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Vita Zarina, Anna Abeltina, Kristaps Grīnbergs. CIRCULAR ECONOMY AS A DRIVER FOR SUSTAINABLE DEVELOPMENT

Abstract

Research purpose. This paper aims to find out the possibility of introducing the principles of circular economy and interest in the public catering sector in Latvia. To achieve the aim, the following tasks were selected: to study the theoretical substantiation of circular economy, to study the development of circular economy in the public catering sector, to identify the basic problems in business related to the circular economy.

Design / Methodology / Approach. The research consists of three interrelated parts. In the first part of the article, the theoretical aspect of the circular economy is analysed and assessed and opportunities of the circular economy in comparison to the linear economy are analysed. The second part describes the methodology of research, information on the design of the questionnaire and the profile of participants as well as information on the participants in expert discussions. The last part is devoted to the presentation of empirical findings and clarification of the outcomes of the questionnaire and expert opinions.

Findings. The important factors of the understanding of the circular economy and related factors by company management were identified and the most important factors were highlighted.

Originality/Value/Practical implications. The circular economy plays an important part in the global economy and sustainable development in every company, particularly in the public catering sector. Research helps to maintain the trajectory of economic development, shows the necessity of implementing the circular economy in the public catering sector and the necessity for additional information.

Keywords: Circular economy; linear economy; catering sector.

JEL codes: C83; L26; M14.

Authors:

Dr.oec., Associate Professor **Anna Abeltiņa**, EKA University of Applied Sciences, Riga, Latvia. E-mail: anna.abeltina@gmail.com

Dr.oec., Professor **Vita Zariņa**, EKA University of Applied Sciences, Riga, Latvia. E-mail: zarinavita@inbox.lv

Kristaps Grīnbergs, SIA "Narvesen Baltija", Riga, Latvia. E-mail: mr.griinbergs@gmail.com

Introduction

The study is linked to the rapidly growing interest in the Circular Economy (CE), covering its concept and the current practice and assessing the need for its implementation. The article analyses the concept of CE and compares it with the current linear economy of taking materials, producing goods and disposing of waste. It proves the necessity of moving from the linear economy to the circular economy.

Based on literature analysis and research, the article identifies the main problems and challenges to business related to CE. It is becoming increasingly clear that the linear functioning model of life and economy has little chance in the future. The world is already consuming more natural resources than they can naturally regenerate, which means that we are conditionally "eating" the resources of the future, leaving less and less to future generations. The operating principle of the circular economy, in its turn, changes the habits of product usage. At the time when we are going to habitually throw things away, the circular economy recommends stopping this approach, think and reuse them. For example, a lot can be fixed and continued to be used. Many products can be used as secondary resources for the production of new goods. We can define the essence of CE in the following way: a product - waste - product as a closed circle. In the circular economy waste of one sector becomes a resource for another sector. The circular economy is a general term encompassing all activities, which decrease, reuse and recycle materials as part of the production, distribution and consumption processes. A product is used repeatedly during the period of its service by recycling it and its components an infinite number of times. A product can be divided into separate components, which can subsequently be reused. This prevents both the generation of excess waste and the necessity for a continuous input of new resources in the system. Taking into account the forecasts on the global increase of population, one can foresee the growth in the food industry output, which in its turn will inevitably increase the amount of waste. The same applies to the catering sector.

The growing mountains of waste are also becoming an increasing problem. In its report on the results of the circular economy implementation plan, the European Commission states that it has succeeded in increasing employment. In 2016, for which the latest data are available, more than four million people were employed in sectors related to the circular economy, representing an increase of 6% compared to 2012. In addition, employment in this area could continue to grow due to the increased demand for recycled materials. New business opportunities have also emerged. In 2016, such activities as repair, product reuse and recycling generated almost €147 billion in added value and attracted €17.5 billion in investment. It is precisely investment in this area that is an important factor, and between 2016 and 2020, it will receive a total of EUR 10 billion in support of various EU funded programmes (EC, 2019).

The objective of this paper is to find out the possibility of introducing the principles of the circular economy and interest in the public catering sector in Latvia. To achieve the objective, the following tasks were selected: studying the theoretical basis of the circular economy, exploring the development of the circular economy in the catering sector, identifying the main problems in business related to the circular economy and revealing the factors, which promote or hinder the transition process to the principles of the circular economy in the catering sector.

The research consists of three interrelated parts. In the first part of the article, the theoretical aspects of the circular economy are analysed and assessed and opportunities provided by the circular economy in comparison with the linear economy are analysed. The second part describes the methodology of the research, information on the design of the questionnaire and the profile of participants, as well as information about participants in the expert discussions. The last part is devoted to the presentation of empirical findings and the elaboration of the outcomes of the questionnaire and expert opinions.

The important factors of the understanding of the circular economy and related factors by company management were identified and the most important factors were highlighted.

