with information is the use of panel data. Panel data allow for studying the static and dynamic aspect of the manifested correlation. At the same time, the use of panel data requires application of more advanced evaluation methods that provide more precise results. They are used to make more accurate conclusions about the management of the financial performance of banks.

Understanding the motives and arguments of bank management with regard to loan loss provisions as a tool for "smoothing" the financial performance would create conditions for control and regulation of this process. In this sense, the empirical study of the status and dynamics of the average correlations between loan loss provisions and their determining factors would be a fair and accurate starting point.

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Summary

The purpose of the study is the development of econometric techniques to assess the impact of various factors on loan loss provisions. The use of panel data structures requires a number of additional studies and use of improved models to achieve accurate results. Therefore fixed-effects panel models are approbated for evaluation of the impact on loan loss provisions.

Key words: financial performance, econometry, panel models.

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THE LEVEL OF INTERNATIONAL COMPETITIVENESS OF POLAND'S WOOD AND FURNITURE INDUSTRY

M. Juchniewicz*

1. Introduction

In the theory of economics, the notion of competitiveness is not clearly defined. K. Pawlak and W. Poczta [1, p.42] indicate that the cause of this situation is the attempts to associate this conceptual category with various theories of economics, primarily with the theory of economic growth, international trade, microeconomics, with the theory of international migration of production factors, theory of localization, and theory of management. L. Latruffe [2, p.6] goes as far as to claim that no definition of competitiveness is found in the theory of economics.

Deliberations on international competitiveness of enterprises, sectors or national economy are, however, undoubtedly related to the ongoing integration and globalization processes. Competitiveness may therefore be identified with a capability to either maintain or increase the global market shares [1, p.56]. Therefore, within this set of deliberations on competitiveness, a clear reference to the outcomes as achieved in foreign trade is being made. When alluding to those concepts, A. Budnikowski [3, p.41] claims that international competitiveness of a given sector may be defined as a capability to produce goods which are better or cheaper than products being offered by foreign competitors, and to sell them in a foreign market.

The study assesses international competitiveness of Poland's wood and furniture sector which is an important segment of national economy, since the value of production accounts for approx. 9% of industrial processing [4, pp.85–86]. The share of the sector concerned in the value of Poland's exports is at a similar level.

2. Research methods

Depending on the aim and analysis of competitiveness of a given sector, one may apply various designations and measures of competitiveness. It was assumed that the competitive position of wood and furniture industry would be defined on the basis of indices being most often applied in such researches, namely:

1) Foreign trade balance

It was calculated as a difference between exports and imports of wood and furniture industry. Where the exports are greater than imports, the balance is positive and indicates a surplus in foreign trade.

2) Export Propensity Index (EPI)

The EPI for a particular industry is defined as a proportion of exports over domestic production of that industry. A higher ratio of the EPI in a particular commodity indicates that country has a higher degree of specialization in producing the commodity, and a comparative advantage in that commodity. It was calculated according to the following formula:

$$EPI = X / DP \tag{1}$$

where X is the exports of Poland's wood and furniture industry;

DP is the domestic production of wood and furniture industry in Poland.

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3) Export / Import Ratio (EIR)

P. J. Verdoorn [5, p.27] introduced the exports to imports ratio in order to identify a country's international trade competitiveness. The export/import ratio is calculated as:

$$EIR = (X / M)*100 \quad (2)$$

where X is the exports of wood and furniture industry;

M is the imports of wood and furniture industry.

The higher the value of the ratio, the more a country is competitive in terms of international trade in a particular industry.

4) Revealed Comparative Advantage (RCA)

Revealed Comparative Advantage determines if a country has a comparative advantage for a product by comparing its representatives in the export numbers of the country with the weight of its international trade in the total world market. This index is calculated by the following equation:

$$RCA = (X_{ij} / X_j / (X_{iw} / X_w) \quad (3)$$

where X_{ij} is the exports of commodity i by country j;

X_j is the exports of all commodities by country j;

X_{iw} is the exports of commodity i by all countries in the world;

X_w is the exports of all commodities by all countries in the world.

If the value for RCA is higher than 1,00, the country has a revealed comparative advantage in the specific product.

5) Standard Grubel-Lloyd Index (GL)

H. G. Grubel and P. J. Lloyd [6, p.646] explained that the inter-industry trade index is the ratio of the absolute value of differences in exports and imports to total trade of a particular industry or commodity group. A higher GL Index indicates a higher degree of intra-industry trade. It was calculated according to the following formula:

$$GL = \{1 - |Xi - Mi| / (Xi + Mi)\} \times 100 \quad (4)$$

where Xi and Mi represent, respectively, the value of exports and imports of a particular industry or commodity i, and the vertical bars (|) denote the absolute value. The GL index can be expressed in percentage terms in which values range between 0 and 100. If GLi = 100, there is only intra-industry trade, and no inter-industry trade. Conversely, if GLi = 0, there is no intra-industry trade, only inter-industry trade.

3. Results and discussion

The international dimension of the competitive position of wood and furniture industry in Poland is related to possibilities for rivalry in foreign markets. A significant measure of that aspect of competitiveness is the trade balance. In the years 2007–2012, a positive phenomenon was the large surplus of exports over imports, which amounted to PLN 20–30 billion. The lowest level of that index was recorded in 2008, which resulted from the global economic crisis. This was due to both the decrease in the value of exports by 3,1% as compared to the previous year, and, at the same time, an increase in imports by 0,1%.

In subsequent years, a progressive improvement in the balance of foreign trade for wood and furniture industry was recorded. This indicates the export nature of the sector in question. It should be noted here that among the key sales markets, similarly as for other sectors of Poland's economy, are markets of the eurozone (including mainly the German market).The highest indices of the rate of exports and imports were recorded in 2011, and amounted to 14,7 and 12,9%, respectively. The outcomes of foreign trade in the period concerned indicate that the competitive position of Poland's wood and furniture industry is strong, and that the sector is well prepared for international competitiveness. This is all the more important since the share of wood and furniture industry in Poland's exports is significant. By far, the largest share of the entire exports of products of wood and furniture sector was that of furniture industry (approx 55%).

The next position was held by manufacturers of paper, paperboard and articles of these materials (approx 28%), and the lowest by producers of wood and cork manufactures (approx 17%). The structure of imports of the sector concerned was different. It is the manufacturers of paper, paperboard and articles of these materials that cover two-thirds of the imports. Producers of furniture imported approx. 21%, and producers of wood and cork manufactures approx. 14% of the value of imports of wood and furniture industry.

The situation presented above indicates that the positive outcome of international trade of the sector concerned mainly resulted from the high value of trade balance for manufacturers of furniture. This hypothesis is confirmed by the level of the export/import ratio (EIR). The share of exports of wood-and-furniture products in the sold production of that sector was relatively stable, and amounted to 53,3–58,4%. A particularly strong export propensity was recorded for manufacturers of furniture (in the years 2007–2011, the EIR was at a level of approx 80–90%).

As regards manufacturers of paper, paperboard and articles of these materials, the EIR was clearly lower, and amounted to approx 53%. In the period concerned, it was the entities producing wood and cork manufactures that showed the most stable and, at the same time, the lowest export propensity (with the EIR at a level of approx 30%).

Similar conclusions arise from the analysis of export propensity index (EPI). In all the years under analysis, the export/import ratio for products of wood and furniture industry was over 2. This indicates both Poland's specialization in wood and furniture production and a relative advantage of Polish manufacturers over foreign ones. While considering the level of intra-industry trade, it may be concluded that the GL index was at a level of approx. 60%; such a percentage in trade of the sector concerned was intra-industry in nature. A cumulative list of competitive position indices for wood and furniture industry is presented in tab. 1.

Tab. 1. International competitive position indices for wood and furniture industry in the years 2007–2011

Index level in the years:	Export Propensity Index (EPI)	Export / Import Ratio (EIR) %	Standard Grubel-Lloyd Index (GL) %
2007	2,28	58,1	61,1
2008	2,19	53,3	62,7
2009	2,32	56,4	60,3
2010	2,34	58,4	59,9
2011	2,38	58,4	59,2

Source: own work based on [4]

In terms of the assessment of competitive position of wood and furniture industry, it is of high importance to identify which products of that sector determine, to the greatest extent, the competitiveness thereof.

Tab. 2 presents the level of international competitive position indices for wood and furniture industry according to the SITC classification. Most divisions of that sector were characterized by the EPI of over 1. The highest level of that index was recorded for manufacturers of furniture of wood (9,82), mattresses and articles of bedding (7,78), wood manufactures excluding furniture (6,36), and furniture of other materials (5,87).

Only for two divisions, namely cork manufactures and articles of paper and paperboard, the value of production sold exceeded that for exports, and, as a result, the EPI was lower than one. Similar conclusions arise from the analysis of the revealed comparative advantages (RCA) index. For the divisions characterized by a high EPI level, a significant share of exports of that commodity group in relation to the global market was also recorded.

The highest RCA index was found for manufacturers of furniture for sitting and sleeping (7,31). The next positions were held by producers of wood manufactures excluding furniture, and producers of sleeping mattresses. Significant comparative advantages were also gained by entities involved in production of furniture of wood.

The only SITC division with no comparative advantage was that of cork manufactures. The division with a highest level of the GL index was that of veneers, plywood and wood pulp (86,9 %). A slightly lower level for that index was recorded for producers of paper and paperboard (85,3 %). It means that the smallest difference between exports and imports occurred for trade in those commodity groups.

A different situation was observed for producers of furniture of wood, where the GL index amounted to 18,5%. A low level of intra-industry trade for those commodity groups resulted from the previously presented data, since furniture of wood is primarily intended for export (which is confirmed by the export/import ratio). A similar situation also concerned producers of mattresses and articles of bedding, and of furniture for sitting and sleeping.

Tab. 2. International competitive position indices for wood and furniture industry, according to the SITC classification in 2011

Name of SITC division	Export Propensity Index (EPI)	Revealed Comparative Advantage (RCA)	Standard Grubel-Lloyd Index (GL) %
Cork manufactures	0,46	0,31	63,0
Veneers, plywood, wood pulp	1,30	2,35	86,9
Wood manufactures excluding furniture	6,36	6,60	27,2
Paper and paperboard	0,74	1,81	85,3
Articles of paper and paperboard	1,91	3,47	68,8
Furniture for sitting and sleeping	6,74	7,31	25,8
Mattresses, articles of bedding	7,78	6,08	22,8
Furniture of metal	1,58	1,22	77,7
Furniture of wood	9,82	5,51	18,5
Furniture of other materials	5,87	3,11	29,1
Parts of furniture	2,83	4,12	52,2

Source: own work based on [4]

4. Conclusion

Both the results of an analysis of the index-based assessment of competitiveness of wood and furniture industry, and outcomes of foreign trade, indicate a strong position thereof on foreign markets. In the period under analysis, the export/import ratio (EIR) was over two (the highest one was recorded for furniture of wood, mattresses and articles of bedding, and furniture for sitting and sleeping). The export propensity index (EPI) was at a level of approx. 58%, which indicates both the export specialization of the sector concerned and sales to foreign customers. This trend is clearly visible for the sales of furniture of which approx. 90% is directed to the international market. This situation is confirmed by the level of the revealed comparative advantages (RCA) index. The highest competitive position as measured using that index was recorded for producers of furniture for sitting and sleeping, and entities involved in production of wood manufactures, and of mattresses and articles of bedding. The least important role in establishing and maintaining the competitive advantage of the sector in question was played by trade in paper and paperboard, and in cork manufactures.

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Summary

The study assesses international competitiveness of Poland’s wood and furniture sector which is an important segment of national economy, since the value of production accounts for approx. It was assumed that the competitive position of wood and furniture industry would be defined on the basis of indices being most often applied in such researches, namely: foreign trade balance, Export Propensity Index (EPI), Export / Import Ratio (EIR), Revealed Comparative Advantage (RCA) and Standard Grubel-Lloyd Index (GL).

Both the results of an analysis of the index-based assessment of competitiveness of wood and furniture industry, and outcomes of foreign trade, indicate a strong position thereof on foreign markets. The highest competitive position as measured using that index was recorded for producers of furniture for sitting and sleeping, and entities involved in production of wood manufactures, and of mattresses and articles of bedding.

Keywords: competitiveness, competitive position, food and furniture industry.

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AGENT DYNAMICS MODEL OF ECONOMIC SYSTEM WITH LIMITED RESOURCES

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1. Introduction

One of the most common ways to investigate complex-organized dynamic systems is computer simulation. Methods of computer simulation are generally used in cases where there are difficulties in developing a strict mathematical model of the studied object or it has too many links between its elements, or a variety of nonlinear constraints, a huge number of parameters, etc. Simulation models, in contrast to the analytic ones, are not a closed set of equations, but an extended scheme of the object under study with known structure and principles of behavior.

However, traditional approaches to computer simulation of enterprises, products, customers, partners etc. consider them as passive applications/resources in a process. For example, models based on system dynamics include many assumptions, such as, “we have 120 employees, they can develop about 20 new products per year,” or “we have 1,200 trucks, they can carry a certain amount of cargo per month, and 5 percent of them must be written off every year and must be replaced”. These methods are much better than analytical modeling regarding their ability to examine the dynamic of the system, various non-linearity, but they ignore the fact that all these people, projects, products, equipment and assets are different.

In a real economy, all these entities have their own history, intentions, desires, properties, and complex relationships. For example, people may have different careers and income, enterprises may have different productivity; projects may interact and compete or may depend on one another; consumers may consult with members of their family before making a purchasing decision.

Agent-based modeling is a relatively new (1990–2000) direction in simulations, which has not such restrictions, because it focuses immediately on individual objects, on their behavior and communication. Agent model is a set of interacting active entities (agents) that represent objects and their relationships taken from the real world. Each agent is completely autonomous and independent: it makes decisive actions; it meets other agents; agents are able to make decisions, to move, and to adapt to the environment (evolve), etc. [1]

Multi-agent models are normally used in the study of decentralized systems. Global rules and laws do not determine the dynamics of functioning of such systems, but on the contrary, these global rules and laws are the result of the activity of individual members of the group. The purpose of agent-based models is to get an idea about these global rules, the general behavior of the system, based on the assumptions about the individual, the private behavior of its individual active objects, and the interaction of these objects in the system.

The most promising direction in agent-based modeling is the use of hybrid models. Here agents act on the background of environment, which is modeled by non-agent means, for example, within so called system dynamics approach [2]. Many modern means of computer simulation [3] support agent-based modeling in combination with system dynamics and other approaches, which give the possibility to develop effective hybrid models of complex systems including economic systems.

The aim of this article is to discuss and illustrate new opportunities offered by the agent-based modeling within a certain hybrid model architecture called agent dynamics approach [2]. The basics of the agent dynamics modeling are outlined in the next section, and the following sections examples of its implementation in the AnyLogic environment [3] are provided.

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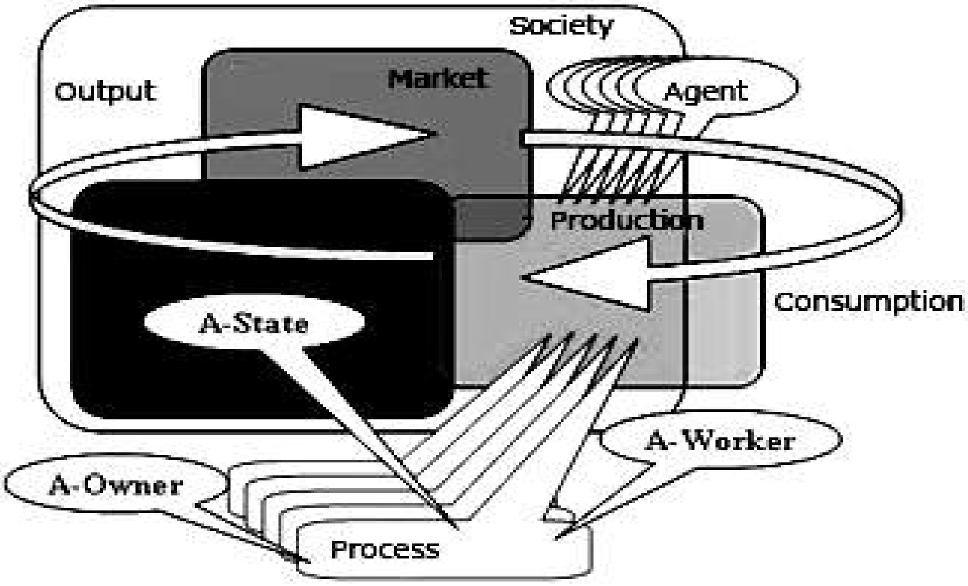
Fig. 1. Agent dynamics model of a closed economy



2. Von Neumann model

The basic idea of the agent dynamics simulation (ADS) is combining of the classical von Neumann model of an expanding economy [4] as a background for the agent-based modeling. Using this approach to construct a hybrid model gives the possibility to correct many well-known shortcomings of the classical von Neumann model and apply the ADS approach in solving many real economic modeling problems.

Von Neumann model [4] is a model of an economy, in which all the output and expenses increase in the same proportion. The model is closed. That means all outputs of one period become expenses of the next period. It does not use primary factors and consumption is treated as a kind of expenses in the technological process, so all the expenses are reproducible, and there is no need to consider the primary resources.

The model assumes that the real level of wages corresponds to the minimum subsistence level, and any excess income is reinvested, real wages and incomes have residual nature.

The model describes the economy characterized by a linear technology of production processes. Balanced economy contains *m* processes producing and consuming *n* products. In the matrix notation, the economic dynamics within the von Neumann model is reduced to two fundamental balance equations written in discrete time:

$$\mathbf{y}(t)\mathbf{A}\mathbf{x}(t+1) = \mathbf{y}(t)\mathbf{B}\mathbf{x}(t) \tag{1}$$

$$\mathbf{y}(t+1)\mathbf{B}\mathbf{x}(t) = \mathbf{y}(t)\mathbf{A}\mathbf{x}(t) \tag{2}$$

Here vector $\mathbf{x} = \{x_1, x_2, ..., x_m\}$ describes intensities of all processes, and vector $\mathbf{y} = \{y_1, y_2, ..., y_n\}$ represents prices of all products in the current period, **A** and **B** are matrices of consumption and production of all products by these processes [4].

Equation (1) is a general condition of the material balance (the current output is consumed in the next period), and the equation (2) is the equation of the financial balance (current expenses must be reimbursed in the following period).

Von Neumann model is a rather general model of a closed balanced economy but it does not contain any assumptions about the driving forces of the economy (the way of production and exchange; motives and preferences determining the behavior of individual economic agents).

Therefore, the equations of the dynamics of individual processes and changes of prices for some products cannot be derived and uniquely defined from the von Neumann balance equations.

3. Agent dynamics approach

The economic theory has two main approaches for analyzing and modeling of economic systems. Microeconomic approach is based on a detailed study of the minimal elements of the economic system, which have all the features necessary for an economic subject (for example, a company).

Macroeconomic approach, on the contrary, describes economic processes in average, using aggregated indicators, which characterize a set of interacting economic objects, which constitute together for example a national or global economy. ADS modeling links these two approaches, combining von Neumann economic dynamics at macro-level, and micro-economic dynamics of the individual processes and prices of individual products.

For this purpose, various types of agents are involved in ADS (A-Owner, A-Worker, A-State, etc.), interacting with each other and with von Neumann dynamic processes. Fig. 1 illustrates the general scheme of the ADS economy, the correspondence between von Neumann dynamic processes and A-Owner, A-Worker and A-State agents.

Within ADS, the system of equations (1)–(2) is replaced by a somewhat more detailed set of equations, which are related to each specific process and each specific product. Nevertheless, the solution of this system is consistent [2] with balance equations (1) and (2).

The mathematical formulation of the ADS equations in discrete time includes equations for increments of the individual processes intensities $(j=1,..,m)$:

$$\frac{\Delta x_j}{x_j} = \varepsilon \sum_{i=1}^{n} \delta_{ij}\alpha_i + (1-\varepsilon)\beta_j , \tag{3}$$

and equations of dynamics of price increments for each product $(i=1,..,n)$:

$$\frac{\Delta y_i}{y_i} = \sigma \sum_{j=1}^{m} \frac{\gamma_{ij}}{\beta_j} + (1-\sigma)\frac{1}{\alpha_i} \tag{4}$$

Here α_i denotes the change of output of *i*-th product:

$$\alpha_i = \frac{\sum_{k=1}^{m} b_{ik} x_k}{\sum_{k=1}^{m} \alpha_{ik} x_k} - 1 \tag{5}$$

and β_j is the profit factor of *j*-th process:

$$\beta_j = \frac{\sum_{k=1}^{n} y_k b_{kj}}{\sum_{k=1}^{n} y_k \alpha_{kj}} - 1, \tag{6}$$

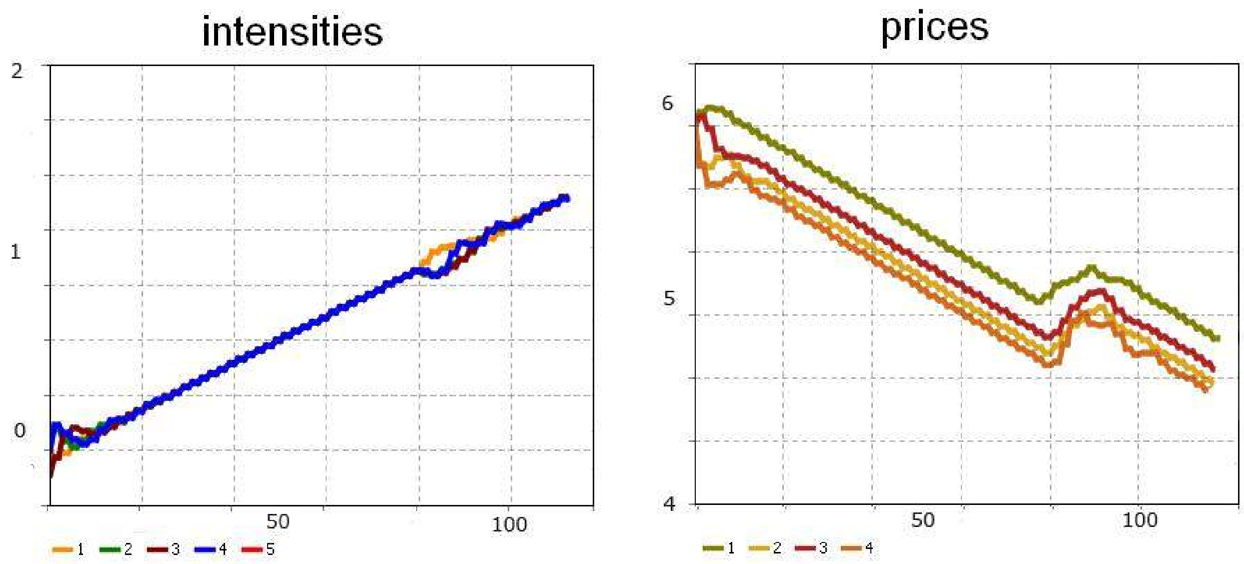
γ_{ik} denotes the share of *k*-th process in production of *i*-th product:

$$\gamma_{ik} = \frac{b_{ik} x_k}{\sum_{p=1}^{m} b_{ip} x_p} \tag{7}$$

and δ_{kj} is the share of j-the process in consumption of k-th product:

$$\delta_{kj} = \frac{y_k a_{kj}}{\sum_{p=1}^{n} y_p \alpha_{pj}} \quad (8)$$

Fig. 2. Dynamics of intensities and prices (good investment climate)



The ADS model has two additional parameters: ε and σ. It should be noted that the increments of intensities $\Delta x_j = x_j(t+1) - x_j(t)$, and increments of prices $\Delta y_i = y_i(t+1) - y_i(t)$ for one period calculated according to ADS equations (3) and (4), when substituted into the balance equations of von Neumann (1) and (2), turn them into identities independently from values of ε and σ parameters.

Let us consider the meaning of these two parameters. When $\varepsilon \to 0$, the rate of change of intensity of j-th process in equation (3) tends to its profit factor β_j (6). When factor $\varepsilon \to 1$ the rate of change of intensity of j-th process tends to the weighted-average of the increments of their output (here weight are shares of consumed products).

Thus, variation of ε in the range 0<ε<1 in equation (3) describes the economic policy (or marketing strategy) which always takes into account two controversial factors: profitability of production and possibility of the market expansion.

The dynamics of the i-th product price, according to equation (4) is determined by factors α_i (5) and β_j (6) and is inversely proportional to both factors. When $\sigma \to 0$ in equation (4), the price of i-th product decreases with the rate inversely proportional to the dynamics of output of this product. When $\sigma \to 1$, the rate of the of i-th product price change becomes equal to the weighted-average of their inverse profitability (weighted over all processes involved in the production of i-th product).

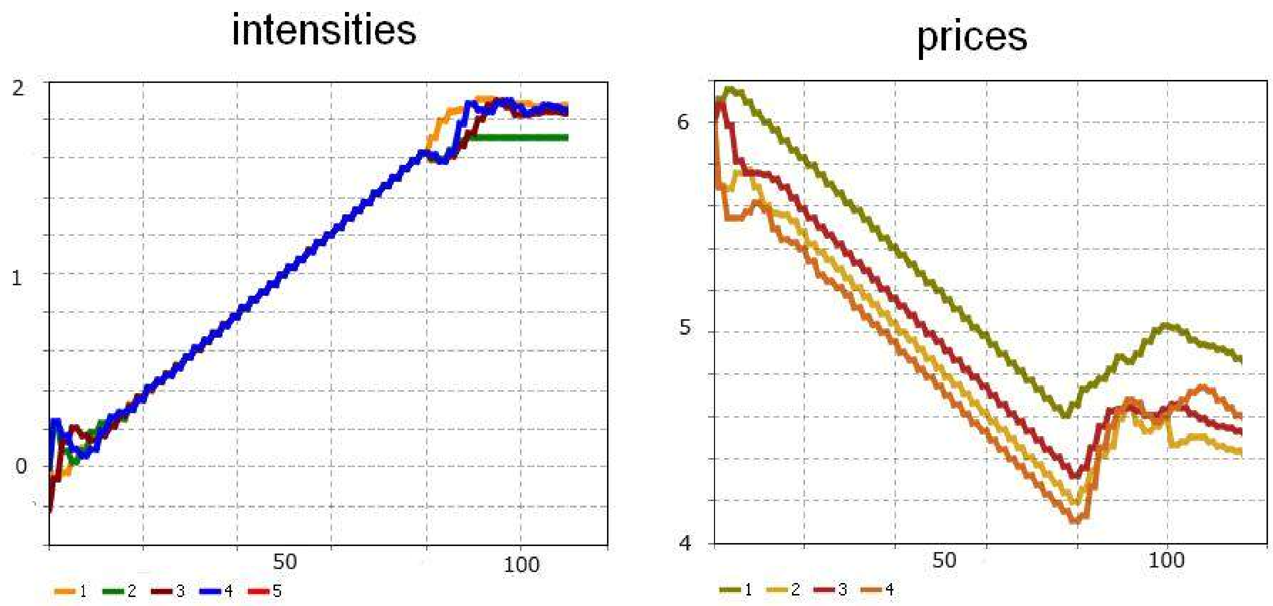
Thus, σ characterizes the pricing policy of the whole economy. With increasing σ from 0 up to 1, the pricing policy becomes increasingly market-oriented, profit-oriented and less expansionary.

As it was already mentioned above, ADS allows overcoming the limitations of the classical von Neumann model [4], extending this model by including real technological progress, more realistic dynamics of prices and intensities. One of such possibilities is the account of restrictions on human and production resources existing in the real economy. We illustrate such possibility by an example discussed below.

4. Implementation of ADS within AnyLogic environment

The first version of ADS system, «ECO-Dynamics», was developed and implemented in C++ language in Visual Studio system [2]. It showed the advantages of combining of agent-based approach and a theoretical model of the economy. The first step in this direction was the inclusion of agents of A-Owner type who administrated their processes by changing parameters ε and σ, and trying to maintain financial balance of each process and profitability of every manufactured product.

Fig. 3. Dynamics of intensities and prices (poor investment climate)



In this work, we have made the next step, porting the «ECO-Dynamics» system into AnyLogic environment. This system has many tools for the development of simulation models. Further we report the results of testing of that new system by simulation of an economic system, where only one type of agents (A-Owners) are implemented. These agents run their own processes by making decisions about the realization of investment projects.

In the original von Neumann model [4] the production capacities of all processes are unlimited and hence the increase of their intensities is unlimited. In the real economy, every process has certain limits of its production capacity. To overcome this problem, the intensity of each process in our example is limited by a maximal intensity x_j^{max}. When the intensity of j-th process reaches this limit, x_j^{max}, agent A-owner decides whether to invest in capital assets to increase the maximal intensity.

This investment allows the continued growth of output but also leads to an additional increase of goods prices. When the investment climate is good, all owners are involved in the investment process.

We illustrate this case in fig. 2. Here we present the results of ADS modeling of a simple system consisting of five processes that produce four products consumed by other processes. Initial dynamics of this system corresponds to von Neumann turnpike (straight line in semi-logarithmic scale).

After reaching limiting intensity, A-Owners of all processes decide to get a bank loan and raise the limit of intensity of its process. Repayment of credits leads to the increase of prices for manufactured products and, consequently, financial balance of each process is affected by prices of all consumed products. This leads to certain increase of all prices, which nevertheless later returns on a new turnpike.

Fig. 3 shows the result of modeling the same system but under conditions of poor investment climate when only one A-Owner agent decided to take a loan to increase its limiting intensity $x_1^{\max}$. Other agents A-Owner, even when reached their limits of intensity, decided do not invest to increase. As a result the intensity of all processes stopped on a mark $x_j^{\max}$ (j=2,3,4,5). The first agent A-Owner, despite the investment, has failed to increase significantly the intensity of its own process because its output depends on outputs of the rest of processes in the previous period.

As one can see, the ADS is able to overcome at least some of shortcomings of the classical theoretical model of von Neumann and it is possible to build on its basis the agent-based models of real systems in which there are restrictions on the basic factors of production.

5. Conclusions

System modeling of agent-based dynamic ADS approach helps in the study of complex, hard formalized, self-organizing processes of the economy and is one of the promising ways for modeling of socio-economic processes [5]. This method provides new prospects for extending tools implemented in modern simulation systems. The examples provided above illustrate this conclusion and show some directions of possible application of this method.

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MODERN CHALLENGES TO THE HEALTH AND SAFETY AT WORK IN BULGARIA

Rumen Kalchev*

1. Introduction

The subject of occupational safety and health (OSH) is particularly topical today, at the beginning of the XXIst century. The attention paid by society to the provision of safe and healthy working conditions is increasing under the influence of trade unions, international and national organizations. Under conditions of demographic collapse in this country, from the viewpoint of the economy it is important to preserve the health and working capacity of human resources for as long as possible. Equally important are also the social consequences of violating the OSH.

The aim that has been set in the article is to clarify the organization of OSH activities in the Republic of Bulgaria, to point out the main present-day challenges facing it and the possibilities for their solution.

2. Organization of occupational safety and health activities in Bulgaria

OSH activities in Bulgaria have a long history. As far back as 1905 the Bulgarian Kingdom passed a law, which marked the beginning of labour legislation and in actual fact the beginning of OSH activities in Bulgaria – The Law for the Protection of Female and Child Labour. "During the various periods in the development of the country the state policy on occupational safety and health has been amazingly consistent. Irrespective of the social and political organization of the state, its politicians and rulers have been aware of the importance of the problems and have paid the needed attention to the normative base and the management of activities in this area." [1, p.30].

Bulgaria's membership in different international organizations has played a significant role in the formation of the contemporary OSH system. Without going into detail, we will note the country's membership in the International Labour Organization (ILO) since 1920, the United Nations (UN) since 1955, the Council of Europe (CoE) since 1992 and the European Union (EU) since 2007.

The pursuance of a purposeful social policy for the provision of OSH is a diverse and complex process, connected with the implementation of a combination of legislative, organizational and economic, social, technical and health measures. The priorities in this area are aimed at protecting the health, the capacity for work and the life of working people. For their implementation there are envisaged concurrent actions in different directions – the improvement of labour legislation, the building of competent institutions, the provision of an information base, the optimization of the conditions of life and labour, training, the building of the culture of prevention, etc.

The development of OSH activities in Bulgaria follows the main guidelines and principles of European and International law on: avoidance of risks; assessment of risks that cannot be avoided; restriction of risks at their source; the marking of existing hazards and sources of factors detrimental to the health and safety; the pursuance of a coherent comprehensive policy of prevention covering the technology, the organization of work, the working conditions, social relations and the influence of the elements of the working environment and the working process; the use of collective means for protection taking precedence over personal protective equipment; the provision of relevant instructions to the workers, etc.

Republic of Bulgaria possesses a rich normative base for the realization of OSH activities. By the end of 2012 the effective normative acts numbered over 700 [2, p.50], but among those of greatest importance are the Labour Code [3] and The Law on Health and Safety at Work (LHSW), in which

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19 relevant acts of EU legislation are pointed out [4]. LHSW specifies the principal rights, duties and responsibilities of all participants in the labour process: the state, the employers, the employed, the individuals who work alone – at their own expense, or in partnership, as well as of other organizations and legal entities. The developed system of standards, specific requirements and duties for ensuring occupational safety and health creates a practical foundation for the realization of the principles of OSH. The minimum requirements, which employers must comply with in order to ensure the safety and health of their workers and staff have been set. Professional hazards are assessed and planned. The provision of medical observation of workers and administrative personnel, as well as the provision of the necessary information and appropriate training, consistent with the nature of the work being done and the qualification of the employed are compulsory. Workers and administrative staff are required to take out industrial accident insurance.

The state policy in the area of OSH in Republic of Bulgaria is determined by the Council of Ministers (CoM). The development, coordination and pursuance of the state policy for ensuring occupational safety and health is carried out by the Ministry of Labour and Social Policy (MLSP). Since 1998 with the MLSP has been functioning the National Council on Working Conditions (NCWC) and the fund Working Conditions has been established. There has been adopted a Strategy on Safety and Health for the period 2008–2012, a document, through which the government of Republic of Bulgaria outlines its vision in the area of safe and healthy working conditions. For the purposes of the realization of the strategy, since 2009 MLSP develops annual National Programmes on OSH [5].

By means of the fund Working Conditions MLSP actively aids the activities for ensuring occupational safety and health. The fund provides the means for the training of employers, trade union members, members of committees and groups on working conditions and specialists in occupational safety and health in the respective enterprises. It provides gratuitous financing for projects for the diagnostics of professional diseases and some of the projects aimed at solving specific problems for improving the working conditions. It also finances the preparation, printing and circulation of educational and other information material. With the financial support of the fund Working Conditions they hold national conferences, meetings, seminars and other activities in the sphere of OSH.

The Ministry of Health (MH) directs and coordinates the activity of protecting and improving health at work. Institutions with important functions in OSH activities – Regional Inspectorates for Protection and Control of Public Health (RIPCPH), The National Centre for the Protection of Public Health (NCPPH), The National Centre of Radiobiology and Radiation Protection (NCRRP) work in the system of MH.

Other Ministries also have functions in the area of OSH – The Ministry of Regional Development and Public Works (MRDPW), The Ministry of Economy, Energy and Tourism (MEET), The Ministry of Transport (MT), The Ministry of the Interior (MI), etc.

Specialized bodies and institutions involved in the control and supervision of OSH are: The Government Agency of Metrology and Technical Supervision (GAMTS), The Directorate for National Construction Control, The National Office "Fire Safety and Protection of the Population", etc.

