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**21st CENTURY CHALLENGES FOR ECONOMICS AND
CULTURE**

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**21ST CENTURY CHALLENGES FOR
ECONOMICS AND FINANCE**

Dushko Josheski, Dimitar Eftimoski. Application of the Extended IS-MP-IA Model and the Taylor Rule in Selected CESEE Economies

Abstract. The application of the extended Romer (2000) model in selected CESEE countries (Albania, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Macedonia, Moldova, Romania, Russian federation, Slovak Republic, Slovenia, and Ukraine) shows that, on average, higher world output and lower world interest rate and inflation, have positive effect on real output. A lower government consumption to GDP ratio also increases the real output. However, the insignificant government consumption implies that Ricardian equivalence might hold in these economies. Hence, fiscal prudence is needed, and the conventional approach of real currency depreciation, in order to stimulate exports and raise real output, is not recommendable for the selected CESEE countries.

Keywords: extended IS-MP-IA; Taylor rule; inflation targeting; monetary policy function; Ricardian equivalence.

Type of the paper: Empirical study

JEL Classification: E52, E62, F41.

Biography of the authors

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Daiva Jurevičienė, Darius Rauličkis. Analysis of Financial and Economic Indicators Application to Firm Probability of Default in Commercial Banks

Abstract. Borrowers default risk is one of the most relevant types of risk for daily activities of commercial banking and its assessment is important in order to seek for business profitability and avoid huge losses for organisation and society during economic times of turbulence. Therefore, significant attention should be paid for topics related to firms' probability of default assessment which is considered as important commercial banking tool and one of key elements for internal ratings-based risk assessment approach. In addition, modern assessment should include factors which help to capture newest trends of economic development in which borrowers operate. Such ties are determined by increasing accessibility of financial informational resources from market and increasing reporting requirements to adjust to current fair value. In order to adjust to newest possible in the market signals in scientific literature (in addition to financial, lagging and coinciding economic indicators) as forward-looking signal is proposed to use leading economic indicators. Worth noting, that there is still discussion going on applicability of these ratios and indicators. In spite of this, this article aims to analyse theoretical aspects of default probability estimation and make strength-weakness-opportunity-threat analysis of these ratios groups. Research findings will be useful both for scientists and practitioners in the process of comparison of firm's default probability factors.

Keywords: default probability; financial ratios; Economic indicators; commercial banks.

Type of the paper: Theoretical paper

JEL Classification: G21, C52

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Rita Remeikiene, Ligita Gaspareniene, Gintare Grigaliune. Problematics of the Management of Receivables: Lithuanian Case

Abstract. Constant changes in business environment determine the significance of receivables debt to business. The analysis of the current situation in Lithuania has revealed that a substantial part of business enterprises are facing the problem of overdue receivables, which emerged as an extremely topical issue after the beginning of the economic crisis in 2008. A number of scientific studies have confirmed that the level of receivables has a significant impact not only on smooth business operation, but also on operational results, and serves as a cause for numerous economic and social problems, experienced by both business enterprises and the state. Rising level of receivables debt determines slower recovery of the overall economics since it has a negative impact on the sustainability of the public sector. In addition, the scientists highlight such economic problems as production capacity losses, general decrease of competitiveness and failure to satisfy the debt claims. The social problems include the increase of unemployment rate, fall of living standards, dissatisfaction with poor economics of the country and uncertainty about the future. The aim of this article is to analyse the significance of receivables debt to business in Lithuania. The methods of the research include scientific literature review and statistical data analysis.

Keywords: receivables; management of receivables debt; problematic of receivables debt.

Type of the paper: Empirical study

JEL Classification: M21, M41.

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Rasa Aleknavičiūtė, Viktorija Skvarciany, Simona Survilaitė. The Role of Human Capital for National Innovation Capability in EU Countries

Abstract. Innovations are crucially important for economic growth in developed countries. One of the most important sources of innovation is human capital. In this article state of human capital investments in EU countries is investigated in order to show their relation with human capital formation and indirect effect with national innovation performance. In the first part theoretical assumptions of human capital importance for innovation process is presented. Secondly, measures of human capital are analysed and human capital measurement model is presented. This model is applied for investigation of state of human capital in 26 EU countries during 2002-2012. Results showed that higher educational expenditure per pupil is related with higher innovation performance reported in countries. Public expenditure on education is more related with innovation performance than private education expenditure. Aim of research: to analyse human capital investment importance to national innovation capability in EU countries and to determine which human capital aspects fosters innovation performance. Therefore, the objectives are as follows: analyse theoretical assumptions of human capital importance for innovation process and present current state of research; analyse available human capital measures and create human capital measurement model; analyse state of human capital in EU and relations with national innovation capability.

Keywords: innovation; human capital; education; human capital measurement model; European Union.

Type of the paper: Empirical paper.

JEL Classification: J24, O30.

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Staņislavs Keiņš. Business Environment in Latvia and its Assessment in the Ratings of International Organizations

Abstract. The quality of business environment has important influence on the social and economical development of the state. In order to follow these processes in the business environment and to analyze them, it is important to research information about ratings that characterise this business environment, the method that is applied assigning these ratings, regulation of entrepreneurship and other issues. Globally business environment in each country is assessed by ratings assigned to by different international organisations. The most important ratings are the following: Business Environment Assessment Rating (The World Bank research *Doing Business*), Global Competitiveness Ranking, Index of Economic Freedom, Global Well-Being Index, Corruption Perceptions Index etc. The ratings (indices) that are assigned by these organisations from a very wide range of viewpoints assess the competitiveness, business environment, economical freedom, level of prosperity, corruption and other spheres. The annual analysis of

international organisations reveals which administrative obstacles, bureaucratic barriers and regulating norms create problems for entrepreneurs. Analysing the dynamics of index data it is possible to determine in which spheres the situation has improved and where it has deteriorated. This enables the assessment of the results of the measures that have been carried out and helps to identify new problems, where finding a solution the business environment in Latvia could be improved.

Keywords: ratings of international organisations; ratings characterising business environment; business environment in Latvia.

Type of the paper: Theoretical paper

JEL Classification: G24, F01, F63

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Egidijus Bikas, Lina Jurevičiūtė. The Impact of the Tax Incentive on the Public Finance

Abstract. Tax incentives are optional, but very important element of the taxation system. This element is used to seek for different purposes by country’s government institutions. Tax incentives as a form of tax expenditure help to reduce budget revenues. On the other hand, tax incentives influences individuals and corporate financial behaviour and can have positive or negative effects on economic and social factors. For the last few years, tax incentives expansion and plenty attracts attention worldwide due to the fact that, after the global financial crisis, many countries still have fiscal deficits, and tax incentives expansion does not contribute to solving this problem. These tax incentives aspects presupposes as fiscal policy tool and significant in various subsystems of public finances. The main aim of this article - examine the personal income tax incentives impact on Lithuanian public finances. To reach the aim statistical information will be systemized, data is grouped by doing statistical rows horizontal logical links analysis, using the Monte Carlo method, which will help to evaluate influence tax incentives on public finances. In the simulations, the Monte Carlo method will simulate random samples, which are then examined by adapting the conclusions of the theory of probability and mathematical statistics methods.

Keywords: tax incentives; taxation system; personal income tax.

Type of the paper: Empirical study

JEL Classification: H21, H24, H60

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Borisas Melnikas. Contemporary Changes in Economy and Culture: New Ideas of Networks and Networking

Abstract. New ideas of networks and networking, their impact on contemporary changes in economy and culture are presented. Networking processes and the networks based on new development tendencies in economy and culture are described, these processes and tendencies are defined as an especially important field of the scientific cognition, research and studies. Main aspects of networking and networks based development tendencies are analyzed. The complexity and systematics of networking processes and the networks creation processes are analyzed. Main attention is focused on the idea that networking processes and the networks creation could be perceived as one of the most important priorities of the modernization of contemporary economy and culture, as well as of social, economic, political development, science and technological progress in general. It is noted that networks may be considered to be an effective and highly promising organisational form. Modern networks as an organisational form are strongly oriented to innovations. Thus, the creation and development of networks is closely associated with the concept of searching for, identification and application of synergetic effects, reflecting the orientation to innovations in various sectors of societal life, economy and culture. Main priorities of networking in economy and culture are described in detail. Promising directions of the scientific research on networking and networks are characterized.

Keywords: economy; culture; society; networks; networking; creation processes.

Type of the paper: Theoretical paper

JEL Classification: A10, F01, O39, Q39.

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Borisas Melnikas. Global Transformations: The Networking Society and Networks Based Economy Creation

Abstract. The processes of the creation of networking society and networks based economy under contemporary conditions of globalization and global transformations are described and analyzed. The creation of networking society and networks based economy is assessed as the most important assumption and the main way to solve most of the social, economic, technological, even security and defence problems worldwide, as well as in various countries or regions. The processes of creation of networking society and networks based economy are defined and analyzed as particularly important and complicated global changes, which deeply influences the content of development processes in all spheres of societal life, economy and culture in general. It is noted that the processes of creation of networking society and networks based economy could be interpreted as a new global transformation, which acquires an especially importance under contemporary conditions of globalization: the processes of the creation of networking society and networks based economy expresses the essential qualitative changes in all areas of social, economic, political life, science and technological progress, and interaction with nature. It is noted that the processes of the creation of networking society and networks based economy, as well as the processes of globalization in general, must be analyzed in complexity, this analysis should be oriented towards the systematically examined and assessed changes and development processes in global space. Main ideas of this analysis are described in details, promising directions of the scientific research on the

creation and further development of networking society and networks based economy under contemporary conditions of globalization are characterized.