Theoretical research used the method of document analysis, a questionnaire was developed for the needs of the research to find out the opinion of the public catering company managers of the importance of the circular economy, costs and availability of information. The opinion of experts was also clarified, which provided greater confidence in the results acquired.

The circular economy plays an important part in the global economy and sustainable development in every company, particularly in public catering companies. Research helps to maintain the trajectory of economic development, shows the necessity to implement the circular economy in public catering companies and the necessity for more information.

Literature Review

The circular economy (CE) is a sustainable development strategy that is being proposed to tackle urgent problems of environmental degradation and resource scarcity. CE's 3R principles are to reduce, reuse and recycle materials. The principles account for a circular system where all materials are recycled, all energy is derived from renewable; activities support and rebuild the ecosystem and support human health and healthy society and resources are used to generate value (Heshmati, 2015).

It has been broadly recognised that a transition from the linear to the circular economy provides environmental, social and financial benefits (Lewandowski, 2016). However, up to now, the circular economy has only been a manifestation of economic models that highlight business opportunities where cycles rather than linear processes, dominate. It is restorative and regenerative by design and aims at keeping products, components, and materials at their highest utility and value at all times (Circular Economy).

At the moment, we are very far from what can be called a circular economy. We live in a linear economy - produced, used, discarded ... The materials flow straight from the extraction site to the production site and after use to the dump. Only a small part of them is collected, recycled and returned to the system. It is difficult to move away from the linear system, but the reality of life shows a growing need to do so. The next section will focus on the development of the CE concept and its crucial role in promoting sustainability. The circular economy has grown from an obscure notion developed at the end of the 20th century to what the European Union currently recognises as an “irreversible, global mega trend” (COM 2019/190, 10.). Speaking of circular rather than linear material resource flow in the economy, Kenneth Boulding wrote about the need to move from an open economy, or “cowboy economy” characterised by the infinity of borders and resources, to a “spacecraft economy” where limited resources had to be reused and recycled as a precondition for sustainable life support systems. Boulding wrote that he “contemplates the earth as a closed economic system in which the economy and the environment are characterised by a circular relationship where everything is input into everything else” (Boulding, 1966). As Wautelet notes (Wautelet, 2018), the concept of the circular economy cannot be traced back to one single date or author, rather to different schools of thought. Many authors (e.g. Smith (1972), Mäler (1974), Dasgupta and Heal (1979), Sterner and Coria (2012)) have participated in the development of the concept on the theoretical level and as part of the environmental economy. Over the past few years, various publications have paid a lot of attention to studying the essence of CE, defining its notion and its connection to sustainability. (Geisdoerfer at al 2017, Kircherr at al 2017). Since 1992, it has also been reflected in the United Nations Summits on Sustainable Development as the key means of reducing demand for natural resources and promoting more sustainable models of production and consumption. The current arguments in support of the circular economy point to a steady increase in population and per capita consumption and thus to increasing demand for renewable and non-renewable resources, which has created an unsustainable environmental footprint for humankind (Hoekstra & Wiedmann, 2014). Such an imbalance is a compelling argument for the need to increase the efficiency with which the economy uses natural resources. These environmental arguments are also based on concerns about future shortages of raw materials (Sverdrup & Ragnarsdottir, 2015). Other researchers have established and analysed the main components of CE (Hysa et al 2020).

Businesses, governments and citizens around the world increasingly recognise the challenges caused by our “take-make-dispose” approach to production and consumption. In 2019, over 92 billion tons of materials were extracted and processed, contributing to about half of global CO2 emissions. The resulting waste – including plastics, textiles, food, electronics and more – is taking its toll on the environment and human health. The circular economy, which promotes the elimination of waste and the continued safe use of natural resources, offers an alternative that can yield up to $4.5 trillion in economic benefits to 2030. Achieving this transition requires unprecedented collaboration given that today, only 9% of the world is circular (The Circularity Gap Report, 2019).

The World Economic Forum also pays significant attention to the circular economy defining it the following way: "A circular economy is an industrial system that is restorative or regenerative by intention and design. It replaces the end-of-life concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals, which impair reuse and return to the biosphere, and aims for the elimination of waste through the superior design of materials, products, systems, and business models." (WEF, 2019). Ellen McArthur Foundation has also invested much in researching the circular economy and believes that the circular economy is: "Looking beyond the current take-make-dispose extractive industrial model, a circular economy aims to redefine growth, focusing on positive society-wide benefits. It entails gradually decoupling economic activity from the consumption of finite resources and designing waste out of the system. Underpinned by a transition to renewable energy sources, the circular model builds economic, natural, and social capital. It is based on three principles: design out waste and pollution; keep products and materials in use; regenerate natural systems" (Stahel, 2016). Similar views have been expressed by Rodriguez-Anton and Alonso-Almeida (2019) who note that CE is viewed as a solution to problems stemming from the global demand for resources, climate change and global pollution.