The entire control over the observance of labour legislation for ensuring occupational safety and health and over the realization of employment relations is carried out by the Implementing Agency named "Chief Labour Inspection Agency" (IA "CLIA") with the MLSP. It performs the monitoring of working conditions in this country through the mechanisms of control in the realization of employment relations and in the provision of occupational safety and health. The main indicators, which are monitored by the IA "CLIA" are: total number of enterprises, including small and medium-sized enterprises with ascertained violations concerning safe and healthy working conditions, legal employment; the applied compulsory administrative measures regarding discontinued projects and commissioning in suspended machines, workplaces, etc.; checked execution of unlawful orders; persons suspended from work; introduction of special regimes of work; closing down of enterprises, etc.; drawn up statements; penal decrees entered into force; authorizations for employing individuals who are under 18 years of age; registered collective labour contracts.

The National Social Security Institute (NSSI) – through its territorial branches – carries out control as regards to the expert examination of the capacity for work, investigates work accidents, maintains an information system of work accidents. The NSSI prepares regular reports on the state of labour traumatism in this country and an Annual Statistical Guidebook on labour accidents. The main indicators, which are observed by the NSSI are: total number of accidents at work; average number of insurers; average number of insured persons; number of lethal accidents at work; coefficients of frequency and weight; indexes of frequency and weight, etc.

In connection with the development and coordination of the state policy in the area of labour inspection and in conformity with The Law on the Inspection of Labour [6] in 2008 there was established a National Council for the Inspection of Labour (NCIL), which is chaired by the minister of labour and social policy and is a standing body for the carrying out of coordination, consultation and cooperation in inspecting labour.

Bulgaria possesses a developed infrastructure of units for providing assistance to employers in the fulfilment of the requirements and duties on ensuring safe and healthy working conditions – offices of occupational medicine, laboratories for the measurement of working conditions, centres for training and consultation in OSH issues.

The activity of ensuring occupational safety and health is formed and carried out on the basis of tripartite cooperation at the national, sectoral and regional level. The standing body for the fulfilment of coordination, consultation and cooperation in the development and pursuance of the policy on the provision of safe and healthy working conditions at the national level is the NCWC. There are functioning sectoral and industry councils on working conditions, which consist of representatives of the national sectoral or industry federations, unions and syndicates of the employed, of the sectoral or industry structures of employers and of an equal number of representatives of the respective ministry or administration.

In all administrative areas of Bulgaria there have been set up regional councils for tripartite cooperation on safe and healthy working conditions. The regional (district and municipal) councils on working conditions consist of representatives of the existing regional unions or organizations of the employed and the employers and an equal number of representatives of the district administration or of the local self-government authorities. There have been established committees on working conditions in the enterprises, through which the dialogue between the employer on the one hand and the workers and administrative personnel, on the other is accomplished.

From what has been stated so far there can be drawn the conclusion that the activity on ensuring OSH in Bulgaria is sufficiently provided for, both in normative and organizational aspect and is aimed at:

– raising the culture of protection of the employed and further development of the system of prevention by means of: refinement of the legislation, training and education, the social dialogue, the common social responsibility, the economic initiatives, the partnership between all participants in the labour process;

– the realization of comprehensive and effective integrated control on the observance of labour legislation;

– the broadening of the infrastructure of offices for consultation and assistance to the employer and raising the quality of that activity;

– the development of social insurance systems and insurance activity and their effective inclusion in the work for the provision and maintenance of safe and healthy working conditions in enterprises.

3. The challenges facing OSH in Bulgaria

The system of OSH in Bulgaria is facing a number of challenges, the most significant among which, according to us, are:

– the ageing of the labour force;
– the increasing percentage of micro- and small enterprises;
– the high relative share of self-employed persons and unpaid family workers;
– the use - still - of obsolete machines and equipment in a number of economic activities;
– the growing number of psychosocial risks;
– the formal compliance with the requirements on OSH on the part of the management of the enterprises, etc.

In 2009 statistics in Bulgaria reported the lowest level of labour traumatism for the past 10 years, but in 2010 the indicators (Frequency coefficient (Cf) – number of accidents at work per thousand insured persons; weight coefficient (Cw) – lost calendar days due to accidents at work per insured person; frequency index (If) – number of accidents at work per 1 mln worked off man-hours; weight index (Iw) – lost calendar days due to accidents at work per 1 mln worked off man-hours) show an increase, which leads us to the thought that perhaps in the existing organizational and technical conditions there has been reached an optimum of sorts (tab. 1).

Tab. 1. Overall coefficients and indexes of frequency and weight of work accidents, lost calendar days and lost value added in Bulgaria during the period 2006–2010

Indicators	Year				
	2006	2007	2008	2009	2010
Cf	2,33	1,98	1,75	1,63	1,67
Cw	0,184	0,157	0,179	0,157	0,163
If	1,30	1,11	0,98	0,96	1,03
Iw	103	88	100	92	100
Lost calendar days (num)	260,180	238,869	298,290	254,964	252,792
Lost GVA on account of work accidents (in thousand levs)	13,808	14,351	19,872	18,097	19,862

Source: NSSI, NSI and author's own calculations.

Relative stability is observed in the number of lost calendar days, but here we must bear in mind also the fact that after 2008 the number of employed people has been decreasing constantly. The economic losses manifested in the lost, unearned gross value added (GVA) on account of labour traumatism during the past three years of the period is approaching 20 mln levs, in 2010 the excess in comparison with 2009 being more than 1,7 mln levs. This is due mainly to the increase in GVA per employed person per day.

In 2010 in Bulgaria there was conducted a national survey entitled “Evaluation of the socio-economic costs caused by accidents at work” [7]. The principal results of the survey show that most accidents at work occur in business activities, which are characterized by low values of the indicators total production per employed person and salary per employed person. The decrease in the number of accidents and in their weight remains the only acceptable solution for reducing losses due to unproduced goods as a result of accidents at work. It is precisely this factor and the careful analysis of accidents by sector that we should rely on in the future, since the effect of intensification will always be in the direction of an increased number of accidents, because of the ambition on the part of employers to achieve an increase in labour productivity. The direct economic benefits of averting work accidents at the enterprise level according to the study are manifested in: raising the productivity of labour; improving the quality of goods and services; raising the innovation capacity of the enterprise, etc. The direct and indirect social benefits at the enterprise level find expression in: raising the health status of the employed persons; the increased fringe benefits of personnel, etc.

The direct and indirect economic benefits for society are manifested in: an increase in the total amount of the added value in the economy; raising the revenues in the state budget and increase in the expenditure on social functions – public health, education, culture, pensions, etc.

The statistics and the data from the research on OSH are stimulating for the unification of efforts and for effective partnership between the institutions in solving the problems in the area of OSH and seeking new forms of motivation towards healthy and safe labour.

According to data provided by Eurostat for 2008 and 2009 [8] in Bulgaria, it has been found that within the age groups of under 18, 18–24 and 55-64 there is a considerably greater number of accidents in comparison with those of 25–34 and 35–44, i.e. the lack of experience and the advancement in years have a negative effect. The labour force in Bulgaria during 2006–2010 is of a markedly stable gender structure and of varying age structure (tab. 2).

Tab. 2. Structure of the labour force in Bulgaria by sex and age for 2006–2010 (%)

Gender and age	Year				
	2006	2007	2008	2009	2010
Male	52,97	53,03	53,27	53,34	53,07
Female	47,03	46,97	46,73	46,66	46.93
15–24	8,74	8,43	8,45	8,2	7,94
25–34	23,38	22,42	21,95	21,26	20,58
35–44	28,16	28,81	28,35	29,26	29,96
45–54	26,38	26,35	26,22	26,03	26,57
55–64	12,18	12,7	13,47	13,81	13,65
over 65	1,16	1,29	1,56	1,44	1,30

Source: NSI and author's own calculations.

With men there occur about 2.5 times more accidents with four and more lost working days than with women. The reform in the pension system has had its influence, but there should be noted the decrease in the relative share of the young labour force under 35 years of age and the increase in the remaining age groups.

The structure of enterprises in Bulgaria according to the number of employed persons in them noticeably changes (tab. 3).

Tab. 3. Structure of enterprises in Bulgaria for the period 2008–2010 according to the number of employed persons, average number of employed persons in a group of enterprises

Indicators	Year		
	2008	2009	2010
1. Structure of enterprises according to the number of employed persons – total (%)	100,00	100,00	100,00
0–9 (%)	89,78	91,23	91,9
10–49 (%)	8,28	7,19	6,63
50–249 (%)	1,68	1,38	1,27
250+ (%)	0.,6	0,20	0,20
2. Average number of employed people in a group of enterprises	6,87	5,96	5,67
0–9 (num)	2,01	1,96	1,91
10–49 (num)	20,07	19,87	19,74
50–249 (num)	98,23	96,59	95,95
250+ (num)	680,14	677,89	677,05

Source: author's own calculations based on NSI data.

The percentage of microenterprises in a period of only two years grows by more than two percent at the expense of small, medium-sized and large enterprises. In addition to that, under the influence of the economic crisis there is observed a decrease in the average number of employed persons in each of the groups of enterprises. In the strategy for safety and health for the period 2008–2012, the development team points out – and the practice confirms it – that in the small and medium-sized enterprises the knowledge in OSH is usually insufficient or is often lacking and the risks are not equally manifested in the large and small enterprises.

In the economy of Bulgaria the self-employed persons and the unpaid family workers account for about 9% of all employed persons (tab. 4).

Tab. 4. Employed persons by status of employment in Bulgaria for the period 2008–2011 and their structure

Indicators	Year		
	2008	2009	2010
1. Employed persons total – (in thousands), inclusive of:	3360,7	3253,6	3052,8
Employers	122,9	113,4	115,1
Self-employed persons	259,9	259,4	242,7
Employed persons	2943,8	2847,6	2662,8
Unpaid family workers	34,0	33,3	32,2
2.Structure of the employed persons – (%), inclusive of:	100,00	100,00	100,00
Employers	3,67	3,49	3,77
Self-employed persons	7,73	7,97	7,95
Employed persons	87,59	87,52	87,23
Unpaid family workers	1,01	1,02	1,05

Source: NSI and author's own calculations.

Despite the duties ensuing from the law, with these forms of employment the application of any OSH standards cannot be expected, and even if this was done, the respective persons could hardly be competent enough with regard to ensuring OSH.

According to data provided by the NSSI [9] the biggest percentage of accidents, particularly those resulting in disability and death is generated by traditional industrial activities such as the extractive and processing industry, the production and distribution of electrical and thermal energy and gaseous fuels, water supply, sewerage services, construction, transport, etc. The obsolete machinery and equipment not only lack competitive productivity, but also create harmfulness and hazards for the employed. Conclusions in that respect can also be made from the nature of labour accidents by type of harm and by affected parts of the body [8]. In 2009 41% of those were fractures, 31% – injuries and flesh wounds, 12% were dislocations and sprains, 6% – concussions and internal traumas, 5% – burns, scalding and frostbite, etc. The greatest numbers were contusions of the upper limbs – 41%, the lower limbs – 32%, the head – 16%, the torso – 7%.

Psychosocial risks at the workplace are identified as some of the major present-day challenges to safety and health. They are associated with problems at work such as stress, violence, anxiety and harassment. Psychosocial threats can be defined as: those aspects of the planning, organization and management of the work and the respective social and environmental context, which may possibly cause mental, social or physical damage [10]. As a result of stress psychosocial hazards may affect directly or indirectly one's mental and physical health. Stress at work is often pointed out as the main issue for employers, who work in the sphere of public health and social services.

The highest levels of anxiety are observed in the work with problematic customers, patients, students, etc., which is most typical of public health services and social activities, the hotel industry, the catering industry and education. Among 79% of the individuals holding managerial positions in Europe there is observed anxiety, connected with stress at the workplace, which shows that in enterprises stress is a factor of the same gravity as work accidents. Anxiety, irritability and stress affect the professional life of the employed in the different sectors of the economy in various degrees. The sectors of public health, social activities, transport and services are most problematic. Eurostat data [8] shows that stress, depression and anxiety are common causes of absenteeism for more than 14 days in sectors such as public health and social activities. In those sectors mental problems are almost as frequent a cause for absence from work, as are musculo-skeletal injuries.

Certain occupations are particularly risky for various forms of violence – education and public health, transport and communications, the hotel and restaurant industry, the service industry, retail trade, etc. Actual physical violence (from people outside the company) is experienced by employees in education and public health, the hotel and restaurant industry, transport and communications, retail trade, etc. Harassment at the workplace is reported in sectors such as the hotel and restaurant industry, education and public health, transport and communications. Unwanted sexual attention is observed most often in the hotel and restaurant industry, education and public health, transport and communications.

The formal fulfilment of the requirements on OSH on the part of the management of the enterprise is also among the contemporary issues in this area. The cited study [10] points out that in the EU the issues connected with OSH are raised regularly at top level meetings only in 40% of the enterprises under study, the percentage rising proportionately to the size of the enterprise. Exactly the same is the percentage of Bulgarian enterprises as well, i.e. Bulgaria is at the average European level. Even more disturbing is the fact that in 15% of the enterprises the issues connected with OSH are practically never raised at top-level management meetings.

The outlined problems facing OSH activities, which are typical of the present day, require the finding of approaches for their solution. Part of those ensue from objective demographic and economic processes. To give universal directions for coping with them is extremely difficult. Still, there can be formulated some priority guidelines.

In order to minimize the risks at work and the pursuance of effective policy in the area of OSH, first and foremost it is necessary to develop an information system that is functioning well enough, which would provide adequate and reliable information to the enterprises, accounting for the nature of their activities, the professional hazards, the level and dynamics of traumatism, etc. Bulgaria possesses a well-developed and functional system for the administration and reporting of the risk “accident at work”, but that for the risk of “occupational disease” is still in the process of providing information services.

Second, employers must be held responsible upon finding a formal approach on their part to the activity in OSH in enterprises. The involvement of key personnel is a major factor for success in the management of OSH activities. In addition to the observance of formal duties dictated by the law, particular attention should be paid to the control over the work with risky age groups. The policy on OSH should become a principal element of company culture.

Third, there must be strengthened the controlling and explanatory activity of the responsible institutions (IA “CLIA”, the offices on occupational medicine, the centres for training and consultation in issues of OSH) in the micro- and small enterprises, as well as among the self-employed persons and the unpaid family workers.

Fourth, at the national level and in the enterprises there should be raised the quality of preventive and restrictive measures with regard to psychosocial risks. On the basis of estimates and risk assessment it is possible to identify the hazards that are most significant. Some risks can be avoided by taking the appropriate measures on the part of the employer.

Other risks are difficult to avoid, but they can be influenced and there can be affected the extent of the risk and the gravity of the harm caused by it. There can be taken certain preventive measures: clear orders, balanced allocation of working tasks, the degree of freedom of the employed person to affect the entire process, awareness, clear procedures, directions and responsibilities associated with the particular powers, etc.

Fifth, with the help of the fund Working Conditions there should be initiated the gradual removal of obsolete machinery and equipment. There should be provided incentives to employers, who invest funds in the refinement of the equipment and technology that are used.

4. Conclusion

Working conditions are a characteristic, which directly affects the overall presentation of the enterprise in the real economy. The analysis of the current state and the trends facing OSH provide the possibility to formulate the main priorities, which, in our view, will determine the development of this activity in the near future:

1. Control over the practical compliance with legislation in this country.

2. Completion of the information system on OSH.

3. Strengthening of prevention in respect of psychosocial risks.

The issues discussed here are complicated from both theoretical and practical viewpoint, they are not subject to straightforward assessment and decisions. In the practice of production it is impossible to completely eliminate work accidents, occupational diseases and psychosocial risks, but the effort made on the part of the institutions concerned and the social partners in Republic of Bulgaria is a guarantee that the activity on OSH will keep on being perfected.

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Summary

In the article there are discussed the organization of OSH activities in Republic of Bulgaria and the main issues it is facing. There are outlined the most significant contemporary challenges that lie ahead of the OSH system in Bulgaria: the ageing of the labour force, the increasing relative share of micro- and small enterprises, the high percentage of self-employed people and unpaid family workers, the use of obsolete machinery and equipment, the growing number of psychosocial hazards. Possible approaches to their solution are put forward.

Keywords: safety, health, work, psychosocial hazards.

UDK classification: 331.4

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E–BANKING IN POLAND AS A MODERN FORM OF MANAGING A BANK ACCOUNT

A. Kowalkowski, M. Grzybowska-Brzezińska, A. Rudzewicz*

1. Introduction

The development of telecommunication and IT technologies as well as the Internet enabled banks to offer altered products and services. They are rendered in the field of e-banking, which basic function is recognizing a client as an active user without territorial or time boundaries. Recently, we have been observing a rapid evolution of e-banking in Polish banking system. A growing number of banks is introducing modernized offers which may only operate in the virtual world. Considerable opportunities in this area allow to retain not only the existing customers but also entice new ones, which is of great importance in the development of the bank and its services and products [1, p.15–18]. When competing for new clients banks are introducing increasingly new business activities which raise convenience and the quality of services in e-banking, and as a result, electronic banking is becoming more effective [2, p.67]. Most commonly offered forms of banking services and products included electronic banking, home banking, telephone banking, mobile banking and interactive television. Additionally, banks offer their clients tools thanks to which they have the access to non-cash payments. The main forms of non-cash payments include debit cards and electronic money [3, p.102].

The crucial element of remote access to the bank account is the development of the Internet to Web 2.0. With the creation of Web 2.0, the rapid evolution of e-banking was very swift and therefore, its potential changed entirely [4, p.67]. Users of this form of services could participate actively in the development of banking services and products as well as communicate and cooperate. That was the beginning of Internet relations. Social networking services and software became the key aspect of relations development. The main tools of this software include banking forums and blogs, open innovation services, podcasts, widgets and social networking sites such as Facebook and YouTube.

The general condition of Polish economy allows a dynamic evolution of e-banking. It is proved that the increase in electronic accounts is faster than GDP growth. This is the result of the characteristics of introducing a new and rather flawless service on the market, which at the early stage of life, features substantial probabilities of advance. Among the other elements, which are considered as crucial in the e-banking evolution, are the development and stability of the Polish banking and financial system [5, p.22].

The primary goal of the following dissertation is the presentation of e-banking as a modern and effective form of managing a bank account in the view of the respondents. An Internet questionnaire, concerning the remote access to a bank account, was used to conduct the research. E-banking services in Poland were the area of the research.

2. Evaluation of banking services in the opinion of customers – results

E-banking is becoming an increasingly popular form of managing a bank account in Poland. The results in the report of Polish Banking Association indicate that until the end of 2012 about 21 million Poles used this form of banking [6]. The reason why we chose the particular bank offer is a serious issue (Fig. 1). It has been observed that the main reasons are the product offer (26,4%), location (22,6%) and an attractive price (21,4%). It is understood as everyone wishes to own an account in a bank, which has favourable offer as well as low prices.

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E-banking is associated with certain risk, therefore some clients may be apprehensive when they use it. It has been noticed that about 27% of respondents do not have any concerns connected with using banking services. This may be due to the fact that clients trust banks in a greater extent. Unfortunately, a large number of people are still anxious about the e-banking perils. They include losing a bank account with 19,5% of the interviewees giving such a response, and the same number of respondents anticipates mugging by the ATM machine or an unauthorized entry on the account.

E-banking gives various possibilities and methods of using it. Approximately 63% of respondents prefer to access their bank accounts via the Internet (Fig. 2). This is because this form of managing an account is especially convenient and inexpensive. A client can access the account regardless of time of the day. The only condition that must be fulfilled is either a wireless or a broadband connection with the Internet. But still, a visit to the bank is of great interest, preferred by 30% of respondents.

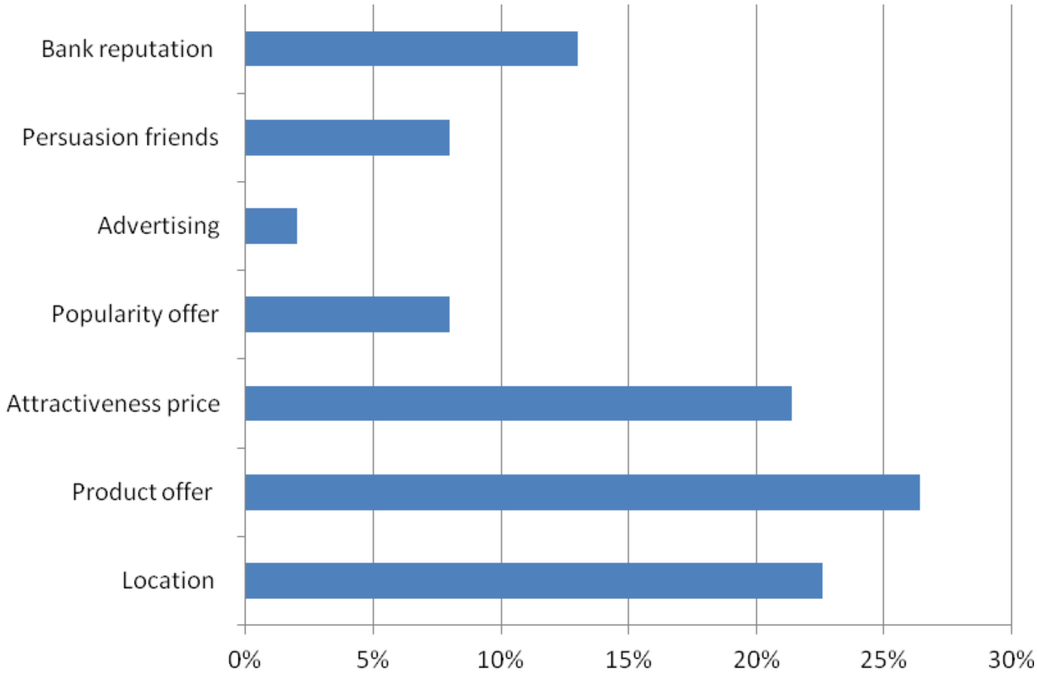

Fig. 1. Reasons for choosing a particular bank

Source: own elaboration

Thereinafter, many people prefer to manage their bank account with the help of a bank employee because it is a more certain and safer form of services, even if their e-banking service has been activated. It must be stressed that more than 76% of the respondents have their e-banking service activated, and only 15,7% do not use e-banking services at all. The most commonly used services include making payments and money transfers, checking the balance and checking the account record; and they are used by all respondents. It must be also stressed that 73,6% of the interviewees do online shopping using e-banking.

An important issue for e-banking users is implementing security measures within it. According to the respondents, the most frequently applied form of protection is an identification number or a password, which are adopted by 94% of banks (Fig. 3). However, we do not place confidence in an electronic signature, as merely 7% of respondents consider it a satisfactory form of protection.

It appeared that 96,7% of the respondents are contented with the level of security offered by the bank. It results from the better forms of protection on the e-banking platforms. Taking into consideration the customers' opinions on the changes in electronic banking, more than 40% of the people interviewed presume that the most far-reaching change that should take place in e-banking services is adjusting the services to the client's individual needs.

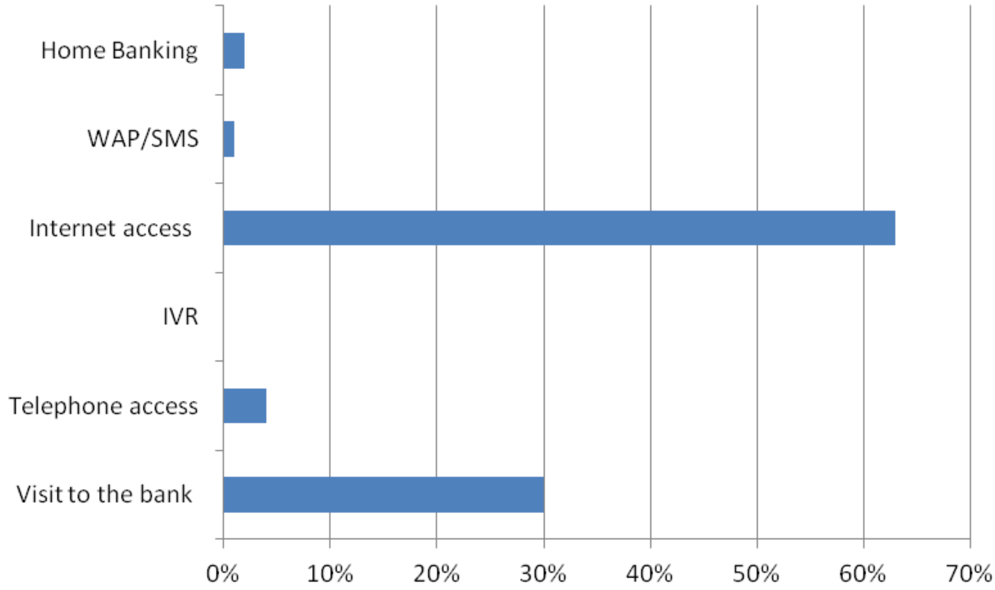

Fig. 2. Preferable access to the account

Source: own elaboration

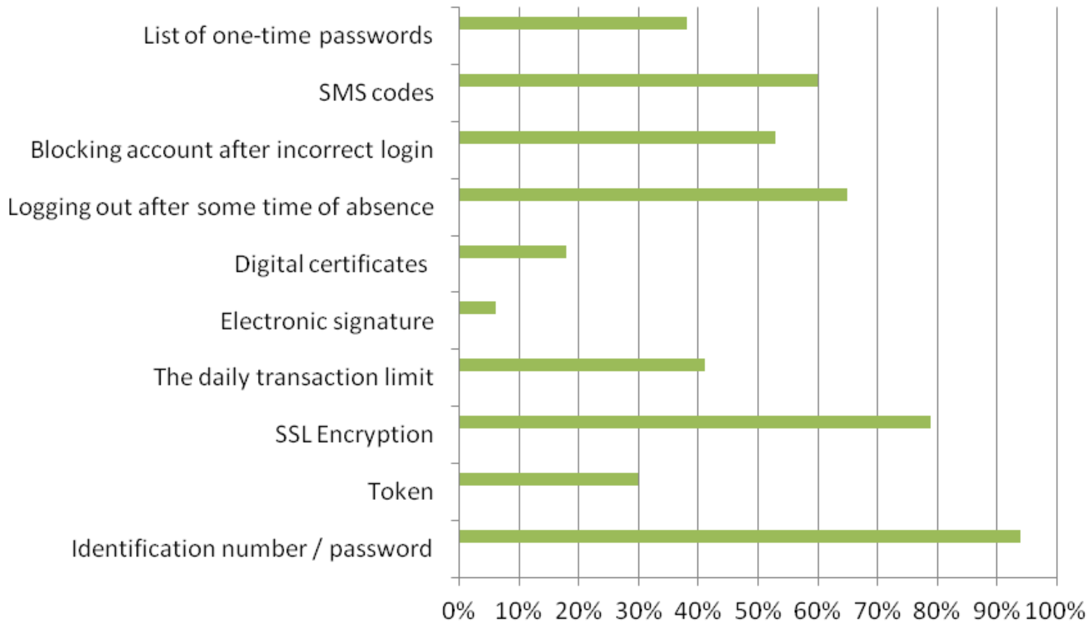

Fig. 3. Security measures used by banks in e-banking

Source: own elaboration

For the surveyed group, the greatest advantage of e-banking is convenience (39,6%). The second most important feature is an unlimited access to the account (28,9%). The drawbacks of e-banking, according to 47,1% of the people surveyed, include the limited range of services and frequent technical changes (24,8%).

Taking into consideration the level of security during electronic banking, a larger number of the interviewees consider the online banking operations are not a threat. 63,6% of respondents consider banking operations as safe and 19,9% are of the opinion that they are very safe. None of the respondents rated the operations as insecure and only 16,5% of the people surveyed had no opinion of that issue.

83,5% of the respondents are of the view that e-banking will oust traditional banking from the market. It could be caused by the constant development of e-banking, the convenience it brings and low costs of managing an account. However, 10,7% of the interviewees believe that traditional banking will still operate on the market. There are many banking services operating only in the form of traditional banking and therefore, they will never be replaced by e-banking.

3. Conclusions

Having analyzed the potentials and obstacles of using e-banking, one may ascertain that e-banking is a modern and effective form of selling banking services and products. This form of banking outdoes the possibilities of traditional banking owning to its worldwide outreach. On the other hand, the ranges of offers as well as low costs of e-banking make it the most commonly used form of managing a bank account. It has been concluded that customers are satisfied with the security of e-banking and due to the implementation of the most recent forms of protection in their systems, banks gain more customer trust. Those customers are contented with the offers and products provided via e-banking, and they especially appreciate the convenience, time saving, low costs and unlimited access to the account. So we may expect the further and rapid growth of e-banking together with telecommunication and IT technologies.

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Summary

E-banking is one of the fastest growing banking segments in Poland. It is caused by the rapid evolution of the Internet as well as telecommunication and IT technologies. However, it still remains a relatively new form of managing a bank account and the channel of distribution of banking services and products. The aim of the research was the presentation of e-banking as a modern and effective form of managing a bank account. An Internet questionnaire was used to conduct the research. E-banking services in Poland were the area of the research. Taking into account the material gathered in the research, it has been noticed that e-banking brings low maintenance costs, availability and convenience. In the course of time more and more bank clients will be choosing this form of managing an account, as it is gaining more positive recommendations of the target customers. It will probably become the only form of banking in the near future.

Key words: e-banking, IT technologies, communication, cooperation, social networking services, electronic accounts, GDP growth.

UD classification: 336.717.11:336.717 (438)

Date of acceptance 30.08.2013

THE COMPETITIVENESS OF UKRAINE AND POLAND

D. Kuberska, S. Figiel*

1. Introduction

Studies on competition occurring between locations have evolved over time. Initially, the paradigm of competition was focused on the comparative advantage. As changes in the economic environment have occurred, comparative advantage is no longer considered to be a sufficient solution for many industries. Instead, a new approach was introduced which is based on a new type of advantage called the competitive advantage. The difference between them relates to the issue of costs. Comparative advantage is based on the access to specific expenditures, their size and associated costs, while competitive advantage revolves around the productivity of their use and is closely linked to conditions in which competition occurs [1, p.402–404].

Competitiveness is a term that may refer to many areas of economics. One may look into the competitiveness of firms; others analyze, with great scrutiny, the competitiveness of industries, regions, and nations. As it was stated in one of the very first definitions of competitiveness, it is the degree to which a nation can, under free and fair market conditions, produce goods and services that meet the test of international markets while at the same time maintaining or expanding the real incomes of its citizens [2, p.70]. Porter believes that competitiveness is built based on differences rather than similarities between countries, regions, and companies [3, p.41]. Competitiveness can be analyzed from different perspectives. Some consider two interrelated dimensions of competitive potential and competitive position of an economy which is related to its productivity [4, p.3].

The World Economic Forum has introduced a complex measure that has been praised by many as a solution to grasp many dimensions of factors influencing competitiveness of national economies. The Global Competitiveness Index (GCI) and its 12 pillars of competitiveness are used to assess competitiveness of national economies and compare them irrespective of their level of economic development [5].

The aim of this paper is to compare the competitive potential of Ukraine and Poland based on the methodology of the WEF as well as their competitive position based on data on GDP, GDP per capita, and international trade. The reason of such comparison is to show plausible ways to strengthen international standing of both economies, their advantages and disadvantages in such areas as: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication and innovation.

Competitiveness as a concept emerged in economics in the 1970s. According to some researchers, its formation should be associated with the business specifics of that time, when due to the energy crisis, a significant change influencing highly developed economies occurred [6, p.77]. At the same time an intensified competitive struggle between businesses in the United States and Japan was in place [7, p.9]. The rivalry between these two economies was exacerbating because of erosion of the comparative and competitive advantages of the United States compared to Japan [8, p.32].

Thus, the reason for the initiation and stimulation of interest in the area of competitiveness can be associated with a clash that occurred between the competitive reality of the second half of the twentieth century, especially the 1980s, with the hitherto prevailing trade theory. During this period, special attention was put to the Japanese-American rivalry as a consequence of the expansion of Japanese companies and their success in global markets [9, p.56–60].

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In addition, many countries have promoted mechanisms of state interference in international trade, which involved, inter alia, support of certain domestic industries. It should be emphasized that the concept of competitiveness is therefore derived from the discussion of real life phenomena [10, p.805].

The development of research focused on competitiveness can also be associated with the appointment of the President's Commission on Industrial Competitiveness by Ronald Reagan. The Commission was analyzing the situation of the U.S. in the world, so that recommendations could be formulated from which representatives of various communities would benefit. Its main aim was to improve the competitiveness of the U.S. economy.

Two dimensions can be distinguished when studying competitiveness, which are competitive potential and competitive position. Competitive potential can be considered as a set of resources at the disposal of a competing entity. By using the right mix of strategies to compete competitive potential is transposed into competitive position, which can be associated with the output, in other words – the result of competition. Competitive position is therefore a narrower concept than competitive potential. Thanks to the disposal of a particular set of resources that affect the process of competition, and through the application of instruments as part of a competitive strategy, businesses and economies obtain their competitive position.

2. Competitive potential of Ukraine and Poland

Measuring competitiveness is a complex activity because of different perspectives on the issues related to it. The differences that occur can be associated, among others, to different levels of analysis that may be adopted in this field.

Thus, one can take several measures into consideration when performing analysis of competitiveness. Their selection depends on many factors, i.e. the employed working definition of competitiveness, and should correspond with the aspect of competitiveness recognized in it. As a result, competitiveness can be measured with reference to international trade, economic performance, or by employing subjective measures, or various combinations of the above.

Interest on the subject of competitiveness at a national level implies undertaking work on the development of methods of its measurement, which results in numerous research aimed at creating rankings of competitiveness of countries. On the one hand, these measures can be clearly aimed at assessing competitive potential and as such be the core of the research. On the other hand, certain dimensions of competitiveness and its determinants are analyzed in the studies of other economic phenomena.

One of the most cited rankings of competitiveness of national economies is the Global Competitiveness Report (GCR), published by the World Economic Forum. The first edition of this report was published in 1979. Since then, a wide range of authors has contributed to the findings of the report. As a consequence, many changes were introduced in methods employed in the research, as well as, the number of countries covered by the report has increased significantly. The GCR is published annually with the purpose of analyzing which national economies meet the needs of its residents by providing them with appropriate levels of prosperity [5].

The current issues of the Global Competitiveness Report are based on a presumption that competitiveness of an economy depends on 12 pillars of competitiveness divided into three groups: Basic Requirements (1. Institutions; 2. Infrastructure; 3. Macroeconomic environment; 4. Health and primary education), Efficiency Enhancers (5. Higher education and training; 6. Goods market efficiency; 7. Labor market efficiency; 8. Financial market development; 9. Technological readiness; 10. Market size) and Innovation and Sophistication Factors (11. Business sophistication; 12. Innovation).

In the 2013/2014 edition of the Global Competitiveness Report Poland was ranked as the 42nd most competitive economy in the world. At the same time Ukraine was ranked at the 84th position.

During the last eight years we have seen Poland's score in the ranking gradually progressing before and somewhat stabilizing after the 2010/2011 edition.

At the same time Ukraine has experienced its ups and downs (most visible peaks in the scores took place in the 2008/2009 and 2012/2013 editions of the Report) (see Fig. 1). Given a maximum score of 7, the difference between Poland and Ukraine in the Global Competitiveness Index is visible (with Poland given 4.46 and Ukraine given 4.05 points in 2013/2014).

These two countries belong to different stages of development. Ukraine is, according to the WEF methodology, a country driven by efficiency. In other words, it is a country where productivity surpasses the productivity in factor-driven economies. Based on the theory of economic development such country should experience a rise in wages and focus on development of efficient ways of production and increase the quality of its offer [11, p.10]. Poland is one step further in the stages of development as it belongs to a group of economies in transition between the efficiency-driven stage and the innovation-driven stage. The innovation-driven stage, if reached, would be the highest stage that an economy can be classified into.