Keywords: globalization, networks, networking, society, economy, transformation, creation

Type of the paper: Theoretical paper

JEL Classification: A10, F01, F39, O39, Q39.

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Veslav Kuranovic. Economic and Cultural Cooperation between Partners from China and Baltic Region: Possibilities, Problems and Priorities

Abstract. Needs, opportunities, prospects are investigated completely to develop cooperation between China and Baltic countries. It is important to reveal globalization, social and economy development, culture, science and technology progress, internationalization processes effects and challenges of which it is necessary to take account in developing cooperation, economy and culture relations between China and Baltic countries. The main attention is focusing on these issues: a) Baltic countries are accumulated such as economy, intellectual and culture potential, as basis it will be possible to develop a cooperation between China and Baltic countries, adequate and reasoned investigation, identification and evaluation; b) attraction of investment from China to Baltic region and investing possibilities in China; c) markets in China development prospects ; d) cooperation in culture, science and studies, also in advanced technology fields. There are characterized further cooperation priorities between China and Baltic countries, there are revealed possibilities and needs to develop scientific research designed for this cooperation.

Keywords: China; Baltic countries; globalization; social and economic development.

Type of the paper: Theoretical paper

JEL Classification: A10, F01, F39, O39, Q39

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Bahman Peyravi. Experiences of the Innovation Activities in the Baltic Region: Possibilities of the Transfer to the South East European Countries

Abstract. Development of a public innovation support system and innovation policy are receiving interest recently at EU and national levels. A strongly structured and coordinated innovation policy can enforce better performance of EU actors and develop their competitiveness in a globalized world. This paper

examines innovation policy and governance capability in the Baltic States to present some lessons for the South Eastern European (SEE) countries and also to evaluate the possibilities to transfer the positive experience in innovation management from Baltic States to South East Europe. For the Baltic States innovation policy has not been only a field of specific attention during the period of accession or transition to the EU, but also the process of accession has had a significant impact on raising awareness about the importance and necessity of innovation. This paper aims to create awareness of the needs of innovation for the SEE countries. Furthermore, this paper tries to assess the governance capabilities of Baltic States in the area of innovation policy and indicate positive experiences that may be relevant for potential new members. Through analysis and evaluation of the statistics from the Innovation Scoreboard and also the Innovation Trend Chart Country Reports for the Baltic States, the paper tries to assess innovation capacity and innovation governance.

Keywords: innovation; Baltic countries; South Eastern European countries; transfer.

Type of the paper: Empirical paper

JEL Classification: O30, E60

Biography of the author

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Stanislavs Keišs, Alla Serjogina. The Foreign Trade Policy of the EU and the Economic Development of Latvia

Abstract. Major trends in foreign trade policy of the EU are increasingly liberalizing markets for goods and services and strengthening the position of integration associations in the world trade. The principles of free trade within the EU are fixed with rules of trade and customs law and formally all member states are equal participants in the free market. After joining the EU Latvia has consistently pursued a policy of market liberalization. Over the years the foreign trade turnover in Latvia grew more than twice and this figure is one of the highest among the new EU countries. The geography of Latvian exports has been expanded (in 1995 production of Latvian companies were exported to 92 states in 2014 - to 202 of the country.) As a result the ratio of foreign trade to GDP of Latvia in 2014 amounted to 94.2%. Such a high rate of market openness reflects the very strong dependence of the economy of Latvia on the situation on foreign markets and is a major factor of unsustainable development. Unbalanced increase in exports and imports after joining the EU was one of the reasons for the sharp fluctuations in the economy in conditions of crisis in 2009. Analysis of the dynamics and structure of Latvia's foreign trade shows that the influence of the liberal foreign trade policy of the EU in the economic growth of the national economy is very contradictory. In order to really good use of the advantages of the open market of the EU is necessary to conduct a comprehensive economic policy to improve the competitiveness of the national economy and all decisions in foreign trade should be seen through the prism of their impact on the competitiveness of domestic enterprises.

Keywords: foreign trade policy; trade law export; import; market liberalization; economic growth.

Type of the paper: Theoretical paper.

JEL Classification: F13, F43, E60.

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Justine Sophia Jaunzeme. Combining Environmental and Spatial Discount Rates for Valuation of Assets According to International Financial Reporting Standards

Abstract. Application of discount rate in finance and accounting is founded on the concept of time value of money. Discounted cash flow model is widely used for asset valuation under the International Financial Reporting Standards (in abbreviation – IFRS). The discount rate applied in valuation models normally is the best rate of return that investors would earn alternative investments. With emergence of ecological economics as a separate branch of economics, the concept of ecological (or in other words, environmental discount rate) has been elaborated. Frank G. Muller (2013) in his paper “The Discounting Confusion: an Ecological Economics Perspective,” argues that traditional discounting can undermine long-term sustainability of the economy. In his work, Frank G. Muller considers adjusting the traditional discount rate in order to arrive at an environmental discount rate, which would help to ensure the sustainability of the economy. Bruce Hannon (2001) and Charles Perrings (2001) in their paper “An Introduction to Spatial Discounting” consider another variation of the discount rate – spatial discount rate. Spatial discount rate represents the rate at which the diffusion of environmental effects of economic activities is discounted over space. By February 2016, neither the application of environmental, nor spatial discount rates under IFRS has been considered. The purpose of this paper is to analyze the implications that environmental and spatial discounting would have for application of discounted cash flow model according to IFRS. The research methods applied are methods of economic analysis and geographical information systems.

Keywords: discount rate; assets; valuation; International Financial Reporting Standards.

Type of the paper: Theoretical paper

JEL Classification: M41, Q50

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Łukasz Marzantowicz. Fuel Prices as a Factor of Shaping Profitability of Road Transport in Poland

Abstract. Article is a review, which presents the relationship between the volatility of fuel prices and the profitability of the company. For this purpose, is defined the profitability of transport enterprises, and pointed to the source of the impact of changes in fuel prices on the profitability of companies in the road transport sector. By using the case of a transport company ABC has been shown the relationship between the costs incurred for the purchase of fuel and the cost of transport activities. The use of a case study in a practical way realizes the theoretical assumptions.

Keywords: fuel prices; the profitability of road transport companies; the share of fuel costs in the profitability of companies.

Type of the paper: Theoretical paper, Case study

JEL Classification: E31, M21, L90.

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Jan T. Mróz. Political, Economic and Institutional Challenges of European Union in Next Decades of 21st Century

Abstract. The aim of this paper is taking into account former and contemporary preconditions which have been taking place inside European Union and beyond this organization. These ones - the collapse of the ideology of European integration, decrease Union force in solving internal problems, declining importance of the Union as an entity of the global scene is dominated by the processes of emergence of a new global order, EU own problems in implementation law in EU countries, difficulties in the adoption of unified positions on issues of foreign policy or the application of sanctions against certain countries outside the Union (e.g. Russia), current migration issues, and other problems - cause, that in the changing global reality and within the Union itself, the EU is on the political, economic and institutional crossroads. The author in his article presents the political, economic and institutional weaknesses of the European Union and sets trends, in order to strengthen this organization in the international arena. The essential question is: what EU should do to become a strong and effective international actor, and in the framework of the European Union - effectively solve internal problems.

Keywords: European Union; globalization; migration; new global order; weaknesses of EU.

Type of the paper: Theoretical paper

JEL Classification:

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Maris Plumins, Deniss Ščeuļovs. Aspects of competitiveness in transport and logistics industry

Abstract. Transport and logistics (TL) sectors are important for states economies and provide the significant share of GDP. Competitiveness of transport industry significantly impacts the growth and

development of other industries in the dynamic global trade routes. The purpose of this article is to identify and summarize the industry and sectors orientated competitiveness studies up to date, and determine competitiveness factors and determinants specific for transport and logistics industry. To achieve the aim authors have done the thematic literature review of the topic and summarized results of the main policies and factors important to transport sector competitiveness. Results consist of the main theoretical concepts of industry level competitiveness factors, and aspects applicable to transport and logistics industry. Conclusion is that there is significantly less industry competitiveness theory than on country and firm level, limited research on transport and logistics competitiveness factors related to transport infrastructure and regulated areas of the industry an area very often overlooked in terms of cost and investment efficiency, on one hand and competitive pricing and quality on other. The quality and costs of infrastructure combined with states 'policies and regulations in industry are direct influencing drivers of KPIs on industry operational side. Industry competitive environment is very diverse from very intense airlines, road transport, postal services, warehousing to less intense infrastructure construction and maintenance particularly road and railway.

Keywords: competitiveness factors; industry; transport; infrastructure; regulated; logistics

Type of the paper: Theoretical paper

JEL L91, R42, N70

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**21ST CENTURY CHALLENGES FOR
BUSINESS ADMINISTRATION, MARKETING AND ENTREPRENEURSHIP**

Marcin Komańda. Communicating about a Business Model within an Organisation in the Opinion of Czechs and Polish

Abstract. Business models are nowadays a popular topic in management science. The concept of ontology of business models in particular is used in numerous scientific works within this scope. The issue of shared understanding of a business model within an organisation is becoming essential in this regard. Therefore, this work presents the opinions of young Czechs and Polish studying management on the issue of the subject matter of a business model in the dimensions of the way it is communicated within an organisation. The study has been conducted with the aid of a survey. 120 persons altogether have given their answers, of which 50% were Polish and the other 50% were Czechs. The existence of statistically important correlation between independent variables ("nationality", "seniority") and opinions concerning particular dimensions of communicating about business models within an organisation (dependent variables) has been proven. The existence of these correlations (despite their very low level) in the light of a generally formulated research problem may constitute a premise for conducting further studies on the issue of cultural conditionings of communicating about this problem as well as the way it is practised in Polish and Czech enterprises.