The circular economy model, which operates in European food systems, has the potential to reduce the use of fertilizers by 80% and thus contribute to the natural balance of the soil, the Ellen MacArthur Foundation (2016) report noted. According to Ellen McArthur's Foundation report, the circular economic model has the potential to create demand for new services and new job opportunities such as: "Collection and reverse logistics companies that support the end of life products being reintroduced into the system; product marketers and sales platforms that facilitate longer lives or higher utilization of products; parts and component remanufacturing and product refurbishment offering specialized knowledge." (Ellen MacArthur Foundation, 2016).

According to various estimates, approximately 30%–50% of food intended for human consumption is wasted at different stages of the food system. The current inefficiency of the food economy means we lose productivity, energy, and natural resources, and also bear the costs of throwing food away. More pollution and greenhouse gases are also created as a result of these processes. According to the UN's Food and Agriculture Organization, the annual global costs of the inefficiencies of the food economy reach as much as a trillion dollars or even two trillion dollars when social and environmental costs are included. The circular economy offers tools of sustainability-oriented enhancement and optimisation and within the Western food system. (Jurgilevich, et al 2016). The reduction of food waste and promotion of food donations; the reduction in the content of hazardous materials in products as well as decreasing the creation of non-reusable, irreparable or non-recyclable waste is a problem that needs to be addressed today.

Since the publication of the EU circular economy action plan in 2015, the circular economy has become a paradigm of sustainability and the basis of environmental and economic policies. The European Union has selected a specific approach to circularity with the hope of raising competitiveness, promoting economic growth and creating jobs while simultaneously decreasing their environmental impact and dependency on resources.

The Circular Economy Action Plan (CEAP) envisages a review of the Ecodesign Directive by broadening the area of its applicability and operation and by including all product groups as well as by promoting the energy efficiency of products, their recycling and re-processing capacity. The Action Plan is also targeted at decreasing the use of limited resources and thus raising the effectiveness of their utilisation.

As noted in the report, the transition to the circular economy is a systemic change. In addition to targeted actions affecting each phase of the value chain and key sectors, it is necessary to create conditions under which the circular economy can flourish and resources can be mobilised. SMEs, including social enterprises, will make a key contribution to the circular economy. They are particularly active in such fields as recycling, repair, and innovation. However, they also face specific challenges, such as access to funding, and the difficulty of taking account of the circular economy if it is not their core business (EC, 2015). Calculations reveal that only 9% of the global economy functions according to the principles of the circular economy. In the European Union, recycled materials provide only less than 12% of the overall resource demand. The circular economy implies that, instead of throwing a product away, one must reconsider and reuse it as well as borrow items for use. EC: There was a 6% increase in the number of those employed in the circular economy in 2016 in comparison with 2012. The EU had allocated EUR 10 billion for various EU investment funding activities related to the circular economy. The businesses of many producers still rely on purchasing new products representing an obstacle to the circular economy. This can be changed by employing consumer pressure (EC, 2019). In 2016, such areas of operation as repairs, reuse of products and recycling created almost EUR 147 billion in added value and attracted around EUR 17.5 billion in investment (EC, 2019). The European Commission adopted a new Circular Economy Action Plan on 12 March 2020, which represents one of the cornerstones of the European sustainable development programme. The main focus of the plan involves the complete elimination of waste and its transformation into high-quality secondary resources the use of which would promote the development of a well-functioning secondary resource market (EC, 2020).

To develop the circular economy it should be understood that the linear economy is still the dominating economic paradigm. The EC has pointed to several reasons for this domination. The reasons for benefiting from an ongoing utilisation of the linear model at a company level (even if the overall public impact is negative) are varied and include:

1. the actual cost of company operation (the negative environmental impact of the operation and on the public or financial costs related to complying with the factors of eternal environmental and social impact) are not being perceived;
2. ignoring the possible overall impact of production and consumption (e.g. depletion of resources, pollution and climate change) to the company itself;
3. prioritising the market for short-term profit and capital gains serves as a handicap to an application of a long-term perspective required for the investment ineffective use of resources and other circulation aspects (EC, 2019).

Although the EU institutions pay significant attention to the promotion of CE, several other obstacles to its implementation should be noted: a) the lack of indicators and objectives at the level of the EU member states as well as the lack of a coordinated political structure and a corresponding regulatory framework. The shortage of the circular economy-related curricula at all levels of education; b) the lack of investment and a long pay-off period; c) the cyclic structural tendencies oriented towards longevity can face opposition not only from consumers who are used to the rapid changes but also from a significant number of strong interest groups linked with the global production, trade media and advertising groups operation in the linear model; d) the lack of information or comprehension.