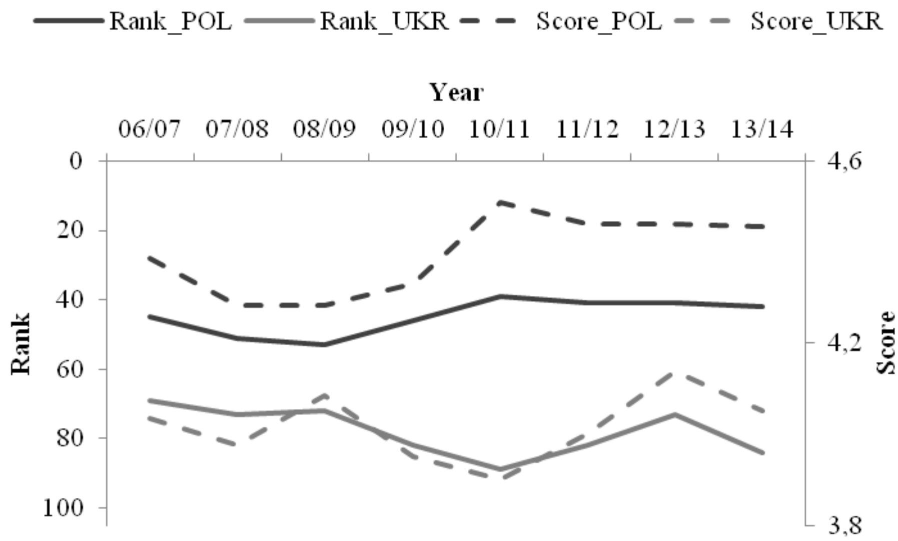

Fig. 1. The GCI ranks and scores for Poland and Ukraine in 2006/2007 and 2013/2014

Source: own elaboration based on [12]

In the case of Poland, when comparing data on the 12 pillars of competitiveness between the results obtained in 2006/2007 and 2013/2014 editions of the Report, Poland has progressed in the case of eight pillars and declined in the case of four (macroeconomic environment, health and primary education, labor market efficiency, innovation); (see Fig. 2).

In 2013/2014 the scores are highest in health and primary education, market size, higher education and training as well as macroeconomic environment. As a country in transition which should be heading towards the innovation-driven stage of development, Poland is yet to experience a significant improvement within the pillars depicting business sophistication and innovation (pillars 11 and 12). The strongest characteristics of Poland within the business sophistication pillar is the quantity of local suppliers (32nd in the world) while in the case of innovation it is the number of PCT patents (40th in the world).

Interestingly, some of the lowest ranks within the indicators chosen to assess competitiveness represent the first two pillars, i.e. institutions and infrastructure. The weakest links correspond to public trust in politicians, burden of government regulation, efficiency of legal framework in settling disputes, efficiency of legal framework in challenging regulations (all of the above referring to the pillar of institutions), quality of roads and quality of air transport infrastructure (referring to the pillar of infrastructure).

Some other examples of weaknesses of Poland are: general government debt, effect of taxation on incentives to invest, number of days to start a business, hiring and firing practices, effect of taxation on incentives to work, country capacity to retain talent, country capacity to attract talent, venture capital availability, availability of latest technologies, firm-level technology absorption, state of cluster development, control of international distribution, company spending on R&D and government's procurement of advanced technological products.

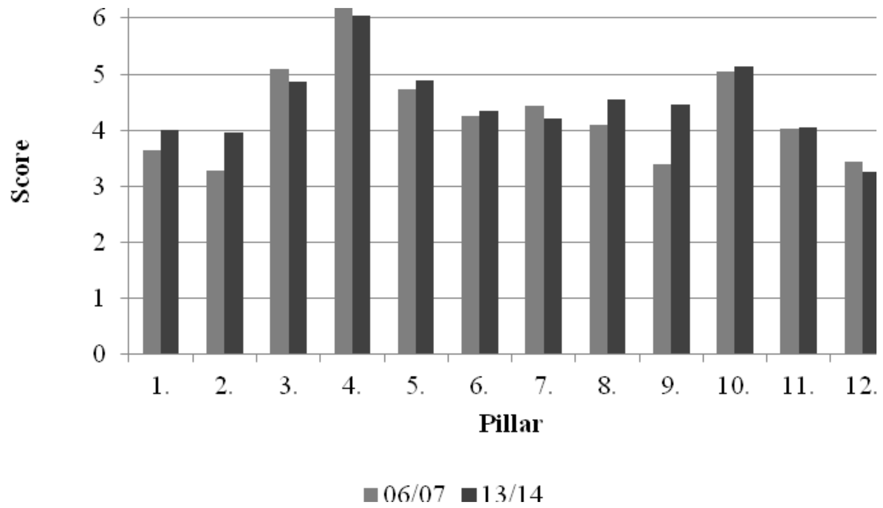

Fig. 2. A comparison of pillars of competitiveness for Poland in 2006/2007 and 2013/2014

Source: own elaboration based on [12]

The changes in Ukraine's pillars of competitiveness between the two editions of the Global Competitiveness Report in question were heterogeneous as well (see Fig. 3). The most visible progress was achieved within the pillars of: infrastructure (4.07 compared to 3.13), higher education and training (4.75 compared to 4.16) and technological readiness (3.28 compared to 2.53).

At the same time seven other pillars were decreasing in scores (the uttermost in the case of financial market development: 3.46 compared to 4.11). Overall, according to the WEF methodology, Ukraine's competitiveness is especially based on two pillars: health and primary education and market size. Among the indicators pertaining to these two pillars particularly high scores are given to quality of primary education as well as domestic and foreign markets indices. That is also the case of Poland. Another common feature relating to the decomposition of pillars of competitiveness of Poland and Ukraine is the fact that institutions, a seemingly basic requirement, is the one in which both countries are lagging behind. When compared to other nations in the ranking, Ukraine received lowest ranks referring to institutions (137th among 1 48 economies), macroeconomic environment (107th), goods market efficiency (124th) and financial market development (117th). In the current edition of the Report (2013/2014) Poland surpasses Ukraine in all pillars but one, which is infrastructure. A very close score to the one of Poland is given to Ukraine when it comes to the labor market efficiency pillar, whereas a large difference in favor of Poland can be seen in the case of institutions, financial market development and technological readiness.

In the current issue of the Global Competitiveness Report (13/14) both Poland and Ukraine have been given lower ranks than the previous year. For Poland (42nd compared to 41st) the difference was not as significant as in the case of Ukraine (84th compared to 73rd). Both editions of the Report were led by Switzerland, Singapore and Finland.

Poland also surpasses Ukraine in the case of another effort to create a global ranking of economies, in which various topics are considered to illustrate employed regulatory reforms. In the last edition of the Doing Business report, which identifies economies achieving largest improvements, the ease of doing business in Poland (45th) is much greater than in Ukraine (112th).

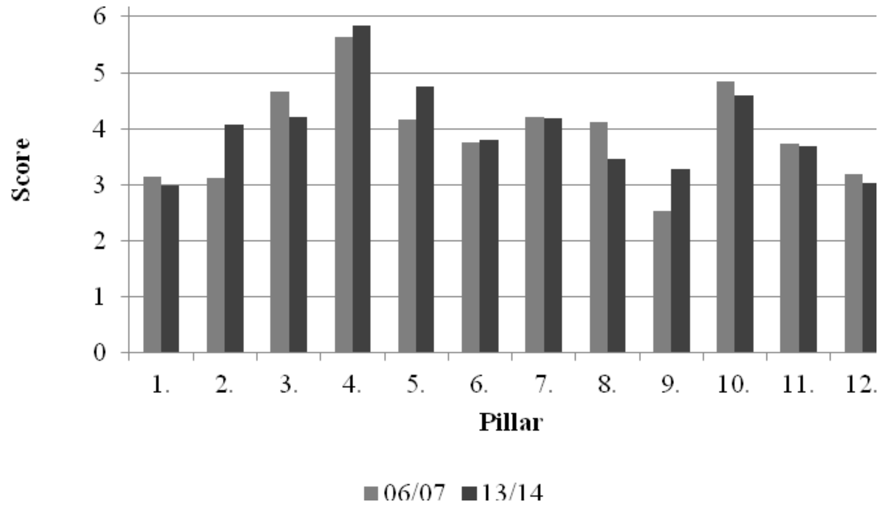

Fig. 3. A comparison of pillars of competitiveness for Ukraine in 2006/2007 and 2013/2014

Source: own elaboration based on [12]

However, Ukraine has been included in a group of countries that experienced the most significant change in areas measured using the Doing Business methodology. In 2012/2013 the areas that affect enterprises in the case of which reforms were introduced concerned: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, paying taxes, trading across borders and resolving insolvency. The only areas where no significant change was observed were protecting investors and enforcing contracts [13, p.9]. Over the results published a year before, Poland had narrowed the most the gap with the regulatory frontier, and is now considered as a high-income economy [13, p.15].

3. Competitive position of Ukraine and Poland

Several common features of Poland and Ukraine can be pointed out when it comes to assessing their competitive potential based on the methodology developed by the World Economic Forum. The overall appraisal of this dimension of competitiveness can only be executed in the favor of the former mainly due to the fact that different levels of economic development can be attributed to each of them.

Apart from competitive potential an analysis of competitiveness of a national economy should also be carried out by focusing on the results of competition. In other words, one should take competitive position of an economy under consideration. As such, national competitiveness can be evaluated by looking, inter alia, into gross domestic product, gross domestic product per capita as well as trade.

Tab. 1. GDP, GDP per capita and trade of Poland and Ukraine in 2004–2012

Indicator	Country	Year								
		2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP*	Poland	253	304	342	425	529	431	470	516	490
	Ukraine	65	86	108	143	180	117	136	163	176
GDP per capita**	Poland	6620	7963	8958	11157	13886	11295	12302	13382	12708
	Ukraine	1367	1829	2303	3069	3891	2545	2974	3576	3867
Trade***	Poland	69	77	75	83	84	84	79	86	91
	Ukraine	113	115	102	96	95	102	94	104	115

* – billion, current USD, ** – current USD, *** – % of GDP.

Source: own elaboration based on [14]

The difference in GDP per capita levels of the two countries is quite substantial. The gap between these nations is however diminishing. In 2004 Polish GDP per capita was more than five times higher than the one in Ukraine and in 2012 Polish GDP per capita was just only more than three times higher than the one in Ukraine (see Tab. 1). The well-being of citizens in both countries is at the same time progressing as the GDP per capita in 2012 compared to 2004 was up by 124% in Poland and by 269% in Ukraine. The overall gross domestic product in both countries has also increased during the last decade. Between 2004 and 2012 it was up in Poland and Ukraine by 126% and 252% respectively. Differences in the competitive positions of both economies result among others from the current stages of their development.

Trade is a common measure of competitiveness of economies as theory of competitiveness stems from the trade theory. An apparent difference between the trade of Ukraine and Poland is the fact that trade constitutes a larger share of gross domestic product in the case of the former (see Tab. 1). The value of Polish exports is greater than the value of exports of Ukraine (see Tab. 2). Overall, Polish products are more competitive globally than their Ukrainian counterparts.

Tab. 2. Trade of Polish and Ukrainian products in 2010–2012 [thousand USD]

Indicator	Country	Year		
		2010	2011	2012
Exports	Poland	157064948	188105090	179603599
	Ukraine	51430286	68393034	68684191
Imports	Poland	174127590	209191546	191430112
	Ukraine	60737135	82607537	84657016

Source: own elaboration based on [15]

However, if looking further into the flow of products outgoing and incoming to both economies, different patterns can be observed. Within Ukrainian exports to the world iron and steel products stand for more than 20% of overall exports in 2012, followed by cereals (10%) and animal, vegetable fats and oils, cleavage products, etc. (6%). At the same time top three export categories in Poland are: machinery, etc. (13%), vehicles other than railway, tramway (11%) and electrical, electronic equipment (11%) [15]. Consequently, as these nations have a different global standing in different sectors of the economy, their competitiveness should also be thoroughly analyzed at a sectorial level, rather than as a whole.

4. Conclusions

As both countries are still working on transforming their economies according to the expectations directed towards free-market economies, the path that they follow could be similar due to their close proximity as well as many factors of socio-economic type among others. Poland is clearly ahead of Ukraine when it comes to establishing its competitive advantage and achieving advanced economy status in the global environment. However, the profile of their pillars of competitiveness is to some point convergent as presented in this paper. Based on the World Economic Forum methodology one can look for similarities as well as differences existing in the context of competitive potential and competitive position. Ukraine is experiencing some relatively meaningful changes of economic nature, whereas Poland seems to have lost recently its economic development momentum. Each of the analyzed economies should focus on finding the right way to establish, maintain and develop their competitive advantage. As Poland tries to become an innovation-driven economy and Ukraine wants to enhance its status as an efficiency-driven one, they should focus on strengthening these factors of their competitiveness potentials that are critical for their economic progress. Further development of these economies is yet to be witnessed if they continue their efforts to be viable competitors to their neighbors and other countries.

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Summary

Each economy and each enterprise is focused on winning rivalry with its competitors. They can achieve this goal through development and maintenance of their competitive advantage. Nowadays, regional and national economies compete in an ever so fast changing global environment. The World Economic Forum (WEF) created a system of measuring competitiveness that uses 12 pillars of competitiveness. The ranking based on this methodology is published annually and covers most countries in the world. It allows to compare the competitiveness of national economies, which are grouped according to their stage of development. Within the ranking two neighboring countries – Ukraine and Poland – receive ranks relatively distant to one another. This is due to various reasons of economic, legal as well as political nature amongst others. This paper aims at characterizing differences in their competitive potential that could allow researchers and politicians to unveil reasons of differences that occur between these economies regarding their competitive positions.

Key words: competitiveness of firms, competitiveness of industries, competitive potential, GDP, WEF, global markets, economy.

UD classification: 339.137.2 (477+438)

Date of acceptance 08.10.2013

THE OCCURRENCE AND STRENGTH OF CLUSTERS IN UKRAINE AND POLAND

D. Kuberska, R. Popiołek*

1. Introduction

Agglomeration of economic activity is believed to cause possible positive outcomes generated in an economy. Clusters are one of the forms of agglomeration that are believed to be vital for economic development and competitiveness. They are geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (for example universities, standards agencies, and trade associations) in particular fields that compete but also cooperate [1, p.248]. Within their borders the occurrence of many phenomena takes place. Spillover effects may be considered one of them [2, p.378].

Based on Marshall's industrial districts, the concept of clusters has been a way to unravel the reasons behind economic success of some regions (e.g. the Silicon Valley, the City of London, Hollywood) and failure of others. Clusters are formed in all economies, irrespective of their stage of development. They can also be present in all industries [3, p.2]. Clusters have been a major focus of scientists and policymakers throughout the past decade. They have been incorporated in many policy agendas in the European Union. Perceived as drivers that foster competitiveness, clusters are mentioned in the Europe 2020 growth strategy [4]. Their presence and role in the economy is also underlined at country, regional, and local levels.

Identifying and analyzing clusters can be a quite tricky pursuit as many effects generated among the entities that form them are elusive. Cluster mapping has been performed by few scientists as mainly it requires two things: data necessary to establish which relationships between firms are of key importance but most importantly resources do access this kind of data. In this paper we use the methodology on cluster mapping from the works of the European Cluster Observatory [5] which in turn is based on Porter's cluster mapping in the United States [6; 7]. We turn our attention to various types of clusters in Ukraine and Poland based on data on employment and number of enterprises, searching for the most prominent clusters within these countries. Looking at numerous dimensions we try to answer a question on existing similarities and differences between clusters in both economies.

2. The concept of clusters

The concept of business clusters has appeared in scientific discourse some time ago, in conjunction with considerations on the location of economic activity, theories of urban and regional development, innovation, and competitiveness.

The distinguishing feature of clusters when compared to other concepts that deal with the distance between entities that form them, is their multifaceted nature. Disaggregation of the definition of a cluster allows identifying several of their dimensions. One of their basic attributes is the geographical proximity. Companies, but also other institutions and organizations benefit from their location that is within a short distance from one another, unlike other representatives of any industry that are scattered throughout significant spatial distance. The accumulation of entities in space is intended to facilitate the occurrence of interactions that may be beneficial for members of the cluster, provided they reach a certain critical mass of this accumulation.

Companies and other entities that form clusters are connected with one another through different types of relations. These relations are dependent on the profile of the area that these entities

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represent. Cluster structures are created by members that come from three key areas: the private sector, the public sector, and supporting institutions. What should be underlined is the fact that determining cluster boundaries is debatable. In connection with local conditions, these boundaries may vary significantly between regions. Clusters are formed by and in numerous industries. In depth analysis is being carried out by numerous scientists to ascertain whether and what role they play in innovation, economic development or competitiveness at different levels of economic aggregation.

Interest in clusters and their role in the economy exists to some extent at the expense of industries or individual companies. The reason for this is the fact that by analyzing clusters we enable identification of various aspects of competition in a way that was not possible up to now, while recognizing the role of the location in the process of developing a competitive advantage [1, p.246]. One of the reasons why the discussion on the existence of clusters is taking place is due to the fact that several changes have occurred in the economic landscape, and a substantial increase in its complexity is one of them. Clusters are considered to be creations, which in their essence, being a broader concept than an industry in its traditional sense, depict more accurately relationships determining competition and competitiveness and allow identifying sources of competitive advantage. Cluster structures generate benefits not only for individual businesses. Their presence also affects functioning of entire industries, regions and national economies.

3. The occurrence of clusters in Ukraine and Poland

Clusters exist in every economy. Some of them have developed many years or even centuries ago, now being artifacts of the development that have taken place in the regions where they are located. Others have appeared recently as a result of changes in modern times. Clusters differ significantly between one another not only because of discrepancies in their geographic scope but also due to the number of industries that form them.

The fundamental dimension that is essential when separating a cluster from the matrix of market relations in a region is the level of employment that accompanies them, which is noticeably higher than in other regions. With this assumption we use a dataset published by the European Cluster Observatory (ECO) on clusters in a majority of European countries which is based on works of Porter concerning clusters in the United States. The methodology used by the researchers at the ECO aggregates industries at 4-digit levels into 41 standard-type industry clusters and eight creative and cultural industry clusters. Each of these categories is comprised of industries which were proven empirically to co-locate. In both cases we chose to analyze the most up to date dataset which in the case of Poland is from 2010 and for Ukraine it depicts the state of clusters in 2011.

Among all of the 49 cluster categories one may take a closer look into the number of employees within each of them. The biggest clusters based on employment in Poland and Ukraine have, to some point, the same industrial profile (see Fig. 1 and 2). In Poland, the top three of the biggest clusters are: Processed food, Construction, and Financial services, whereas in Ukraine the top three list is comprised of Transportation and logistics, Processed food, and Construction clusters.

A quite interesting feature of the profiles of the main clusters in both countries is the fact that in Poland four of the clusters within the top 10 list are mainly service type (Financial services, Education and knowledge creation, Transportation and logistics, and Business services). For Ukraine that would be the case of three clusters (Transportation and Logistics, Telecom, and Distribution). At the same time a great number of employees is observed in Ukraine within all of the food and agricultural types of clusters (Processed food, Farming and animal husbandry, and Agricultural products).

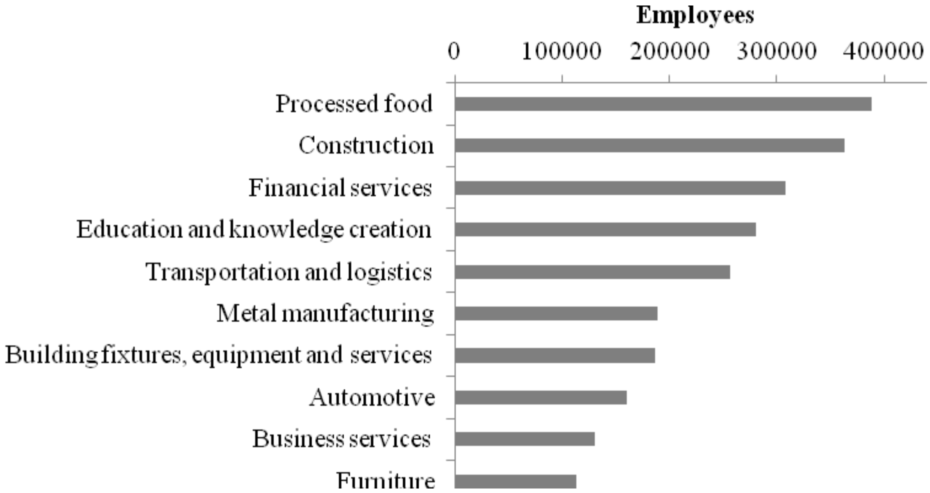

Fig. 1. Top 10 clusters in Poland by employment in 2010

Source: own elaboration based on [5]

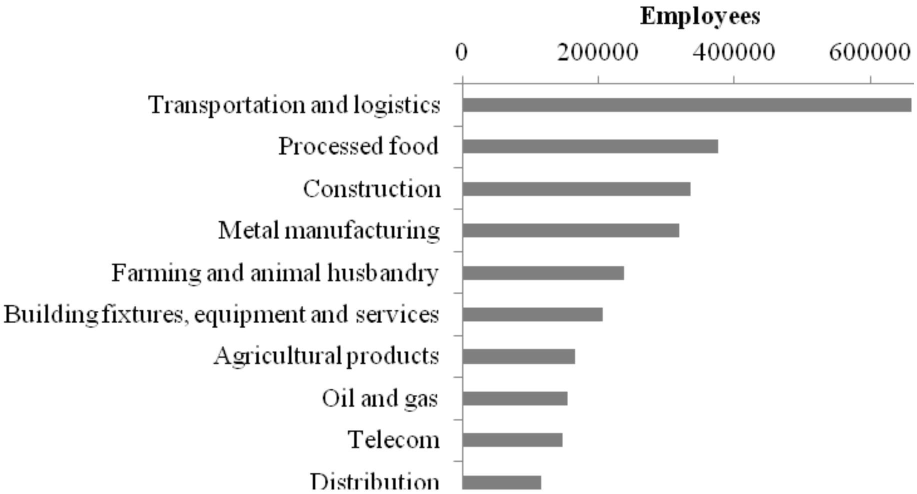

Fig. 2. Top 10 clusters in Ukraine by employment in 2011

Source: own elaboration based on [5]

Another way to look closely into clusters is to focus ones attention on the number of enterprises apart from analyzing the number of employees. That way one can extend the scope of the research. In both countries the number of enterprises is the largest in the case of the Construction cluster (see Fig. 3 and 4).

The other two clusters among the top three in Poland are: Tourism and hospitality, and Business services whereas in Ukraine: Business services, and Farming and animal husbandry. Once again, Ukraine stands out with reference to the food and agricultural types of clusters. This is clearly the effect associated with the fact that Ukraine is a country in transition. As the economy of Ukraine will progress we should witness expansion of other types of clusters, mainly those associated with the services sector.

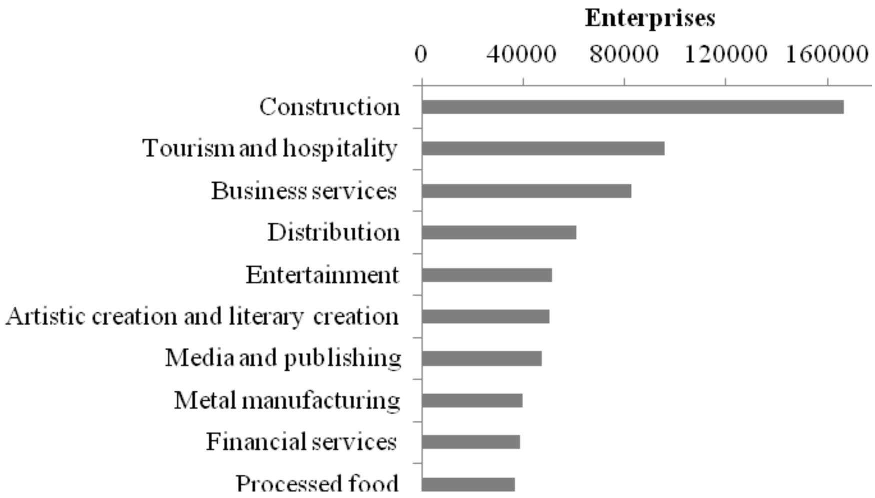

Fig. 3. Top 10 clusters in Poland by number of enterprises in 2010

Source: own elaboration based on [5]

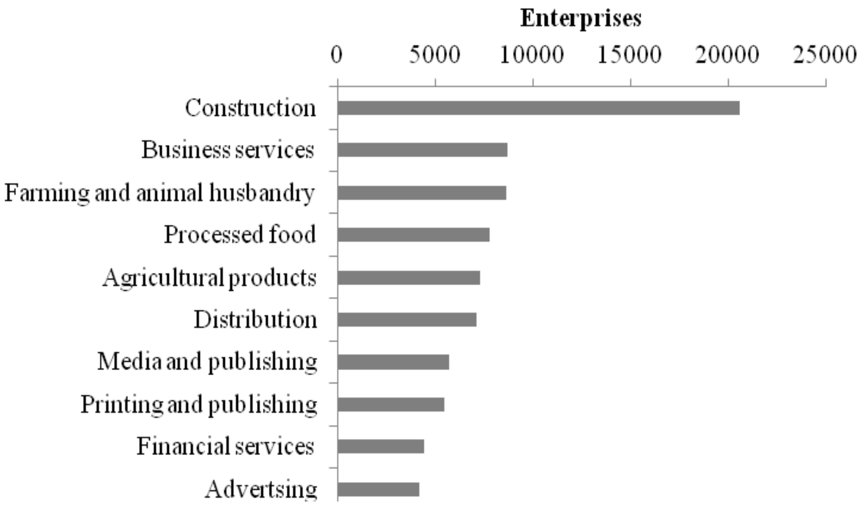

Fig. 4. Top 10 clusters in Ukraine based on number of enterprises in 2011

Source: own elaboration based on [5]

4. The strength of clusters in Ukraine and Poland

Focusing on relative measures rather than the absolute ones allows performing a more in depth analysis of the strength of clusters. Based on the European Cluster Observatory methodology we assess cluster strength using three dimensions: size, specialization, and focus. Within each of these dimensions a cluster may be granted recognition in form of a star when previously formulated conditions are met. By using that system identification of the strongest ones is performed by awarding each cluster with between 0 and 3 stars. Within the dimension of “size” employment in each cluster category is compared to overall employment within that category in Europe (10% of the largest clusters within a given category in Europe are considered star-worthy). “Specialization” is assessed using the location quotient (LQ) as its measure (clusters with location quotient of at least 2 receive a star). Finally, “focus” compares employment in a cluster category and compares it to overall employment within the analyzed region (10% of clusters with the largest share in a region’s employment are considered star-worthy). “Size” of the clusters, as defined by the ECO researchers, is most prominent in the following cluster categories in Poland: Furniture, Museums and preservation of historical sites and buildings, Stone quarries, Oil and gas, and Building fixtures, equipment and services, whereas in Ukraine it is the case of Oil and gas, Tobacco, Farming and animal husbandry, Stone quarries, and Agricultural products. Highest values in “focus” are achieved by Processed food, Construction, Financial services, Education and knowledge creation, and Transportation and logistics clusters in Poland, and Transportation and logistics, Processed food, Construction, Metal manufacturing, and Farming and animal husbandry clusters in Ukraine.

Location quotient is one of the most widely accepted measures of specialization of an economy, whether at local, regional or national levels. It compares the proportion of employment in a cluster in a region over the total employment in that region, to the proportion of total European employment in that cluster over total European employment [5]. When comparing LQ of Polish and Ukrainian clusters a higher specialization of certain clusters in Ukraine is clearly visible. In Ukraine 12 clusters when analyzed at national level have their LQ of at least 12 whereas in Poland it is the case of only three clusters (see Tab. 1). The most prominent values of specialization occur in the Oil and gas cluster in Ukraine and Furniture cluster in Poland.

Tab. 1. Top 10 clusters by location quotient in Poland and Ukraine

No.	Poland		No.	Ukraine	
	Type of cluster	LQ		Type of cluster	LQ
1.	Furniture	2.77	1.	Oil and gas	15.11
2.	Museums and preservation of historical sites and buildings	2.52	2.	Tobacco	7.26
3.	Stone quarries	2.28	3.	Farming and animal husbandry	5.41
4.	Oil and gas	2.12	4.	Stone quarries	4.52
5.	Building fixtures, equipment and services	1.95	5.	Agricultural products	4.15
6.	Education and knowledge creation	1.91	6.	Biotech	3.68
7.	Processed food	1.88	7.	Transportation and logistics	2.98
8.	Apparel	1.75	8.	Aerospace	2.91
9.	Paper products	1.55	9.	Heavy machinery	2.78
10.	Maritime	1.5	10.	Power generation and transmission	2.55

Source: own elaboration based on [5]

Focusing on 41 standard-type industry clusters we have looked into the relative strength of clusters at regional level. The regions taken into consideration at this point were: 24 oblasts, Crimea and Kyiv in the case of Ukraine and 16 voivodeships in the case of Poland.

Given the conditions imposed on strong clusters Ukrainian regional clusters have been awarded with three stars in 34 cases, two stars in 106 cases and one star in 138 cases. Polish regional clusters have been awarded with three stars in 10 cases, two stars in 48 cases and one star in 95 cases (see Tab. 2). The distribution of strong clusters in both countries varies among regions. The regions with most three-star clusters are: the Donetsk oblast in Ukraine (5 clusters: Building fixtures, equipment and services, Metal manufacturing, Oil and gas, Production technology, and Transportation and logistics) and Wielkopolskie voivodeship in Poland (3 clusters: Building fixtures, equipment and services, Furniture, and Processed food).

Tab. 2. Strength of clusters in Polish and Ukrainian regions

Region	Number of stars			Region	Number of stars		
	3	2	1		3	2	1
Cherkasy oblast	2	3	6	Volyn oblast	0	3	7
Chernivtsy oblast	0	5	3	Vynnytsya oblast	2	2	5
Chernyhiv oblast	1	4	5	Zakarpattya oblast	0	4	8
Crimea	1	4	6	Zaporizhya oblast	4	3	10
Dnipropetrovsk oblast	2	9	1	Zhytomyr oblast	1	4	8
Donetsk oblast	5	6	1	Dolnoslaskie	0	6	6
Ivano-Frankivsk oblast	0	4	6	Kujawsko-Pomorskie	0	2	8
Kharkiv oblast	3	8	5	Lodzkie	1	4	5
Kherson oblast	0	6	4	Lubelskie	0	2	4

Khmelnytskyi oblast	0	4	7	Lubuskie	0	3	8
Kirovohrad oblast	0	5	5	Malopolskie	1	3	4
Kyiv	2	3	8	Mazowieckie	2	7	7
Kyiv oblast	2	4	2	Opolskie	0	3	5
Lugansk oblast	2	1	7	Podkarpackie	0	2	7
Lviv oblast	1	2	11	Podlaskie	0	2	6
Mykolayiv oblast	1	4	3	Pomorskie	0	2	9
Odesa oblast	2	1	3	Slaskie	2	4	4
Poltava oblast	3	4	3	Swietokrzyskie	0	2	5
Rovno oblast	0	4	2	Warminsko-Mazurskie	1	2	5
Sumy oblast	0	5	6	Wielkopolskie	3	3	3
Ternopil oblast	0	4	6	Zachodniopomorskie	0	1	9

Source: own elaboration based on [5]

5. Conclusions

According to researchers and policymakers clusters are one of the drivers of competitiveness. Both Poland and Ukraine differ in terms of the relative strength of clusters that occur within their borders. Given a fixed list of cluster categories proposed by the European Cluster Observatory we have looked for similarities and differences of clusters in both countries. When compared to other European countries and regions Ukraine holds a strong position within the clusters of food and agricultural profile as well as the Oil and gas cluster. Poland, at the same time, stands out with its Furniture cluster. One of the main differences in the type of clusters that are most developed is the fact that Ukraine is lagging behind Poland when it comes to clusters pertaining to the services sector. If focused on future economic development a growth in this area should occur as a shift towards a more competitive economy is expected.

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Summary

Clusters are agglomerations of elements remaining in relationships of different kind between one another. The core type of connection between companies in a cluster is rivalry. This is due to the fact that they have to compete in order to gain access to finite resources that are used to thrive on the market. Another type of relations between entities that form clusters is cooperation. As Europe is trying to figure out a way to strengthen its competitive position against its main global competitors, clusters have recently been dubbed as means for Europe and European regions to become more competitive. The main aim of this paper is to depict the current state of clusters in Ukraine and Poland and to underline the most prominent similarities and differences with reference to their occurrence and strength.

Key words: industrial districts, agglomeration, economic development, competitiveness, effects.

UD classification: 334.75 (477+438)

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CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING: CURRENT STATE, DEVELOPMENT AND APPLICATION OUTLOOK IN UKRAINE

Ruslana Kuzina*

1. Introduction

Understanding the IFRS Conceptual Framework as an evolution of the accounting theory is imperative for the development of accounting and understanding the meaning of the International Financial Reporting Standards implementation. A number of definitions in the IFRS Conceptual Framework have recently undergone significant changes. Object of this article is analysis of those changes and review of the national regulatory and scientific literature.

In recent years, many Ukrainian, Russian and foreign authors have been addressing the issue of IFRS accounting. Fundamentals of the theory and methodology of international accounting are set out in the works of S. F. Golov, S. Y. Zubilevych, V. N. Kostiuchenko, G. G. Kireytsev, L. G. Lovinskaya, N. A. Ostap'yuk, O. Petruk, N. S. Pushkar, Y. V. Sokolov, V. V. Sopko, V. P. Suyts, L. V. Chizhevskaya, M. G. Chumachenko, V. G. Shvets, V. O. Shevchuk, M. M. Shigun and many others. Among the foreign authors are: A. Amat, D. Blake, M. van Breda, A. Britton, H. Gernon, S. Gray, D. Caldwell, M. Cohen, M. R. Matthews, G. Miyike, G. Mueller, B. Needles, K. Noubs, R. Parker, E. Hendrix, F. D. S. Choi and others.

2. Conceptual Framework for financial reporting: current state and development

The basic maxims of Conceptual Framework, derived from the objective of general purpose financial statements include the qualitative characteristics of useful financial information, definitions of the elements of financial statements and accrual methods of accounting. The new version of the IFRS Conceptual Framework (Conceptual Framework for Financial Reporting) radically changed the definition of objectives, composition of quality characteristics and many more. Studying the essence of these changes for potential use in Ukrainian accounting practice remains a challenge.

For the development of accounting and clarification of the meaning of the International Financial Reporting Standards implementation in Ukraine the understanding of the IFRS Conceptual Framework as an evolution of the accounting theory is needed. This enables:

– justification of the necessity of its existence;
– critical evaluation of its content from the theoretical point of view;
– identification of the ways to improve IFRS as a system, through revelation of additional structural elements which should be included in the Conceptual Framework from the point of view of the theory.

Unfortunately, these issues receive insufficient focus in Ukrainian literature. In the national regulations on accounting there are no separate document covering the Conceptual Framework for Financial Reporting. Some of the issues are partly considered in Ukrainian National Accounting Standards (NR(S)AR 1) [1] – "General requirements for the financial statements".

As can be seen even from a superficial analysis of the basic definitions described in the Ukrainian GAAP 1 [1] and the IFRS Conceptual Framework [2] there are fundamental terminological differences between the Ukrainian GAAP and IFRS. The most important and significant difference

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is that in the Ukrainian national standards, there is no conceptual framework for reporting, although the standards are close in meaning and correlate with IFRS.

Regarding the objectives of financial reporting, the IFRS definition emphasize that – first, the information must be financial only, and, – second, information must be useful for principal users to make decisions about investing in a company. IFRS stresses the impossibility for users to obtain information by any other means than through the financial statements. Many users (actual and potential investors, lenders and other creditors) can not require reporting entities to provide information to them directly, and to get the financial information they need, they must rely on general purpose financial statements (paragraph OB5, Conceptual Framework). As a result, they are the main users of financial reporting.