Keywords: business; model; opinion; communication; organisation.

Type of the paper: Empirical study

JEL Classification: M10, C83.

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Hanna Soroka-Potrzebna. Risk in Opinion of Microentrepreneurs – Chance or Threat?

Abstract. In the activity of each entrepreneur occurred, occurs and will be a risk. Although the risk doesn't mean loss, many times it is precisely identified with it. The risk is understood as something to be avoided and should be protected against the company's business activities. Especially high-risk transactions are avoided by entrepreneurs. The risk, however, may be an opportunity for an entrepreneur to achieve larger profit and better results than expected. Such an attitude is in opposition to the previously described. It sees no hazard and no loss, but an opportunity to improve their situation. High-risk transactions usually involve a much higher profit than transactions with lower risk. Entrepreneurs should be aware of both, the negative and the positive side of risk. Identifying risk with only one of these sides exposes enterprise business activities on the loss of unique occasions or on the very high level of risk. Proper perception of risk is the basic ability to further analysis and management of risk. The article refers to the largest group of entrepreneurs, which are microentrepreneurs. The group that is especially sensitive on risk due to the size of the business and the fact that even one wrong decision can cause the necessity to close the business. Therefore, for effective risk management, by this group of subjects, it is essential to have a proper understanding of the concept of the risk.

Keywords: risk; microentrepreneurs; chance; threat.

Type of the paper: Empirical study.

JEL Classification: G32

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Natalja Verina, Jeļena Titko. Tax Governance as a Part of Corporate Social Responsibility

Abstract. Nowadays, responsible business conduct and corporate social responsibility (CSR) is prioritized at the governmental level. Even more and more companies now report on CSR. Financial transparency, in particular responsible tax governance, is considered to be as a part of CRS. Authorities propose to update CRS guidelines and involve guidance on responsible tax policies. The goal of the current research is to define CSR elements, prioritized by Latvian companies. To achieve the established goal, the content of web pages of the biggest Latvian companies was analyzed. The companies represent 5 sectors of Latvian economy: financial sector, IT and telecommunication, trade, production sector and transport. Definitions of corporate social responsibility provided by the companies were extracted from publicly available reports. Extracting CSR elements from the definitions allowed making conclusions about considering tax governance as a part of CSR by Latvian market players. The results of the given research provide a platform for further investigation in the field of CSR in Latvian business environment.

Keywords: corporate social responsibility; sustainability; tax policy

Type of the paper: Theoretical paper

JEL Classification: M10, M14

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Velga Vēvere, Iveta Līniņa. Ethical Leadership: Meaning and Measurement. Latvian Retail Traders' Perspective

Abstract. In the contemporary situation of ever growing market internationalization, local and global competition different company leadership aspects gain a special importance. One of these aspects is ethical leadership. It is possible to say that in theoretical literature there is more or less consensual agreement upon the meaning of ethical leadership still regarding the evaluation models there are many models. Therefore, the main challenge is to determine the case sensitive model(s) for the industry or the type of business organization. The purpose of the present paper is to develop a number of evaluation models and test their applicability within the Latvian retail trade sector. The research question is as follows: Which ethical leadership evaluation models are the most suitable for the Latvian retail trade

organizations? The authors of the present paper aspire to develop a set of criteria and evaluation procedures aimed particularly at Latvian retail traders. The expert interviews and semi-structured interviews with managers were used to clarify the current situation and to work out proposals.

Keywords: ethical leadership; authentic leadership; transformational leadership; frameworks for analysis of ethical leadership.

Type of the paper: Theoretical paper

JEL Classification: M14, L81

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Jelena Titko, Viktorija Skvarciāny. Operating Income in Retail Banking: Case of Latvian and Lithuanian Market

Abstract. The after-crisis period in the banking industry is characterised by the new challenges bank top-executives have been faced with. Low interest margins and increased pressure from governmental authorities expressed in tightening of legislation rules make bank managers to re-evaluate existing business models. To overcome the problems some experts suggest looking for revenue from non-interest income, specifically for fees and commissions income. On the other hand, empirical evidence indicates the fact that the banks' greater reliance on noninterest income is associated with higher systemic risk. The authors of the paper focus their attention on the contribution of non-interest income to bank profitability in the Latvian and Lithuanian banking sector. The goal of the paper is to substantiate the importance of fees and commissions income as a driver of bank performance. Besides, the factors affecting the volume of fees and commission income are explored. Research period covers 2008-2014. Cross-country comparison within the banking sector of the European Union is made in order to evaluate the shares of interest income and non-interest income in the total bank income. To investigate the drivers of non-interest income for Latvian and Lithuanian banks, multifactor regression analysis is performed. Dependent variable – Net fees and commission income – is regressed against the set of bank-specific variables, such as number of payment cards, ATMs and POS-terminals, number of internet-bank users, volume of assets and deposits. The current research contributes to the academic literature on bank performance evaluation and management in the Baltic banking sector.

Keywords: bank performance; operating income; Latvia; Lithuania.

Type of the paper: Empirical study

JEL Classification: G21, M21

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Yulia Vailunova, Galina Yaheva. Integration of Communication as a Tool to Improve the Competitiveness of Enterprises of the Republic of Belarus

Abstract. The essence and significance of the development of integration of communication in the enterprises of the Republic of Belarus are considered in the article. Experience the most advanced countries, successfully developing the integration processes in the enterprises, shows that improving the competitiveness of economies is due to: activation of innovation; improving the quality of resources as a result of joint investments in the technical development of suppliers, education and infrastructure; growth in investment activity. However, methods of integration in enterprises, used in countries with developed market relations, can not be completely transferred to our conditions due to the specific institutional conditions. Necessary to develop methods for the formation and development of integration processes in enterprises, taking into account the economic model of the Republic of Belarus and industry characteristics of textile and clothing production. Analysis of foreign experience of development of integration processes in enterprises carried out, which showed that one of the ways of increasing the competitiveness and efficiency of businesses is to create clusters. The task of improving the efficiency and competitiveness is particularly relevant for the textile and clothing industry of the Republic of Belarus, who are losing their competitiveness in domestic and foreign markets due to the negative impact of external factors and inefficient management. The mechanism of integration of the enterprises of the Republic of Belarus is provided in the article.

Keywords: integration; integration of communication; competitiveness; efficiency.

Type of the paper: Empirical study

JEL Classification: O30

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Oksana Lentjushenkova, Jelena Titko. Intellectual Capital Investments: Perceptions of Latvian Entrepreneurs

Abstract. There is empirically confirmed evidence that intellectual capital is one of the key determinants of sustainable competitive advantage of a company. In turn, competitive advantage allows company creating and increasing shareholder value. That is why the importance of the investments into intellectual capital should not be underevaluated by companies' owners and top executives. The goal of the current research is to evaluate the perceived importance of the expected results from the intellectual capital investments by Latvian companies, as well as to reveal the gap in perceptions between different companies depending on their profiles. To achieve the established goal the survey among representatives of Latvian 203 companies is conducted. The most companies represent production and service industries of the national economy. Survey instruments is the authors' developed questionnaire that involves fourteen questions: six of them are respondent profile questions, and the remaining are aimed to determine the core of the concept of intellectual capital on the viewpoint of respondents, the importance of the intellectual capital perceived by respondents, the expected results from the intellectual capital investments. The current paper contributes to the academic literature on investigation of the importance of intangibles for the company's value.

Keywords: intellectual capital investments; survey; Latvian companies.

Type of the paper: Empirical study

JEL Classification: M10, C83.

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Bogdan Więckiewicz, Piotr T. Nowakowski. The Impact of the Financial Situation on the Operative Effectiveness of Polish Families

Abstract. The modern Polish family has been subject to many changes - not only cultural and social, but also economic. Polish society after a period of economic transformation ever since 1989, has noted the increasing social stratification. In the new economic reality - a free market economy - there has been an increase in the diversification of earnings and the level of affluence of Poles. In addition to people who earn very well there is still a large percentage of the poor who have problems with satisfying the many essential needs of their existence. The economic status of the family is a mean that significantly affects the way of society's life, both their social and cultural activity, but it also participates in the many important decisions which have to be taken in their lives. The article outlines the conversion of the material situation of Polish families over the last few years. The relevance of the material for the choice of a future model for the family, including the fact that the material situation affects fertility decisions and investments for the family's offspring. It also presents the dependence of the material situation and stability of marriage and the relationship between family members. It describes the importance of the family situation and the emigration decision for the whole family or its individual members. It also attempts to answer the question of personal property ownership within the hierarchy of the values of contemporary Polish families.

Keywords: material and financial situation; Polish families; marriage.