The facilitation of company practices in line with the principles of the circular economy requires the development of the overall requirements, promotion of the implementation of the voluntary environmental quality management system and the acquisition and development of the best available technologies and methods by encompassing new requirements as well as develop innovations reducing consumption of resources and the volume of waste. The low productivity in Latvia directly affects the productivity of resource s in the country, which is one of the indicators of the circular economy. Although many companies are interested in reducing their production costs and implement them, Latvian SMEs still rank among the ten worst performers in the EU in terms of implementing resource effectiveness measures. The use of renewable resources in the circular economy must be implemented according to the cascade principle, which involves several repeated usage and recycling cycles (VARAM, 2019)

Speeding up the transition to the circular economy requires investment in innovation and support to the adaptation of the industrial basis. The EC had allocated over EUR 10 billion in public funding of the transition to the circular economy between 2016 and 2020 (VARAM, 2019, 9).

Methodology

The method of document analysis was used in the theoretical study, where not only a theoretical study of the concepts: the circular economy and sustainable development was carried out, but also the EU documents, which provide guidelines and regulations were examined. For the study, a questionnaire was developed to clarify the opinion of managers of public catering establishments on the importance of the circular economy, costs and the availability of information. Initially, the questionnaire was approbated for the managers of ten companies, the necessary adjustments were made and posted on the Internet with a request to fill in the managers or heads of departments. To obtain information on waste management habits of enterprises and to obtain indicative information on catering waste generated in public catering companies, the authors of the paper conducted a study "Evaluation of public catering enterprises, the amount of catering waste and types of management". The study was conducted using a questionnaire. The total number of respondents was 316, the survey was posted on the Internet and was accessed by managers of different levels of catering companies. Since the survey was anonymous, there is a possibility that several respondents from the same company participated, the questions were asked for calculating the averages before COVID 19.

Respondents were surveyed, using the questionnaire developed by the author. The structure of the research instrument is reflected in Table 1.

Table 1. Structure of the questionnaire (Source: Developed by the authors)

Section A	**Respondent profile questions**
A_Q1	Gender
A_Q2	Age (in years)
A_Q3	Position (4 alternatives)
A_Q4	Work experience (period, 4 alternatives)
Section B	**Main questions**
B_Q1	Size of company - turnover (4 alternatives)
B_Q2	Size of company - employee (5 alternatives)
B_Q3	Type of waste (7 alternatives)
B_Q4	Amount of waste in a year (6 alternatives)
B_Q5	Type of waste management now (3 alternatives)
B_Q6	Treatment of waste sorting
B_Q7	Waste sorting costs
B_Q8	Sorting promotion activities
B_Q9	Accessibility to information about waste sorting
B_Q10	The necessity of investments for waste sorting
B_Q11	Innovation support programmes

In B_Q8 and B_Q11 questions, the respondents could choose more than one answer, in all other questions only one answer was necessary to choose.

The sample consisted of 129 female (41%) and 187 male (59%) respondents. The distribution of respondents according to other profile criteria is reflected in Table 2.

Table 2. Research sample distribution (Source: The compilation of the survey results by the authors)

Position	Respondents	Experience	Respondents
Employee (with management functions)	8%	Less than 3 m	6%
Mid-level manager	66%	3 m – 1 year	32%
Top-executive	17%	1 year – 5 years	47%
Other	9%	Over 5 years	15%

Since the questionnaire was available on the Internet and was anonymous, it was not possible to check if the managers of catering companies were the only ones who participated in it (316 responses were received), therefore, to clarify the relevance of the results, an expert survey was conducted (5 experts). The experts were from employer associations, business consultant associations and two chairmen of the boards of catering companies.

Research results

The study assesses the principles of the circular economy in the public catering industry. The question of what exactly is the role of public catering in contemporary society and the national economy. In brief, this question could be answered as follows: 1) consumer time-savings; 2) economy of material, labour and financial resources; 3) provision of increased production or labour productivity (the better and cheaper the service, the more visitors and income); 4) investment in the national economy takes place through the provision of services (investment in the creation of national wealth and gross domestic product); 5) maintaining the health of consumers by organising a rational diet. This is likely due to legislation and state control authorities who closely monitor the sanitary - hygienic conditions in catering establishments; 6) promote the recovery of consumers by organising medical nutrition in hospitals and sanatoriums; 7) aesthetic upbringing of consumers (table setting, decoration of dishes, interior) (Sjomina, 2011). In essence, it can be argued that there are two main tasks of public catering” to ensure that it is more profitable (cheaper, more convenient) for consumers to use the services of catering companies as opposed to buying products and spending time on cooking, as well as to meet the growing consumer needs and promote economic prosperity. (increasing consumer welfare) by intensifying production.

Not all European countries have a uniform division of catering companies. To make national statistics comparable in the European Union (EU), two classification systems are in force: The European System of Accounts 1995 (ESA 95) and the EU Statistical Classification of Economic Activities 19 (NACE), according to which it is possible to classify institutional units and economic sectors (Saimniecisko darbību statistiskā klasifikācija, 2019). Catering by activity is Restaurants and mobile food service activities and its NACE code are 56.10.