Main purpose of financial reporting in National standards is to provide impartial information to users (individuals and legal entities) to make decisions. Obviously, this definition is somewhat out of date, because the main problem of the user (investor) is to be sure that his investment will be profitable and therefore the information contained in the reports should have a predictive value.

The basic maxims of Conceptual Framework, derived from the goal of general purpose financial statements include the qualitative characteristics of useful financial information, definitions of the elements of financial statements and accrual methods of accounting. Since those and many other aspects of the Conceptual Framework follow logically from the objective of general purpose financial reporting, a clear understanding of this is fundamental. Analyzing differences in the composition of financial reporting, we can see that the changes in the Ukrainian GAAP 1 correspond to the names of IFRS reports, but it is obvious that the composition of IAS 1 accounting is more complete and includes a statement of financial position (balance sheet) for the previous period, to provide comparable information (in retrospective revaluation), but Ukrainian standard does not require it.

Considering the qualitative characteristics, it can be noted that they also vary a lot in their content. In the revised Conceptual Framework qualitative characteristics are divided into two large groups:

– fundamental (relevance and faithful representation) and
– enhancing (comparability, verifiability, timeliness and understandability).

Some qualitative characteristics are no longer mentioned in the Conceptual Framework. Such as:

– reliability,
– substance over form
– prudence (conservatism).

The revised framework uses faithful representation in place of reliability because of great confusion about what was meant by reliability in the old framework. Substance over form was removed because it seemed to be redundant in presence of a faithful representation, which is complete, neutral and free from error. In other words, it represents the substance of an economic phenomenon rather than merely its legal form. Prudence and conservatism are excluded because these concepts are incompatible with neutrality.

Let us remind what qualitative characteristics of accounting are – the attributes of accounting information, which tend to increase their usefulness. The qualitative characteristics of reporting should be targeted at both the users and decision-making. Qualitative characteristics of accounting are: relevance (predictability, feedback, timeliness), reliability (verifiability, representational faithfulness, independence), comparability (uniformity, consistency), and the significance [3]. In other words, the qualitative characteristics of accounting are properties that make information useful to the user. Obviously, not all of the qualitative characteristics in the wording of Ukrainian GAAP 1 perform such function. Referring to the differences in principles, it is arguable that some mistakes were made while developing Ukrainian GAAP, namely the qualitative characteristics included in the principles (frequency, faithful representation, sequence, prudence and substance over form predominance) and evaluation elements (historical cost). Regarding the integrated money measurement, its application logically follows from comparability (qualitative characteristic).

It is hard to escape a conclusion that Ukrainian GAAP 1 needs to be thoroughly revised or, ultimately, a Ukrainian GAAP Conceptual Framework for Financial Reporting has to be created. As to new revision of the IFRS Conceptual Framework, there are more changes made by IASB to the Framework text. By the way, only part of significant changes to 1989 Conceptual Framework for Financial Reporting was made in 2010. Work will be continued as the Conceptual Framework is the theoretical basis for all International Financial Reporting Standards. As for primary users - existing and potential investors, it is important to understand the financial information in the financial statements, than, respectively, investors should be aware of changes made to the Conceptual Framework. All qualitative changes are reflected in the new text of the Conceptual Framework that is now called the Conceptual Framework for Financial Reporting 2010, but also a considerable part of the old edition of 1989 is retained.

Revolutionary, in the author's opinion, is the title change which greatly extended the scope of the anticipated reports. So the old title Framework for the Preparation and Presentation of Financial Statements is replaced by the Conceptual Framework for Financial Reporting.

It can be concluded that these changes correlate with the popular idea of Integrated Reporting (IR). It will take into account not only financial, but also non-financial indicators, to improve the quality of reporting and reflecting significant influence of environmental, social and the governance factors (ESG): this refers to the use of natural resources, protection of human rights and business impact on the social phenomena and climate change. The new model is seen as a possible way to obtain a more complete picture of the reporting entity, reflecting the risks and opportunities, and more logically integrating ESG factors and financial performance. Schematically, differences in new and old version can be represented as follows:

Tab. 1. Differences between Framework for the Preparation and Presentation of Financial Statements, 1989 Conceptual Framework for Financial Reporting, 2010

Framework for the Preparation and Presentation of Financial Statements, 1989	Conceptual Framework for Financial Reporting, 2010
– Balance sheet – Profit and loss statement – Statement of Cash Flows – Statement of changes in equity – Notes	Financial Information: – Statement of Financial Position; – Statement of total gains and losses; – Statement of Cash Flows; – Statement of changes in equity; – Notes Non-financial information: – Review of the organizational structure and its external environment; – The management structure of the company; – An overview of the risks and opportunities; – Strategy and resource allocation; – Business model sustainability; etc.

As we can see, the purpose of the changes made to the IFRS Conceptual Framework is the establishment of a unified and comprehensive concept of integrated reporting, which would be structured around the strategic objectives of the organization, its business model and corporate governance. However, the basic financial statements of the company will continue to be a “backbone” of the financial reporting.

IASB not merely changed the title of the framework. It has also updated the definitions of the objective of financial reporting and the qualitative characteristics of useful information.

The objective of Conceptual Framework is “to provide a consistent and logical formulation of IFRS” (paragraph 8 of the Preface to IFRS). In other words the Conceptual Framework outlined established concepts, used by IASB in standards development. Consequently, most of the IFRS requirements conform to the concepts outlined in the Conceptual Framework. However, the use of restriction associated with the efficiency of accounting ((developing standards, the IASB estimates the benefits from providing certain information to justify the costs of providing and using of this information (paragraph QC38 of Conceptual Framework)), still leads to the fact that some of the IFRS requirements do not maximize qualitative characteristics or other basic concepts of the Conceptual Framework.

The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decision about providing resources to the entity. These decisions are related to the purchase, sale or holding of equity and debt instruments, and the provision or repayment of loans and other forms of credit (see paragraph OB2 of Conceptual Framework). To evaluate the organization prospects for the future net cash flows, existing and potential investors, lenders and other creditors need information on the organization's resources, requirements for the organization, and how rationally and effectively the management and the board perform their duty to use the organization's resources (see paragraph OB4 of Conceptual Framework). In other words, the objective of financial reporting focuses on the information needs of capital providers. As for the regulatory and tax authorities, they also may find the information in general purpose financial reports useful, but financial reporting is not directed at them.

3. Qualitative characteristics of useful information

Conceptual Framework identifies two fundamental qualitative characteristics of useful financial information: relevance and faithful representation. In order to be useful, financial information must be both relevant and faithfully represented. Comparability, verifiability, timeliness and understandability are identified as enhancing qualitative characteristics. They increase the usefulness of information that is relevant and faithfully represented. However, the information may not possess all of the enhancing characteristics but that it may still be useful.

Conceptual Framework also acknowledges the limitations in terms of compiling the information: the cost of its preparation, the so-called "cost accounting", which suggests that the cost of accounting will not exceed the accounting entity. Financial information has predictive value if it can be used as an input to processes used to predict future outcomes. It has confirmatory value if it provides feedback about previous predictions. Information is material if omitting it or misstating it could influence decisions based on the information. Immaterial information does not affect decisions. Consequently, immaterial information is not relevant. Because materiality is entity-specific, Conceptual Framework doesn't consider materiality separately when developing standards.

A faithful representation is complete, neutral and free from error. Information is complete if a user can understand the phenomenon being depicted. This may require descriptions and explanations as well as a numerical depiction. Information is neutral if it is without bias in its selection or presentation. In other words, it is not intentionally overstated, understated, emphasized or de-emphasized. Neutral information does not mean the information does not have an impact on decisions. By definition, useful information affects decisions. Likewise, free from error does not mean perfectly accurate. It means that there are no errors in the process used to produce the information and no errors in its description. How to use the qualitative characteristics in IFRS implementation? First step is to identify an economic phenomenon that is potentially useful to investors, lenders and other creditors in making decisions. Then to identify the type of information about that phenomenon that would be most relevant if it were available. Then determine whether that information is available and if it can be faithfully represented at a reasonable cost. If so, require that information. If not, repeat the process with the next most relevant type of information.

Qualitative characteristics enhance the usefulness of information. If two ways of depicting an economic phenomenon are considered equally relevant and faithfully represented, we can make the choice between them by examining them to see which embodies more of the enhancing characteristics (comparability, verifiability, timeliness and understandability).

Comparability enables investors, lenders and other creditors to identify and understand similarities in, and differences among, items. Occasionally, a single economic phenomenon can be faithfully represented in multiple ways, but permitting alternative accounting methods for the same economic phenomena diminishes comparability. It is important to note that, comparability does not mean uniformity. For information to be comparable, like things must look alike and different things must look different. Verifiability lends credibility to financial information by providing assurance that information faithfully represents what it purports to represent. Timeliness means that information is available to investors, lenders and other creditors in time to be used in their decision making processes.

The enhancing qualitative characteristic of understandability means that information that may be difficult to understand is made more useful by presenting and explaining it as clearly as possible. Investors, lenders and other creditors are expected to actually study the reported financial information with reasonable diligence and to seek the aid of advisors to understand information that they find particularly complex.

4. Conclusion

The main changes introduced by IASB to the Conceptual Framework for Financial Reporting, concerned title, objective and qualitative characteristics of reporting.

1. The old title Framework for the Preparation and Presentation of Financial Statements is replaced by the Conceptual Framework for Financial Reporting, so it can be concluded that these changes correlate with the popular idea of Integrated Reporting (IR) which deals with financial and non-financial indicators.
2. The objective of financial reporting now focuses on the information needs of capital providers.
3. Conceptual Framework defines two fundamental qualitative characteristics of useful financial information: relevance and faithful representation. To be useful, financial information has to be relevant and faithfully represented. Comparability, verifiability, timeliness and understandability are defined as enhancing qualitative characteristics, which enhance usefulness of relevant and faithfully represented information.
4. There is no Conceptual Framework as a separate document in Ukrainian National Accounting Standards (NR(S)AR). Some items can be found in NR(S)AR 1 and Ukrainian Law on accounting and financial reporting [4]. Object of financial reporting and qualitative characteristics stated in NR(S)AR 1 require immediate revision in order to meet the needs of users (suppliers of capital). Ultimately, a separate document in the form of the Conceptual Framework for Financial Reporting by NR(S)AR should be elaborated.

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Summary

This paper presents cardinal improvements to Conceptual Framework for Financial Reporting, analysis of actual National Regulations (Standards) of Accounting Reporting, recommendations on converging it to IFRS.

Key words: the IFRS, objectives of financial reporting, Conceptual Framework, qualitative characteristics of useful financial information.

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A CHILD AS TARGET AUDIENCE OF COMMERCIALS

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1. Introduction

Nowadays it is supposed that television is the most effective medium and it builds the viewer awareness much faster than other media [1, pp.87–93]. Television plays a vital role in a child's life. Since young age, children begin their contact with television and it is watched systematically and every day for hours. Time spent watching TV every day is quite important. At the age of two or three children have contact with TV for about 45 minutes and that amount is rising notably with age. More than 90% of children aged four to twelve watches TV every day for many hours. In USA, primary school students spend more time in front of TV sets than books.

However, children in Switzerland within ten years of education devote 18 thousand hours watching TV, which is three times more than time at school. In contrast, in Italy 81% of children between the age of four and ten watch TV every day and 72% do not check what programs are available before switching the TV on. In Poland, children spend in front of TV two to three thousand hours before starting their school work, but children aged 8 to 12 watch TV from two to five hours every day [2, pp.58–69].

Undoubtedly, television has engrossed children completely subduing other activities, so we can say it has a huge impact on children's timetable. What is more, it divests children of time which could be spent more productively. There are a large number of TV channels which enable the child to choose and change them if he or she finds them uninteresting or wants to check what other channels have to offer. Children willingly watch programs which are not aimed at them. However, they include their favorite elements such as adventure, action and suspense. These kinds of programs can be easily found in the morning and early afternoon as well as in the evening [3, pp.76–79].

Children's attitude towards television according to Lindstrom [4, pp.76–79]:

- television plays an important role in a child's life – it is a benchmark in judging other media;
- television is watched by children attentively; a child has an eye for details and may be better than an adult in noticing particular aspects, even if they are only commercials, which were not aimed at them;
- children are keen on commercials, in comparison with the adults, twice as many children declare that they like a particular commercial;
- children do not carry the burden of everyday matters just like adults do; they find shopping pleasant, not a mandatory and unpleasant duty.

Television has a negative influence on a child. Criticism of television in this area is really severe. The research conducted in that field proves that television destroys the family life and the ability of thinking independently; it may impair the development of brain; weakens the imagination and language abilities; it replaces the normal interaction in a society; distorts the real world [2, pp.58–69]. Television has also many advantages. It provides us with information and connects the visual elements essential for a child with humorous music and sounds; watching TV is a pleasant experience, which can be shared with others. Young viewers can watch television in a broad group of people which enables commenting the programs that are being watched; television can easily reach both parents and children [4, pp.76–79].

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Currently, television plays a vital role and it has become an irreplaceable and basic source of information reaching children. As it has been noticed by Kupisiewicz [5, pp.89–96], in the future, in the course of constant advancement of mass media, the monopolistic position of school as the source of information will weaken significantly.

2. Research methodology

The main aim of the empirical investigation was to explore the role of commercials in a child's life. The primary method of gathering information, essential to achieve the foregoing goal, was a free-form interview aimed at two groups of respondents: I–III class students and IV–VI class students. The interview gave the opportunity to state the opinions and express emotions from the research point of view. The advantage of this method is the direct contact of the interviewer with a respondent.

It is also possible to modify the language, change the order of the questions or help with the interpretation of the question. This technique allows observing both the reaction to the questions asked and the environment in which the research is conducted. 81 students from one of the primary school in Olsztyn participated in the research, including 38 students from classes I–III and 43 from IV–VI. The research was conducted during form period hours. The research was done in pleasant atmosphere. Form teachers offered invaluable help during the research. Students were not inhibited and replied to questions willingly.

3. Commercials vs. children's consumption awareness

Children are full-fledged buyers and have a growing influence on household budget spending. Therefore, the crucial issue was the evaluation of the commercials usefulness in the respondents' opinions. The attempt has been made to determine whether commercials are absolutely necessary for children, or their knowledge of the products on the market is of no concern to them. When analyzing the data juxtaposed in tab. 1 it can be affirmed that 60% of the respondents think that commercials are necessary.

Taking into consideration the separate age groups, one may notice that I–III class students have a more favorable attitude to commercials, and 63% are of the opinion that they are necessary. The next age group presents a more skeptical point of view of this kind of advertising, because 10% fewer respondents gave the affirmative answer to this question than in a younger group. The results presented support the fact that marketing message from commercials exerts a greater impact on younger children.

Tab. 1. Children's opinions on the need of commercials

Type of response	Respondents					
			including			
	number	%	I–III class children		IV–VI class children	
			number	%	number	%
Yes, commercials are necessary	48	59,26	24	63,16	24	55,81
No, commercials are not necessary	33	40,74	14	36,84	19	44,19
Total	**81**	**100,00**	**38**	**100,00**	**43**	**100,00**

Source: Own elaboration

An adult is a person who likes to share opinions and observations with others. Despite the young age, children show eagerness in discussions about the surrounding reality. According to the data included in Table 2,56% of students in each age group admit to talking with their peers about products presented in commercials. It indicates a high level of preoccupation with the current issues in the media. Regardless of their age, children have their own opinions and they are eager to share their views with others.

Tab. 2. Respondents' discussions with their peers about advertised products

Type of response	Respondents					
	number	%	including			
			I–III class children		IV–VI class children	
			number	%	number	%
Yes, I am likely to discuss	45	55,56	21	55,26	24	55,81
I am not likely to discuss	36	44,44	17	44,74	19	44,19
Total	**81**	**100,00**	**38**	**100,00**	**43**	**100,00**

Source: Own elaboration

Commercials are emitted in order to persuade recipients, even those young, to buy the advertised products, or to induce the child to be "pressure force" on the adult purchaser. Analyzing the results presented in tab. 3 it can be ascertain that a vast majority of children interviewed admits that they persuade adults to purchase products advertised on TV. 77% of respondents gave such an answer. The presented behavior is more common in the younger age group. It can be linked to the fact that older children have their own savings. However, younger children's shopping is dependent on adults. Without doubt, in case of both age groups, the television has become an advertising medium, and what is more, it is trying to influence the extended amount of shopping.

Tab. 3. Children's persuasion to purchase an advertised product directed at adults

Type of response	Respondents					
	number	%	including			
			I–III class children		IV–VI class children	
			number	%	number	%
Yes, I persuade	62	76,54	31	81,58	31	72,09
No, I do not persuade	19	23,46	7	18,42	12	27,91
Total	**81**	**100,00**	**38**	**100,00**	**43**	**100,00**

Source: Own elaboration

It has been known for a long time that a good commercial is an effective commercial. The responses that were given indicate that children' persuasion at adults to buy an advertised product are not very effective. 43% of respondents confirmed that they occasionally decide to buy a product after children' persuasion. It must be stressed that just over 27% do not succumb to such whims at all. It may depend on the financial means that adults have. Each parent would like to make a child happy, and give them something which bring happiness, but not everyone can afford it.

Analyzing in more detail the above mentioned results, it can be established that younger children's parents are more likely to succumb to their persuasion. In this age group, 16 in 38 people interviewed, which is 42%, admit that they usually bow to the pressure and purchase the desirable product. It may happen due to the fact that, it is easier to refuse younger children explaining the lack of money or that they cannot have everything. In the older group the situation is slightly different. Parents who often decide to buy a particular product after having been persuaded by children make up only 18% of all the respondents in this age group (tab. 4).

Commercials are aired in one particular reason which is the viewers' encouragement to purchase a product as it results in boosting the sales. It is known that children persuade adults to buy goods which they want to own as they have no financial resources. An interesting question would be whether children would buy an advertised product if they had their own money. This data is presented in tab. 5. It shows that 75% of primary school students would buy a product that had been advertised if they had their own financial sources. It has become clear that commercials exert a huge influence on children's desires and dreams. Commercials evoke a materialist style of life in children and it results in longing for various material possessions. Only 18 in 81, which are 22% of all the respondents, admitted that they would buy a product but not the one seen in a commercial. It can be linked to the fact that children have already planned to buy the product and only strive to get it. However, it does not mean that when the purchase has been fulfilled, they will not want to buy something new that has been presented in a commercial. The data collected indicate that commercials influence younger children in a greater extent.

Tab. 4. Effectiveness of children's persuasion of adults to purchase advertised products

Type of response	Respondents					
	number	%	including			
			I–III class children		IV–VI class children	
			number	%	number	%
Often succumb	24	29,63	16	42,11	8	18,60
Occasionally succumb	35	43,21	12	31,58	23	53,49
Do not succumb at all	22	27,16	10	26,31	12	27,91
Total	**81**	**100,00**	**38**	**100,00**	**43**	**100,00**

Source: Own elaboration

Tab. 5. Respondents' purchasing reaction to commercials in the situation they have their own financial means

Type of response	Respondents					
	number	%	including			
			I–III class children		IV–VI class children	
			number	%	number	%
Yes, I would buy the adversited product	61	75,31	32	84,21	29	67,44
No, I would not buy anything	2	2,47	0	0	2	4,65
I would buy something else	18	22,22	6	15,79	12	27,91
Total	**81**	**100,00**	**38**	**100,00**	**43**	**100,00**

Source: Own elaboration

Nowadays, the quality of the offer is very important. The advertised goods are often perceived as 'good products' because television can manipulate viewers reactions. According to the data presented in the table below, 86% of respondents are of the opinion that the advertised products are better than others. The substantial minority, which is only 14%, does not hold this opinion.

Tab. 6. The perception of the advertised product in comparison to those unadvertised

Type of response	Respondents					
	number	%	including			
			I–III class children		IV–VI class children	
			number	%	number	%
The advertised product is better	70	86,42	36	94,74	34	79,07
The advertised product is not better	11	13,58	2	5,26	9	20,93
Total	**81**	**100,00**	**38**	**100,00**	**43**	**100,00**

Source: Own elaboration

The data collected in the research indicate that I–III class children are more convinced that the advertised products are much better than others. That is why, one may assume that the younger the children are, the more susceptible they are towards media manipulation. They simply lack the life experience as they are learning how to live. They are unaware that the quality of the product does not always mean that it is better. They are not acquainted with the variety of products available on the market. They only know the products they have seen on TV. That is why the other products are not so important and they are treated as inferior.

We watch the world goes by. It undergoes a constant development and we participate in this process. Nobody wants to stay behind. We respect other people's opinions about us because everyone wants to be perceived as a good person. Analyzing the data presented in table 7 it may be noticed that a little more than a half (53%) of the respondents thinks that when buying an advertised product they will not look more fashionable or more liked than before.

Tab. 7. Opinions of people buying advertised products and its social perception

Type of response	Respondents					
	number	%	including			
			I–III class children		IV–VI class children	
			number	%	number	%
Having an advertised product will make me more liked	38	46,91	26	68,42	12	27,91
Having an advertised product will not make me more liked	43	53,09	12	31,58	31	72,09
Total	**81**	**100,00**	**38**	**100,00**	**43**	**100,00**

Source: Own elaboration

As to I–III class children, they are convinced that due to the advertised product they will be "more liked" and "more fashionable". 26 in 38 respondents chose such an answer. As to IV–VI class students only 12 in 43 children are of this opinion. The so called "rat race" can be the reason for this kind of behavior.

Having analyzed the data, it can be assumed that younger children do not yet know the values, which are important and crucial in social relations. They live with the belief that possessing fashionable products will influence their better perception by the peers. It has also been observed that children's most basic criterion in judging others is material possessions.

Another important issue in the research, which depicts the way the commercials are perceived by children, is the question whether commercials show the truth or falsify reality. Data concerning the analyzed area is presented in tab. 8.

Tab. 8. The credibility of commercials in the respondents' opinions

Type of response	Respondents					
	number	%	including			
			I–III class children		IV–VI class children	
			number	%	number	%
Commercials always tell the truth	21	25,93	14	36,84	7	16,28
Commercials usually tell lies	60	74,07	24	63,16	36	83,72
Total	**81**	**100,00**	**38**	**100,00**	**43**	**100,00**

Source: Own elaboration

These results show that only 21 in 81, which are 26% of all respondents, are of the opinion that commercials always show the truth. As it has been proved by the previous analyses, children have a frequent contact with television, and therefore they are under influence of commercials. It is one of their favorite pastimes. Not always do they watch television under the supervision of adults. It can be assumed that those children, who claim that commercials always tell the truth, have not been informed by adults about the secrets of commercials, and what is more, they might not have heard any negative opinions about commercials voiced by adults.

The data collected allow assuming that I–III class children are more uncritical. Almost 37% of those children believe commercials uncritically whereas only 16% of the older children share the same view. The data gathered in the above table prove that trust in advertising decreases with age.

4. Conclusion

The conducted research allowed defining the role commercials play in children's lives. The main area of the research has been to determine to what extent a child is attached to commercials, and what attitude is adapted to this form of advertising and whether one can trust commercials. Based on the data collected it can be assumed that more respondents show huge interest in this kind of advertising. Commercials stimulate the unnecessary needs as well as promoting longing for possessions. As a result, children persuade adults to buy them their favorite products. They talk about them with their peers. They think that possessing the advertised products will make them more attractive among friends. If children had their own money, they would buy the advertised products themselves because they think that they are much better than others. To some extent, it may lead to conflicts within peer groups. Some children will feel strong acceptance in a group whereas others may be influenced by negative emotions such as jealousy and inferiority. Commercials can be blamed for creating materialist style of life among young people.

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Summary

Commercials exert a strong influence on children. It results in yearning for advertised products. This phenomenon has also some disadvantages. Commercials influence children so strongly that they force adults to buy particular sweets, toys and other advertised products. The contents of television programs are usually received very literally by children. Children attach huge emotional importance to that fact. The reason for that is that they do not have as much experience and knowledge as adults. They know that commercials do not always reflect reality, but they usually desire to possess the advertised products.

Key words: advertising, children attitudes, perception of TV adds.

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DEVELOPMENT OF MARKETING OF CULTURE IN THE KURPIE REGION

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1. Introduction

From time immemorial, culture has been an integral part of the life of mankind. While being created over the years by the mankind itself, it was developing the identity of inhabitants of a given territory. Actually, this is thanks to culture that people were jointly engaged in activities relating to various fields of life, both those belonging to the spiritual sphere and those associated with everyday tasks, such as, for example, ceremonies that accompany harvesting the crops. All that used to unite the natives of a given region. Later on, the language (dialect), costume, and artistic creation have developed.

Currently, in the era of progressing globalization, the cultural identity of regions is disappearing and thus becoming a unique product which needs to be rescued from oblivion, and which may contribute to achieving goals relating to economic development. Making use of culture for economic purposes is most widespread in a particular field of market operations, namely "marketing". It is aimed at understanding consumers behaviour, and such an intervention in the market so that to satisfy consumer needs. Marketing operates within many areas; this paper, however, deals with activities associated with the promotion and sale of a particular product, i.e. culture. In such a case, we are talking about marketing of culture.

2. The essence of marketing of culture

The notion of marketing of culture appeared for the first time in the scientific literature in 1967, in the following form: "cultural institutions, such as concert halls, museums, opera houses or libraries, provide specific goods which are of great interest to customers. In view of this fact, cultural institutions have begun to compete for the customer. In this struggle, marketing operations may prove very useful, and the very concept of marketing can, after certain modifications, be applied in the sphere of high culture" [3, pp.287–191]. A dozen or so years later, further papers were coming out, which primarily dealt with the subject of management in culture. At the same time, a number of significant definitions of marketing of culture were developed, such as the following: "the main goal of marketing of culture is to win over an appropriate number of consumers of a product being a work of an artist, which will ultimately lead to obtaining a better financial result" [1, pp.78–89]. In other words, it can be said that the goal of marketing of culture is not to satisfy the needs of a previously specified customer, but to reach a consumer who will appreciate the artist's work. In this context, the role of the customer is obviously performed by the audience; however, one must not forget donators, providers, foundations and other organizations operating for the benefit of culture.

The specificity of a product on the cultural market often leads to a situation when product orientation gets the best from market orientation. The subject and goals of marketing in cultural institutions are different depending on whether organizations use product orientation, or market one. In the first scenario, the main goal of marketing of culture is to win over an appropriate number of consumers of a product being a work of an artist, while in the second one, it is to win approval of people from the world of culture for a given piece of work, and to win over an appropriate number of consumers who will perform the ultimate verification thereof [4, pp.67–76].

Marketing operations cannot yield positive results if they diverge, to some extent, from the main marketing goal of cultural institutions. Marketing instruments may only be appropriately selected and

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used in practice when they contribute to fulfilling the set intentions. Each main marketing goal should be outlined using partial goals which will help devise a marketing plan and control it. After having precisely defined the goals, it may be concluded whether cultural institutions can be used in marketing operations and whether actually result in the achievement of the goal of their combined use.

Operations in the world of marketing of culture are supported by other types of marketing, such as territorial, product or promotional marketing. They all cover separate fields; however, while exploring them in a more detailed way, it may be observed that they relate, to a large extent, to the very marketing of culture [2, pp.58–69]. The above considerations prove that marketing of culture deals with promotion and adjustment of local product, and, in particular, intangible assets as included in the composition thereof, in order to arouse a potential customer’s interest in that product as well as with discovering and assessing the market potential in a given region.

3. Methodological assumptions of the research

The subject of the research was the marketing operations being conducted within the area of the Kurpie region. Its aim was to provide answers to the following research questions: Which operations may lead to the best possible promotion of the Kurpie region? Which group of people are they addressed to? How have those operations affected the development of the economy and tourism within the area?

The timeframe for the research was 3 years, namely the period of 2010–2012 years. The conclusions were based on qualitative marketing research in the form of an observation and interview. Observations for the purpose of achieving the aims of the study were carried out during the participation in a variety of events, where one could observe changes occurring year after year, and concerning the organization and course thereof, as well as the people being recipients of promotional operations.

Another method used in the study was an individual interview which is a manner of collecting information from primary sources with the researcher being in a direct contact with respondents, and an interview questionnaire being the measuring instrument. An appropriate interview was conducted with a culture operator and was used to obtain information on the course of action and the methods of promotion of the Kurpie region. Other information was provided by secondary research i.e. data and information as generated by the Central Statistical Office (GUS). They concerned both the issues related to tourism market (elements of demand and supply) and the development of economy within the area concerned.

4. Characteristics of the Kurpie region

Kurpie is a region located in the northeastern part of the Mazovia (Mazowsze) region. The oldest traces of human presence in this area date back to approx. 1,000 years BC, while the traces of the first settlers date back to the 12th century AD. The central point of the Kurpie region is the town of Ostrołęka, where the most important organizations involved in the promotion of the Kurpian culture, i.e. museums, libraries, etc., are concentrated. A significant fact is that, there are actually only two towns with municipal rights, namely Ostrołęka and Myszyniec.

Myszyniec is one of the most recognizable places in the Kurpie region. This situation is probably due to an annual feast associated with the forest bee-keeping traditions in the Kurpie region, the so-called “Kurpie Region honey-harvesting”. The feast is held on last Sunday of August. It is based on re-enactments recreating forest bee-keepers’ customs originatied from as early as the 16th century. In addition, fairs of honey, folk art, various books, handicraft products, bee-keeping equipment, and honey-containing products are held there. This is probably the only event of its kind in Poland, which not only reconstructs the old traditions of the Kurpie region inhabitants, but also unites the natives and promotes the region while extending the knowledge thereof among Polish and foreign tourists coming to that feast, year after year, in increasing numbers. In 2004, the Myszyniec Centre of Culture, Sports and Recreation was awarded a certificate of the Tourist Product of the Year by the Polish Tourist Organization for organizing the Kurpie Region Honey-Harvesting.[1]

[1] http://www.myszyniec.kurpie.com.pl/index_pliki/page0002.htm 13.03.13r.

Another occasion that attracting many tourists from both Poland and abroad is the Palm Sunday, and the accompanying event as held in the village of Łyse, known as the “Palm of the Kurpie Region”. Its origins date back to the 1960s, when in 1969 a competition to find the most beautiful palm was announced for the first time. In the Christian tradition, the Palm Sunday is associated with going to church with a sort of a palm commemorating Jesus Christ’s arrival in Jerusalem. The inhabitants of the Kurpie region have invented their own design of a palm being made of a variety of forest plants and extremely colourful flowers of tissue paper. Without doubt, those palms may be referred to as works of art as they are not only exceptionally colourful and carefully crafted, but also because of their 4-meter length. The Palm Sunday is a cyclic feast. The most phenomenal part of the entire event is the procession during which each palm is well visible.

Currently, the “Palm of the Kurpie Region” feast in Łyse not only relates to the competition to find the most beautiful palm; in addition, performances of both folk ensembles being active in the Kurpie region and other ensembles as invited from outside the region may be enjoyed during the event. An indispensable part thereof is also the fairs where various works of folk artists can be bought. Similarly to the ”Kurpie Region Honey-Harvesting”, popular bands and important personalities from the world of politics and culture are invited there as well.

One of the more commonly known events related to the promotion of Kurpian culture is undoubtedly the “Kurpian Wedding”. It is held in Kadzidło, a village situated near the town of Ostrołęka. Similarly to the above-mentioned cultural events, it is based on the old-time customs of the inhabitants of the Kurpie region. It was held for the first time in 1994. That event shows, with an almost perfect accuracy, the Kurpie natives’ customs related to the ceremony of a wedding, which is held in several locations, and is organized by the local cultural institutions. Spectators who come to see the event become wedding guests with all the associated “privileges and responsibilities”.

In Kadzidło, the Kurpian Homestead is also found, where a variety of buildings of the traditional Kurpian architecture are located. The Household is an open-air ethnographic museum, and is a branch of the Kurpian Culture Museum in Ostrołęka. The buildings included in the facility originate from various locations and times. The museum also organizes events such as “Disappearing Trades”, “Kurpian Wedding”, and the “Sunday in Kadzidło”, aimed at presenting the culture and traditions of the inhabitants of the Kurpie region to a wider audience.

The open-air ethnographic museum in Kadzidło is not the only relic of the past remaining after the old Kurpie region inhabitants. There are many of them to be found in the district of Ostrołęka. An extremely important element of the promotion of the Kurpian culture throughout the country and beyond it is the works of the present-day folk craftspeople, which can be most often bought at fairs organized during cultural events. The typical works of folk art include Kurpian decorative paper cut-outs, amber products, palms made of tissue paper flowers, figurines made of dough (the so-called “byśki”) as well as wood carvings most often depicting the images of saints, since the inhabitants of the Kurpie region are an exceptionally religious “nation”. Handing down the skills relating to folk art is of utmost importance to the survival of tradition, since it is those skills, along with the recreation of the old ceremonies that create the identity of the Kurpie region and its inhabitants. Along with the Kurpian architectural monuments, the area of the district of Ostrołęka offers many other locations and buildings worth seeing, which include inter alia, palaces, manor houses, and religious buildings originating from as early as the 16th century. All the above-mentioned items also affect the promotion of the culture of the Kurpie region, mainly due to the fact that they are located in an area where it is just impossible not to come across people that are closely connected and identifying themselves with the region.

5. Promotion of the Kurpian culture – activity of organizations and cultural centres

The events being organized within the Kurpie region have a common aim, namely arousing the interest in the culture of the region and its inhabitants among the largest possible number of people. It certainly does not happen without the need to use appropriate methods of promotion.

The selection of those methods is the responsibility of local cultural centres; however, the activity of other organizations operating for the benefit of the region also has a significant influence on providing information. In this case, the most commonly known institution of this kind is the Union of Kurpie with its head office in Ostrołęka. It was established in 1996, and is open to persons connected with the region by birth, residence, or love thereof. The motivation for the establishment of such an organization was a raise in the Kurpie inhabitants' awareness of the significance of culture for the development of the region, which determined making an attempt at establishing a supra-political union with a nationwide, or even cross-border, scope. Currently, the Union has approx. 300 members, including both individuals and numerous institutions, enterprises, schools and communes. It is involved in organizing seminars and conferences, publishing books and periodicals as well as organizing competitions and the above mentioned regional events. The main goals of the activity of that institution include, inter alia: the integration of the Kurpie inhabitants and people connected with the region, both indigenous inhabitants of the Kurpie region and those living outside it; work for the benefit of the material and spiritual development of the Kurpie region and its inhabitants; saving the spiritual and material cultural heritage of the Kurpie inhabitants, manifesting itself by, inter alia, folk art, feasts, language, songs and customs.

Every year the Union takes on a new venture; the goal, however, stays always the same: it is the promotion of the region to the biggest possible extent. What is of great significance to achieve that goal is a large number of the members of the Union. Each of them, due to their knowledge of both the area where they live and its inhabitants, knows how to reach them. What is extremely important in the promotion of any product is the identification of customer needs, and their preferences. The great popularity of events, at which dances and singing are predominant, undoubtedly indicates that this is an excellent way to attract a larger possible number of purchasers of that product of culture. In response to the consumers' needs, there are numerous dancing and singing ensembles in the Kurpie region, which can be seen at almost every cultural event within the area concerned, as well as throughout Poland. They include, inter alia: "Jegodecki" from Zalas, "Puszcza Zielona" from Łyse, or "Kurpiaki" from Myszyniec.