Type of the paper: Theoretical paper

JEL Classification: D14, I30

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Ieva Zaumane. Internal Communication Challenges in 21st Century Organization

Abstract. The purpose of this article is to come forward with the theoretical review about the impact of internal communication and employee engagement on achievement of business goals. The literature review will offer critically analytical view on the latest publications and researches about the role of internal communication and employee engagement in organisational performance. In addition, author will come forward with results of the pilot survey about relationship between employees and employers in organizations in Latvia. The author used quantitative and qualitative research methods including “snow ball” method in conducting survey and literature review on internal communication and its challenges in 21st century organization. In this article, the author provides the proof to the assumption that internal communication is a complex concept challenging the organization’s management, employee engagement and productivity and organizations performance. Also, pilot survey presents, that employees in organizations in Latvia feel more like tools rather than, valuable resource. Particular finding asks for further research regarding its impact on internal communication and engagement. The author has created theoretical model of organizational crisis in which internal communication plays a significant role.

Keywords: internal communication; employee engagement; business sustainability; organizational crisis.

Type of the paper: Theoretical paper

JEL code: M12, M19, M59

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Ieva Zemīte. The Role of Stakeholders in Cultural Entrepreneurship Management

Abstract. The skills and knowledge of the owners and employees of cultural enterprises on economic use of financial resources do not guarantee valuable artistic results. Therefore, a substantiated question has arisen: how to evaluate management in enterprises with bad financial ratios and outstanding artistic indicators. The existing definitions of the cultural management (Aageson, 2009; Hagoort, 2007; Klamer, 1999; Stam, 2006; Nordman, 2003) also do not provide precise suggestions for the most important indicators in evaluation of cultural management. Research question is how to evaluate management in cultural entrepreneurship by determining the most important indicators for a cultural enterprise's performance improvement. In order to define the goal of the stakeholders' (artists, clients, media, arts scholars, 3rd parties providing funds, cooperation partners) engagement, it is necessary to analyse the area of enterprise's activities, and in what way and by what kind of activities it is possible to engage the stakeholders. During the research, the author has used mixed research methodology. For the data analysis a content-based analysis and SPSS data analysis were applied. The semi structured deep interviews with entrepreneurs and cultural managers were organized with an aim to reach broader perspective. The research results reveal the role of the cultural enterprise's stakeholders' engagement in evaluation of management, characterize the importance of the goals' analysis, as well as analysis of each stakeholder's engagement, and indicate the criteria for evaluating activities in cultural entrepreneurship.

Keywords: stakeholder's engagement; cultural entrepreneurship; culture management.

Type of the paper: Empirical study

JEL Classification: Z10, L26

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Aleksandra Lezgovko. Theoretical Aspects and Development of the Mechanism for Risk Management in Small and Medium-Sized Business

Abstract. Modern scientific research in the field of risk management is mainly devoted to general questions of the market theory of risk management, including qualitative risk analysis, protection of the rights of property owners and the study of the problems of selection of the best strategies for profitable market investments. The development of risk management mechanisms for small and medium-sized businesses in Lithuania compared to other European markets is happening too slowly. The situation is aggravated by unstable situation of the field itself, corrupted officials and the lack of advanced control strategies for internal and external risk management in organisations. All these factors confirm the need to develop new management tools in the field of risk management at such enterprises. It should be noted that the holistic and systematic mechanism of risk management of such enterprises, with consideration of the specifics of the industry and issues addressed, has neither been fully implemented nor researched. The analysis of the indicated sources confirms the need to study the best management methods and review the main guidelines and approaches to risk management in general. In connection with that, this article will present and classify the risks specific to small and medium-sized businesses and offer their own mechanism for managing these risks. The aim of this article is to develop the mechanism of risk management of small and medium-sized businesses and justify it scientifically. In order to achieve this aim, the following tasks were accomplished: 1) the need to develop the mechanism of risk management of small and medium-sized businesses was proven; 2) theoretical basis of risk management at these enterprises was studied; 3) the mechanism for risk management based on project-integrated approach was developed; 4) the specific nature of the optimisation of processes was identified and methodology to

prevent problematic projects of risk management was developed. The theoretical and methodological parts of the article are based on the works of western scholars, which are related to the theme of the present research, including materials and periodicals in the field of risk management and development of small and medium-sized businesses. The methodology of the research is based on the principles of objectivity using methods of comparative, logical, mathematical statistics and system-structural analysis.

Keywords: risk management, small and medium-sized enterprises.

Type of the paper: Empirical study

JEL Classification: M10, G32

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**21ST CENTURY CHALLENGES FOR
LEGISLATION**

Daiga Sproģe. The Debtor Property's Selling in the Cross-Border Insolvency Proceedings

Abstract. The title of this research is "The debtor property's selling in the cross-border insolvency proceedings". The insolvency proceeding gets the cross-border status also in case, if the debtor is an owner of the property outside of the main interests' center, namely, in the different country. Therefore, there are many problematic cases when administrator defines the real estate in the different country and then shall comply with the law of the Member State within the territory of which it intends to take action. At the same time administrator has to provide that the property is sold in particular with regard to procedures for the realization of assets, defined in the legislation of that country, where such real estate has been located. The article's aim is to give a view of the cross-border insolvency proceedings, the features of the sale of the property, to define the possible lack and improvements in the cross-border insolvency concerning the selling of a debtor's property. The European Parliament and the Council of the European Union has adopted Regulation (EU) 2015/848 of 20 May 2015 on Insolvency proceedings, which shall apply from 26 June 2017, with some exceptions. In spite the regulation of the cross-border insolvency has been improved, still detectable the property selling lack in the cross-border insolvency proceedings. Within the study, there are applied the following research methods: the analytical method, comparative method, sociological method and descriptive method. The predicted value of the research is theoretical and also practical. The research should be useful for the insolvency proceedings administrators, companies and banks, specialists, which osculate to the cross-border insolvency proceedings, and also for students to improve the theoretical skills about the cross-border insolvency.

Keywords: Law; cross-border; the main and secondary insolvency proceedings; property.

Type of the paper: Theoretical paper

JEL Classification: K330

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Jolanta Dinsberga. Problems of Terminating Legal Relations of Shared Ownership

Abstract. During Land Reform which was started in 1990, legal rights of shared ownership were established among the owners of dwellings in blocks of flats and the former owners of land and their heirs which caused discomfort of ethical and legal character. Because of that, Ministry of Justice of the Republic of Latvia created the regulation for terminating the legal rights of shared ownership. Ministry of Justice of the Republic of Latvia has elaborated the government bill "Forced Revocation of Legal Rights of Shared Ownership in Privatized Blocks of Flats" (hereinafter – The Bill). However, The Bill has been repeatedly criticised, and several essential issues have not been duly regulated. The goal of the given research is to select and analyse the legislation documents on revocation the rights of shared ownership. As a result, the author intends to attract the attention to the unregulated topical issues in The Bill and offer their possible solutions. The research shows that "The Law on Revocation of Legal Rights of Shared Ownership from December, 8 Year 1938 " has not been taken into account, and the consequences of it have not been investigated while creating the current Bill. The former Law envisaged that on liquidation of shared ownership, the users having ownership rights as a result of the given Law, pay pre-emption ransom to the owner. However, a part of the citizens ignored the given Law and did not pay the ransom. At the start of Land Reform, the former legal owners and their heirs had the right to restore to their previous status even though the ransom had not been paid. In the author's view, this is the violation of the principles of equality and justice, as on equal real circumstances, one category of citizens was in more

advantageous position than the other citizens. For that reason, the author of the research offers the solution for imposing the pre-emption ransom, taking into account the historical backgrounds.

Keywords: shared ownership; the owners of dwellings in blocks of flats; Land Reform.

Type of the paper: Theoretical paper

JEL Classification: P37, K11

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Gediminas Valantiejus. Legal Aspects of the Implementation of the European Union's Common Commercial Policy: Lithuanian Experience and Practice

Abstract. European Union (hereinafter – EU) comprises of the states belonging to the single European market in which the free movement of goods and services is ensured, and the common foreign (external) trade policy (Common Commercial Policy, hereinafter – CCP) is implemented. After the Treaty of Lisbon (2009) CCP became an exclusive competence of the EU, therefore EU countries are guided by the same principles and rules in the regulation of their foreign trade, one of the most important of which is the Common Customs Tariff. It includes uniform EU rules on the determination of origin of goods, customs valuation and tariff classification of goods. For more than ten years (since 2004) the Republic of Lithuania is a member of the EU and is realizing its economic and trade relations with other foreign countries, as well as regulating customs duties according to the requirements of the EU's CCP. Therefore the aim of the article is to assess the implementation of the EU's CCP from the perspective of the EU Member State (Lithuania) and to describe existing discrepancies which may serve as an obstacle for the development of common regulatory regime for import customs duties in the EU or hinder its main economic goals in international trade. Analysis of relevant scientific problems is based both on theoretical (analysis and synthesis, systematic, comparative) and, in particular, empirical methods (statistical analysis of data, analysis of documents, generalization of professional experience, – comparison of practice of the courts of Lithuanian Republic and the Court of Justice of the European Union in disputes with customs authorities).