The sector's contribution to national economic development: as evidenced by the following data: in 2018, 2.5% of all Latvian companies worked in the catering sector; 5.3% of all employees working in Latvian companies were employed in the sector; 1.8% of the total tax revenue in the general state budget was provided by the catering sector (Lursoft, 2019).

The operation of food production and catering companies, coffee-houses, canteens, bistros, including central kitchens and household kitchens generates catering waste, which is all leftover food, including used frying oil. Under Regulation (EC) No 1774/2002 of the European Parliament and the Council, all catering waste is a Category 3 by-product that needs to be separated from the total household waste stream. Sorting and separating waste provides an opportunity to promote environmental benefits and reduce costs for companies.

In Latvia, approximately a total of 2.5 million tons of waste, both hazardous and non-hazardous, is generated in all sectors annually. Such an ever-increasing environmental load caused by economic activity justifies the need for introducing more targeted actions to move towards the circular economy in the manufacturing sector (VARAM, 2019). Catering waste, like other biodegradable waste, decomposes without oxygen (anaerobic) in municipal landfills and produces methane gas (CH4), one of the greenhouse gases with a 21 times stronger impact on climate than carbon dioxide (CO2).

There are also economic benefits to sorting and separating waste. Lower waste management costs. An opportunity to obtain cleaner and higher quality recycling and recovery materials. Work efficiency, attitudes and employees' responsibility for what is happening in the company and the performable duties increase. Awareness of companies about the benefits of waste prevention is low. For example, in 2017, 35% of Latvian SMEs took measures to reduce waste (EU average 65%), 55% of material saving measures (EU average 57%), 15% of waste recycling measures or measures to reuse materials in the company (EU average 42%) (VARAM, 2019).

Implementing a waste sorting system at a company level create opportunities to reduce the company's total costs. By establishing an efficient waste and recyclable material management system, the costs of these resources can be reduced by up to 20 - 25%. Waste sorting is a separation of recyclable materials from waste that is no longer usable and is taken to a landfill. (Latvijas Zaļais punkts, 2019).

Catering waste is a recognised problem, the political and social significance of which has been growing in recent years. Many high-level political statements over the last decade have highlighted the need to combat catering waste. Catering waste can be defined in many different ways and there is no common methodology for measuring it. However, it is widely acknowledged that about a third of the food produced for human consumption in the world is wasted or lost. The United Nations estimates that the economic and environmental damage caused by catering waste worldwide is approximately $1.7 trillion per year (FAO, 2011).

Catering waste occurs throughout the value chain: in production and food distribution channels, shops, restaurants, eateries and homes. Therefore, it is particularly difficult to quantify catering waste: there is currently no harmonised and reliable method for calculating the amount of catering waste in the European Union, which makes it more difficult for public authorities to assess trends in the amount, origin and generation of such waste (EC, 2015).

The biodegradable waste stream is one of the largest waste streams in the total unsorted waste. According to the measurements of the composition of unsorted waste performed by the Latvian Waste Management Association in 2011, in four Latvian municipal solid waste landfills - the share of biodegradable waste in the total composition reached approximately 50%. Much of this waste is catering waste, about 30-40%.

To obtain information on waste management habits of enterprises and to obtain indicative information on catering waste generated in public catering companies, the authors of the paper conducted a study "Evaluation of public catering enterprises, the amount of catering waste and types of management". The study was conducted using a questionnaire.

The majority of respondents represent 64.3% of medium and large companies with up to 500 visitors per day.

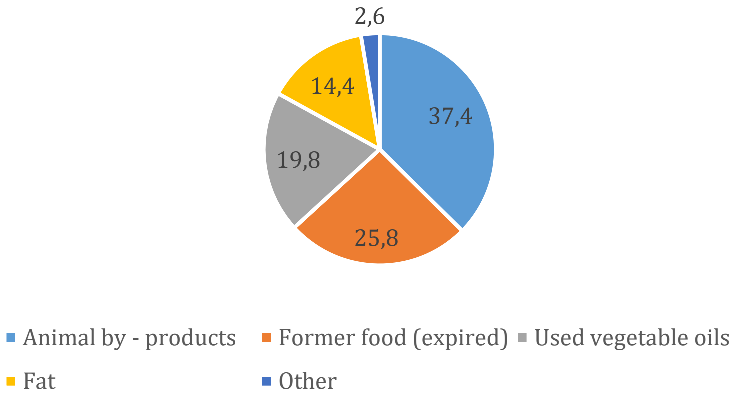

Fig. 1. Types of catering waste

On the other hand, analysing the information on types of catering waste, it was concluded that most public catering companies (37.4%) produce animal by-products - fish, meat, eggs and dairy products and food leftovers, 25.8% are former food (expired food), used vegetable oils produce 19.8% of establishments and fats - 14.4%, others - 2.6%. It was more difficult to find out the amount of catering waste since the amount of catering waste is not counted separately, however, according to the answers provided by the respondents, an indicative picture can be obtained: 35.1% of companies indicate that they generate up to 500 kg of catering waste per year, 31.6% of respondents generate up to 1 tonne of companies, 15.4% of the surveyed companies generate catering waste of up to 5 tons on average per year, more than 5 tons per year were indicated by 17% of respondents, however, 0.9% of respondents could not assess.