Establishing any organization which is to unite as many people as possible requires a lot of work and funds. The Union of Kurpie's programme of activities is open, and everybody who wants to contribute to the development of the Kurpie region will always be welcome. As for the Union, the establishment process was initially based on a widespread information campaign (Internet and press). That has yielded the expected results, and the Union has been gaining new members who provided new ideas on raising awareness of the Kurpian culture among the public. Those ideas are put into practice in a form of publications (the "Kurpie" monthly magazine), organization of seminars and conferences, etc.[2] What is also extremely important is the activity of the members themselves who launch various types of undertakings in their places of residence, actively participating in the organization of regional events, or being the initiators thereof. The goals and plans of the activity for a given year or period are developed on the basis of the current needs of inhabitants and addressees of the cultural offer of the Kurpie region. It's necessary to take into account the real aspects associated with the resources being at disposal in the form of staff or funds. For the period of the coming 3 years, the priority for the Union of Kurpie is to protect, develop and teach the Kurpian dialect. So far, a Kurpian dialect learning course has been organized, after completion of which the participants will be granted a certificate. Textbooks as well as a dictionary are also being prepared.

All the above-mentioned goals and accomplishments would not have been achieved without appropriate marketing instruments. As regards the sphere of culture, tools belonging to three fields are used in this case, namely the territorial and product marketing and, in particular, the promotion, the basic function of which is extending the knowledge on the product, in a form of a cultural offer, among the target group. Promotional operations of the Union of Kurpie are primarily addressed to the aware Kurpie inhabitants, both those living within the region and outside it, and, secondly, to

[2] http://www.zwiazekkurpiow.pl/statut.php?subaction=showfull&id=1231531672&archive=&start_from=&ucat=7&#Rozdzial_VI 27.03.13r.

the Kurpian children and youngsters. Thirdly, they are addressed to inhabitants of other regions, who are interested in the Kurpie region, or inhabitants of Poland. Fourthly, they are addressed to any persons being interested and eager to participate. When determining the addressees of the operations, the organization is guided by their current and potential needs. In case of such activity, nobody can force anybody to do anything, as it happens, for example, in high-budget TV commercials where it occurs against the will of a viewer. That group consists of thousands of people.

Speaking about the manner in which information on the Kurpie region is provided to the consumers of the culture market, the main role is most often performed by: a website, own periodical, and cultural events. Thanks to those, consumers learn about new undertakings of the Union, the dates and course of events, and a tourist offer of the region and the economic assets thereof. All that results in extending the knowledge of culture of the Kurpie region among those already interested, and those who only begin to take interest therein. What is also important is the cooperation with both the local and external media.

Undoubtedly, the cultural offer as prepared by the promoters of the Kurpian culture must be referred to as abounding, since everybody will find something interesting for themselves. An important role in such a state of affairs has been certainly performed by the precise determination and identification of the consumers' needs, as well as changes being introduced to the already operating mechanisms of action. An example of such changes is the introduction of commercial bands' concerts to the programme of events, or the activity of the ensemble "Jegodecki" from Zalas, which combines Kurpian songs with popular music and composes new musical arrangements.

The activity of both the Union of Kurpie and other people, for whom the protection of cultural heritage is important, also bring about changes in the economy of the region. In this situation, the links between marketing of culture and the territorial marketing, which actually merge, can be seen clearly. Operations carried out in one sphere affect the situation in other one. This is due to the fact that the territorial marketing may be defined as a market concept of managing a given territory in such a manner so as to satisfy the inhabitants' needs. It is also essential to predict the trends in changes as well as make appropriate use of the resources being at disposal. In this particular case, the inhabitants' needs certainly include attracting the maximum possible number of customers to their agritourism farms, as well as an increase in the number of jobs in the region. One of the resources is also own cultural offer, which is used in both marketing of culture and the territorial marketing. Agritourism farms of the area concerned offer their visitors not only an opportunity for taking a rest in the fresh air, but also for tasting traditional Kurpian dishes. A similar situation is found on the market of enterprises in the region. In their offers, they provide regional products, demonstrating their affiliation to the region by presenting it in the name of the enterprise, which is later associated with the Kurpie region, thus supporting the promotion of the region. An example of such an enterprise is e.g. the Kurpian Bakery with brand shops throughout Poland.

The GUS statistical data indicate that the interest in regional events in the Kurpie region has been on the increase year after year, and, for example, approx. 50 thousand people come every year to the "Kurpie Region Honey-Harvesting"; moreover, over the last 3 years, this figure has shown a growing tendency. As for the "Palm Sunday", in the period under analysis, about 10–15 thousand people that came to the event were recorded. This tendency is growing as well. The figures demonstrate that actions taken by local governments, cultural centres and other organizations are indeed appropriate, since focusing on the culture of the region and the promotion thereof yields positive results. This relates to both raising the inhabitants' awareness and establishing their identity, the growing tourists' interests in the region, and the economic development. This is indicated by the actual increase in the number of people being accommodated in the district of Ostrołęka, which has been growing, year after year, by approx. 100 people: in 2011, it amounted to 369 people, while in 2012 to as many as 467[3], as well as an increase in the population, which,

[3] http://www.stat.gov.pl/bdl/app/dane_podgrup.dims?p_id=480952&p_token=0.573844954604283 29.04.2013r.

starting from 2010, amounted to, respectively: 85 510, 87 623, and, in 2012, 87 719.[4] The willingness to promote the culture of the Kurpie region unites the inhabitants of that area in their actions for the comprehensive development of their home region.

6. Conclusion

The Kurpie region is a land of outstanding beauty which has not been fully discovered yet, abounding with its landscape and relics of the past, getting to know of which allows understanding of the entire Polish culture and tradition. The Kurpie region does not need vast water bodies or beautiful mountains to be an attractive region. It is sufficient for it to have its own unique cultural assets which significantly support the development of tourism. Undoubtedly, the region attracts tourists with its folk customs and handicraft. This indicates an interesting past and distinctive cultural achievements of the population residing in the areas of the former Primeval Forest. The described tourist attractions of the Kurpie region, and the results they yield to the region in a form of the increase in the number of tourists being interested in the Kurpian culture allow drawing a conclusion that the Kurpie region enchants its visitors with its nature and folk motifs. It also provides an opportunity for the participation in Kurpian feasts, which allows learning about the local customs. It can be proudly said that the Kurpie region is a beautiful land being the green lungs of Poland, which attract tourists.

The research results indicate the importance of culture for the economy of the region. It is an element uniting its inhabitants, and supporting the collaboration for the development of a given territory. An essential part of those actions is making use of marketing tools which result in an increase in the interest in the region just through culture. This is because culture is different in almost every part of Poland, which, in addition to being separated as regards the access to natural resources, or the terrain of a given area, results in a situation where seeing a product of culture makes us associate it with a certain region.

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Summary

The aim of the research was to identify the operations in the field of promotion of culture, being carried out in the Kurpie region, and to determine the influence thereof on the development of the region. It may appear that culture does not play a major role in the development of a given area; however, such a conclusion is erroneous. Thanks to culture, people identify a specific territory, and the dissemination of products of culture makes the territory becoming recognizable, and not only to people interested in a product being strictly cultural but also to investors who may probably have not yet considered starting a business activity in e.g. the Kurpie region.

Key words: marketing of culture, territorial marketing, promotion of culture.

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[4] http://www.stat.gov.pl/vademecum/vademecum_mazowieckie/portrety_powiatow/ostrolecki.pdf 29.04.2013 r.
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THE ECONOMIC CHARACTERISTIC OF PRODUCTS AND SERVICES IN THE SPHERE OF COMMUNICATIONS AND INFORMATIZATION

Orlov Vasily, Orlova Olga, Kuznetsova Olga*

1. Introduction

Communication and informatization fields are particularly important in ensuring the functioning of the economic, social and other spheres of society which says about special significance of (economic, social) communication services. In Okinawan Charter for Global Information Society was marked, among the main priorities, multiple directions and ways of development of information society directly related to telecommunications networks and communication services. This document states that "a number of services, including telecommunications, transportation, parcel delivery, are essential for the information society and the economy, increase of their effectiveness and competitiveness will allow to expand the benefits of the Information Society…"[1].

Presently significant requirements are increasing as to the number and quality communication services, due to the fact that they come across with almost all aspects of life of human and functioning of society. Experienced usage of modern communication says that that communication services have a significant influence on its economic, technological, social and cultural settings. At the same time, along with the importance of this sector activity of society, main feature of the present stage in the development of social production is the rapid increasing consumption services and the economy of different developed countries today is characterized as a Economy Services. With all of this, still there is no single generally accepted notion about services. Analysis of the economic content of investigated the term "services" will identify such it's essential characteristics, which have not been adequately displayed earlier.

2. Analysis of the recent research and publications

The solution to the problems associated with analysis of current trends, which are resulting to formation the foundations of the information society is represented in the works of foreign scientists like D. Bell, E. Toffler, I. Masuda, M. Kastels, P. Draker et al. In our country, the problems of the communication services formation and development are studied in the latest publications of national scientists P. Vorobiyenko, V. Granaturov, V. Orlov and others. But there are still issues that need further research.

3. Economic characteristic in the sphere of Communication and Information of products and services

In the sectors of material production is the production process, resulting in such products or services which provided to consumers and have use value, and having the ability to meet the needs of society. In the field of Communications and Informatization consequence of the production process is such a specific product which differs significantly from conventional widespread kinds of products, whether production means or consumer goods. The products of communication is the cumulative useful result of the transmission of postal, telephone, telegraph messages, computer information data, radio programs and television, telepathic services (video text, telex, fax, etc.) [2].

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Essential feature of the communication products is it's immaterial nature. The process of communication industry creates the material benefit – this is a useful result of moving information when the consumer receives the information which directed him from another remote point in space. A product, which appears in the form of services, has no material form. The notion of "service" and "products" – are two sides of the same consumer cost.

When talking about consumption of consumer value we use the term "service". Service for the consumer is a useful outcome of the process of transmission messages [2].

Services are somehow related to all modern economics. Available services have an important role in enhancing the prosperity population. State revenue, profits of firms and the level of social protection of the population depends directly on the quality of services.

There is a possibility to compare the one service from another due to the presence in the market services consumers and stimulate manufacturers (competitors) to provide quality services to customers.

Constant development of service sector needs the preconditions consumption patterns of population, growth fate of services in the economy and reducing the proportion of material consumption. It's necessary to expand the network of companies that provide services, increase the volume of realization services, introduce new forms and types and improve the quality of services provided.

The constant increase of services is confirmed international experience. In developed countries GDP share of services is about 2/3. Number of employees in the service sector in the United States has reached 79% of total employment. In Germany in the service sector employs 41% of the workforce, in Italy – 35% [3]. Judging by the projections, increase in jobs will be implemented at the expense service sector.

The service is a sufficient complex social phenomenon. Services have existed for a long time a as kind of economic activity. Various interpretations of the term "service" is given in the scientific literature.

In classical economic theory lays the foundation for the development of the theory of services. Determined that the service, as a specific usefulness, usefulness in the form of activity has dual nature and is the result firstly when one type of service being implemented in the product, and secondly – imperceptible and has no marketable form [4]. Also in the scientific literature proposed to consider "service" in two senses: the broad and narrow.

A broad sense interpretation is based on the fact that the results of work designed is not for needs and can act in different forms, satisfy different needs and thereby to provide the country, economic actors and to the population services [4].

The narrow sense of service – is based on activity that does not take subject-material form, that service makes use value, moreover it is useful as an activity.

In the A. Smitt's concept of productive and unproductive labor services are separated from the material wealth [5] and proceeding from this does not create wealth. Therefore A. Smitt has concluded that services don't have an economic nature and examines services only in terms of the importance to society.

Other authors [6] by analyzing the service sector exhibit opinion on services as a special type of wealth that can generate income.

A. Marshal, D. Rikardo, E. Bem-Bawerk when approaching the classical labor theory of value and marginal utility characterized service as a form that has utility.

According to the dictionary, services – is the work performed by order and which does not lead to the creation of an independent product, goods, services including: of transport ... communication, personal, housing and communal, physical culture and sport, consulting, innovation, marketing ... the production of goods made to order, including goods made on commission (materials) [7].

According to another source, service is:

1) the action that directly benefiting, helping to another;

2) activities of enterprises and organizations and individuals made to satisfy someone's needs;

3) a system of household benefits to the population [6].

Notably, by summarizing the different approaches to the interpretation of the term “services” should be defined, that they have significant differences. But all of them can be reduced to the direct results of work in the form of useful effect, which has no material form.

In the most general form F. Kotler has given the following definition of this term: “Service – is any activity or favor that one party has to offer to another and which are mainly intangible and does not result in another to mastering the something. Production services may be related, or may not be associated with the product in its material form” [8].

This definition of services received distribution in Ukraine, which is given in the Ukraine State DSTU Standard of 3279-95 “Standardization services. Top provisions” of 1997. It is indicated there that the service – a “directly result of the interaction of the supplier (executor) and consumer and domestic activity of the executor regarding customer satisfaction“ [9].

In the Law of Ukraine “About Telecommunications” [10] the definition of communication services used with the meaning: communication service – is a product (result) of activity the operator and / or the provider of communication, aimed at satisfaction of consumer demands in the communications. That is, the communications companies that provide services to customers referred by the operator or the communication provider.

The operator of communication is a business entity which has the right to operate in the field of the communication, with the right to technical maintenance and exploitation of communication networks [10].

The communication provider is a business entity that has the right to pursue activities in the field of communication without the maintenance and operation of communication networks and communication channels [10].

Consumers of communication services are the legal or physical persons who need, order and/or get the communications services for their own use [10].

At one time in the economic literature discussed the concept of “production communication sector”, which meant spending finished (completed) the process of transmission messages within the limits of communication sector. This information is delivered to the consumer and subjected to realization. In contrast from it, the partial, unfinished scale of the individual enterprise (as defined phase a complete production cycle) was defined as the production of the enterprise and in many cases did not have a entering to the consumer. Such an interpretation was necessary at a certain historical stage of economic in the communication. The introduction into circulation of this concept (term) had progressive significance.

As a whole the notion of “service” in the public mind, and in economic science was considered as an activity that is not involved in the creation of the gross national product and does not create the national income. This led to a significant loss of its time in terms of planning authorities field of communication, has reduced share of capital investments, which stood on this industry and the significant losses undergone service workers, because it was believed that they were not involved in the creation of national income, and therefore, do not create a profit and your own payroll. The scientists economists-signalmen fought for recognition that the labor of signalers is a productive, which plays an important role in creating the national income, and they relied on fair evidence that the labor of signalers is expended in material production and the fact that it is productive, and in it's specificity, it has the shape of services. Emphasizing the material basis of the communications industry at this historical stage the concept of "communication product" was introduced in order to show the identity of the economic results of labor in communication sector with other sectors of material production. Now the entire industry and widely recognized productive character of the labor of signalers is assigned to the sphere of material production. The connection serves the public administration, all sectors of material production, non-production sector (health, education, culture, etc.) and the population.

Separately outside of the process of production services can not exist, because it's consumption and production at the same time, the accumulation and assembly of communication products also impossible. This shows of particular importance of quality of the communication products as fixing or replacing the defective products is not possible. Products to the consumer receives in the production process, and in the case of defective goods it gets incorrigible damage.

Speaking about long-distance communication products: letters, telegrams, long distance calls that moves information is carried out with simultaneous participation of several enterprises, geographically distant from each other, and relatively independent. Each of these enterprises fulfills its functions, someone perform the production function in the final phase, the other on the transit or input stage of information transfer, but there are those, that ensure smooth functioning and exploitation of linear-cable management. Hence it turns out the fact that the useful result in the form of communication products can be derived only during the aggregate set of communication enterprises that provide moving information at all stages, from the sender to the recipient, it is essentially distinguishes the communication products from other sectors of material production. And every single enterprise at the same time taking part in the full production cycle only partially, only on their phases of moving the information. It follows that the products of communications industry is significantly different from the products of the communication enterprise, they are not the same nor the use value or cost.

Communication Products that has a complete character, is the shaped services. Only the service that has developed from a sender to a recipient may be subject to realization and be suitable for consumption. As for the products of the communication, it has another use value, is incomplete, partial character, because it represented the implementation of certain production functions at various stages of the whole production cycle: output, transit and input. Taken together, a number of individual communication enterprises, the implementation of one of the stages of the production cycle, creating a complete product area – communication services (transferred telegram, made a phone conversation, etc.).

Hence, the main difference between the communications industry from other sectors of the economy – its linearity. For example, if the company provides industrial products (clothes, shoes, tools, etc.), network communication products will be released only in the aggregate product of individual companies in this industry. That is, in the field of industry products and products of companies as the same consumer value. Products of individual communication enterprises to the implementation of such phase is the necessary of production processes will be uncompleted character and cannot be used to consumer that the product will not be realized as a finished product.

The final product which is fit for consumption – the communication service is created only as a result of the production process a number of companies that operate together. Such communication services subject to the implementation, and that it installed prices. Due to the fact that the production take part a lot of enterprises, there is a necessity to define the field of communication participation of each company in its manufacturing process and in accordance with that its share in the tariff-price of the sold communication products. So between enterprises are mutual payments between those sells the final product and those who was involved in the exercise of transmission messages.

Every communication enterprise aimed at the implementation its stage in the production of the full production cycle. Execution the share of operations from full production cycle provides production the intermediate products, such as long-distance communication is the of transmission messages – it's the output stage or acceptance – the input stage or transit.

Indicators of the products of communication industry and the product of communication enterprises for a long time been used to assess the results of their production activities, to calculate on it's the most important economic indicators from the definition of the category of the enterprise and as a basis for calculating its own revenues. Now with the transition to the market and by amplification the orientation of the production of the final product in this matter undergoes substantial changes.

4. Conclusion

Communication – it's more important factor in economic development and prosperity of the nation. Specificity of the telecom operator's product is one of the characteristics of the industry. Therefore, definitions of products and services are appropriate. For full disclosing of such important concepts as communication services necessary versatile discussion of this question from as a practical well as from a methodological points of view, followed by determination their of legal documents. Because the program of economic development of any country cannot be considered balanced and efficient if there is not enough attention paid to communication services for the development of national economy, to improve the competitiveness of production and until you provide a priority of the development of national communication systems.

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Summary

The basic economic characteristics of products and services in the sphere of communication and informatization are considered in the article.

Key words: the communication, the informatization, the economic characteristics, the products, the services.

UD classification: 338.47

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EUROPEAN TRADE POLICY INSTRUMENTS IN THE CONTEXT OF THE HARMONIZATION OF FOREIGN TRADE RELATIONS BETWEEN UKRAINE AND THE EUROPEAN UNION

Prytula Nataliia*

1. Introduction

In the system of Ukraine's foreign policy priorities the processes of European integration occupy a special place. Ukraine's European choice is due to the understanding of integration as a factor of promoting the state independence, economic development and update of the European essence of the country. From an economic point of view the integration of Ukraine into the European Union (EU) gives not only the macroeconomic benefits, but also trading benefits associated with the possibility of products promotion to the European market without significant obstacles. To achieve an efficient trade with the eurozone countries, while developing foreign trade strategy, Ukraine must take into account existing EU trade policy instruments aimed at protecting the domestic market from foreign competition, as well as at increasing exports [1].

The EU foreign trade policy instruments are reflected primarily in the normative legal acts of the EU institutions: regulations, directives, and decisions. Regulations are adopted both by the Council of the European Union, and the EU Commission. In the field of trade policy, regulations issued by the Council play the main role in the legal regulation. Regulations issued by the Commission play a supporting role in relation to the regulations of the Council, providing concrete definition and specification of their rules. The directives also may be issued both by the Council and by the Commission. They harmonize the support of export between member states and third countries. In the form of decisions the institutes on behalf of the EU make a conclusion of international agreements, information and consultation procedures within the import and export regulation, etc. The works by P. Craig, G. de Burca, S. Inama, E. Vermulst are devoted to the analysis of methods of foreign trade regulation in the European Union [2; 3; 4].

The EU enlargement process, the creation of a single market in combination with external factors such as the WTO activities and the change in the overall political situation in the world led to a significant update of the normative legal base of the EU foreign trade policy. These new legal acts have become increasingly corresponding to the norms and principles of the international trade law. Since Ukraine aspires to integration into the European Union, it means that a certain part of the legal trade rules of the European Union should be incorporated into the Ukrainian foreign trade legislation. This is the part of legal trade rules that regulates various industries, markets and it is aimed at eliminating discrimination against companies from third countries. Ukraine thus can become an integral part of modern Europe. Harmonization of the national legislation with the EU trade law will increase the credibility to our country from trading partners [1].

The aim of the article is to study the basic tools of foreign trade policy, which are regulated by the legal acts of the European Union, for the harmonization of the Ukrainian trade legislation and forecasting of consequences of the foreign trade relations between Ukraine and the European Union.

The main purposes of the common commercial policy of the EU are the harmonious development of the world trade, the elimination of restrictions in the international trade and the reduction of customs barriers. This policy is aimed at establishing a close interrelation between the realization of trade policy and deepening of member countries' customs integration. The realization of foreign

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trade policy is carried out on the basis of drawing-up of certain normative acts. In these normative acts a particular attention is given to the regulation of import and export of goods, quotas and licensing, the system of trade protection measures.

2. The regulation of import of goods

The regulation of import of goods is classified into tariff and non-tariff regulation [3; 4]. The most important instrument of the tariff regulation in the European Union is the Common Customs Tariff (CCT). Its introduction was an essential prerequisite to the formation of the customs union. The main objectives of CCT application and collection of customs duties include:

- increase of the cost of import goods and, thus, support of domestic production;
- receipt of revenues to the EU budget (90% of all flows of collected customs duties);
- fight against trade practices violating fair competition in the world trade (dumping, subsidies);
- achievement of political advantages: strengthening of positions in the global trading arena with the object of obtaining advantageous access to the foreign markets in international trade negotiations;
- creation of the mechanism for economic integration (customs unions, free trade zones) and for aid to developing countries;
- achieving a positive balance of payments by decreasing the volume of imports and thereby reducing the outflow of currency to the exporting countries;
- possibility of the introduction of emergency safeguard measures against products that harm domestic producers;
- possibility to respond to the breach of the obligations by the WTO partner countries;
- hardship of export of raw materials, foodstuffs and other goods at prices below world prices and, thus, prevention of the deficit of such goods on the domestic market (by collection export duties);
- stimulating progress of individual regions (free zones, special economic zones);
- stimulating progress of individual industries by granting favorable tariff regimes.

Following agreements reached within the GATT/WTO framework, the European Union consistently reduces the rates of import duties. A large number of goods receive tariff preferences in the European Union. These are preferential rates of customs duties with respect to import of goods from individual countries or groups of countries. They are autonomous (adopted unilaterally) and conventional (adopted on the basis of international agreements). The granting of tariff preferences should not contradict the most favored nation principle; therefore it is necessary to adhere to certain conditions, first of all, the rules of origin.

To limit the preferential access of goods the European Union uses mechanisms such as tariff quotas and autonomous tariff exemptions (temporary reduction of import or export duties). Most tariff exemptions are introduced by separate legal acts of the EU Council. Sometimes they are used in conjunction with tariff quotas, i.e. duties are reduced only until the volume of import (export) of goods does not reach a certain quantitative limit established for a given time period. As a rule, tariff exemptions are granted only to raw materials, semi-finished products and parts that have no analogs in the EU market.

Principles of non-tariff regulation of import of goods are stated in regulations, as well as in some other specific normative legal acts [3; 4]. The most important regulations are:

- Regulation No 260/2009 on the common rules for imports, which implements the provisions of the WTO Agreement on Safeguards in the European Union law;

- Regulation No 519/94 on common rules for imports from certain third countries (non-market economies and state trade). This Regulation does not apply to imports of textile products;
- Regulations on goods belonging to the category of textile are:
  - Regulation No 3030/93 on common rules for imports of certain textile products from third countries – for imports from countries which have concluded bilateral agreements with the European Union;
  - Regulation No 517/94 – for imports of other textile products mainly from non-market economies.

Thus, the application of these normative acts depends on three factors:

- the origin of goods, i.e. whether the country of origin of goods is country with the market or non-market economy;
- the category of import goods (the EU legislation uses different legal regimes for textile and non-textile products);
- in the regulation of import of the textile products it is important to know if there are special bilateral agreements between the country of origin (export) of goods and the European Union.

The purpose of such differentiated approach to the legal regulation of imports is the creation of an effective system of foreign trade management, the control over the structure and the volume of imports, the protection of economic interests of the EU and the interests of its domestic commodity producers.

The basic principle at import of non-textile products from the countries with market economy is that these products are imported to the EU freely, without any quantitative restrictions, and without the detriment to the rules of trade safeguard measures application.

The regulation establishes three procedures for the regulation of the volume of goods import in the European Union:

- information and consultation procedure that envisages, that the Commission shall be informed by the member states in cases when the trends in import of the goods necessitate of application of surveillance or safeguard measures;
- procedure of investigation – it is necessary if the Commission considers that surveillance or safeguard measures are necessary. The objective of investigation is the examination of the trend of imports, of the conditions in which they take place and of the serious injury or threat of serious injury to Community producers resulting from such imports.
- procedure of surveillance – the direct control over the volume of goods import.

3. The regulation of export of goods

An important component of the EU trade policy is the regulation of the export [2; 3]. It is realized by means of Regulations, which establish general rules of the EU exports. As to tariff regulation of exports of goods, the EU consistently pursues a policy of refusal of export duties. This fully corresponds to the purposes and principles of the GATT. Export duties are applied only in exceptional cases to prevent the outflow of vital products from the European Union.

The basic principle is formulated in the Regulation – the principle of freedom of export and refusal of quantitative restrictions except the restrictions stipulated in the founding treaties. The information and consultation procedures necessary at export of goods are regulated in the Regulation. Also, there are rules for the application of protective measures of the EU as well as the rules on national restrictive measures of member states and rules of the export of agricultural product. There are lists of goods that are excluded from the action of the principle of freedom of exports.

The Regulation also confirms the competence of member states to impose restrictions on exports for reasons of public morality, public policy, and public security, the protection of human life and health, the protection of national cultural, historical and archaeological values, the protection of industrial and commercial property.

A number of important goods for the EU are excluded from the overall export policy (agricultural products, metal ores and scrap metal, fuel, and others). There are some export restrictions related to the common foreign and security policy of the EU. In addition, the control over the export of certain goods through surveillance and safeguard measures is possible. However, these measures are not applied when the EU trade agreements with importing countries stipulate other export restrictions (quotas, export licenses, export permits, and others).

In order to prevent a critical situation because of lack of a vital product in the EU market, an export licensing system of such goods can be introduced. In the case where it is necessary for the European Union, the application of quantitative restrictions on export of goods may be used. Quantitative restrictions apply only to exports to certain third countries or apply to exports from certain regions of the EU. To determine the quantitative export restrictions the normal export volumes of goods existing before the critical situation are taken into account. Furthermore, the quantitative restrictions, that are set, should not be higher than it is necessary to achieve the goals of quantitative restrictions.

Special rules of export regulation exist in the EU for certain categories of goods, such as oil and products of its processing, food products, cultural goods, hazardous chemicals and dual-use goods.

4. Quota and licensing system

As already mentioned, in some cases, the European Union uses quantitative restrictions of import and export of goods. The most widespread form of quantitative restrictions is quoting and licensing.

The quota system is based on common commercial policy and considers the principle of free movement of goods within the EU. Regulation No 717/2008 provides the legal basis of the quotas. It establishes the common procedures for administration of quotas among importers (exporters). This Regulation does not apply to a number of agricultural products, textiles and some other goods, which are regulated by specific EU trade rules. Quotas may be administered using one of the following methods, or a combination of these methods:

– traditional allocation. This method is based on traditional trade flows. Quotas on imports (exports) are allocated on a priority basis among the so-called “traditional” importers (exporters). Importers or exporters deemed to be traditional are those able to demonstrate that in the course of a previous period, to be known as 'the reference period` they have imported into the European Community or exported from it the product or products covered by the quota. Where no applications are received from traditional importers or exporters, the importers or exporters that do apply shall have access to the whole quota or tranche concerned;

– allocation in the order of receipt of applications. This method is based on the order in which applications are submitted (on a “first come, first served” basis). Those applicants who have applied first for the allocation of quotas receive first their licenses;

– proportional. This is the method of allocation of quotas in proportion to the quantities requested when the applications are submitted. So, the information concerning the number of applications and requested amounts of the goods is collected. On its basis, the quotas are allocated proportionally to submitted applications.

Licenses are valid throughout the European Union, except the cases when they are granted to individual member states or regions of the EU. The duration of licenses is four months.

Now licensing also applies to some agricultural products on the basis of the Regulation No 376/2008. Importers (exporters) apply for the licenses in national agricultural administrations. The administrations send the applications to the Commission. The Commission arrives at a decision on the allocation of licenses in the form of Regulations. The licenses are issued by national administrations on the basis of the Commission Regulations.

5. The system of safeguard measures

The system of safeguard measures in the European Union includes legal norms in the field of anti-dumping (Regulation No 1225/2009) and countervailing (Regulation No 2026/97) duties. By means of these legal norms the EU implemented the international agreements accepted under GATT. The rules of duty calculation are different in these regulations. But the questions of consideration of damages and procedural rules are regulated equally [7; 8].

Anti-dumping measures and measures, that compensate the subsidies, are directed on struggle against different types of unfair trade practice. Anti-dumping measures are directed on the compensation of balance of trade. These measures are caused by the actions of third-countries companies in the EU market. Countervailing measures have as its object the elimination of trade imbalance inside the European Union, which has arisen in connection with unfair subsidizing of export in the EU by the governments of exporting countries. Sometimes anti-dumping and countervailing measures intersect. The EU regulations prohibit the use of both types of safeguard measures concerning the same products. In practice the European Union applies only measures of anti-dumping protection in similar cases.

Besides the protection from dumping and subsidizing, the legislation of EU supposes application of the retaliatory measures directed on counteraction to the illegal restrictions of access of the goods from the EU to the markets of the third countries. Such restrictions are called “foreign trade barriers” and they include both tariff and non-tariff measures of third countries [6]. It is emphasized in Regulations No 3286/94 and No 356/95 that the term “foreign trade barriers” concerns any measures of trade regulation, permitted in other countries, however, prohibited by international trade law. It allows the interested sides to achieve elimination of such measures. The regulations also establish the rules and procedures on maintenance of the rights of the EU as a participant of the world trade, in particular, those rights, which are based on norms of the WTO.

To strengthen the rights of the EU within the limits of the international trading system, early in 2013 the European Commission initiated the new legislative initiative. The draft of the new EU regulation envisages vesting the Commission with the rights to take the operative unilateral retaliatory measures under the rules of the WTO, in the following cases:

- EU trade sanctions if the country does not execute the decision of the arbitration tribunals under the multilateral and bilateral dispute settlement rules;
- retaliatory measures in case of acceptance of bilateral/regional special safeguard measures by third countries without the acceptable compensation;
- the suspension of trade obligations of the EU regarding the WTO member which unilaterally has changed its levels of import tariffs in accordance with Article XXVIII of the GATT and has not provided the appropriate compensation to the European Union [5].

6. Conclusion

The main trends in the development of foreign trade regulation in the European Union are the increase in liberalization of the world commodity markets and strengthening the role of the WTO and positions of integration associations in the world trade. Effective legal regulation of foreign trade allows the EU to follow these trends. The adaptation of the trade law of Ukraine to the EU trade law is one of the directions of eurointegration strategy of Ukraine. This process can be realized through enactment of legislative and normative acts which are based on the appropriate norms of the European trade law, or by introduction of changes into the active legislation.

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Summary

In the article, the author describes the normative legal acts regulating foreign trade of the European Union in the context of the harmonization of foreign trade relations between Ukraine and the European Union and the adaptation of the trade law of Ukraine to the European trade law.

Key words: trade policy instruments; integration of Ukraine into the European Union; trade law; adaptation of legislation; regulation of the import (export); safeguard measures.

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CUSTOMER TRUST TO INSURANCE COMPANY

A. Rudzewicz, M. Grzybowska-Brzezińska*

1. Introduction

Trust plays an important role in today's world. Every cooperation involves the element of trust, and its level is determined not only by the development of the individual, but above all, the social and economic development of the entire community [1, p.87]. This situation applies to Poland in a greater extent [2, p.64]. Trust leads to open, innovative and spontaneous actions; it enhances social relations, and as a result it develops the potential and subjectivity of the society [3, p.19–22]. Morgan and Hunt [4, p.20–38] indicate that the forerunner of trust is an authentic, open and honest communication, which is based on understanding, commitment and cooperation.

Trust is everpresent. No relationship is possible without it. Trust is one of the most important factors which help the customers take decisions. Business relations would not exist, but for the trust which can be built up for the particular institutions or its representatives. Trust is perceived as a feature of modernity, connected with division and specialisation of work [5, p.85].

When buying a new product, a customer does not want to take too much risk so he or she repeats their choices that were successful in the past, buys previously recommended products, or relies on the choice of a close and trusted brand [6, p.195–207].

Business reliance means positioning of the brand on the market at a satisfying level or even outstripping the consumers' expectations. The reliability of the brand is marked by loyalty which is based on the customer satisfaction. Trust is the most important and powerful marketing tool of the company [7, p.388]. Scientists prove that the ability of establishing and cultivating strong relations with consumers guarantees the possibilities of development and gaining a lasting and competitive position on the market [8, p.412]. In order to support the relations between the consumer and the marketer, it is crucial to understand its basics, particularly the building process as well as regulations and imperatives referring to trust. However, it should be noticed that building trust is a really difficult and complex task [9, p.211].

Factors such as offers, official statements and advertising campaigns influence the opinion about the company firmly. The image of business entity is an elementary notion raising its credibility in business relations. To exceed the necessary level of trust, the company must work on it for years.

Honesty and credibility of insurance companies should be at the highest level. Financial sector is often labeled as public trust.

The aim of this article is the analysis of the level of trust towards the biggest Polish insurance company, PZU S.A.

2. The characteristics of PZU

PZU is an insurance company. It provides services in the fields of personal and property insurance. According to Polish Financial Supervision Authority, PZU is both one of the oldest and biggest insurance groups operating on the Polish market**.

PZU is also one of the most recognisable brands in Poland. The research conducted by GFK Polonia has confirmed that the brand spontaneous awareness of PZU reached 87,0% whereas prompted awareness topped 99,9%. ***

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** http://www.knf.gov.pl/Images/Sektor_ubezpiecze%C5%84%20_IIkw_2011_tcm75-24616.pdf, 18.11.2012

*** Relacje inwestorskie, http://www.pzu.pl/relacje-inwestorskie/spolka z dnia 1.07.2013

2012 was an auspicious year for PZU. Net profit exceeded 3, 25 billion PLN and it was almost 40% higher than in the previous year (in 2011 net profit was 2,34 billion PLN). Gross written premium reached 16.243,1 million PLN, in comparison to the previous year when it reached 15.279,3 million PLN. It indicates the growth of 963,9 million PLN, which is 6% in comparison to 2011. In 2012 ROE reached 24% and it was higher than in the previous year by 5,7%. ROA increased by 1,4 % and it reached 6%. ROS increased by 4,7% reaching the level of 20% [*].

Fig. 1. The current logo of the PZU Group

Source: http://media.pzu.pl/pr/212635/pzu-zmienia-sie-na-dobre-i-prezentuje-nowe-logo, 1.07.2013

The redesigned logo of PZU (Fig. 1) harks back to the logo which has been in operation since 1952. The new logo is much simpler and legible. The rim of the sign has been brightened, which made it more modern and has created the three-dimensional impression. The new system of visual association is to stress the changes that the company has been undergoing in the last years.

The main concept of PZU is: „ZU Group – thanks to the strong consumer-oriented programme and high operational effectiveness – is bound to be the biggest and the most profitable insurance company in East-Central Europe" [**].