Keywords: international trade, customs law, EU's Common Commercial Policy, Community Customs Code

Type of the paper: Empirical study

JEL Classification: F13, K39

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Anna Saltikova, Natalja Verina. Components of Population's Legal Competency and Legal Skills Regarding Financial Issues

Abstract. Several studies, including those performed in Latvia, show the low level of population's financial competency, therefore this issue is topical not only at the level of an individual but also at the national and community level. One of the most important aspects of financial competency is legal knowledge and competencies necessary for everybody in order to take judicious decisions in own interests and in his or her family's interests. In Europe and in the world there were carried out several studies with the aim to evaluate the level of population's financial competency and to identify the possibilities to increase this level. However, these studies did not emphasize the importance of the knowledge of legal issues. In order to eliminate this gap, there is the research project "The Legal Competencies of the Population of Latvia regarding Financial Issues" carried out at the University of Economics and Culture, and this project is supported by the Financial and Capital Market Commission. The aim of research is to find out the students' opinions about which legal knowledge and skills are necessary for population regarding financial issues and what shall be the legal competency of population concerning financial matters. In order to achieve the research aim, the students of the University of Economics and Culture and Alberta College, within the framework of legal subjects, studied the question "What legal knowledge and competencies are necessary for population regarding financial issues?" Sixty-five students took part in research. The research results show that most of the students have poor understanding of what legal knowledge and competencies they need in everyday life, when facing issues of financial nature – borrowing a credit in a bank, purchasing an insurance policy, entering into an agreement with a manager of a building etc. The obtained results are a challenge for carrying out a deeper study of society in order to evaluate the knowledge of the population of Latvia on the legal aspects of financial competencies.

Keywords: law; legal knowledge; legal competences; financial literacy.

Type of the paper: Empirical paper

JEL Classification: J24, D14

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Natalja Verina. Shortcomings of Legal Regulation on Documents' Preparation

Abstract. In 2010 basic laws and regulations of the Cabinet of Ministers in the field of document management were amended. The basic laws "Law on Legal Force of Documents" and "Archives Law", as well as the regulation of the Cabinet of Ministers No. 916 "The Procedure of Documents' Development and Preparation" were drafted anew. The need for law amendments was required by developments trends in IT industry, e. g. active usage of electronic documents, as well as movements towards European standards in documents development. However, it is not possible to solve all the problems at once. Some entries of document require extra changes of legal regulation. For example, the Latvian standard of placing "addressee" is on the right side from document name. However, in the international standard the "addressee" is on the left side. It is very logical, because the "window" on the envelope is on the left. Besides, on the author's opinion, the entry "Inscription of document derivative correct affirmation" should be added to the list of the entries, which have a legal value. However, this entry currently is not in the list

of obligatory required entries. Therefore, the aim of article is to analyze the legal base of document management and introduce the motions to improve the legal regulation.

Keywords: document management; documentation; document entry.

Type of the paper: Theoretical paper

JEL Classification: K19

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Karīna Tarasenko. Individual Extrajudicial Recovery of Debts

Abstract. The obvious trend in consumer behavior is even more and more active usage of credit cards, payday loans and making payments by installments. With the increased number of borrowers the volume of bad loans and number of debtors also increases. There are various ways how lenders or debt collectors can act in order to recover debts: 1) debt recovery through legal proceedings; 2) forced recovery by official receiver as an intermediary; 3) extrajudicial procedures. In order to implement fair debt collection practice and to encourage successful dialogue between a debtor and a debt collector, since 2012 the Law on Extrajudicial Recovery of Debt has been adopted in Latvia. According to the Law the term “debt recovery” is defined as an “aggregate of extrajudicial activities used by a creditor or provider of debt recovery services, inviting a debtor to voluntarily carry out the delayed payment obligations.” Debt recovery process yields a number of questions regarding debtor’s rights and legal procedures. The aim of the research is to analyze the factors promoting voluntary payment of a debt, to study the legal acts regulating debt collection from private persons, using pre-trial dispute resolution, and to describe the rights and duties of a debtor.

Keywords: debt, debt recovery, creditor, extrajudicial debts recovery, debtor

Type of the paper: Theoretical paper

JEL Classification: K35

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Daina Pētersone. The Mediator’s Legal Base Working with Clients

Abstract. The procedures of the legal regulation of mediation in Latvia have been developed, based on the requirements of the European Directive 2008/52/EC of the European Parliament and Council of the 21st of May 2008. The acute necessity to adopt a legislative framework regarding mediation in civil and commercial matters in Latvia has been revealed more than 10 years earlier. Since July 18, 2014 mediation is an alternative method of dispute resolution in Latvia, which is aimed to harmonize social relationships. To start the mediation process, parties should sign a contract with a mediator. However, the sample of an agreement form or development instructions are not provided by Law. Development of a mediation agreement is within the competence of each

mediator according to his professional expertise and skills. At the moment there is no officially accepted template for mediation agreement in Latvia. Considering that development of an agreement requires legal knowledge, but not always mediators are legal representatives, the goal of the research is to reveal the components of a mediation agreement, as well as to develop an agreement's template. The content of a mediation agreement in each separate legal transaction is determined by the legal requirements and by transaction's participants. Agreement parties can choose the mediator or define an object of a legal transaction. Qualitative mediation agreement should contain the description of rights and responsibilities of parties and a mediator in order to prevent dispute, in case some mediation aspects are misunderstood or improperly interpreted.

Keywords: mediator; contract with mediator; Mediation Law

Type of the paper: Theoretical paper

JEL Classification: K12

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Dana Ābeltiņa. The Features and Problems of Cession's Legal Regulation

Abstract. There is a frequently occurred situation in Latvia that a debtor does not pay the debt on time. In order to recover at least part of the money that was lent to the debtor, one of the possibilities is to transfer the claim to a third party, basing on a cession (assignment) agreement. Cession is a legal transaction, in which a person – assignor abandons a right or property in favour of another person. Cession does not create new rights or claims, but rather transform existing ones, replacing one creditor with another. One of the session's features is the fact that a debtor's consent is not obligatory. At the moment Civil Law of Latvia does not provide an exact definition of the term "cession". Besides, the legal regulation related to cession, as well as information and legal aspects of cession are limited. As a result, there is a frequent situation when cession agreements are not correctly drafted, or even invalidated. The goal of the research is to study features and issues regarding a cession's legal regulation, as well as to develop recommendations for proper development of a cession agreement. To achieve the established goals, the following tasks should be accomplished: 1) to detect Law deficiencies; 2) to develop and propose for Civil Law a definition of "cession"; 3) to analyze cession agreements and legal precedents in order to make recommendations for reducing shortcomings in the process of creating and signing cession agreements.

Keywords: assignment; subject of assignment; Civil Law.

Type of the paper: Theoretical paper

JEL Classification: K12

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**21ST CENTURY CHALLENGES FOR
INFORMATION AND COMMUNICATION TECHNOLOGIES**

Mirosław Rewera, Jadwiga Daszykowska. Safety of Poles in the Cyberspace

Abstract. In the last two decades the Internet in Poland has developed and it is still developing rapidly. In this period of time the number of users has been increased, and now there are more Poles who are surfing the websites than it was before 2000. There also increased the popularity and usage of various web functions and services. For this reason the aim of the paper is to find answers on such questions as: can the way in which the Poles use the network be described as safe or not?; do they care about their privacy in the network? (i.e. they provide a private data: name, address, photos and etc.; have they met any Internet threats – for example – have they been insulted, cheated, robbed, or anybody used in a harmful way for them an information posted on social networks?; has anybody tried to attempt an access to their personal files: e-mail or bank account, or used software to hack into their computer. National surveys show that Polish Internet users feel rather safe in the web. However, most of them have experienced all kinds of negative aspects of the Internet, especially a computer virus or malware infection.

Keywords: safety; cyberspace; Internet threats; Poles; review of research results.

Type of the paper: Theoretical paper

JEL Classification: J28

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Irina Šmatkova, Andris Gabranovs. Cyber security challenges and development in Latvia

Abstract. Globalization processes and rapid IT development have changed the attitude to the quality and security of information assets. Protection of the information is a vital issue in a modern society. ICT solutions and services have a complicated structure, but they are easily accessible. Active use of ICT has changed as the daily routine of society as a virtual environment where physical and digital actions merge has been created. Any person, company, co-partnership or public body can use cyber space to cause damage to an individual, a societal group, or a country as a whole. Furthermore, the use of ICT tools can restrict the rights and major freedoms of an individual or violate the right to privacy and personal data protection. With the aim of reducing the number of cases when usage of ICT caused damage, Latvian government has developed the Cyber Security Strategy of Latvia for 2014–2018. The purpose of this paper is to clarify the modern situation in cyber politics and analyze what comprehensive measures was promoted to achieve the safe use of ICT, increase cyber protection capabilities and its services since the adoption of the Strategy. The author provides an overview of cyber security-related activities in Latvia. The study allowed concluding that the Latvia's cyber security is still threatened, it is necessary to apply information security requirements, standards, and good practices throughout their entire life cycle. To achieve the reduction of cybercrime Latvia should develop regular preventive maintenance for the

reduction of criminal offences and improve effective combating of crime. The crucial part of a secure and reliable cyber space also is an informed and educated society.

Keywords: ICT; cyber security; cybercrime.