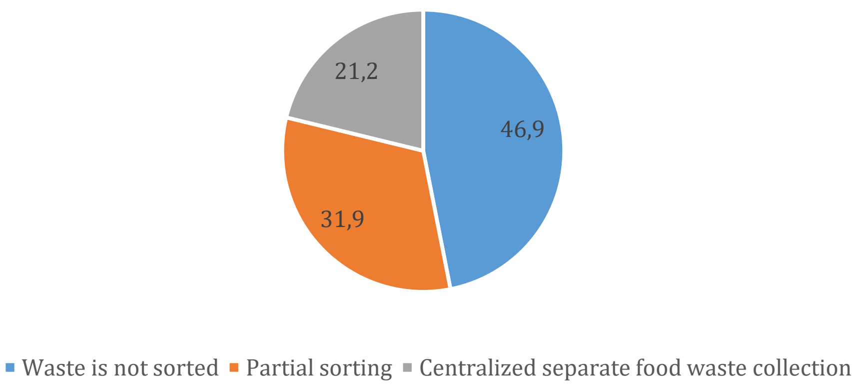

Fig. 2. Catering waste sorting

Most of the responding companies (45.9%) do not sort waste and dispose of all waste in unsorted waste containers, 31.9% of companies are engaged in waste sorting, separate storage and transfer it to a waste manager, 21.2% of companies are provided with a centralised collection of shared catering waste. Asking for an explanation of the issue to the experts, it was clarified that to implement waste sorting, companies must also provide additional space for sorted waste containers. It must be ensured that the waste manager arriving to collect the waste containers has free access to them. Another important aspect is educating and informing employees about the correct and systematic sorting of waste. In companies with 10 or 20 employees, this represents an easier task, while in companies with 100 or more employees, more serious instruction and implementation of measures are required. All this requires an appropriate investment of time, so some companies are not immediately ready to start separate waste management. 26.7% of companies would be ready to start waste sorting only if it were a mandatory requirement.

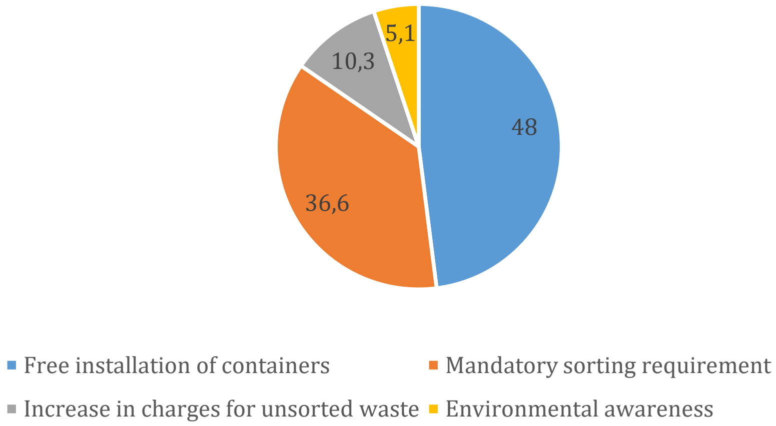

Fig. 3. Factors contributing to catering waste collection

Most of the responding companies (45.9%) do not sort waste and dispose of all waste in unsorted waste containers, 31.9% of companies are engaged in waste sorting, separate storage and transfer it to a waste manager, 21.2% of companies are provided with a centralised collection of shared catering waste. Asking for an explanation of the issue to the experts, it was clarified that to implement waste sorting, companies must also provide additional space for sorted waste containers. It must be ensured that the waste manager arriving to collect the waste containers has free access to them. Another important aspect is educating and informing employees about the correct and systematic sorting of waste. In companies with 10 or 20 employees, this represents an easier task, while in companies with 100 or more employees, more serious instruction and implementation of measures are required. All this requires an appropriate investment of time, so some companies are not immediately ready to start separate waste management. 26.7% of companies would be ready to start waste sorting only if it were a mandatory requirement.

Conclusions

The essence of the circular economy is to make the most efficient and effective use of resources in the production and consumption sectors, ensuring that natural resources, materials and products remain in economic circulation for as long as possible, thus reducing the amount of waste generated. It affects all stages of value creation - raw material extraction, processing, product design development, production, consumption and waste management.

To accelerate the transition to a circular economy, investment in innovation and support for adapting the industrial base is needed. Between 2016 and 2020, the EC provided a total of more than €10 billion in public funding for the transition to a circular economy.