3. Research method

The research has been conducted by means of diagnostic poll method. The main objectives of the method are to provide us with real facts and observations, determine real conditions as well as genuine characteristics and functioning requirements [10, p.30]. The typical techniques of the diagnostic poll method are a questionnaire, documents analysis, a questionnaire interview as well as statistics [11, p.51]. The research has been conducted by means of Computer Assisted Web Interviews. CAWI is an interview conducted by means of an internet questionnaire. Only people who own computers with the access to the Internet participated in the research[***]. When choosing interviewees, it was assumed that they had used PZU offer. The questionnaire was created and diffused at www.ankietka.pl. The research was carried out in March and April 2013.

78 women and 62 men participated in the research. The people included in the survey were diversified in terms of age, education and income. The most numerous group among people questioned were those between 18 and 26 (40%). People between 27 and 35 (30%) constituted the second group in terms of amount. The participation of people between 36 and 49 constituted 20% of total. People above 50 were the least numerous group (10%). As to the education level of the interviewees, people with secondary education were a quite numerous group (35%). The biggest contribution was of the people with higher education – 50%. 10% of people claimed to have received vocational education whereas 5% of people just elementary. Interviewees with the monthly gross income of 2000 PLN were in the majority. Consecutively, the second group were the people with the monthly net income between 2001 to 3000 PLN (30%). People, whose income was above 3000 net, constituted 10% of the interviewed group.

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[*] Wyniki finansowe Grupy PZU za 2012 rok – dynamiczny wzrost zysku i składki przypisanej http://media.pzu.pl/pr/236662/wyniki-finansowe-grupy-pzu-za-2012-rok-dynamiczny-wzrost-zysku-i-skladki-przypisanej 1.07.2013

[**] Relacje inwestorskie, http://www.pzu.pl/relacje-inwestorskie/spolka/strategia, 1.07.2013

[***] http://www.pentor.pl/20760.xml 17.11.2011

4. The level of trust towards PZU

The employees are the flagship of insurance companies, as they are responsible for acquiring new clients and sustain relations with them. Interviewees' opinions on the qualifications of the agents as well as general opinions about the company are presented in Tab. 1.

Tab. 1. Evaluation of personnel PZU

Category	Rating scale from 1 to 5					Average rating
	1	2	3	4	5	
	Number of answers					
Employee PZU SA is sincere in dealing with customer	0	10	46	50	34	3,77
Employees PZU SA are friendly	0	2	28	62	48	4,11
Employees PZU SA have a high level of personal culture	0	4	28	48	62	4,24
Employees PZU SA have high knowledge about the insurance offered	0	4	10	71	55	4,26
I can rely on this company, because I am always professionally handled	0	4	35	62	39	3,97
The company PZU SA strives to make customers happy	0	10	21	65	44	4,02
There are convenient for customers working hours of the agency	0	8	34	53	45	3,96
There is a professional service in the process of settling the claim	10	7	35	52	36	3,69

Source: own work based on research

The highest number of respondents gave the best mark for the impeccable manners of PZU employees. The respondents also highly complimented the employees' knowledge of insurance offer. However, the company was criticised in the field of the claims adjustment process. It is the area which needs to be improved. Some of the interviewees do not seem to be fully satisfied with the claim they have received. The rest of the analysed factors were highly marked. The average marks on 5 point grading scale oscillate around 4. The service and assistance with claims adjustment received the poorest score of 3,69. Customers claim that they can rely on the company and it is trying to come up to their expectations.

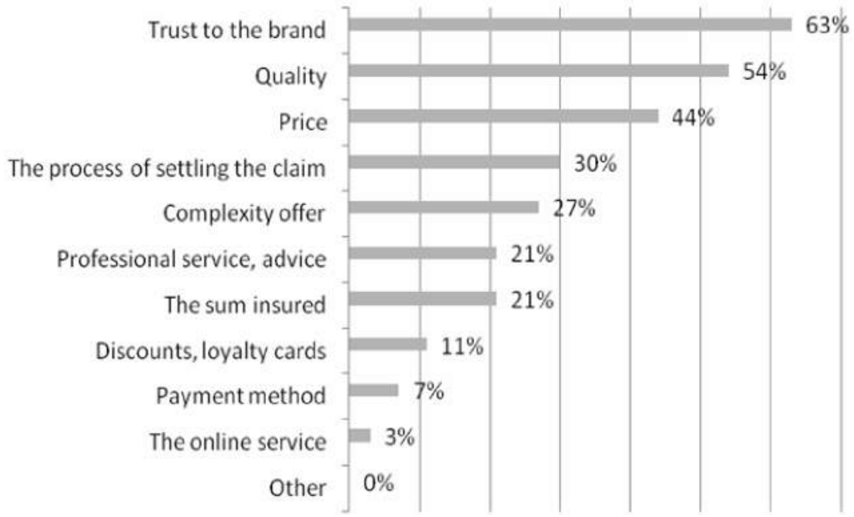

Fig. 2. Factors influencing the choice of insurance company

Source: own work based on research

Customer trust for the brand is the most important factor (Fig. 2), which influences the choice of the insurance company (63%). The quality of services provided by the insurance company also plays a major role (54%). The inessential factors when choosing an insurance company were the availability of online accessibility (3%) and the method of payment (7%).

Fig. 3. Factors shaping confidence of respondents to the company PZU

Source: own work based on research

PZU Group offers its clients a wide range of insurance products. As a part of its regular insurance business, it offers property insurance, motor vehicle insurance, life insurance and other personal insurances. PZU clients can choose among 200 different kinds of insurances. Almost half of the respondents (46%) said that they had chosen PZU because of the high quality of its services (Fig. 3).

According to the respondents, another important factor is the professionalism of the employees (36%). Insurance services buyers attribute PZU the following features: tradition, wide experience and trust. Fig. 4 depicts the connotations connected with PZU brand.

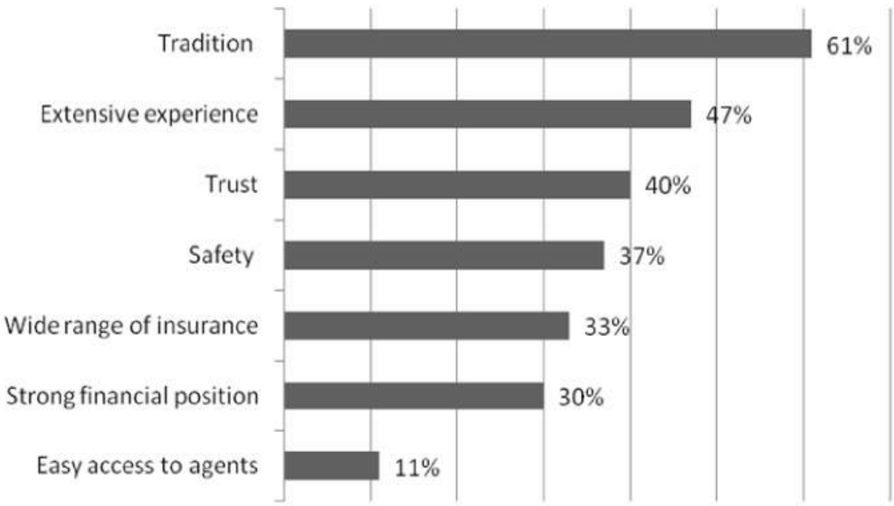

Fig. 4. Associations of respondens related with the brand PZU

Source: own work based on research

More than a half of the people surveyed (61%) indicated tradition as the first connotation with PZU. Not surprisingly, PZU dates back to 1803, the time when the first insurance company was established in Poland. PZU has got more than 200 years' tradition*. The second place was occupied by a wide experience (47%). PZU brand is also associated with trust – 40% of respondents gave such answers, as well as safety – 37% of the people surveyed.

* Relacje inwestorskie, http://www.pzu.pl/relacje-inwestorskie/spolka/historia z dnia 1.07.2013

5. Conclusions

Trust is an emotional issue. It is a belief in particular actions and it is a directed relationship between two individuals. It can occur between entities, people, organizations or institutions. Financial stability and tradition are the strengths of PZU. PZU has been on the insurance market for many years. It has developed its own well-associated and perceived brand, which is accompanied by great trust. Professional and just attitude of employees as well as high quality of products increases its credibility. PZU brand has positive connotations. The conducted research proved the strong position of PZU. The respondents appreciate the impeccable manners of employees and their broad knowledge of the products offered. Negative responses referred to the claims adjustment process. Customer trust for the brand is the most important factor, which influences the choice of the insurance company. The quality of services provided by the insurance company also plays a crucial role. The conducted research proved the strong position of PZU. The leading Polish insurance company possesses a wide product offer, and the interviewees are contented with the services provided by the company.

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Summary

Trust is one of the most important factors influencing consumers' decisions. Honesty and reliability of insurance companies are required to be of the utmost degree. The analysis of the degree of trust to the largest Polish insurance company, which is PZU S.A., constitutes the primary objective of the article. The method of diagnostic survey in the form of the Internet questionnaire was applied to carry out the research. In studies was used a random selection of people by definition who have used the services of PZU. 140 people were subjected to the survey. PZU is a company with a long tradition of operating on the insurance market. PZU brand evokes positive associations. The respondents particularly value high working standards of the company staff as well as their competence in selling products the company offers. PZU has a wide product offer, and its customers are satisfied with the services offered by the company. Critical opinions mostly concern the process of damage repairs.

Key words: customer trust, cooperation, economic development, business relations, business reliance.

UD classification: 368.021

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FEATURES OF THE POST-CLEARANCE AUDIT IN UKRAINE

Dariya Sagareva*

1. Introduction

XXI century is characterized by a considerable strengthening of the role of globalization and integration in the world, because of the orientation of many economic systems in building a market economy requires the development of comprehensive international economic relations to realize the economic potential on international markets. Each year as the result of close cooperation between countries the volume of international trade steadily increasing. Therefore, Customs administrations all over the world are faced with new problems to solve which they should apply completely new and innovative approaches.

In the current context of globalization and integration, expansion of international relations, Ukraine strives for harmonize and standardize customs procedures. The main condition for achieving this goal is the implementation of post-clearance audit.

2. Review of post-clearance audit in international customs regulations

Audit-based control methods are normally implemented as a part of Customs modernization package. Post-clearance audit means audit-based Customs control performed subsequent to release of the cargo from Customs' custody. The purpose of such audits is verifying the accuracy and authenticity of declarations and covers the control of traders' commercial data, business systems, records, books. Such an audit can take place at the premises of the trader, and may take into account individual transactions, so-called "transaction-based" audit, or cover imports and/or exports undertaken over a certain period of time, so called "company based" audit [1].

Post-clearance audits can be conducted by case basis focusing on targeted operators, selected on the grounds of risk analysis of the commodity and the trader, or in a planned, regular way to set out in an annual audit program. Furthermore the audit could also be used as criteria to offer special treatment to certain economic operators.

A special place among all custom standards belongs to the International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention). According to Kyoto Convention customs control systems shall include audit-based controls [2]. Chapter 6 of the General Annex of the Revised Kyoto Convention sets out a large number of recommended standards relating to all aspects of Customs control, including the using of audit-based controls including the audit of traders' commercial systems (Standard 6.6. and 6.10).

Also principles and standards of the EU customs practice are concentrated in Customs Blueprints. This is a set of practical measures, developed by European customs experts. One of 22 directions of Customs Blueprints is post-clearance audit, which includes the promotion of international trade by establishing a balance between the simplification of trade procedures, on the one hand, and ensuring effective customs control and security on the other [3].

According to Customs Blueprints there are some objective conditions for the implementation of post-clearance audit:

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1. Development of comprehensive legal basis which gives customs officers' necessary powers to carry out audit/post-clearance controls efficiently and effectively.

2. Development of an organizational structure which enables auditors and their managers to carry out their duties with the maximum efficiency and effectiveness.

3. Development of an audit management system which ensures efficient, quality-controlled audits using appropriate methods and establishes an operational quality assurance program ensuring that standards of an acceptable quality are being applied to audit activity.

4. Development of training strategy to ensure that auditors and managers have all necessary knowledge and skills to plan and imply their duties.

5. Development of national audit planning policy with planned short-term and long-term controls, in accordance to priorities based on risk analysis and risk assessment.

Thereby, in foreign countries post-clearance control is a separate activity of customs authorities, which is developing rapidly and has its own subject, object, goals, objectives and performs several important functions in the area of economic security. About 30% of all customs duties in developed countries comes from holding post audit, because the customs procedures at border minimized.

3. Regulation and implementation of post-clearance audit in Ukraine

Significant influence on the process of implementing the post-clearance audit has Ukraine's accession to the Kyoto Convention. According to many authors, it will facilitate the development of official relations between customs and businesses overcome the closure of customs regulations and encourage collaboration in the improvement of customs legislation and its application.

On June 1, 2012 new Customs Code of Ukraine came into force. This document provides new opportunities for citizens and entities to facilitate foreign trade and greatly simplify existing customs procedures. Code introduced special simplified customs procedures for conscientious business. Ukrainian organizations, which have been operating in the market, have no debt, do not allow substantial violations to be able to obtain the status of the incumbent operator of economic activity.

Article 345 of the Customs Code of Ukraine regulates the carrying out documentary checks by customs authorities. In particular, states that the customs authorities may carry out customs control through on-site documentary (scheduled or unscheduled) and off-site supervision of documentary compliance of Ukraine for state customs of:

1) the correct definition of the tax base, timeliness, accuracy, completeness, of accrual and payment of customs duties;

2) the validity and legitimacy of providing (receiving) benefits and exemptions;

3) the accuracy of classification by UCCFEA goods which Customs held;

4) the compliance of the actual uses displaced through the customs border of Ukraine goods to declared aim of the movement and / or compliance with financial and accounting documents, reports, agreements (contracts), calculations and other documents of the company, information specified in the customs declaration, declaration of customs value, which are carried out customs clearance of goods in the respective customs regime;

5) the legality of movement of the goods across the customs border of Ukraine, including the import of goods to the territory of free customs zone or export from this territory [4].

Also should be said that the Customs Code of Ukraine defines the basis and procedures for documentary site inspections by customs authorities.

Thereby, in the Customs Code of Ukraine the concept of post-clearance audit is not defined, however, it contains a provision in inspection of foreign economic activity after the customs clearance, which corresponds to the essence of the customs audit.

The subjects of customs audit are the State Customs Service of Ukraine, its specialized departments and officials who are authorized to do control with application of audit methods. Figure 1 illustrates the organizational scheme of carrying out the post-clearance audit in Ukraine.

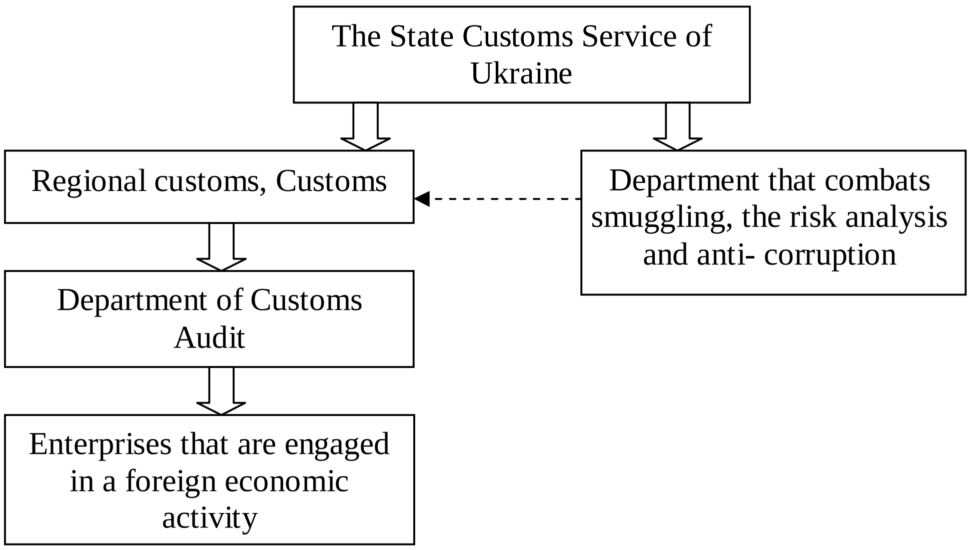

Fig. 1. Organizational scheme of carrying out of the post-clearance audit in Ukraine

Department that combats smuggling, risk analysis and anti-corruption is a regional Customs, which within its competence provides comprehensive monitoring of compliance with customs legislation, directs and coordinates the activities of other regional customs in combating smuggling and violations of customs regulations, analysis, control and verification of, anti-corruption.

The Department is a unit of customs, which provides in the area of customs inspection of documentary compliance with the legislation of Ukraine on customs issues, including the timeliness, the accuracy, completeness, calculation and payment of customs duties.

To sum up this in recent years the process of implementing inspection after customs clearance of goods has improved. In particular, enhanced legal framework formed the appropriate verification agencies that already show the proper result of customs revenues from the post-clearance audit.

But for introducing the system of effective audit requires not only making legislative changes, but also to bring this idea to the public for a clear understanding that such arrangements will withdraw from the shadow trade imports and eliminate the possibility of obtaining illegal profits [5, p.11]. Practical implementation of the above requires:

– the development of scientific theory of post-clearance audit, including experts from the customs affairs, public administration, government regulation and control foreign economic activity, etc;

– an implementation of foreign experience in carrying out post-clearance audit in Ukraine;

– standardization of control activities forms and methods carried out by customs authorities;

– the promotion of more effective customs controls in each customs post without increasing the administrative or enforcement costs through harmonized approach to post-clearance audit

4. Conclusions

Customs administrations, especially those in the developing world, confront significant challenges in balancing their responsibilities for collecting revenue, protecting national borders, and facilitating trade. Consequently, customs administrations increasingly look to post-clearance audit as means of implementing customs control and allocating scarce resources more effectively.

Post Clearance Audit is a new and important area for the State Customs Service of Ukraine. Successful implementation of post-clearance audit in Ukraine will help strengthen enforcement and provide the necessary support and confidence in the implementation of trade facilitating measures and simplified procedures in cargo processing and valuation specifically.

Effective program of design and implementation demands a range of responses – in legislation, in institutional reform, in building the capacity of customs and other relevant actors, and in monitoring project progress. Program may also face financial and human resource challenges that may dictate the initial scope of the program; the developing country customs administrations should scale their efforts appropriately.

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Summary

World practice shows that post-clearance audit, which became the worldwide way of harmonization and simplification of customs procedures, provides a clear and comprehensive picture of compliance with customs procedures applicable to the subject of economic activity. The article describes regulatory of post-clearance control in the context of international and Ukrainian legislation and identifies areas for he modernization of customs control in this area.

Key words: foreign economic activity; modernization of customs control; post-clearance audit.

UD classification: 656.073.5

Date of acceptance 13.09.2013

STATE AND PROSPECTS FOR DEVELOPMENT OF MODERN SHOPPING MALLS

Michal Stojanov*

1. Introduction

The emergence of commercial and entertainment centers or shopping malls, cause significant change in the segment of large players on the retail market and the consumer market. Shopping centers redefine the business environment for the agents of exchange and shift the culture and the complexity of services for customers. They put the time for visiting and purchasing into new dimensions associated with customers offering associated with complex variety of alternatives which are not necessarily related to the acquisition of consumer products, but related to the satisfaction of various human needs.

The main aim of this article is to outline important aspects related to the actual state of the shopping and entertainment centers of the malls type in the Republic of Bulgaria, from the beginning of their revival in 2006 up till now and to suggest possible alternatives for future development and improvement of this commercial format.

2. Conceptual aspects of mall centers

In the traditional understanding of shopping centers, they are interrelated and complementary set of heterogeneous objects in the business fields of retail, services, restaurants, entertainment, gambling, culture, leisure and other: “providing the widest selection of goods and services high culture of service, relaxed atmosphere for purchase at high economic and social indicators of commerce and business” [1, p.107], so that in those outlets “a large number of local population and tourists spend their free time, implement several social contacts, they always have an intensive life events and meet social needs” [1, p.124]. All these aspects arise modern shopping centers to “one of the most socially influential forms ... the most powerful system of distribution of goods the world has ever known ... removing shopping center from a community, would have devastating effects” [2, p.13–14]. It turns them into “a secular cathedral of consumption, a special place where community members come to practice shopping rituals” [3, p.457], based on current understanding of the role of commerce, which “provides the most important asset in the supply chain … shelf space or access to costumers” [4, p.6]. The rise of the mall in the highest rank of the commercial infrastructure provides “a window on the consumers’ and economy’s health, a vehicle to collect sales taxes for governments and a place for jobs in the community” [5, p.1].

Under the new market conditions of the national economy while initially opening shopping and entertainment centers, the business accepted the concept of positioning as the first agents of this size on the market. Nowadays, the success of the shopping center is caused by factors such as scalability, accessible location and attractiveness of affiliated tenants. Current market positioning based on short-term incentives, often leads to an initial euphoria, but very quickly exhausts its potential, therefore shopping centers have steadily developed the concept of shopping as a way to spend your free time “the whole new combination of leisure, shopping and social encounters in safe environments” [3, p.283]. This means not to focus only on material incentives and purchases of various products, but also on those related to the needs of higher level. So the emphasis on the reasons for visiting are transferred not only to meet a particular need of a particular product or service but to the overall experience, communication and self-image associated with the image of the mall, so as to “the consumers should be offered an overall experience that makes them want to

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stay in the shopping centre as long as possible" [6, p.41]. In this situation, the shopping center and its magnet outlets engage and satisfy the interest of visitors with great frequency of their visits and other specialized sites encourage consumers in terms of brand loyalty and the complexity of the marketing and service. This generates benefits for all participants for "retailers benefit from the concentration of shoppers (footfall) and consumers benefit from the choice of shops, wide-selection of goods and services offerings and retailer competition" [7, p.6]. In the present the correct policy with strong future development is building a systematic approach which provides customers with a set of factors and incentives that trigger loyalty and higher commitment of the salespeople. Instruments of this approach could be: smartphone applications about mall news, events, promotions, interactive maps, information that is needed during visits, guest services etc.; virtualization of the mall; calendar of events and campaigns, subscription information; media center; activity in social networks; massive sales campaigns; loyalty or VIP customer card; prepaid card or gift vouchers; accessibility of the building; free parking and internet access and others. However, to reduce possible risks we should constantly seek optimal match of customer's expectations prior to visiting and evaluating at the end after the acquisition of the product and its use. So both should be studied and if deviations occur managing shopping center companies and tenants should take immediate corrective actions. This should be a continuous process, as "modern consumers ignore retailers who do not provide a consistent and continuous satisfaction (online and offline) ... regardless of the contact points" [8, p.49].

In major shopping centers constantly should be sought unity and support between tenants and the management company. Strategic unity is the source of coherence between the business objectives of both individual operators and commercial complex in its entirety. In this context, for example a new trend is taking on, it is associated with the change of the original scheme on earnings of retail space from fixed rents to those linked to the economic effects of the business and growing promotional efforts of the mall to attract visitors.

3. Contemporary state of the shopping and entertainment centers

In March 2013 in the ongoing crisis processes in the national economy the biggest shopping mall in Bulgaria was brought into operation. Its built-up area reaches the record of 190 000 sq m, about 44% of which or 83 000 square meters are for renting as retail space (Gross leasable area GLA). Planning concept of the building provides not only entry in the surrounding urban environment, but also the relationship with transport infrastructure and provision with 1 900 parking spaces (confirming imposed norm over the years from 10–11 parking spaces per 1 000 square meters area). Therefore, we can assume that 8-year period from the opening of the first for the new market realities shopping center in 2006 is the time needed to develop the concept of the original approach of "trial and error" to mature complete commercial solution, combining in one the ability to adequately facility management and experience to governance these large and highly concentrated retail formats.

The life cycle of the shopping center commercial format shows that this is the period after which the main concept needs a complete renovation of the mall (portfolio of tenants, interior, exterior, facade and tables) and/or possibly repositioning in line with changes in the market environment, even in resource availability to deployment of a new construction, with options for rebuilding or expansion. Increasing the total amount of retail space in shopping centers in the country leads to population coverage of over 103 sq m shopping center area at 1000 population as of Q3 of 2013 counted during 2006–2013. 11 fold increase started from minor 9 sq m of 1000 p. at the end of 2006, 11 sq m at the end of 2007, 18 sq m at the end of 2008, 28 sq m at the end of 2009, 74 sq m at the end of 2010, 76 sq m at the end of 2011, 87 sq m of 1000 p. at the end of 2012. Despite the crisis in the global and the national economy in 2010 it was recorded the most significant increase of 264% (346 300 sq m) of new retail space available in shopping centers compared to 2009 (see Fig. 1) immediately followed by holding at that level in 2011. The continuing entry of international retailers maintains the interest and demand for large-scale retail outlets, stimulating demand, which at the end of 2013 was at a level of 735 000 sq m of retail space in the modern shopping centers in the country.

Despite the reported positive growth indications achieved in conditions of economic crisis, Bulgaria records last place position in the rankings for the provision of 1,000 citizens with space in shopping centers in the EU-27. The comparison with development processes in Europe shows that gross leasable areas in shopping centers by January 1, 2014 reached the level of nearly 154 million sq m or an average of 268.3 sq m per 1,000 citizens in the 27 member states of the EU [8, p.1]. Optimistic outlook for the next two years points out the rise of infrastructure in commercial centers by 11 million new sq m by the end of 2015 and in 2014 is awaited new supply of 6.8 million square meters in 203 new shopping centers of which nearly 63% will be located in Central and Eastern Europe. Against this background, gross leasable areas in shopping centers of the Bulgarian market are expected to increase by another 19% in four new introduced into market projects [8, p.3], despite the economic uncertainty and ambiguous indicators of the economic situation.

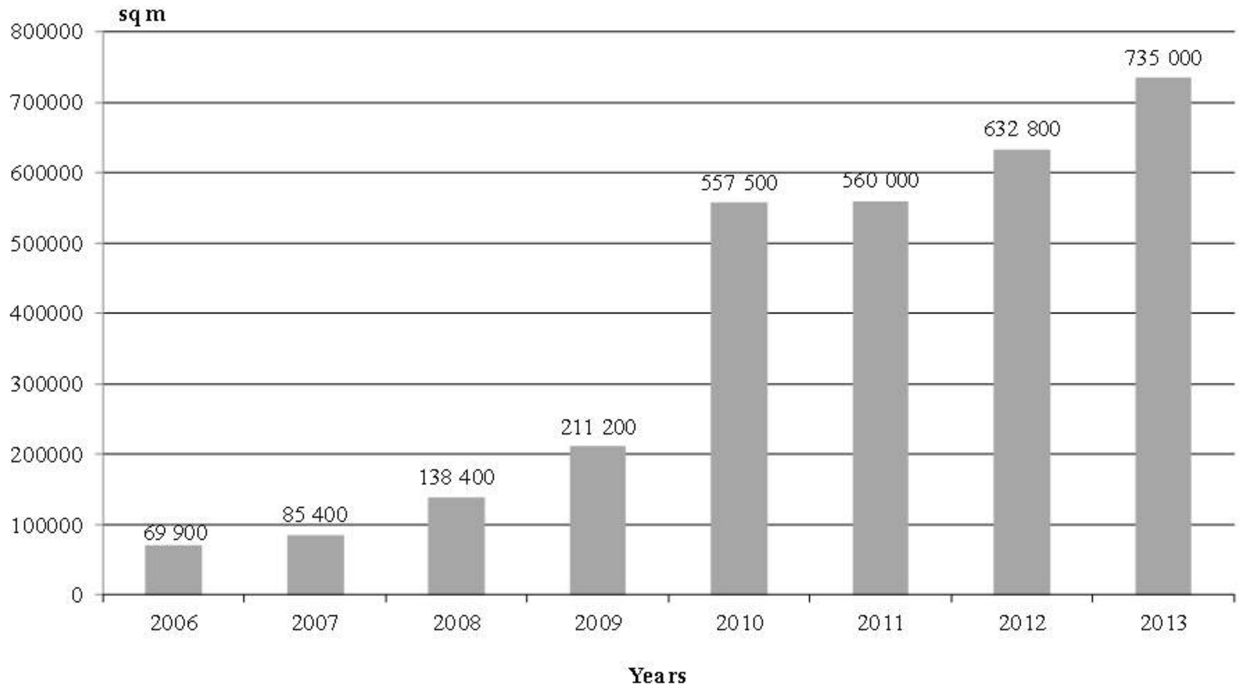

Fig. 1. Gross leasable retail space in shopping centers in Bulgaria, 2006–2013 (sq m)

Source: FORTON International (Cushman & Wakefield Alliance). <www.forton.bg> (12.01.2014).

It is assumed that occupancy with tenants up to 80% of the total leased commercial area is level, ensuring the successful operation of this commercial format on the market. Thus the availability of space and the inability to fill all objects on the one hand guarantees the interest and the basic functioning of the commercial property market and stimulates other management companies to be most innovative, flexible and adaptable to meet the challenges of rising market competition and the continuing integration in the market of consumer goods.

The location is the main key advantage of the shopping center. For example, the largest project implemented by this format is situated on a plot with a total area of 36 000 sq m, which in terms of the urban environment is associated with a deficiency of vacant plots with such dimensions. Localization in prestigious urban area determines the intensity of the daily stream of visitors. Connections with other elements of the urban environment (parks, transport hubs, residential areas, tourist destinations, etc.) are also important. Current situation assures most of the opportunities for access to the shopping center and the primary need to ensure a steady stream of customers. Modern shopping centers are visited daily by thousands of visitors, which require a special effort to attract their attention and stimulate their loyalty. Such situation is caused by a balanced combination of complex factors, among which diversity and quality of basic tenants are also the leading, and follow with particular attention to focus on:

Advanced architectural and commercial entertainment concept. Modernity of the interior and exterior. Lighting solutions, and openness to the external environment, water features, vegetation, air flows. Compliance with fire safety and evacuation schemes. Compliance with regulatory standards about minimum height of individual levels (floors), imposed practice shows solutions using height between 6 and 7,5 meters and height from 4 to 4,5 m below the suspended ceilings. Enough groups of entrances and mechanisms for vertical movement as elevators, stairwells and evacuation facilities. Integrating system solutions for access control and parking spaces, including fast-acting barriers, cash and non-cash payment parking systems, if provided conditional payment of the parking; software and hardware security monitoring of the main environment parameters; intercom and local communication system. The main problems in this area are: poor and asymmetric loading and management of parking places; real time indication of available free parking spaces; intensity of inflows and outflows of vehicles; organization to guide vehicles; intuitive and logically designed guidance system for drivers; controlled access of cars with gas installations in indoor parking, emission control systems and monitoring of the exhaust emissions; automatic control of electricity consumption (lighting and ventilation); incompatible or poor use of security systems (control of physical access, CCTV, fire alarms, day and night entry) and others.

Monitoring of atmospheric environment (ventilation and air conditioning) where the main problems are: poor design and layout of external components (large perceived sound field and incomprehensible by human hearing sounds, noises, etc.). Heat exchange efficiency, which leads to excess energy consumption and uneven tempering; asymmetric distribution of the heat load of the air-conditioning system (near the entrance, facade parts and specialized storage premises where more serious thermal insurance is needed, which is a source of greater efficiency and economy of thermal resource), installations with adjustable air-flow direction (vertical and horizontal) and the flow intensity control in real time, some problems here are associated with achieving uniform air exchange in separate rooms and throughout the building, regularity and efficiency of air cleaning, air ducts and air conditioning systems, etc. Ventilation and air conditioning technology decisions should be shaped by the replacement technology option which allows an upgrade and optimization if necessary or by request. In addition, environmentally friendly air-conditioning solutions to utilize maximizing heat for multiple purposes or through regenerative/recuperate heat system which allows energy fused for cooling to be used to heat commercial space or for water heating. Such technologies are also the photovoltaic, wind and geothermal systems. The current trend is to lock in one controlled environment the complete building formation with all its premises. Thus architectural solutions can derive accomplished potential and full inclusion and harmony with the existing surrounding environment, it is even possible to strengthen its elements. There is a possible opposite approach, where the main body of the mall is to accent and counterpoint to the surrounding urban or suburban environment.

Focus and domination of the elements associated with attractions, entertainment and active leisure. Synergy between commercial and entertainment areas. Entertainment facilities in both the main building (indoor) and outdoors. Thanks to the development of this point in the shopping centers in Bulgaria we can talk about the revival of cinemas and entering the most advanced technology projectors. The creation of a multiplex of cinema halls with different capacities and cinema, large screens, high-end projectors, including 3D, 4D screenings, 5-channel digital surround sound and others.

Culture of the use of the building of the shopping center by tenants and visitors. For the first (retailers) culture is expressed in an effort to maximize rented space and for the second (visitors) to the need to adopt the right culture of staying, shopping, access and parking, use of available technologies (elevators, escalators, systems for access control, etc.). The experience of foreign retail chains allow them to take adequate positioning decisions and best presentation. Local Bulgarian retailers apply innovative strategies and creative positioning, gradual development or copying behavior as followers of the best business practices imposed on the market. A key point for the implementation of the material dimensions of culture in commerce is generated by the competence of the contractor (construction company), the quality of works and innovative building materials and technologies.

From the market of operators (shopping center owners/investors) economic crisis and oversupply of commercial space, triggered the transformation to market of tenants (retailers). This change caused and provoked a general decline in rental rates (see Fig. 2).

Sustained reduction of rental rates in the capital Sofia, where central urban areas and high street rents reported a decline of 47,4% compared to shopping centers where the decrease is of 35,8%, a symptom of the crisis in the economy and the intensification of competition in the sector. Such a situation can be seen as confirmation of the growing economic importance and power of retailers in the consumer goods supply chain. The described picture has its distinctive differences in other cities outside Sofia, which is another indicator of regional disparities. The capital is increasingly distanced from the rest of the country, where at the beginning of 2013, rents ranged 20–23 euros for 1 sq m in shopping centers and 18–20 euros for 1 sq m in downtown. The description of the state affirms the importance of modern shopping malls as part of modern trade infrastructure in major cities and increases the opportunities for more local entrepreneurs to experiment with positioning of own shops in the new shopping centers.

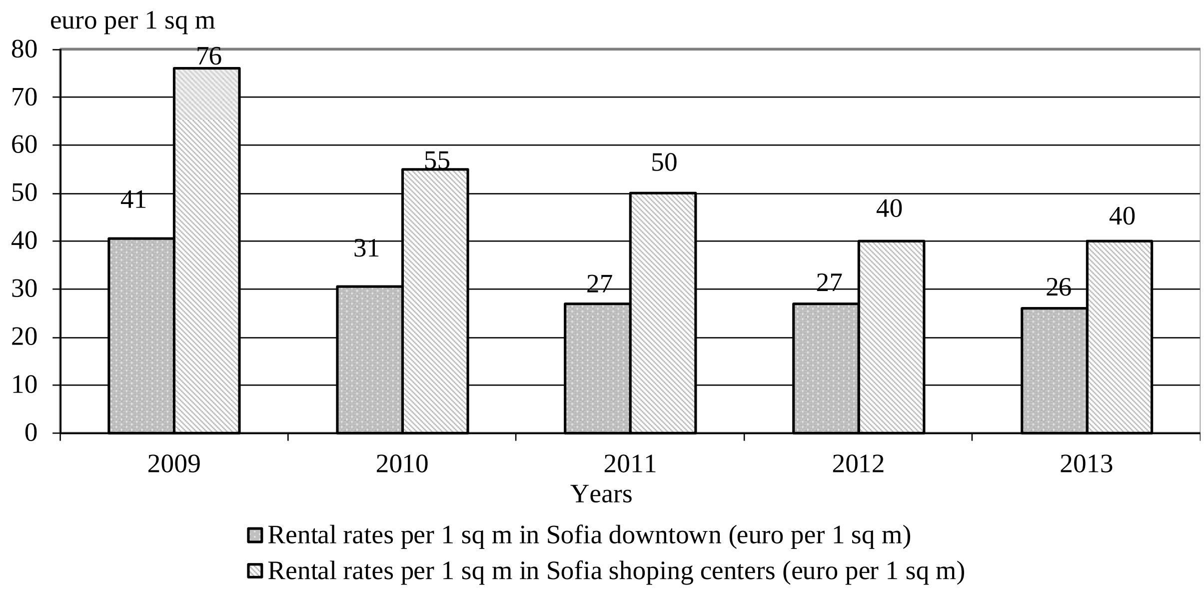

Fig. 2. Rental rates for retail space in the shopping centers and in the downtown of Sofia, 2009–2013 (euro per 1 sq m)

Source: FORTON International (Cushman & Wakefield Alliance). <www.forton.bg> (12.01.2014).