Type of the paper: Theoretical paper

JEL Classification: O30, F52

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Irina Šmatkova. ICT skills development necessity in modern school

The modern world is characterized by the increasing volume of information, unprecedented scientific development and new trends in the use of the information and communication technologies (ICT). These developments determine the necessity to introduce changes in the learning process, finding and applying new teaching methods in the educational field and new forms of work organization. The goal of the paper is to clarify the necessity and possibilities of using and integrating ICT in the Latvian educational system. To achieve this goal the author made an analysis of the importance of developing competences in the education of the modern students and possibilities to develop these competences by means of ICT. The integration of ICT into educational programs has been studied by performing the content analysis of the statistics and key data on learning process through ICT at school in Latvia. The theoretical framework analysis and content analysis revealed that the use of ICT in the educational process provides an opportunity to develop all the relevant competences and achieve learning objectives by taking into consideration the social context, abilities of students, as well as their interests. The study allowed to conclude that the issues associated with the ICT use in education are increasingly complex together with extremely evolving ICT in all world. If ICT tools are to become effective and integral tools in education, monitoring and evaluation of this process are indispensable. The study revealed that in the educational process in Latvia factual knowledge and skills take a major place, but the competencies are developed weakly. In the article the author also provides proposals on the possibilities of using ICT in the learning process.

Keywords: ICT, information and communication technology, competences, information society, education programmes.

Type of the paper: Theoretical paper

JEL Classification: O31

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Rita Remeikiene, Ligita Gaspareniene. Evaluation of Digital Shadow Economy Prevention Measures

Abstract. Although during the last few years the scopes of shadow economy in Lithuania have slightly decreased, different forms of this phenomenon, in particular digital shadow activities, still generate a significant part of the overall value added. Since no constant estimations of the scope of digital shadow economy have been made in Lithuania, alleviation of this problem is based on consequence fighting rather than reason elimination. Digital shadow economy poses a significant challenge for law enforcement agencies concerning its investigation and prevention (McQuade, 2006; Swire, 2009; Holt et al., 2010; Mayayise and Osunmakinde; 2014 and others). Hence, it is purposeful to research both theoretical and practical aspects of digital shadow economy prevention in order to identify the measures that could be employed for the efficient reduction of the scope of this phenomenon. The aim of this research is to identify the measures of digital shadow economy prevention and compare the attitudes of governmental institutions and consumers towards the efficiency of these measures. The aim of the research has been detailed into the following objectives: 1) to analyse the traditional shadow economy prevention measures; 2) to present the methodology of the research; 3) to perform the comparative analysis of the identified digital shadow economy prevention measures. The methods of the research include scientific literature analysis, governmental institution and consumer survey.

Keywords: shadow economy; digital shadow economy; prevention measures.

Type of the paper: Empirical study

JEL Classification: E 26

Biography of the authors

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Ludmila Penicina. Open Access Activities in Latvian Higher Education

Abstract. Based on the Europe 2020 strategy for a smart, sustainable and inclusive economy, knowledge and innovation are considered to be key drivers for achieving a sustainable growth. Improving access to scientific information predetermines a successful movement towards knowledge-based economy. Open access to scientific data and research results is a powerful mechanism for creating new knowledge and promoting innovation. European Commission defines Open access (OA) as a “practice of providing online access to scientific information that is free of charge to the end-user and reusable”. The present research was aimed to get an insight into Open Access activities and initiatives supporting Open Access policy in Latvia. The process of the establishment of e-resource repository was explained and the best practice of Riga Technical University was shared. The author described the process of the establishment of Open Journal System platform and explained the differences between *Green Open Access* and *Gold Open Access*. Besides, the author focused on the importance of the public recognition of the scientific work of individual

researchers, using the example of ORCID (Open Researcher and Contributor ID) and ResearchGate. Some aspects regarding scientific plagiarism detection were highlighted, explaining the principles of usage of reference linking network CrossRef.

Keywords: open access; repository; open journal system.

Type of the paper: Theoretical paper

JEL Classification: I23, O30.

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Deniss Ščeuļovs, Vladimir Shatrevich. Evaluation of E-Recruitment as a Business Model through Internet of Things Approach

Abstract. E-business management is an important topic across contemporary management and modern information technology. Investigate e-recruitment based on Business Model Ontology framework, to provide useful implication of e-recruitment as a business model. To create a usable dynamic model for building company's value added through e-business, helping companies to evaluate contribution of each element added to the model. The authors see e-recruitment business model advantages in e-recruitment methods, transferring knowledge for job seeker through automated processes creating the ability to accomplish these processes in a shorter time. Paper integrates Nonaka's knowledge creation model (information processing), internet of things (IoT) framework and Osterwalder's business model tool. Paper aim is to create a usable dynamic model for building company's value added through e-business, helping companies to evaluate contribution of each element added to the model. To contribute to this process, the authors present their indicators to evaluate important issues associated with information interaction in order to develop effective e-recruitment business model. In order to evaluate the relation between company's value added and intellectual capital, mathematical model is created to explain the causal relation among these three types of capital in IC model and value added. Based on authors of the paper business model approach, e-recruitment should create a virtual recruiting environment that effectively interacts with job-seeker partially motivating his decision process. E-recruitment as a business model should be based on indicators providing effective (user friendly) information content required to affect job seekers' positive decision, besides labour cost efficiency advantages. Offering modern “Internet of Things” concept to e-recruitment provides new business models with efficient framework for indicators identification. The authors declare that intellectual capital is one of the most relevant intangibles for e-recruitment, and the practical concept with measurement, and the relation with value creation is necessary for modern markets. Finally, the authors' proposed dynamic business model was created to provide practical framework for business users, the authors were focused to represent intermediation of IC and value creation of the company, in order to conceptually visualize the way a specific company does business and its logic in earning revenues.

Keywords: e-recruitment; Internet of Things; e-business; Business Model Ontology; value creation.

Type of the paper: Empirical study

JEL Classification: L81, M12, M51, O34

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Izabela Dembińska. The Impact of E-Commerce Development on the Warehouse Space Market in Poland

Abstract. The subject of discussion in the article is the impact of e-commerce sector on the warehouse market. On the basis of available reports have been characterized the development of e-commerce in Poland, showing the dynamics and the type of change. The needs of e-commerce sector in the field of logistics, in particular in the area of storage, have been presented in the paper. These needs have been characterized and shown at the same time, how representatives of the warehouse space market are prepared to support companies in the sector of e-commerce. The considerations are illustrated by the changes that occur as a result of the development of e-commerce on the warehouse market in Poland.

Keywords: e-commerce; warehouse; warehouse spaces market.

Type of the paper: Empirical study

JEL Classification: H54, L19, L81

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**21ST CENTURY CHALLENGES FOR
CULTURE AND HUMANITIES**

Inga Milēviča. Cinema Text and Translation: An Adaptation Strategy and Tactics

Abstract. This study is dedicated to the titles of the USA feature films and their Latvian and Russian translation in the comparative analysis; main research method is contrastive cognitive discursive analysis, which includes elements of the component analysis, stylistic data collection elements, monographic analysis. The main objective of the study is to analyze the titles of the USA feature films (1991-2010) and their translations into Latvian and Russian languages to establish communication strategies for adaptation implementation – system of communicative tactics and communicative steps. Tasks that realize the main target are organized such as to create and reflect the knowledge system 1) cinema communication, cinema discourse, cinema text, 2) intercultural communication and translation theory, 3) communication strategies and tactics: 1) a return to communicative tactics *referral to the source*, 2) communicative tactics *genre adaptation* and 3) communicative tactics *scene adaptation*. The terminology of this work of the apparatus used in terms of ways hierarchically organized system, which is represented by the basic terms: *cinema communication, cinema discourse, cinema text, communicative strategy adaptation, communicative tactics, communicative steps, genre, scenes and concepts*.

Keywords: cinema text; communicative strategy adaptation; communicative tactics; concepts.

Type of the paper: Empirical study

JEL Classification: not applicable

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Kristīne Zilauce. Analysis of Paratextual Elements in Medical Scientific Articles in Latvian and English

Abstract. A scientific article is a piece of academic writing presenting results of a scientific research. Rules and requirements for such a text varies in various cultures, languages, fields of study, and even each scientific journal and magazine have their own strict rules for article writing which may be varied. A text is necessarily accompanied by a certain number of verbal and other elements, such as author's name, title, abstract, keywords, footnotes, illustrations. These paratextual elements have been studied by Gérard Genette in *Paratexts: Threshold of Interpretation*. His theoretical reasoning is applied in the present research analyzing to what extent paratextual elements vary in scientific articles of medicine in Latvian in *Zinātniskie raksti* and in English in *Collection of Scientific Papers* published by Riga Stradins University.

Keywords: paratext; scientific article; academic writing.

Type of the paper: Empirical study.

JEL Classification: not applicable

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Margarita Spirida. Discursive analysis of evaluation in media coverage of the Latvian presidency of the Council of the European Union

Abstract. The present research analyses appraisal resources across multiple levels of discourse in the corpus represented by online media coverage of the Latvian presidency of the Council of the European Union. The research design is determined by the inductive approach and as such makes use of a not-annotated corpus. From a number of theories providing for the analysis of the language of evaluation, the framework proposed by Martin and White (2005), being a systemic linguistic theory, has a pronounced potential for comprehensive analysis at micro and meso levels, thus the theoretical considerations are established by the existent body of research on the Appraisal Theory and the application of the same for the purposes of discourse analysis (Martin: 2000; Martin and White: 2005; White: 2003; White: 2004; Bednarek: 2006, 2009, 2010; Bram Vertommen, Astrid Vandendaele, Ellen Van Praet: 2012). The appraisal theory is concerned with the interpersonal stratum exploring it in terms of attitude, engagement and graduation and investigates not only the expression of the writer's or speaker's attitude to the subject of their statements, but also the way the writer or speaker influences the viewpoint of the audience, which relates its focus to that of S. Moscovici's theory of social representation with its four basic functions of social representations, namely, knowing, orientation, justification, and identity functions that align fairly well with the major tenets of appraisal. The present research aims at answering two research questions, namely, whether *reporter voice* or *writer voice* prevail in the established corpus and how *positive* or *negative* media coverage on this topic is. The results show that the selected texts exhibit low frequency of explicit evaluative language (reporter voice).