In the course of the research, it was found out that there is no information available on the waste generated by public catering companies, no institution is engaged in the accounting of such information. By conducting a survey of public catering companies in the framework of the research, the authors of the paper obtained indicative information about catering waste generated by companies in the sector. On average, 66% of responding companies generate up to 1 ton of catering waste in one year. Catering companies are in favour of sorting catering waste separately, as the overwhelming majority of companies (60%) said they would be actively involved. The awareness of companies of further processing of catering waste differs. Some companies are aware of further processing of catering waste and some are not. An equally high percentage of respondents indicate that more information is needed on this process. The majority of 79% of responding companies do not have information about the business opportunities related to catering waste. The majority of companies, 74%, would probably be willing to invest or make an investment if they knew that the project would be profitable, to boost the company's profitability.

Catering managers should move towards the introduction of circular economy in their establishments by introducing separate waste sorting and separate catering waste sorting and recycling at the place. Catering managers should implement a system for the management of plastic, glass and cardboard waste and recyclable materials, sorting these resources allows reducing costs by up to 20 - 25%. The same applies to the sorting of catering waste. By introducing catering waste sorting in public catering companies and recycling it on-site at the place of waste generation, it is possible to reduce waste management costs by up to 40%. By implementing a waste sorting system in the company, it is possible to reduce the company's total costs by up to 60%, as pointed out by experts, the types and size of cost reduction could be the direction of further in-depth research.

Catering managers should be actively interested and involved in innovation support programs and projects that support the transition to a circular economy. This makes it possible to attract funding for the introduction of new technologies that can boost the profitability of companies. The European Union funds, programs and other financial instruments that companies can participate in are Horizon 2020, the European Fund for Strategic Investments, InnovFin, LIFE, the European Union Cohesion Fund.

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Elīna Avota. CHANGES IN THE BASIC PRINCIPLES OF BAILIFFS' ACTIVITIES DUE TO THE INTEGRATION OF LATVIA INTO THE EUROPEAN UNION

Abstract

Research purpose. The aim of the article is to depict the changes in the fundamental principles of bailiff's work in regards to integration of Latvia in the European Union.

Design / Methodology / Approach. The methodological basis of the study consists of general scientific methods (monographic method, analytical method, historical method, comparative method, induction de-duction) and methods of interpreting legal norms (grammatical, historical, teleological and systemic meth-ods).

Findings. The institute of bailiffs has undergone drastic changes in the Republic of Latvia for nearly 30 years. A bailiff has become a state official from an employee of the Ministry of Justice. Sworn bailiffs are independent in their official activity and are governed by law only. At the same time, the guarantees of independence of bailiffs are counterbalanced by the mechanism of controlling lawfulness of bailiffs' activi-ties. Financial freedom and independence are gained. Services of bailiffs are equally available throughout the territory of Latvia. Bailiff reforms have ensured for the state governed by the rule of law an adequate execution of court adjudications and qualitative work of bailiffs.

Originality / Value / Practical implications. Until this moment, little research has been made about the institute of bailiff in Latvia as well as about its historic development and future prospects in the territory of Latvia.

Keywords: Bailiff; independence of bailiffs; the institute of bailiffs.

JEL codes: K49.

Authors:

Elīna Avota, Acting director of Council of Sworn Bailiffs of Latvia, Riga, Latvia. E-mail: elina.avota@tvnet.lv

Introduction

The institute of bailiffs has undergone drastic changes in the Republic of Latvia for nearly 30 years.

A bailiff has become a state official from an employee of the Ministry of Justice. Sworn bailiffs are independent in their official activity and are governed by law only. At the same time, the guarantees of independence of bailiffs are counterbalanced by the mechanism of controlling lawfulness of bailiffs' activities.

Financial freedom and independence are gained. Services of bailiffs are equally available throughout the territory of Latvia.

Bailiff reforms have ensured for the state governed by the rule of law an adequate execution of court adjudications and qualitative work of bailiffs.

In any state governed by the rule of law, a person can rely on a legal system that protects person's rights and freedoms. One of the most important rights of a person is the right to a fair trial. The right to a fair trial also includes the right to proper enforcement of court decisions, because improper enforcement of court decisions is unimaginable in a state that is governed by the rule of law. It does not make sense for a person to spend their resources on litigation if there is no proper enforcement of court decisions in the country. Consequently, proper enforcement of court rulings and quality work of a bailiff are considered preconditions for a state governed by the rule of law.

In order to understand the significance of the changes in the basic principles of bailiffs' activities, it is necessary to identify the nature and problems of the bailiff's institute after the restoration of the Republic of Latvia. It is necessary to find out why there was a need to reform the bailiff's institute and what are the main basic principles of the bailiff's institute after the reform.

Literature review

After the entry into the force of the Declaration "On the Restoration of the Independence of the Republic of Latvia" adopted by the Supreme Council of The Latvian SSR on May 4, 1990, the legal system of Latvia had to be reorganized from a socialist legal system to a Western (continental European) legal system.