As a final point we will mark the dramatic effects of increased competition between shopping centers, which affects the migration of tenants, the revival of city centers and main streets and the occurrence of worst-case scenarios for the closure and bankruptcy of shopping malls. Here as rescue options we can point the reformatting of retail space in such a diverse public purpose for sports recreation, culture and entertainment use by administrative or local public authorities, vast business purposes (hospital, private office or even residential areas) and others.

4. Prospects for the development of shopping centers

In the area of strategic market positioning we rely on two main scenarios for the future development of the commercial format of shopping centers:

In the first place in the next phase, we can expect entry form of shopping centers by more compact alternative in smaller but with economic potential settlements (such as business centers of regional clusters). The main direction of positioning is associated with comfort and a focus on the dominance of medium and large stores necessary for international chains discounter format stores, medium and higher price range retailers. This is a chance for local traders to get their better competitive performance and to take advantage of their recognition at the local level. In this plan, market positioning may occur in compact business centers where project can combine high class office spaces and commercial areas. The establishment of such multifunctional complexes in prestigious parts of the city is an approach to modernize the urban built environment in smaller towns.

Another trend with significant potential is the development of more specialized shopping centers as opposed to the currently dominant universal model. Specialization arises as an opportunity for the development at some stage of the life cycle of the concept of the shopping center. When reaching maturity we have market saturation with similar in its universal positioning shopping centers and one of the possible strategic alternatives is the emergence of subtypes of shopping malls. Specialization can be formed on a customer segment base (audience addressed by the main shopping and entertainment – the representatives of the generation Y, Z, Mom and Pop, Mom's and Me etc.) and through major focus of commodity supply, which are highly correlated. Such specialized solutions are as outlet (for discount stores) and lifestyle (built around the concept of leisure – sports, entertainment, hobbies, recreation, and beauty) shopping centers. Specialization is formed depending on the specific market conditions and opportunities of commodity supply and potential tenants to provide a variety of assortments. There is a possible strategic approach of reformatting in which at some stage the default profile of tenants can transform conventional shopping center into more specialized one and vice versa.

These alternatives are just some of the contingent ways in which the retail property market in shopping centers can restructure and overcome regional imbalances. Such a plan of development is dependent on the prospects for economic growth. However, improvement of the concept of the shopping mall is feasible and subject even in situation of insignificant growth potential of the economy.

5. Conclusion

Increase in market concentration and satisfaction of the population in the major cities of the state with first-class retail space in shopping and entertainment centers cause the consequent increasing competition and changing economic conditions, which are source for making decisions about allocating resources in new investment projects of shopping malls. Despite the crisis processes in the Bulgarian economy continued development and future opening of new shopping centers confirm investment interest, the expected efficiency of resource allocation and the prediction that contemporary mall will continue to reach more customers and their specific needs.

Presented strategic alternatives provide important support for projects located in the pre-operational phase, as well as those acquired for management by the investment financing institutions like commercial banks and real estate investment companies. Faced with the challenge of market saturation with spaces in shopping centers in major cities, a key factor for future development is the improvement of socio-economic situation in the medium and long time horizon.

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Summary

In 2006, in terms of stabilizing market environment and the growing diversity of market opportunities, in entrepreneurship radar penetrates investment allocation in major shopping and entertainment centers. Appropriate market environment indicators and the construction booms are followed by savage blows of economic crisis and the unpleasant consequences for many of the projects which are placed in phase retention or failure. The effects of excessive growth and saturation of the market with gross leasable area in large shopping centers poses numerous challenges for their effective management. This requires searching for new alternatives for development in times of crisis such as more compact and sophisticated developments in smaller settlements with economic potential and market opportunities for more specialized shopping centers.

Key words: shopping center, mall, retail market.

UDK classification: 339.3.

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IDENTIFICATION OF ORGANIZATIONAL CULTURE FACTORS INFLUENCING INNOVATION. RESULTS OF EMPIRICAL RESEARCH IN MANUFACTURING ENTERPRISES

A. Strychalska-Rudzewicz*

1. Introduction

In today's fiercely competitive environment resisting change is dangerous and innovation is the engine of change. European Commission's strategy on regional development identifies innovation as the primary source of competitive advantage for European SMEs in the face of mounting global competition [1].

Despite the numerous studies on the topic of innovation, there is still a lack of consensus as to a single definition. This is most likely due to the difficulty in settling upon an agreed upon method to measure innovation [2].

Innovation is studied at different levels of analysis [3]. At the organizational level, it represents the core renewal process and is usually defined as the development and use of new ideas or behaviors, where a new idea could pertain to a new product, service, production process, organizational structure or administrative system [4; 5]. Innovations have been often categorized into administrative (or organizational) and technological to reflect a distinction between social structure and technology in organizations [6].

Innovation process is a complex phenomenon characterized by several stages ranging from basic research to the penetration of the market with a new product [7]. There are now too many different definitions in the diverging studies on innovation and this makes the search for one even more complicated [2; 8; 9]. By taking the broadest view of innovation, rather than an exact and specific definition for innovation which every academic can agree upon innovation as a process that involves the generation, adoption, implementation and incorporation of new ideas, practices or artifacts within the organization [8; 10].

There are many factors which have impact on innovation process. One of them is culture. Its determinants influence creativity and innovation in organization. This article presents impact of culture on the development of innovations in enterprises and the results of empirical research. The aim of the empirical study was identification of factors of organizational culture which influence enterprise innovation and evaluation of this strength impact.

2. The impact of culture on the development of innovations in enterprises

According to Paul Herbig [11] culture is the sum total of a way of life, including such things as expected behaviour, beliefs, values, language, and living practices shared by members of a society; it is the pattern of values, traits, or behaviours shared by the people within a region. Shared cultural norms give the people of any society a sense of their common identity and a means of relating to one another. Hofstede [12] treats culture as 'the collective programming of the mind that distinguishes the members of one group or category of people from another' and he explains that the 'mind' stands for thinking, feeling and acting.

Casson [13] insists that culture is an economic asset and an intangible durable public good. He

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states that “an ideal culture from an economic point of view is individualistic, pragmatic, high-trust and high-tension”.

Culture is likely to have a profound and continuing effect on innovation within organizations, contributing to the development of different norms, habits, and ways of working. An innovation-oriented culture appears to be extremely important in predicting future innovation and, subsequently, organizational performance [14]. The key to success in innovation lies in making sure these two critical aspects of innovation – strategy and culture – are in alignment and working together [15]. The literature on organizational innovation emphasizes the importance of culture as a major determinant in innovation performance [16; 17; 18; 11].

Existing cultural conditions determine whether, when, how, and in what form a new innovation will be adopted [11]. The social organization of a culture may either foster or inhibit technological development. It tends to operate as a source of authority, responsibility, and aspiration, thus influencing the course of technological advance and the creation of material culture. Culture unifies people’s behavior, but it may also create barriers between people, thus nowadays, innovation faces the consequences of culture for various reasons. People’s beliefs and behavior can contribute or block the process of developing and implementing new ideas [19].

Paul Herbig [11] found that those cultures which value creativity will have a greater number and quality of innovations, and those countries that reward technical ability and higher education will prosper in innovative pursuits. Often where religious and political systems are intertwined, definite cultural bias exists against technology that might affect tradition. This usually occurs in un developed, not technically progressive societies.

The results of the research concerning determinants of firm innovation in Singapore indicate positive and significant relationships between organizational innovation and decentralized structure; presence of organizational resources; belief that innovation is important; willingness to take risks and willingness to exchange ideas [8]. The cultural impact stems from the fact that coping with different situations is associated with two opposing processes – tradition and innovation – and that some cultures have an accumulated experience that prefers the former and others the latter. In other words, the openness towards new experiences varies in different cultures [19].

Companies should promote a culture that allows employees to believe in innovation, encourages risk-taking and shows a keen willingness to exchange ideas [8]. Several researchers have indicated that changing a firm’s existing organizational culture can prove a complex task [8; 20]. According to David Wan et al. [8] given the uncertain nature of innovations and their associated risks, managers should be more tolerant of failures and not be so keen on stressing a “get it right the first time” policy, which will only serve to hinder the innovation process. Employees must not be made to feel that a couple of failed efforts will damage their careers.

The culture profile of a learning organization is a “community of commitment” [21], providing a safe environment of trust, understanding, acceptance, and dialogue [22; 23]. Teamwork is a common and appreciated mode of working [24; 25; 26].

On a basis of their research, David Wan et al. [8] point out that crucial importance to organizations seeking greater innovation is the nurture and development of an innovation supportive culture. A willingness to take risks, a belief in the importance of innovation and a willingness to exchange ideas are what managers must strive to nurture in their organizations. Organizations must be prepared to accept failure as a natural consequence of encouraging greater innovation. In addition, substantial rewards and recognition should be awarded to innovative employees not only on the basis of successful innovations, but also when providing good ideas as well.

Since, 1989, Poland has been undergoing rapid, major change in all aspects of social, political and economic life. Equally rapid learning and unlearning has been a necessity spanning all levels of the society – from the state through the organization to the individual [27]. Poland is faced with the need to continue to learn at a rapid pace just to prevent the widening of the gap in economic development that still separates it from Western European countries. According to Zdunczyk and Blenkinsopp, there are still significant learning challenges ahead for Polish businesses, especially in the area of innovation.

The results of these authors' study suggest that neither Polish nor foreign-influenced companies are very supportive of higher-level learning functions, such as creativity and innovation [27]. Sztompka [28] claims that there is a more basic wall in culture of which the conduct and mentality of post-Communist people are just the symptoms or reflections. This cultural barrier has been raised by several decades of real socialism. Zdunczyk and Blenkinsopp suggest that in the context of Poland's t accession to the EU, it has to be concluded that Polish companies are not equally well-equipped for competing on innovation and creativity as their western counterparts. Employees within foreign subsidiaries come to adopt the parent company's work values and thereby their working practices [29]. The challenge for Polish-owned companies is to develop their innovation and creativity potential in the absence of such an influence, through further effective assimilation of western management philosophy and methods [27].

3. Methodology of the research

The aim of this study was identification of factors of organizational culture which influence enterprise innovation and evaluation of this strength impact. The survey included 86 manufacturing companies from north-eastern Poland. Questionnaire containing closed question was the tool applied in the research. Nonprobability purposive sampling was applied selecting the entities participating in subjective way so that they could be the most useful or representative. The survey was conducted in innovation enterprises that, according to the Oslo methodology, were enterprises that introduced at least one new or significantly improved product and/or one new or significantly improved technological process to the market within the last 3 years.

In most of the companies predominated domestic capital (74%), in 26% foreign capital. In the sample, 15% were micro-enterprises employing up to 9 employees, 27% – small enterprises employing 10–49 people, 31% – medium-sized companies, where employment stands at 50–250 employees and 27% – large companies employing more than 250 people.

Respondents were asked to comment on the statements concerning factors influencing organizational culture in the company by identifying appropriate assessment on a five-point Likert scale. Relationship between the declaration that thanks to innovation the firm is developing and organizational culture factors were examined using Pearson correlation coefficient R.

4. Results of the research

Based on the analysis it can be concluded that the factors affecting organizational culture have an impact on innovation. The strongest and at the same time a statistically significant correlation was observed between innovation and the mission and vision of the company (Pearson correlation coefficient $R = 0{,}685$). The high correlation coefficients allow to conclude that also creativity of employees, a strong commitment to work, open communication and clear communication encourage innovation. Strong correlations were observed also in the case of corporate identity ($R = 0{,}558$). The obtained results allow to conclude that the regular development of innovation and the use of information technology in the flow of information and decision-making processes of innovation are also important. Another interesting aspect of the analysis is the relationship of innovation and competitiveness. Companies that treat competition as a priority, implement innovations and declare that with this the company is developing. The absence of ability to deal with conflict has a negative correlation ($R = -0{,}627$).

Tab. 1. Culture factors of strong and moderate impact on firm innovation (Pearson's correlation coefficient)

Lp.	Factor	Thanks to innovations enterprise is developing
1	The company has a vision and a mission from which comes the need for innovation	0,685*
2	In the company work creative people	0,608*
3	In the company there is a strong commitment to work	0,603*
4	Open communication and clear communication	0,572*
5	The image of our company in the market is very good	0,558*
6	Regular work on innovation, not only when see an opportunity in the market	0,537*
7	The priority of the company is competitiveness	0,508*
8	Technologies used in the company support the flow of information and decision-making in processes of innovation	0,501*
9	No ability to deal with conflict within the company	-0,627*
10	Good knowledge about the needs and preferences of our products' users, we make research in this field systematically	0,494*
11	The innovation process in company can be divided into specific stages (phases)	0,418*
12	The company is flexible	0,413*
13	Planning innovation ahead before competitors bring them to market	0,400*
14	Entering new products into new markets, diversifying business	0,400*
15	Setting goals for innovative projects and assessing the degree of realization drawing up reports of innovative activities	0,398*
16	Management strongly supports innovation	0,378*

* The correlation coefficient significant at the level $\alpha=0,05$

Source: own research

On the basis of correlation coefficients was confirmed a statistically significant correlation of moderate strength between innovativeness of enterprises and a very good knowledge of the needs and preferences of the users of these products and systematic research of customers' needs, as well as entering new products into new markets and diversification strategy. Also important is the group of factors directly related to innovation, e.g. specific stages in the innovation process, innovation planning before the competitors bring it to market and ssetting goals for innovative projects and assessing the degree of realization drawing up reports of innovative activities. Pearson correlation coefficients are at the 0,398–0,418 level and are statistically significant. A moderate correlation was also observed between the innovation and flexibility of the company and strong support of managers.

Other examined factors determining the organizational culture of the enterprises were not positively correlated with the belief of the respondents that the company is developing thanks to innovations. These factors include the participation of suppliers in the innovation process, the lack of time to implement their ideas, teamwork, support for change, qualifications of staff involved in innovation and a large bureaucracy.

5. Conclusions

The results of empirical study suggest that, in order to successfully enable innovation at a given level of analysis, managers should address factors embodied in each of the core factors influencing organizational culture of innovation (among others: vision and a mission from which comes the need for innovation, ability to deal with conflict within the company, open and clear communication, regular work on innovation). Managers should ask whether they are creating an environment that stimulates innovation in a company and are focused on building a culture that cannot be copied. It is very important to understand the key role of the soft side of the organization in innovation. The results of correlation coefficients suggest further research in order to create appropriate cultures and innovative climate.

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Summary

This article presents impact of culture on the development of innovations in enterprises. The aim of the empirical study was identification of factors of organizational culture which influence enterprise innovation and evaluation of this strength impact. The results of empirical study suggest that, in order to successfully enable innovation at a given level of analysis, managers should address factors embodied in each of the core factors influencing organizational culture of innovation (among others: vision and a mission from which comes the need for innovation, ability to deal with conflict within the company, open and clear communication, regular work on innovation).

Key words: innovation, organizational culture, manufacturing enterprises.

UD classification: 332.145: 303.732.4

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THE BASIS OF THE ENTERPRISE LOGISTIC PERSONNEL ENVIRONMENT COMPLEX ESTIMATION

Olga Timokhina*

1. Introduction

Any enterprise is functioning as an open system that always interacts with the external and internal factors, which are the components of the external and internal functioning environment. It is obvious, that enterprises have got a potential danger to face many problems without comprehensive, permanent analysis of functioning environment. All these facts can be applied to the personnel potential management system, because the enterprise personnel has got its own internal and external personnel environment. Thus, there is a need for an enterprise personnel environment complex estimation, that will have a permanent character.

2. General problem statement

Taking into account the necessity of creation of the innovative complex approach to the estimation process of the personnel enterprise potential, we consider that it is necessary to use the logistic approach and present personnel as personnel (staff, labour) flows and accordingly, to make the process of the personnel logistic enterprise environment complex estimation.

3. Recent research analysis and publications

Both foreign and national scientists pay attention to the questions devoted to the personnel potential management system. Such Ukrainian economic scientists as L. V. Frolova and N. V. Vaschenko consider that the questions of the personnel potential management should be examined in the context of the general enterprise potential management process. Besides it, should be mentioned, that such scientists as L. D. Garmider, V. N. Grinova and A. I. Pisarevskaya devoted their works to the improvement of the personnel potential management system by using the complex approach, they also proposed the methodology of the enterprise personnel potential management [1]. Besides general problems of the enterprise personnel potential management were studied be the following scientists: D. P. Boginya, M .I. Bykhalkov, N. I. Verkhoglyadova, E. O. Glykhova, I. O. Djain, N. A. Ivannikova, A. J. Kibanov, I. V. Kuznetsova, N. M. Kyzmina, O. V. Lavrichenko, E. L. Potemkin, N. V. Savitskaya but their works do not take into account the specific of the personnel potential management process that is an open system and needs the fundamental changes and improvement measures.

4. Unsolved aspects of the general problem

Thus, the modern system of enterprise personnel potential management and estimation requires the universal for all enterprises an integrated, complex approach, which should take into account all peculiarities of the personnel flows, permanency and direction of movement, the specifics of the personnel logistic environment functioning process. This complex approach should take into account the logistic, because the logistic approach gives the possibility to examine the mechanisms of enterprise personnel flows movement. But all this is not possible without the personnel logistic environment complex estimation.

5. Problem statement

Thus, taking into account the presented particularities and problems in the enterprise personnel potential management and estimation system, there is a need of creation of the universal enterprise personnel potential logistic management system. This system should be started with the enterprise

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personnel logistic environment functioning process. The final task that must be solved in this estimation process is the development of the enterprise personnel logistic strategy.

6. Statement of the basic material

The complex enterprise personnel logistic environment estimation process should be made by the use of monitoring external and internal personnel environment. The result of this monitoring process can give the information about the factors that have the most significant influence on the personnel potential, the information about strengths and weaknesses, opportunities and threats that will continue to promote the development of personnel strategy. The process of the complex enterprise personnel logistic environment estimation is offered to be made in four stages (Fig. 1).

Stages	Study objectives	Research directions	Research results
1. The monitoring process of the personnel environment major components	To determine the significance and impact of external factors, identify opportunities and threats of the external staff environment	The study of political, economic, social and technological factors of the personnel macro environment	To find out the measure of the influence and importance of external factors, getting the macro environment profile
2. Personnel microenvironment factors study process	To identify the degree of influence of the microenvironment factors on personnel potential	Research of suppliers, competitors, customers, audience contact, enterprise personnel-image	To identify the degree of influence of the microenvironment factors on personnel potential, making the direct influence macro environment profile
3. The internal personnel environment analysis	To identify the strengths and weaknesses of the enterprise personnel potential	The estimation of the enterprise personnel potential by using a special parameters	To identify the strengths and weaknesses of personnel potential, making the profile of internal personnel environment
4. SWOT-analysis of the personnel environment	To find the connections between opportunities and threats, between strong and weak sides of the enterprise personnel potential	Grouping and ranging opportunities and threats, strengths and weaknesses of the enterprise personnel environment	Making the personnel environment profile. Construction and analysis of the SWOT-matrix

Fig. 1. The characteristics of the enterprise personnel logistic environment complex estimation stages

The first stage of the research staff environment is the analysis of the personnel macro environment, for what can be used PEST – analysis, that examines four groups of factors: political, economic, social and technological. PEST – analysis allows to find personnel macro environment factors, that have the strongest influence on the personnel services activity and enterprise personnel potential and also to find factors, that have the lowest influence. Besides such instrument as PEST – analysis gives an opportunity to research the influence direction of each factor (positive or negative). The result of this analysis is the personnel macro environment profile, that is based on the analysis of three enterprises clusters and which are presented in tab. 1.

Tab. 1. General enterprise personnel macro environment factors profile

Macro environment factors	Average factors influence an clusters, marks			Average estima-tion	Parame ter value	Influ-ence direc-tion (+ , –)	Avera ge (5*6)
	Cluster I	Cluster II	Cluster III				
1	2	3	4	5	6	7	8
Political factors							
– labour law changes	3,75	4,10	3,95	3,93	0,07	+	0,27
– political instability	4,87	4,30	4,40	4,52	0,08	–	0,36
– the government policy in the area of employment	3,87	4,10	4,25	4,07	0,07	+	0,28
– the level of population low knowledge	3,62	3,65	3,80	3,69	0,06	–	0,22
Economic factors							
– state of country economy	3,62	3,80	3,75	3,72	0,07	–	0,26
– level of population profits	3,44	3,85	3,90	3,73	0,08	–	0,30
– state tax policy	4,12	4,10	4,25	4,15	0,06	–	0,25
– dynamics of currency exchange rate	3,43	3,50	3,20	3,37	0,05	+	0,17
Social factors							
– ecological state of the country	3,75	4,10	3,80	3,88	0,07	–	0,27
– demographic position	3,75	3,35	3,45	3,52	0,06	–	0,21
– education level of population	4,10	4,25	3,80	4,05	0,06	+	0,24
– social conditions of life	3,80	4,25	4,07	4,04	0,06	–	0,24
Technological factors							
– new technologies in the area of personnel management	3,87	3,93	3,30	3,70	0,06	+	0,22
– technological state policy	3,00	2,95	2,95	2,96	0,05	–	0,15
– scientific and technical innovations, their influence, enterprise on activity	3,50	3,50	3,65	3,55	0,05	+	0,17
– NDDKR tendency	3,12	3,15	3,50	3,26	0,05	+	0,16

Formula 1 gives an opportunity to estimate the factors influence more in detail in quantitative expression. Each group of personnel macro environment factors has its own importance and its impact can be calculated by the following formula 1:

$$+\mathrm{Q} = \lambda_i \Sigma\left(+\mathrm{P}_{ij}\right),$$

$$-\mathrm{Q} = \lambda_i \Sigma\left(-\mathrm{P}_{ij}\right), \qquad (1)$$

Where (+ P ij), (– P ij) – positive (from 0 to 20) and negative (from 0 to – 20) the estimation of the influence force of the j-th factor of the i-th group factors; λi – value of the i-th group.

The result of PEST – analysis of three enterprise clusters is a list of opportunities and threats of the external environment functioning of personnel departments and enterprises in general.

The next stage of investigation is examining the influence of the personnel microenvironment on the enterprise personnel potential. For this purpose personnel microenvironment factors estimation profile is being made. Such profile includes the following factors: personnel resources suppliers, competitors (enterprises, that have got better personnel-image), government institutions, consumers (workers), labor law, the contact audience. The estimation is made by the expert method, different experts, from personnel enterprise departments take part in questioning. For the SNW-analysis of internal personnel environment it is worked out a list of specific parameters, which in the analysis process are given a separate scoring estimation, then integral factor is determined, which determines the state of the internal enterprise personnel environment. Thus, after the SNW – analysis SWOT matrixes are built for each enterprise. The result of the SWOT-analysis is a list of strengths and weaknesses of the internal personnel environment which is presented in tab. 2.

Tab. 2. The strengths and weaknesses of the internal personnel environment of the enterprise clusters

Cluster	Strengths		Weaknesses	
Cluster I	1	Effective personnel payment system	1	Absence of logistic approach to the personnel management system
	2	Effective system of labour of workers protection	2	Absence of innovative approach in the personnel work
	3	The high level of terms of labour	3	Low level of the enterprise personnel image
	4	High indexes of the use of working hours	4	Absence of effective personnel strategy
	5	High level of qualification of workers	5	Absence of effective professional development system
	6	Effective system of estimation of labour efficiency		
Cluster II	1	Effective personnel payment system	1	Imperfect motivation and stimulation personnel system
	2	High level of qualification of workers	2	Absence of the conflict management system
	3	High indexes of the use of working hours	3	Absence of innovative approach in the personnel work
			4	Absence of logistic approach to the personnel management system
			5	Absence of effective personnel strategy
			6	Low level of the enterprise personnel image
Cluster III	1	The high level of the terms of labour	1	Low level of the enterprise personnel image
	2	Presence of social package	2	Absence of innovative approach in the personnel work
	3	High indexes of the use of working hours	3	Absence of logistic approach to the personnel management system
	4	The high level of the physiology workers potential		
	5	The high qualification level		
	6	Effective system of labour of workers protection		
	7	Effective system of personnel freeing		
		Effective system of personnel planning		
	8	Effective system of estimation of labour efficiency		
	9	Proper qualifying composition of workers		

General results of the SWOT-analysis should be presented as a SWOT-matrix for all three enterprise clusters. The SWOT-analysis gives an opportunity to identify key directions for the process of creation of the enterprise personnel potential strategy. Building of SWOT-matrix gives enterprises the possibility to solve the questions about general strategy personnel policy directions as well as about separate strategy elements. Based on the results of the SWOT-analysis and built SWOT – matrix, strategy problems in the enterprise personnel management system are found. These problems are presented as general map of the strategy alternatives, this map is the basis for developing an effective personnel management strategy, for creation a list of the necessary personnel logistic measures for developing enterprise personnel potential system.

7. Conclusions and recommendations for further development

Thus, these statements lead us to the following conclusions: the necessity of the enterprise personnel logistic functioning environment is very important in the process of creation enterprise personnel potential complex estimation and management system. The complex estimation of the personnel logistic environment that is offered in the article, will allow the enterprises to get full information in the following directions:

- the information about the personnel macro environment factors that have the highest and the lowest influence on the enterprise personnel departments activity;
- the information about the direction of the macro environment factors influence;
- consolidated personnel macro environment profile;
- quantified the impact of personnel macro environment factors;
- the list of opportunities and threats to the environment functioning departments in general;
- the list of strengths and weaknesses of the internal enterprise personnel environment ;
- SWOT-matrix of the enterprise personnel logistics;
- appropriate logistic and personnel strategy.

Thus, the enterprise personnel logistic functioning environment estimation process with such instruments as PEST, SWOT, SNW-analyses gives enterprise a great information base, that is very important in any decision-making process and in the personnel potential management process.

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Summary

This paper presents the personnel logistic functioning environment estimation. The given results will provide the development of the effective, perfect personnel strategy, rapid response to changes in the external and internal personnel environment, improving the enterprise personnel potential management process and thus improving the efficiency of the whole enterprise activity. The results of this research became the basis for the diagnostic process of the efficiency of personnel potential use and the creation of enterprise personnel logistic strategy process.

UD classification: 005.95/96

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NATIONAL AND FOREIGN INTEGRATION EXPERIENCE BETWEEN SCIENTIFIC AND INDUSTRIAL SPHERES OF ACTIVITY

A. V. Tokarchuk*

1. Introduction

Contemporary, lop-sided development within territories is a common feature of the regional development among various world countries. Herewith the given feature has not only respect to Ukraine, and also to a number of developed countries, which take leading position with regards to social and economic development. As a general rule, regions which are about high level of scientific, technical, education and innovation capacity have more influence with economic development of the country. Those regions may be defined as "Territories of innovation development".

Under the analysis of innovation policy of world countries some authors emphasize strongly marked direction to the integration between R&D sphere and production industry [1]. Namely L. Fedulova and M. Pashuta emphasize role of innovative system under the innovative development together with state innovative policy concepts and governmental measures in the context of national innovation system [2]. In such a case regional regulatory body for the most part act as an intermediary between R&D sphere, universities and manufacturing businesses. With this end in view a demand arose for creation of distinct structures, such as namely cooperation centres, interdisciplinary centres, transfer points for innovation technology diffusion, commercialization centres.

2. Materials and methods

In the age of globalization and rapid increase of scientific-technological progress capacity to generate and implement innovation research work into industrial production may be considered as the main factor of region competitive ability.

Among EU countries there are such priority missions as high-tech industry development and innovative extension of service sector.

In connection with the mentioned tasks there has been developed peculiar program RITTS (Regional Innovation and Technology Transfer Strategies and Infrastructures Project) inside EU countries. RITTS is program of development for regional strategies and infrastructures within technology transfer and innovative activity. Each EU country has its particular approach of innovation system development in the regions, which takes into account allocation of research and education establishment, manufacturing businesses.

3. Statement of the problem

Ukraine has been traditionally considered as a country of significant scientific potential acknowledged worldwide having various academic institutions and staff training systems. At the same time current development model for the industrial sector of Ukraine which tends to traditional technology of production engineering and export orientation may lead to the further technological inferiority comparing to developed countries and deterioration of the national competitiveness.

In such a manner one may indicate priority task of the state policy at the present stage to make

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arrangements for balancing all subsystems of national innovation system, which are as follows – innovative business support at all levels, demand stimulation for R&D results and competent personnel, arrangement of favorable conditions for innovation production with a high level of added value.

4. Research proposal

Trend analysis in innovative activities of Ukrainian industrial sector for 2008–2012 indicates slow dynamics for the numerous directions, table 1. Thus innovative activities in Ukraine is marked by slow rates of growth for the quantity of innovatively active businesses which are as follows: the number of enterprises has increased in 2012 grown up to 14,1% compared with 2008 and percentage of innovative products among the whole amount of products sold has decreased from 6,7% in 2008 to 3,8% in 2012.

Tab. 1. Trend analysis in innovative activities of Ukrainian industrial sector

Criteria	2008	2009	2010	2011	2012
Total size of financing for the innovative activities in Ukraine, billion, grn.	10,8	12,0	7,9	8,0	14,3
Number of innovatively active manufacturing enterprises / % of the total number of manufacturing enterprises	1472/14,2	1397/13,0	1411/12,8	1462/13,8	1679/16,2
Innovative production assimilation at the manufacturing enterprises, items	2526	2446	2685	2408	3238
Amount of innovative products sold, billion grn / among the whole amount of products sold	40,2/6,7	45,8/5,9	31,4/4,8	33,7/3,8	42,4/3,8

Under all conditions of economic development there is important factor of private business and state cooperation which arises in form of innovation management on behalf of central and regional state authorities. Global experience shows that one of the determinative factors of effective state policy with regards to innovation structures is innovation implementation within state administration bodies. In such manner, analytic report database of European Commission PRO INNO EUROPE “Innobarometer-2010” (which is focused on governmental innovations) shows that 88,5% of state authorities in European countries implemented either new or renewed services during 2008–2010. Among them there are 90% of Spain authorities, 89% of Netherlands authorities, 76% of Great Britain authorities [3]. In effect electronic government mechanisms together with on-line services may significantly strengthen cooperation relations between business and science and government, simplifying interactions while removing bureaucratic obstacles on the way to the development of entrepreneurship and network structures in technological regions.

Research intensity of economics has achieved 2,0% in 27 European countries in 2011. Correspondingly R&D intensity of Ukraine compiled 0,73% in 2011, which is equal to Croatia item and exceeded correspondingly Slovakia, Malta, Latvia, Cyprus and Romania levels recorded in 2010.

European countries’ personnel involved in R&D composed of 2,5 million people in 2011. Namely half of them (1,3 million) were acting in business sector of economy. In Ukraine R&D personnel composition contained 47% employees involved in business sector, 44,8% involved in state sector and 8,2% involved in higher education sector in 2011.

Latterly there is a deep gap between manufacturing, science and education and consequently low efficiency of technological exchange in Ukraine. In Ukraine suppliers of equipment, raw materials and software support (which are about 17,1% all together) and also clients or customers (9,9%) become the most important partners of innovative businesses cooperation. In addition state government institutions are least of all involved into cooperation. Moreover the relations between government and education sectors appear to be weak and small in importance.
Evidently it is possible to indicate anti-growth factors which block achievement of innovativeness.

Various factors prevented implementation of innovations during the long time. Tab. 2 contains grouping of factors for the further effect estimation with regards to innovative activities during three years which have been provided by the enterprises.

Tab. 2. Enterprise assignment according to the most significant anti-growth factors, which prevented implementation of innovation (% percentage among the total amount of innovation)

Anti-growth factors which prevent implementation of innovation activities		Innovation enterprise	Non-innovation enterprise
1. Price factors	Lack of funds inside the enterprise	7,8	16,3
	Lack of funds outside the enterprise	4,6	8,7
	Big expenses needed for innovation activities	6,2	12,0
2. Information	Lack of competent personnel	1,5	3,4
	Lack of technologies' data	1,0	2,1
	Lack of markets' data	0,8	1,9
	Troubles with finding the partners to organize innovation activities	2,4	5,3
3. Markets	Some enterprise dominate at the market	3,9	7,1
	Small demand for innovative goods and services	1,9	4,2
4. Reasons of innovative passivity	No need with reference to the previous innovative activities at the enterprise	1,1	2,0
	No demand for innovations	1,8	5,7

Growth of innovative activities may only be possible under implementation of newly developed management tools, which stimulate efficiency improving through the following effects:

– production of higher value added products;
– development of high-tech and knowledge-intensive manufacturing;
– creation of closed manufacturing loops.

In such manner one of the most efficient measures for the stimulation of innovative activities in area of industry may take the form of cluster approach which allows joining the resources and competences not available for a single enterprise.

From the other hand cluster structuring in world developed countries is the common tendency of innovation policy. Consequently adequate degree of scientific and education sectors may contribute to innovative territories formation on the base of R&D complexes and scientific institutions and compose in that way innovation clusters. Innovation cluster in that context may be determined as a composite of independent enterprises, which are the following: scientific establishments; universities; knowledge-intensive business; coordinating companies between science and manufacturing; consulting firms and also the customers [4, p.30].

By the reference to universities as a part of cluster allows the region to gain competitive advantages while simultaneous investing into real sectors of economy, education and R&D development. Innovative directivity therefore becomes an important distinguishing feature of such cluster.

Mechanisms of cluster policy increasing innovation potential are rapidly used in various developed world countries. That is to say cluster policy is an integrate part of national development strategies in such leading innovative European countries as Germany, Denmark, Norway and Finland [5].

In certain regions of France, (which are to be called provinces and departments) innovative development takes various forms of science parks and hi-tech complexes. In the same time such phenomena exist over the whole area including regions of mono-producing orientation, where high tech manufacturing covers less than 2–3% of GDP. Great Britain in section of innovation management is traditionally represented with universities and polytechnic institutions, governmental R&D centers and applied research laboratories. 22 science parks have been created on the base of 20 universities in Finland through municipal authorities' initiatives [6, p.25].

Compared together Ukrainian and European experience in innovative activities it can be expected that Ukrainian innovation clusters are mostly oriented to traditional industry sectors such as consumer industry, construction, agriculture, metallurgy while European innovation priorities are primarily focused on high technological clusters in area of machinery manufacturing, bio-pharmaceutics, and electronics.

At the same time there are all favorable requisite for innovation clusters’ development within high technological sectors in Ukraine. The common background of technopolis and industrial parks is represented with the following areas:

– Scientific park “Kyiv Polytechnics” where bio technologies and application-specific system are regularly applied;
– Technopolis “Pyatichatki”, specialized on nuclear technologies, Kharkiv city;
– “Rozivka” center, specialized on electronic industry, Transcarpathian region;
– Industrial Park “Solomon” specialized on automobile manufacturing, Transcarpathian region.

Still there is significant obstacle under the state policy of Ukraine regarding financing and sponsorship support. Development of innovation clusters based on Technopolis ground is need of increasing direct state financing of technoparks, industrial parks and business incubators on the model of European countries. Specifically percentage of government expenditures for technoparks’ financing averages up to 62% in Great Britain, correspondingly 74% in France, 78% in Germany, 70% in Netherlands and almost 100% in Belgium [7, p.10].