Keywords: discursive analysis; SRT; appraisal theory; reporter voice; writer voice.

Type of the paper: Empirical study

JEL Classification: not applicable

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Zane Veidenberga. Transfer of the Implied Values of Diminutives: the English Translation of Sandra Kalniete's Book *With Dance Shoes in Siberian Snows*

Abstract. The present research, which is a part of a wider research on the transfer of the implied values of diminutives in the English translations of Latvian prose texts, aims to analyse the linguistic tools applied by translator Margita Gailitis to render personal emotions, feelings and attitudes of the people exiled to Siberia in the 40-ties of the XX century. The excerpted language material (499 cases of the use of diminutives in the source text) shows that in many cases the author has used the diminutive as the only marker of a certain attitude or emotional connotation, e.g. endearment, sincerity, compassion, scorn etc. The results of the descriptive analysis and qualitative contrastive analysis of the source text and target text language material indicate that the values implied in the source text have been transferred only in approximately half of the analysed cases, and it has been mainly achieved with the help of lexical means of the target language.

Keywords: the diminutive; implied value; transfer; translation; source text; target text

Type of paper: Empirical study

JEL Classification: not applicable

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Aija Poikāne-Daumke. The Concept of Trauma in the Context of Andrew Ezergailis's Narrative *Agony of Leaves*

Abstract. This paper investigates two equally significant themes, namely those of trauma and literature. Literature becomes a powerful tool for investigations into trauma, its forms, and manifestations and may offer – I believe – innovative approaches to understanding both the meaning and the complexity of trauma. My aim is thus to explore the concept of trauma in the context of Andrew Ezergailis's narrative *Agony of Leaves*, which relates his deceased wife's life story in a passionate and vivid manner. I will begin my discussion with an explanation of what trauma is, how it was initially understood, and how its meaning has changed since then, particularly in medical and psychiatric literature. The principal texts for my investigations into trauma are Sigmund Freud's *Beyond the Pleasure Principle*, Cathy Caruth's *Unclaimed Experience*, and Judith Lewis Herman's *Trauma and Recovery*. Through close readings of *Agony of Leaves*, I will be tracing the development of trauma within the protagonist's personality and observing her symptoms of post-traumatic stress disorder. My central argument is that the protagonist's traumatic experience has occurred outside the realm of validated reality. This implies that the protagonist's ordinary senses have been overwhelmed by the traumatic experience. Because the traumatic experience has been sudden and unknown, the protagonist lacks verbal skills in order to express both the atrocity and the abruptness of it. The protagonist begins writing poetry, which I view as a process of healing. This way the protagonist attempts to integrate her painful experiences into everyday life.

Keywords: trauma; literature; validated reality; verbal skills.

Type of paper: Empirical paper

JEL Classification: not applicable

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Juri Tereštšenkov, Viktorija Skvarciany. Quality of Life: Interface between Cultural Specificities and Social Progress

Abstract. Quality of life is considered to be one of the factors indicating country's wellbeing. That is why, quality of life is the scope scientists from different countries are concentrated on. Hence, different studies suggest different indexes to assess the quality of life. One of the newest indexes is the social progress index that provides comprehensive, objective and transparent measure of a country's quality of life that is independent of economic indicators. The importance of this index is that one can identify particular strengths and weaknesses of the countries. The authors of the paper focus their attention on analysing differences and similarities of the countries within the social progress index. Therefore, aim of the research is to divide countries into the groups according to similarities in non-economic parameters of country's welfare. Going forward, those groups are analysed with the view of finding connection between quality of life and specificities of national culture. As the result, methodology for dividing countries into groups is suggested and relation between national culture and quality of life is presented. The current

study contributes to scientific literature on social progress index methodology and Hofstede's cultural dimensions theory.

Keywords: life quality; social progress; national culture; cultural dimensions.

Type of the paper: Empirical paper

JEL Classification: I31

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Lukasz Szwejka. CCTV Deployment and Crime Prevention

Abstract. The aim of the speech is to present the role of Closed Circuit Television (CCTV) in crime reduction. In many European countries the CCTV systems are developed very quickly, becoming the dominant strategy of crime prevention. In this context, an identification of factors which help to improve the effectiveness is very important because many evaluation studies show a limited effect of CCTV on crime. Effectiveness of CCTV depends on many factors (e. g. environmental features, socio-demographical features). Identification and transformation these factors may be useful in achieving the intended objectives. The speech will also include the theoretical foundations of CCTV on crime, in particular the rational choice perspective (e. g. the decision-making model), routine activities approach and crime pattern theory. These theories can help to understand the preventive potential of CCTV. The last part will be dedicated to the weaknesses of CCTV. It should be emphasized that the major weakness of cameras in public space is "crime displacement", which means that crime is relocated to other places. This characteristic causes that the implementation of CCTV in a particular area does not necessarily solve the crime problem, but merely displace it to an area not covered by the system.

Keywords: CCTV; crime prevention; crime displacement; public safety.

Type of the paper: Theoretical paper

JEL Classification: not applicable

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Jekaterina Vozņuka. Positioning of Latvian towns and its meaning for travel destination marketing

Abstract. This paper seeks to demonstrate the critical importance of the destination positioning attracting tourists to Latvian towns. The existence of tourism resources and a new concept for its developing is a key factor and a competitive advantage for many towns of Latvia. The shift to a more sustainable tourism development underlined the need to create new tourism products. Many of Latvian destinations in recent times have shown quite good progress when applied new ideas and existing resources to develop new tourist products. A destination can't hope to get tourists attention only through the creation of a new tourism product or using a new concept of tourism development considering conditions of a global competition. It is necessary to convey a message about the benefits that could get a tourist choosing to visit a particular destination. Positioning is a method to communicate with the target market; it could bring the key effect to raising destination attractiveness for visitors. The aim of this paper is to explore the positioning of Latvian most visited towns based on the study of key communication methods of forming and promoting the desired position. As shown by study there isn't a clear positioning strategy in many Latvian towns. If some separate aspects of positioning are found they are not consolidated to a complete concept for tourism development and visitors attraction. A position of many Latvian towns, which usually is formed by some logo, slogan and applying other communication tools, couldn't be able to create a stable image for the town and to differentiate it from other destinations.

Keywords: destination positioning; logotype; slogan; tourism development.

Type of the paper: Empirical study

JEL Classification: M31, L83, O18

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Jelena Budanceva, Jekaterina Bierne, Ināra Kantāne. Titanic the exhibition influence on suburb perceived attractiveness and inhabitants' subjective wellbeing

Abstract. Cultural product and cultural life events notably contribute to regions development, making environment more attractive to tourists as well as for locals. The research aim was to study the influence of Titanic the exhibition, conducted in Riga generally at 2015 May-June, on perceived attractiveness of Moscow suburb, as well as the event's contribution in inhabitants' subjective wellbeing. In order to measure perceived changes in suburb attractiveness and inhabitants wellbeing in connection with Titanic the exhibition, special questionnaire was constructed. Survey was conducted at 2015 May-June in Riga's Moscow suburb, where Titanic the exhibition was located, among 350 inhabitants of the area. Gathered data relate to such questions as awareness level on the event, reasons of exhibition attendance as well as of non-attendance, general impressions and criticism subjects on it. The most significant research data relate to Titanic the exhibition's perceived contribution to attractiveness of the suburb by local inhabitants. The results of the research allowed making some conclusions about inhabitants' impressions on the studied cultural event, about factors which help to understand the level of attendance, as well as about support needed to cultural events on problematic suburbs in order to contribute to their attractiveness and inhabitants' wellbeing.

Keywords: culture consume; inhabitants' well-being; exhibitions.

Type of the paper: Empirical study

JEL Classification: not applicable

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Jérôme Dumetz. Are Empires striking back? A political and cultural comparison of European Union and Russia.

Abstract. The article is a position paper focusing on the current standoff between two regional powers, the European Union and Russia. Following a series of crisis, in particular the annexation of Crimea by the Russian Federation in 2014, the relationship between Russia and many of its neighbours has significantly deteriorated. This has led to various geopolitical opinions, often opposite and seemingly irreconcilable. A holistic and historical approach of this new reality leads to question the validity of the current world order through the prism of the anachronistic concept of Empires. Following a review of definitions, the author focuses on two political constructions today: The European Union and Russia. On the one side, the European Union has become an organization that shares many artefacts of an Empire, yet several key elements exclude it from this political construction. On the other side, the geopolitical actions of Russia shaped the position of the country into a structure that bears many of the artefacts of an Empire. The conclusion of this position paper states that Russia lives in an anachronistic paradigm and needs to adjust to the reality of being surrounded by nation states in order to bring stability and prosperity to its citizens.