Greatest tendency of innovation policy in European countries may be indicated in well defined role of the state government functioning with regards to innovative territories’ creation and further development. The governments are actively using administrative and economic measures, federal financing and subsidy assistance for R&D functioning.

As can be seen from the above the group of administrative measures should contain the following items:

– focus on education and science sphere as leading priorities in frame of innovative development of the region;
– regular federal financing of basic and applied research;
– preferential taxation;
– procurement of venture capital.

Correspondingly the group of economic measures should contain the following items:

– intellectual property protection and patent system upgrading;
– promotion of scientific personnel mobility;
– innovative orientation of R&D projects;
– stimulation of integration between R&D and manufacturing enterprises inside innovative system;
– individual encouragement of scientists to participate and develop innovative activities.

The fact is there are only single elements of innovative infrastructure functioning in Ukraine. In other words the heavy obstacle prevents creation of national innovative system which would be adequate to the market needs and enable to fix the closed innovative cycle – from the creation of innovation till the final implementation. In the same time there are over 12 technoparks, 20 innovation centers, 24 innovation business incubators, 11 centers of intellectual property commercialization, 15 scientific & technological information centers in Ukraine [8].

4. Conclusions

Summing up the research results one may see the foreign experience represents that contemporary high technological production may develop entirely in the context of integration between R&D and manufacturing businesses inside of cluster structures. The government policy in Ukraine should be focused on cluster development, including favourable macroeconomic, information and legal conditions which initially contribute to business development and growth. From the other hand European state practice shows the necessity to build a reliable information base for the cluster development. It also emphasizes great importance of integrating efforts of the government, private sector and public organization to achieve the goal of efficient clustering.
The given analyses of integration of R&D and manufacturing enterprises in foreign countries becomes extraordinary factor of prime importance for Ukraine. It may be considered as the rational way to achieve competitive capability at the world market and solve various social and economic problems.

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Summary

The article considers issues regarding social and economic development under the innovation aspects of state functioning. The analytic review of integration in cluster systems of foreign and national experience is given. Role of the state in the mentioned processes is substantiated and levers of state power are determined. State support and encouragement factors for the innovation development are emphasized.

Key words: integration, globalization, innovative activities, economic development, cluster system, growth.

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THE THEORETICAL BASIS OF TRADE ENTERPRISES DEVELOPMENT, BASED ON THE INNOVATION PERSONNEL POTENTIAL

Natalia Vashenko*

1. Introduction

The development of trade enterprises is characterized by increase of their turnover and profits in Ukraine, today it is happening due to the growth of such external factors as population purchasing power and the inflation level. Meanwhile, the internal potential can be constant. So, the statistic turnover and profits increasing in such conditions are characterized not by intensive but extensive development way; this fact complicates the problem of forming and using of existing trade enterprises potential and does not motivate personnel for rational use of resources.

Therefore, the scientific point of view considers that the positive increase dynamics of Ukrainian trade enterprises turnover and profits should be called functioning but not the development; it is a static condition that will not allow trade enterprises to reach a high competitive level. Under such conditions, there are such economic problems as trade enterprises resource saving, balancing costs in the cost structure and commodity prices, that leads to their rapid growth. Most of those problems are connected with retail but wholesale is rebuilding the price policy in accordance with the demand and the ability to maximize a turnover due to the consumers' purchasing power and inflation, despite the internal factors of intensive development.

2. Recent research analysis and publications

Ukrainian scientific schools are discussing the processes of trade enterprises development. Among the existing discussions should be noted such as the Donetsk National University of Economics and Trade named after Tugan-Baranovsky (DonNUET), Kyiv National University of Trade and Economics (KNEUT), Poltava University of Economics and Trade, Lviv Institute of Economy and Tourism, Vinnitsa Trade and Economic Institute and others. The theoretical basis of the scientific schools formation was founded by K. Marx, A. Smith, M. Tugan-Baranovsky. An important contribution to solving the problems of trade enterprise development was made by such economic scientists as V. V. Apopiy, I. O. Blank, S. V. Vasilchack, A. M. Vinohradska, O. D. Vovchack, E. V. Vinogradova, J. A. Goncharuk, V. S. Zagorskij, V. I. Ivanytskyi, I. I. Karakoz, L. A. Ligonenko, A. A. Mazaraki, V. S. Mazin, E. V. Mnich, G. V. Mitrofanov, S. F. Pokropyvnyj, A. A. Sadyekov, L. G. Slovinskaja, L. L. Terenova, N. M. Ushakova, A. M. Friedman, A. A. Shubin.

It should be noted that compared with foreign scientists, Ukrainian economic scientists achievements are deeper and more meaningful in the direction of improving the management development process of trade enterprises (for example – B. Berman, J. Evans) [1, p.513–600]. In particular: scientists of DonNUET (E. V. Vinogradova) grounded the theory of trade enterprise development, based on the using the modern management forms [2, p.5, 27–29]; scientists of KNEUT A. A. Mazaraki, L. A. Ligonenko and N. M. Ushakova revealed much deeper the problems of noncrisis trade enterprise management and finance planning [3, p.150–155; 4, p.321–362].

3. Unsolved aspects of the problem

At the same time, basing on the defined practical problems of the Ukraine trade enterprise development, today it is needed to be concentrated on such management principles and methods, the use of which will allow form and use the potential of intensive development, to increase the

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efficiency based on the economical use of resources. Therefore, the aspects of the evaluation of the trade enterprises development management process need to be researched.

4. Problem statement

Thus, basing on the trade enterprises intensive development problems, it is necessary to change the paradigm of the concept of "development" in this kind of economic activity; also it is necessary to take into account internal factors. All these facts need changes in the direction of the management conception and methodology by using forms and methods, which can motivate personnel for economical using of resources in order to increase the efficiency, not only by growing turnover and profits, what is possible due to the higher goods and services prices and increasing demand and purchasing power of the population.

5. Statement of the basic material

Innovation gives to any enterprise a possibility to provide intensive development. Some scientists are in their wrong statement that an innovative development, which is presented like a process and subject of scientific researches only for industrial enterprises.

The necessity of innovative development is proved by the scientists of different scientific schools. In particular: A. O. Bukatsela (Odessa National Polytechnic University) paid special attention to the factors that motivate trade enterprises managers to innovate trade activity (increased competition, rising consumer demand and technological capacity, the necessity of increasing the enterprise prestige) [5]; M. S. Zaschuk and O. O. Bakunov (DonNUET) consider that the innovative development is not only a process but it is also an innovation potential management process in trade enterprises [6, p.5–7]; M. E. Rogoza and D. C. Kuzmenko (Lviv Commerce Academy) prove the necessity to improve innovation processes in trade enterprises in order to innovative development based on the modeling [7, p.169]; I. M. Pidkaminniy and V. S. Tsipurynda (KNETU) solve the scientific problems, which study the influence effect of internal and external factors into the process of innovative development of trade enterprises [8].

The analysis of the different scientific works proves the necessity of innovative trade enterprises development. It should be mentioned that the process of innovative development needs, first of all, is a creation of the innovative potential, then this innovative potential should be realized. These two processes are very important in the system of trade enterprise innovative management.

It becomes evidently that an innovative enterprise potential is not presented like possibilities to achieve goals due to realization of innovative projects. The potential should be realized like special and capable to self-development inside human resources, these resources can be realized in very important social activity. Enterprise potential can be presented like a complex of resources that determine enterprise's ability to produce future goods and services in order to get profits. Also the value of innovative potential is measured by the presence of scientific researches, projects, constructions, design and technological organizations and research industries, educational institutions and technological facilities – all these elements, to our mind, are external elements of the innovative potential. Taking into account all facts presented above, it becomes evident that on the level of enterprise, the innovation potential is formed and realized due to the internal personnel resources, which are able to rationally use resources (based on innovations) and to get profits and incomes. Thus, the innovative trade enterprise potential can not be formed and developed basing in innovative form without innovative personnel that is able to realize innovative decisions and projects in practice.

Therefore, we consider that today the priority in solving practical problems of trade enterprises and rebuilding the enterprise management system, should be focused on the personnel ability to realize innovations in the process of commercial activity. In this case:

– Enterprise and personnel management strategies should be adapted and have got balanced evaluation criteria;

- During the process of personnel forming and developing the priority should be given to the innovative personnel.
- The estimation and motivation personnel systems should be based on the personnel abilities to realize innovative decisions and ideas that have an economical effect and provide the innovation trade enterprise development process.

Scientific researches in the area of the personnel innovation potential's nature have been actively provided in Russia and Ukraine since the beginning of the XXI century, it is confirmed by the content of the works of such Russian scientists, as G. Y. Goldstein, V. P. Gorshenin, V. G. Zinov [9–11], and Ukrainian representatives of the scientific schools of the National Academy of State Tax Service of Ukraine (T. V. Belarus and S. O. Hutkevych) [12; 13] and the Dnepropetrovsk Institute "Strategy" (N. I. Verkhoglyadova) [14]. Industrial enterprise process, scientific and industrial complexes are the objective of the researches for all these scientists. All of them examine the personnel innovative potential like a system of innovative possibilities and capabilities, which can provide enterprise sustainable development on the basis of scientific and technological progress, and also can give an organic combination of resources, personnel skills and capabilities in innovation. We consider that there are some problems in this sphere, such as:

Firstly, the personnel innovation potential is researched only like a part of the enterprise innovation potential and, it does not show the nature of the innovative potential development management process; it should be mentioned that this process is very necessary for intensive enterprise development;

Secondly, researches in the sphere of personnel innovative potential take into account specific estimation and motivation categories in the production sphere, which can not be used for the trade enterprises.

Scientists V. G. Voronkova, B. I. Vorobjova, D. P. Boginja, O. A. Grishnova, O. V. Dodonov, O. L. Eskov research the influence of the general personnel potential into the innovative development in the sphere of scientific and production activity. But defined specific estimation and motivation categories can not be used for the trade enterprises. Another problem is that the represented information about the forming and managing the innovative process is not full. Such scientists as B. E. Bachevskij, I. V. Zablodskaja, N. S. Krasnokutskaya, I. P. Otenko don't pay attention to the great role of the personnel innovative potential in the process of forming the economic enterprise potential. In this case this kind of potential is presented as a part of the economic enterprise potential or as an intellectual personnel potential. Theoretically, such views are going to form the intellectual enterprise capital in order to increase competitiveness, because the competitiveness is the subject of study of labor economics. On the other hand, the intellectual capital is only a part of the innovative potential and it is impossible to provide an innovative enterprise development taking into account only intellectual capital.

6. Conclusions and recommendations for further development

Thus, taking into account all presented above, it can be concluded that, it is necessary to form the trade enterprise development management methodology, based on the personnel innovative potential. All this is connected with such scientific problems, which do not allow to provide the innovative enterprise development, as:

- It is impossible to solve the problem of resource keeping, to balance the costs in the cost structure and product prices because of the absence of estimation methods of the enterprise innovative potential development process;
- Today scientific researches do not consist of the scientific solutions and projects, that can be used in the management of enterprise potential development process,

based on the forming and using the innovative potential development for efficacy activity rise;

- Scientific schools don’t have fundamental approaches for the trade enterprise management process, based on the using of forms and methods, that motivate personnel to economical resources use and efficacy activity rising;
- Today researches don’t present management aspects of development the enterprise innovation potential;
- Existing methods of estimation and forming enterprise personnel innovative potential are not suitable for using in trade enterprises;
- Some researches and projects don’t pay attention to the leading role of personnel innovative potential in the process of forming an economical enterprise potential; also the personnel innovative potential is not presented in the full extent and it does not allow to provide the enterprise innovative potential.

Thus, we grounded the following hypothesis in order to solve the generalized scientific problems: the enterprise development process depends on the efficiency management of the process of forming and realizing personnel innovative potential.

Schematically, this hypothesis has the following logic (Fig. 1).

Thus, the development of innovative trade enterprises process is provided under the realization of the following strategic stages:

- Firstly, it is necessary to adapt HR strategy to the general development enterprise strategy;
- Secondly, basing on this strategy it is necessary to form and realize personnel innovative potential;
- Thirdly, enterprise innovative potential is based on this ground;
- Fourthly, enterprise innovative potential is realized basing on the formed innovative potential;
- Fifthly, the development innovative enterprise process is provided under the condition of realizing all previously stages.

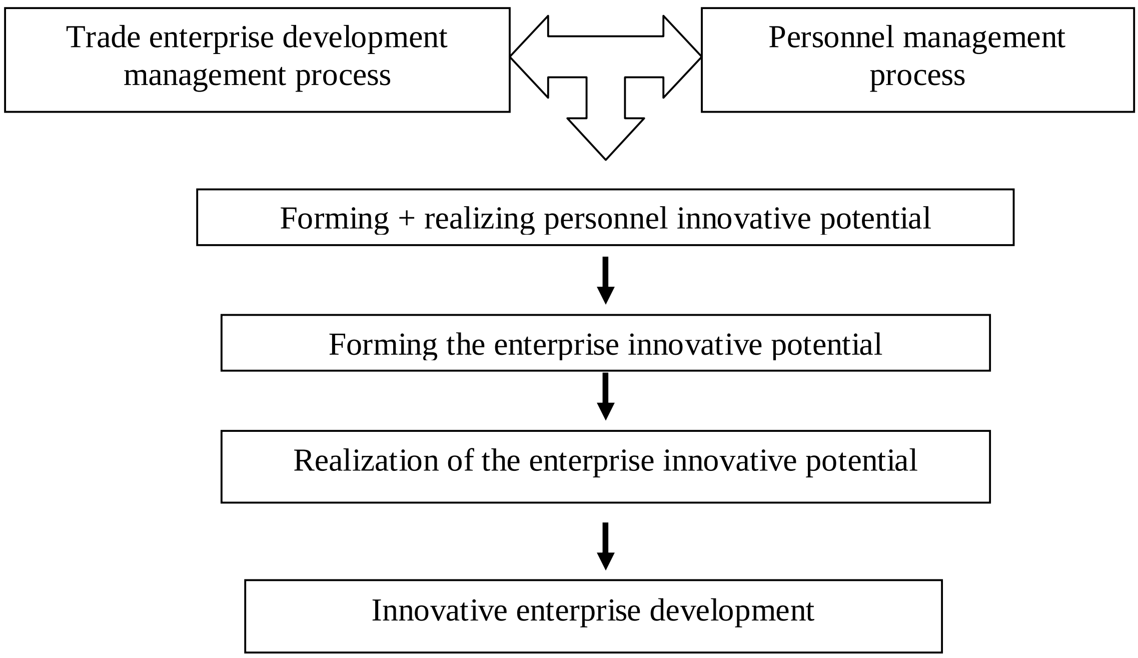

Fig. 1. The logic of the trade enterprise development process, based on the personnel innovative potential

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Summary

The modern trade enterprise is a complex and commercial system, which is characterized by such features as openness, self-organization, and orderliness. In today’s changing economic environment at the international market and at the level of the national Ukraine’s economy, trade enterprises functioning environment is changing too. It is happening by the influence of many factors, some of them are: the level of economics conditions and inflation, population purchasing power, legislative field, financial and currency markets, the level of market competition and monopoly.

Key words: region, strategic planning, regional innovation potential; analytic hierarchy process.

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APPLICATION OF INTERNATIONAL STANDARDS WITHIN FACILITY MANAGEMENT IN BULGARIA

Ivan Zhelev*

1. Introduction

In today's economy, organizations are forced to look for new ways to streamline processes and reduce the final cost of non-core processes. The facility manager and the facility management department are largely responsible for those procedures. Facility management is related mainly to minimizing costs for the buildings owned by organizations, in order to ensure a more conducive working environment. These processes can be standardized, which will help to increase the effectiveness of the organization's mission.

Research on the application of international standards within facility management has cognitive, theoretical and practical importance, with the major reasons as follows: a) international standards within facility management represent a summary of best business practices that does not depend on the organization and its use of buildings; b) use of international standards and regulations provides a specific methodology, a model for the management of the buildings that the organization has, with a cost-reducing effect; c) international standards in the field of facility management in accordance with 2012/27/ES the new Directive of the European Parliament and of the Council of 25 October 2012 on energy efficiency [1] and the strategy "Europe 2020", provide a comprehensive strategy for smart, sustainable and inclusive growth.

In view of these arguments, in this paper, the author aims to explore and systematize the main groups of international standards within the facility management and outline a practical approach to their application in Bulgaria in order to help organizations reduce the cost of non-core processes.

The research objectives are: to clarify the place of the standard model in the management of buildings and provide a brief description of various types of international standards, suggesting an approach for the practical application of the abovementioned standards.

2. Management model for building and site standards

Based on fundamental theories in facility management and the author's empirical findings, the model for building management can be presented as a basic theoretical formulation for making changes in the management of non-core processes of facility managers (Fig. 1). In Bulgaria, the profession "facility manager" is included in the National Classification of Occupations 2011, code 5006 to a group of 1219, which is for leaders in business services and administrative activities [2].

This model outlines the main elements and applied standards in order to ensure the efficient operation of buildings and non-core processes. Fig. 1 shows that the performance of non-core (supporting) processes within an organization to facility management is essential. Their scope encompasses the following main types of standards: facility management, automation and building management, management projects for green building and energy efficient buildings. This paper suggests that the use of model in building management processes support effective delivery of facility management services, thereby reducing the costs of non-core processes in organizations and ensuring a sustainable working environment.

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Analyzing problems in the application of standards within the facility management requires the clarification of the terms “facility management”, “standard” and “standard in the field of facility management”.

Facility management includes the management of buildings’ life cycle, including the cost of construction (or acquisition), operating costs and expenses for renovation, with the purpose to provide a healthy and safe working environment for human beings [3, p.27].

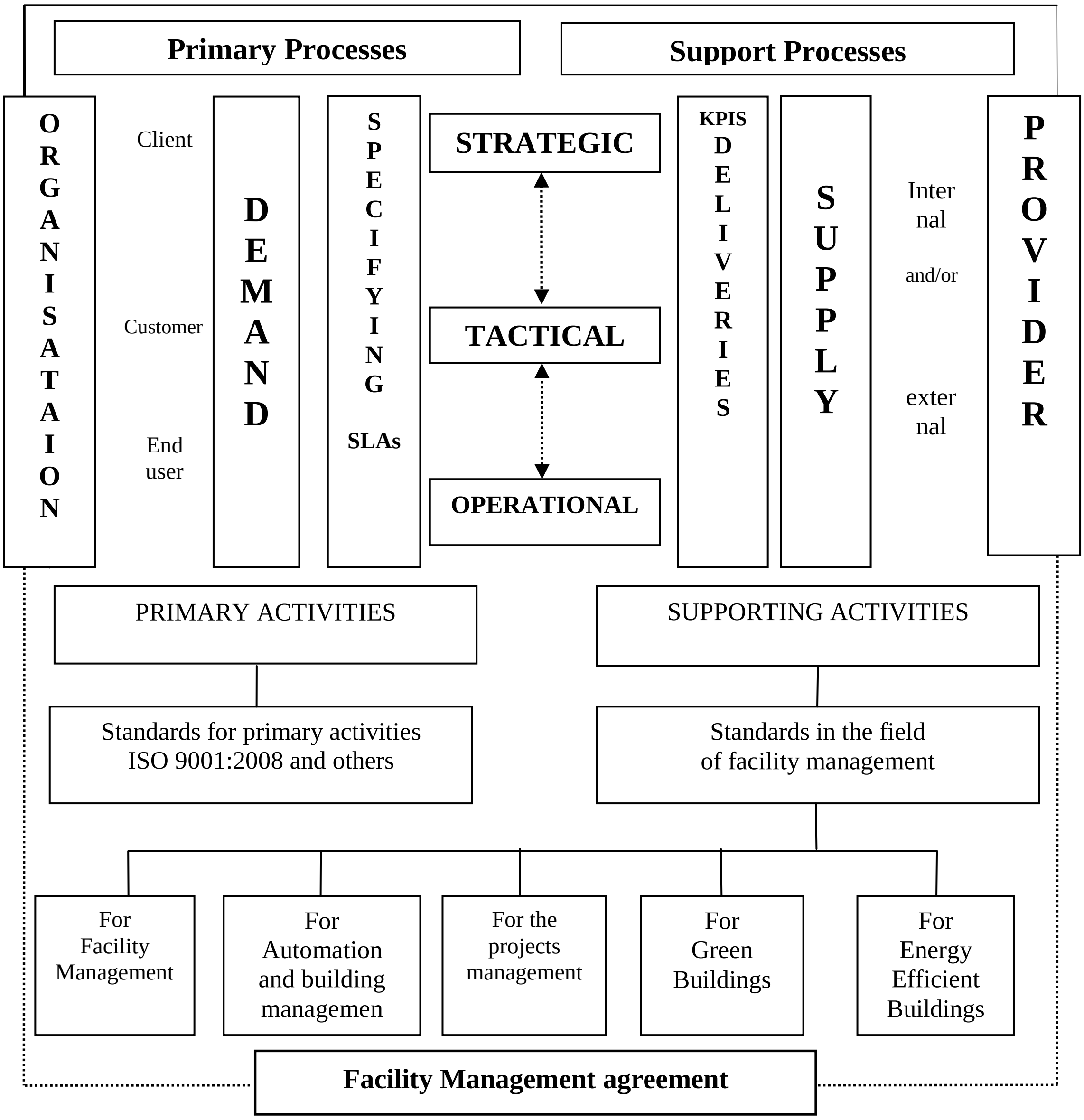

Fig. 1. Model of building management and applied standards in facility management

Source: Appendix A1 of standard EN 15221-1: 2006 and the addition of the author.

Understanding the CEN (Le Comité européen de normalisation) for the term “facility management” is related to the integration of processes within an organization that maintain and develop the agreed services to support and improve the effectiveness of its primary activities [4, p.3]. In this article, the author assumes that facility management should be seen as separate, specific activity of the organizations, an element of the management system, associated with non-core activities, including a package of facility management services. The above said services support the organization's mission focusing on efficient operation of buildings.

According to ISO (International Standard Organization) the term “standard” means “documented agreements containing technical specifications or other precise criteria and clear, designed set of policies, guidelines, or definitions of different characteristics helping to ensure that materials, products, processes or services fully meet its purpose" [5]. It is to be noted that according to BDS (Bulgarian Institute for Standardization) the term "standard" means "a document, established by agreement and approved by a recognized body that defines a set of common and repeated administration rules, guidelines or characteristics for activities or their outcomes, to help achieve optimal order of the given set of circumstances" [6].

Based on these and other qualifying standards, in the field of facility management "standard" may be identified as a document that has been approved by international and/or regional and nationally recognized institution that provides common understanding of the most important terms and processes in facility management, creates rules based on best business practices adopted by agreement of the professionals, and applies those practices to create a specific model for effective facility management in organizations.

Standards within an organization represent the set of goals providing a level of service with minimal costs for operation, maintenance and improvement of buildings, which contributes to an effective facility management. For various organizations, implementing effective facility management today, becomes a crucial necessity, since first, they are related to maintaining or increasing the value of buildings, and second, they ensure that the non-core processes are conducted at a minimal cost.

On the basis of the abovementioned, the following conclusions can be drawn:

1. Facility management of an organization solves problems related to non-core (supporting) processes and provides a comfortable working environment and opportunities to reduce operating costs, maintenance costs and increase improvements to buildings.
2. Effective facility management in organizations depends on the use of a model for building management, based on best practices that include major groups of relevant standards within facility management.

3. Main groups of applied standards within the facility management

First group of standards for facility management. The first six standards are adopted by the BIS, (Bulgarian abbreviation in brackets). In addition to these standards, this group may be supplemented by the standards for measuring of buildings – BOMA (Building Owners and Managers Association) International [7]. They are, as follows:

1. BDS EN 15221-1:2009. Facility management. Part 1: Terms and definitions. This European standard gives relevant terms and definitions in the area of Facility Management. It also provides insight into the scope of Facility Management.
2. BDS EN 15221-2:2009. Facility management. Part 2: Guidance on how to prepare Facility Management agreements. This European standard provides guidance on the preparation of agreements for Facility Management work. Applied to: Facility Management agreements for both public and private European Union cross-border, as well as domestic, client/Facility Management service provider relationships; full range of facility services; both types of Facility Management service providers (internal and external); all types of working environments (e.g. industrial, commercial, administrative, military, health etc.).
3. BDS EN 15221-3:2012. Facility management. Part 3: Guidance on quality in Facility Managemen. This is a European standard that provides guidance on measuring and achieving quality improvement in Facility Management. The standard provides basic management procedures and management theory.
4. BDS EN 15221-4:2012. Facility management. Part 4: Taxonomy, Classification and Structures in Facility Management. This standard therefore introduces the concept of standardised

(classified) facility products. The aim of this standard is to provide taxonomy for Facility Management which includes: relevant interrelationship of elements and their structures in Facility Management; definitions of terms and contents to standardised facility products which provide a basis for cross border trade, data management, cost allocation and benchmarking; a high level of classification and hierarchical coding structure for the standardised facility products; expanding the basic FM model given in EN 15221-1 by adding a time scale in the form of the quality cycle called PDCA (Plan, Do, Check, Act).

5. BDS EN 15221-5:2012. Facility management. Part 5: Guidance on Facility Management processes. This European standard provides guidance to Facility Management organisations on the development and improvement of their processes to support the primary processes. This standard also sets out basic principles, describes high-level generic Facility Management processes, lists strategic, tactical and operational processes and provides examples of process workflows. This standard is based on a primary processes, demand perspective for an audience of all stakeholders in Facility Management process.
6. BDS EN 15221-6:2012. Facility management. Part 6: Area and Space Measurement in Facility Management. This European Standard establishes a common basis for planning and design, area and space management, financial assessment, as well as a tool for benchmarking in the field of Facility Management. This standard covers area and space measurement for existing owned or leased buildings as well as buildings in state of planning or development. This standard presents a framework for measuring floor areas within buildings and areas outside of buildings.
7. EN 15221-7:2012. Facility management. Part 7: Guidelines for Benchmarking. This European Standard gives guidelines for benchmarking and contains clear terms and definitions as well as methods for benchmarking facility management products and services as well as facility management organisations and operations. This European Standard establishes a common basis for benchmarking of facility management costs, floor areas and environmental impacts as well as service quality, satisfaction and productivity.

Second set of standards – for automation and building management. This group includes:

1. BDS EN 14908-1:2006. Open Data Communication in Building Automation, Controls and Building Management – Control Network Protocol – Part 1: Protocol Stack. This specification is applied to a communication protocol for control systems network. The protocol provides peer-to-peer communication for control network and is suitable for implementing both peer-to-peer and master-slave control strategies.
2. BDS EN 14908-2:2006. Open Data Communication in Building Automation, Controls and Building Management – Control Network Protocol – Part 2: Twisted Pair Communication. This European Standard specifies the control network protocol (CNP) free-topology twisted-pair channel and serves as a companion European Standard to prEN14908-1. The channel supports communication at 78.125 kbps between multiple nodes, each of which consists of a transceiver, a protocol processor, an application processor, a power supply, and application electronics.
3. BDS EN 14908-3:2007. Open Data Communication in Building Automation, Controls and Building Management – Control Network Protocol – Part 3: Power Line Channel Specification. This European Standard specifies all the information necessary to facilitate the exchange of data and control information over the power line medium. This European Standard establishes a minimal set of rules for compliance. It does not control extended services to be provided, but the rules are adhered to within the system. It is the intention of the standard to permit extended services (defined by users) to coexist.

4. BDS EN 14908-4:2007. Open Data Communication in Building Automation, Controls and Building Management – Control Network Protocol – Part 4: IP Communication. This European Standard specifies the transporting of Control Network Protocol (CNP) packets over Internet Protocol (IP) networks using a tunnelling mechanism wherein the CNP packets are encapsulated within the IP packets. It is applied to both CNP nodes and CNP routers. The purpose of this European Standard is to insure interaction between various CNP devices that wish to use IP networks to communicate using the CNP protocol. The main body of this European Standard is independent of the CNP protocol being transported over the IP network.
5. BDS EN 14908-5:2010. Open Data Communication in Building Automation, Controls and Building Management Implementation Guideline – Control Network Protocol – Part 5: Implementation. This specification contains all the information necessary to facilitate the exchange of data and control information in an interactive manner using EN 14908-1 and its associated data-transport media specifications. This specification establishes a minimal set of rules for compliance.
6. BDS EN 14908-6:2011. Open Data Communication in Building Automation, Controls and Building Management – Control Network Protocol – Part 6: Application elements. This European Standard provides mechanisms through which various vendors of building automation, control, and building management systems may exchange information in a standardised way. This document provides specifications for the Application Elements of Control Network Protocol packets as follows: definitions of standardized packet (network-variable) data types; definitions of device-interface files; definitions of standardized configuration-property types; definitions of standardized enumeration types; definitions of standardized functional profiles; definition of the standardized method of file transfer between devices.

The third group standards – Project Management. They are:

1. ISO 21500:2012. Guidance on project management. This standard provides guidance for project management and can be used by any type of organization, including public, private or community organizations, and for any type of project, irrespective of complexity, size or duration. ISO 21500:2012 provides high-level description of concepts and processes that are considered to form good practice in project management [5].
2. The PMBOK ® Guide – Fourth Edition (The Guide to Project Management Body Of Knowledge – Knowledge Management, Project Management) is a standard PMI (Project Management Institute – Institute of Project Management), which includes a set of knowledge of management projects relating to specific areas: the construction industry and the government sector as well as other standards [8].
3. The IPMA (International Project Management Association) Competence Baseline, ICB ® version 3.0 – is an international standard for certification of competence in project management to individuals – project managers, consultants – management of projects, programs and portfolios of projects, organizations – organizational competence in project management at various levels of competence [9].
4. PRINCE 2 (Projects IN Controlled Environment) is a British standard, which was established in 1989. It appeared as a control of the British government projects in the field of information and telecommunications technologies [10].

The fourth group of standards – for green buildings. In Bulgaria, based on standards of BREEAM, LEED and DGNB for certified green buildings, the following are applied:

1. BREEAM (Building Research Establishment Environmental Assessment Method) is the first certification system for green buildings established in the UK in 1990, which is the basis for

many worldwide systems. It is a standard method for assessing green buildings – as of right now over 200,000 buildings worldwide have been certified under BREEAM [11].

2. LEED (Leadership in Energy and Environmental Design) – the Energy and Environmental Design Manual is an internationally recognized green building regulation recognized by the U.S. since 1998. It aims to reduce the impact of the life cycle of buildings on the environment. This is the most common certification system for green buildings in the world, used in the U.S., Canada, India, China and other countries [12].
3. DGNB (Deutsche Gessellschaft fur Nachhaltiges Bauen) – a German standard for sustainable buildings established in 2009. The most modern and most comprehensive accounting principles for stability and specificity of different buildings [13].
4. CASBEE (Comprehensive Assessment for Building Environmental Efficiency) – a standard system for evaluating the performance of buildings' environment, established in Japan in 2005 [14].
5. Greenstar – a comprehensive rating system that evaluates the design, building construction and the constructed environment. It was established on the basis of BREEAM in Australia in 2003 [15].
6. HQE (Haute qualite environmentale) – A system of certifications for new and existing buildings, showing the effects on the environment. Created in France in 2005 [16].

The fifth group of standards – for energy efficient buildings. The main are:

1. ISO 21930:2007 Sustainability in construction. Environmental declaration of building products. This standard provides principles and requirements for Type III environmental declarations (EPD) for the building and the utilized products. Contains specifications and requirements for the EPD of construction products [5].
2. ISO 21931-1:2010. Sustainability in construction. Framework for methods of assessment of the environmental performance of construction works – Part 1: Buildings. Provides a common framework for improving the quality and comparability of methods for assessing the environmental performance of buildings and associated external works [5].
3. PHS (Passive House Standard) – the world's leading standard for energy efficient buildings, helping to reduce environmental impacts such as the amount of energy consumption (which must be below 15 KW/m2). PHS is demonstrated by PHI (Passive House Institute) for the first time in 1988 as a passive method for de sign and evaluation of buildings using the software PHPP (Passive House Planning Package) [17].
4. Energy Star – standard created in 1992 by the EPA (Environmental Protection Agency). Used to reduce energy consumption of consumer products. Different types of buildings can be evaluated with this standard for determining the energy efficiency [18].

4. Practical application of standards organizations

Practical application of international standards would improve the efficiency of facility management and non-core processes in organizations. It is appropriate to implement the model (cycle) known as PDCA / SDCA (Plan, Do, Sheck, Act / Standart, Do, Sheck, Act – an oriented process has been improved over many decades (now standard IS0 9001 is also included), ensuring the stability of the thinking and formulating oriented processes [19, 54].

To apply these standards in an organization, a very important condition is the organizations' awareness and support of management. To apply international standards in the field of facility management it is necessary to have an innovative and active management.

The process of implementation the standards can be achieved in the following sequence:

First step – planning the implementation of international standards. The facility manager needs to develop a plan including the following elements: policy, facility management, scope (package) of facility management services objectives and outcomes to be achieved by facility management. The plan outlines the use of appropriate tools (company standards for individual services, other documents) for maintenance processes, audits to improve facility management, the roles and responsibilities of directors, facility management department, facility managers and other employees; interaction processes and key business procedures; mechanisms for monitoring the plan, audit contractors, budget and resources needed to achieve the goals, specific plans for a process, such as maintenance of buildings, utilities, security, cleaning, etc. All must be in accordance with the plan for the implementation of international standards.

Second step – implementation of the plan. The organization is required to undertake the following activities: distribution and control of the roles and responsibilities of full-time staff or external contractors / consultants (in the form of outsourcing), documenting the plan and procedures for determining definitions for each process or group of processes in facility management; risk management, choosing management teams, executing training of existing or new staff, maintenance and operation, management of resources and budget; preparation of periodic reports on the process of introducing the standards and implementation of the plan, coordinating the processes of implementation.

Third step – verifying the implementation of the plan. Encompassing the monitoring, measurement and review of the plan and its comparison with the actual implemented activities. The plan must have provisions for auditing, taking into account the status and importance of the processes and sectors to be monitored and tested, and the results of previous audits.

At planned intervals, management or a representative must conduct a review to determine whether the processes are correctly executed, e.g. corresponding to the plan to implement international standards, effectively implemented and maintained, determining variations that could dictate the correct action.

Fourth step – actions to continually improve the effectiveness of the provided facility management services. For this purpose, the plan for compliance must be a declared policy and the company standard of service should show the requirements for the facility management service.

Failure to comply with adopted or internal company standards should demand the appropriate adjustments. All proposed improvements to facility management processes need to be assessed, recorded, ranked by priority, approved and consequently included in an existing or new standard plan for increasing the efficiency of the building management model.

5. Conclusions

Based on the abovementioned, it is appropriate to identify several key conclusions and recommendations:

1. Facility management in an organization solves problems related to non-core (supporting) processes to reduce the cost of operation, maintenance and improvements of buildings and provides a comfortable working environment.
2. Effective facility management in organizations is achieved through a model of building management, including best business practices in the form of the applicable standards within the facility management, such as: facility management automation and building management, management projects, green buildings, energy efficient buildings.
3. The organization's management should study and apply international standards in the field of facility management in order to achieve greater efficiency of processes without additional expenses.

4. Appropriate model for the application of international standards is PDCA/SDCA, which is aimed to improve the processes for facility management services in an organization.

The issues on the application of international standards within the facility management can be improved at an early stage. Creative application of standards of management of organizations is a possible way for effective facility management and cost reduction of non-core processes.

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Summary

In today's economy, organizations are forced to look for new ways to streamline processes and reduce the final cost of non-core processes through effective facility management. The article summarizes the major groups of international standards within the field of facility management and their application in Bulgaria. A model for building management is proposed; together with a brief description of the different groups and types of international standards and a proposed approach to apply the standards-based model PDCA/SDCA.

Keywords: facility management, model building management, international standards.

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