Keywords: Empires; Russia; European Union

Type of the paper: Position paper

JEL Classification: F5

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Andrei G. Zavaliy. A Virtue-Based Approach to Professional Ethics: An Advice from Aristotle

Abstract. Unlike other major normative ethical theories, which are primarily concerned with developing a decision procedure to solve real-life moral dilemmas, virtue ethics has always been centred on the character of the agent rather than on his external behavior. As a result, virtue ethics has long been criticized for offering little practical help when an agent faces a morally challenging situation and seeks to make a morally justifiable decision. The underdeveloped applied aspect of the virtue-based ethical theory makes it a unlikely candidate for being a successful counsellor in such an apparently hands-on discipline as professional ethics. In this paper, I will argue that despite this common misconception, the insights of Aristotle, the founding father of virtue ethics, can still be relevant for the modern business world. Indeed, Aristotle was the most practical and business-oriented of all philosophers who asked ethical questions. His ethical theory remains relevant because he is particularly interested in defining principles of governance in terms of the ethics of leadership. Adopting his model (which he used primarily for political leaders), I will argue that the role of the corporate leader in a business organization is not to enhance his or her own power but to create the environment in which all members of an organization have the opportunity to realize their own potential. More specifically, I will suggest that Aristotle's theory of social justice is especially relevant for the question of the appropriate distribution of rewards in an organization based on the ethical principle of rewarding the employees proportionate to their contribution to the common welfare.

Keywords: business ethics; professional ethics; virtue ethics; principles of justice; Aristotle.

Type of the paper: Theoretical paper

JEL Classification: not applicable

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Mindaugas Butkus, Kristina Matuzevičiūtė. Evaluation of EU Cohesion Policy Impact on Regional Convergence: Does Culture Differences Matters?

Abstract. Attention to the demand for harmonized economic growth by promoting regional economic convergence was paid in the sixth decade of previous century, at the commencement of European economic integration. The above served as a basis for initiation of programs intended for cohesion – decrease disparities among regions. For the current programming period (2014 – 2020) over 350 billion euro were allocated to promote cohesion (more than 340 billion for 2007 – 2013 and about 213 billion for 2000 – 2006) and considerable part of that specially to promote regional convergence, therefore the analysis of regional convergence in EU countries is essential due to both economic and financial reasons. Regional policy can be considered successful if regional disparities decreasing, however any researches on convergence/divergence issue do not provide unambiguous conclusions. We aim to enrich this field of analysis by incorporating cultural dimension while analysing factors influencing regional convergence. In order to identify a causal link from culture to economic outcomes, we define culture as those customary beliefs and values that ethnic, religious, and social groups transmit almost unchanged from generation to generation. Our research hypothesis is that regional policy impact on regional convergence differs between groups of countries characterized by historically diverse cultural experience. Using panel approach like FD and data covering two last programming periods along with a set of variables to control for country specific economic environment we aim to investigate do different success of convergence policy in north, south, west and east European countries was due to cultural differences.

Keywords: regional convergence; cohesion policy; cultural differences; regression analysis.

Type of the paper: Empirical study

JEL Classification: R11, O47, C23.

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**21ST CENTURY CHALLENGES FOR
EDUCATION AND PEDAGOGY**

Michael Ben Jacob. Pedagogy of Financial Education among College Students

Abstract. The level of economic thinking and financial culture of population should be considered one of the most important components of society's economic life quality. Here, a key factor is an economic and financial in particular socialization of the individual, achieved mainly by modelling appropriate training process technology in order to promote and ensure the financial awareness already at the early stages of training in high school and later in colleges and universities. The paper focuses on one of options of a unique subject matter (course) in Financial Education, which testing took place in 2008 and successfully continues in the Department of Business Management of Neri Bloomfield School of Design and Education (Haifa, Israel) against the backdrop of a multicultural environment.

Keywords: financial education; college students.

Type of the paper: Empirical study

JEL Classification: A22, I20

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Iveta Cirule, Ilmars Kreituss. The Importance of Entrepreneurship Education in Business Incubation at Higher Educational Institutions in Latvia

Abstract. Business incubation can be described as a social and managerial process aimed at supporting the development and commercialization of new products, new technologies and new business models (Joseph & Eshun, 2009). The entrepreneurship key competence refers to an individual's ability to turn ideas into action. It includes creativity, innovation and risk taking, the ability to plan and manage projects in order to achieve objectives (European Commission, 2012). Entrepreneurship education is essential not only to shape the mind-sets of young people but also to provide the skills and knowledge that are central to developing an entrepreneurial culture. There are more than 60 Higher Education Institutions (HEI) in Latvia, only 5 HEI are offering business incubation facilities for students, alumni and young entrepreneurs. The purpose of this article is to introduce academic society, entrepreneurship and education development policy makers with the importance of entrepreneurship education for HEI students as the impact factor influencing the decision of students to engage into business incubation and entrepreneurship. The authors used qualitative research methods including judgement sample analyses of Latvia HEI Business Incubators' profiles and literature review on business incubation. The authors provide the proof to the assumption that entrepreneurship education plays important role in creation and development of enterprises. Thus HEI should include entrepreneurship education curricula in different study programmes promoting interdisciplinary cooperation among students and entrepreneurship development. The authors have identified the role of entrepreneurship education as an impact factor influencing business incubation at HEI showing the contribution of the research.

Keywords: business incubation; entrepreneurship; start-ups; entrepreneurship education.

Type of the paper: Empirical study

JEL Classification: M19, L26, M13, I29

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Jekaterina Bierne, Jelena Titko. Effectiveness of E-Learning in Latvian Education Institutions

Abstract. E-learning is considered to be an instrument to improve the quality and accessibility of European education and training systems. E-learning practice expands the learning environment, reaching previously untapped students and increasing education accessibility. The research aim is to investigate the factors affecting e-learning effectiveness in Latvian education institution. It is planned to be divided into several stages: 1) investigation of the perception of e-teaching experience in Latvian education institutions; 2) studying the intensity of e-teaching activities perceived by the academic staff; 3) determination of Moodle platform value perceived by the academic staff and students of Latvian education institutions. The authors plan to conduct a pilot study and a comprehensive survey within each stage. To achieve the research results academic staff members and students will be surveyed. Respondents' represented institutions will be those which use Moodle platform to provide e-learning options for students. Respondents for a pilot study in each stage will be representatives of the University of Economics and Culture. The aim of the present study is to provide a methodological basis for the 1st stage of the research and to describe the process of the measurement instrument's development.

Keywords: e-learning, Moodle, learning outcomes.

Type of the paper: Methodological paper

JEL Classification: I23

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Edīte Igaune, Ilze Liepa-Balode, Agnese Hermane. The Mutual Reciprocity of Education, Non-Formal Cultural Education and Social Capital

Abstract. One of the most important driving forces of humanity progress has become human knowledge and creative potential. In the context of the 21st century, in order to create a high quality culture environment, it requires a paradigm shift in education – the transition to education, which stimulates the

imagination, intuition, emotions, creative ideas, and develops critical thinking. Non-formal education and the skills and knowledge gained in it is still in evaluation and recognition phase in Latvia and is still developing, that is why it is so important to create a clear understanding of what is non-formal cultural education, what is its importance and social role. The paper aims to explore the role of non-formal cultural education in strengthening social capital, as well as to identify what social capital indicators can be attributed to non-formal cultural education programs. The topicality of the study is determined that the non-formal cultural education and social capital in the context of Latvia are little explored areas, as well as there is lack of research on mutual reciprocity. The study uses qualitative research methodology. Research analyzes non-formal cultural education programs of ten subordinated institutions of Latvian Ministry of Culture (museums, theatres, concert institutions and opera) and conducts 19 in-depth and semi-structured interviews. Study contains new, theoretically based evaluating model of social capital and characterization of indicators in the context of non-formal education. The study confirms that there is a mutual reciprocity between social capital and non-formal cultural education programs, and these programs have a positive and supportive role in strengthening both the individual and society social capital.

Keywords: education; non-formal cultural education; social capital.

Type of the paper: Empirical study

JEL Classification: I29, Z19.

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Edgars Čerkovskis. Availability of Competent Workforce in the Future

Abstract. One of the most prominent future economic challenges is the availability of competent workforce, which is closely associated with the issues of education quality and the future employees' idea of the jobs that are necessary from the aspect of economics. Education in the 21st century is a perpetual process, a component of our everyday life – a conscious choice and satisfaction to know and be able to do more, study faster and more scrupulously, with sense and pleasure, learn from each other regardless of one's social, economic or physical condition, learn in an environment suited to meet individual requirements, using modern educational facilities, so that the competence acquired would meet the requirements of the modern labour market. This article is based on summarized data on students' competences and the compliance thereof with the chosen profession. The study involves the assessment of students' learning quality as pertains to general educational material, value education and life skills, students' idea of the economic development needs, respective choice of education supply and the ability to develop educational opportunities in the future in order to become a competent and highly sought expert in the future labour market. In view of that, objectives are defined in respect of future achievements and improvements that could make sure that the future Latvian economy would be provided with high-quality

workforce, with professions matching the respective employee's competences and in demand in both the local and the international labour market. Development of the article also involved a number of other parties concerned, including municipalities, higher education institutions, other ministries and the subordinate agencies thereof. The authors emphasize that education is comprehensive and related closely to other domains, especially the domains of economy and culture. The specific nature and principles of policy development in each domain are associated with the availability of qualified workforce, which stems from the skills and competences of those currently studying in the respective domain of education.

Keywords: labour market; education; workforce; professional competences.

Type of the paper: Empirical study

JEL Classification: A2, I20

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