Since the restoration of the independence of the Republic of Latvia, there has also been a gradual reform of the organization of state power. An important component of this reform was the institutional reform of the judicial power, as a result of which Latvia had to establish accessible, independent and efficient judicial institutions.

On December 15, 1992, the Supreme Council of the Republic of Latvia adopted the law "On Judicial Power" which entered into force on January 1, 1993 (Law "On Judicial Power", 1992). The purpose of the said law was to regulate general bases of the operation of an independent judicial power, the principles of adjudication of cases, the procedure for appointment and approval of judges, as well as other issues related to the judicial power (Latvijas Republikas Satversmes komentāri, 2013). One such other issue related to the judicial power was the definition of functions of the Ministry of Justice in matters of organizational managements of courts. They were set out in Chapter 17 of the Law "On Judicial Power".

After the adaptation of the Law "On Judicial Power" only the status of bailiffs changed, as they became employees of the Ministry of Justice. The leadership of the Ministry of Justice over bailiffs was inherited from the Soviet system. During the Soviet occupation, the Ministry of Justice of the Latvian SSR supervised and controlled the work of bailiffs. The Ministry of Justice continued the same functions in relation to bailiffs until 2003. Thus, the bailiff system was neither re-established nor modified.

A person who wanted to hold the position of a bailiff did not need higher legal education, i.e., the profession of bailiff was not developed as a legal profession, because neither a legal education nor work experience was requires from the candidate for this position. At the same time, bailiffs were granted a wide range of rights that were not, in principle, commensurate with the requirements for bailiffs.

At the same time, persons belonging to the judicial power – sworn advocates (Advocacy Law of the Republic of Latvia, 1993), sworn notaries (Notariate Law, 1993) – had to obtain higher legal education at the University of Latvia or another higher education institution, which according to the University of Latvia Faculty of Law is comparable to the University of Latvia.

The correct and timely execution of court judgments was fully controlled by the Bailiffs Department of the Ministry of Justice. Complaints about the actions of bailiffs or their refusal to perform such actions could be submitted to the court after the complaint had been reviewed by the Bailiffs Department of the Ministry of Justice. Given the inherent subordination of bailiffs to the administrative process to the orders and instructions of the Ministry of Justice, who is a political official, the independent and impartial execution of court decisions, as well as the implementation of other civil procedural principles in practice, was relatively conditional.

The competence of bailiffs in the period from the restoration of Latvia's independence until 2003 was related only to the execution of court rulings and enforcement documents issued by various institutions (Lazdāne, 2003).

The duties of a bailiff were set out in Article 112 of the Law "On Judicial Power" and in instructions approved by the Ministry of Justice. When executing rulings, a bailiff must comply with regulatory enactments and accurately comply with the provisions of the instruction approved by the Minister of Justice. The bailiff must, on his own initiative, take all measures permitted by the law to enforce judgements of court and other authorities correctly and in a timely manner, explain to the parties their rights and obligations and assist them in defending their rights and interests protected by law.

In 1997, a working group was set up at the Ministry of Justice to study the issue with the organization of enforcement in developed European countries. The main impetus for the reform was the poor execution of judgments. In March 1998, the government adopted a concept to reform the institute of bailiffs in Latvia. There have been differing views on the way forward for reform.

The invitation to join the European Union, which Latvia received on December 14, 2002, and the need to regulate legal norms in the field of enforcement of court rulings also gave a new impetus to the faster implementation of the reform of the bailiffs' institute. During the reform multiple bailiffs' institutes of European countries, their experience and practice in the work of bailiffs were studied, regular seminars and exchanges of views with bailiffs in Lithuania and Estonia took place (Lazdāne, 2003).

The responsible institutions in Riga and the European Commission chose the French model as the basis for the reform of the Latvian bailiffs' organization, because in accordance with the model of the French three-tier court system and its subordinate judicial power, judicial and notary reform had already taken place in Latvia (Osipova, 2013). The planned work on reforms had to be completed as soon as possible, and this tripartite cooperation facilitated this.

The reform of the execution of judgments was one of the tasks that Latvia had to do in order to establish an effectively functioning justice system and thus meet the requirements of joining the European Union (Latvijas Republikas stratēģija integrācijai Eiropas Savienībā, 2000). This task was formally completed on January 1, 2003 with the entry into force of the Law on Bailiffs of October 24, 2002 (Law on Bailiffs, 2002) and the Law of October 31, 2002 on Amendments to the Law on Civil Procedure (Civil Procedure Law, 1998).

Research methodology

The methodological basis of the study consists of general scientific methods (monographic method, analytical method, historical method, comparative method, induction de-duction) and methods of interpreting legal norms (grammatical, historical, teleological and systemic methods).

Research results

According to the Law on Bailiffs currently in force in Latvia, bailiffs are persons belonging to the judicial system who perform the enforcement of court and other institutions rulings, as well as other activities specified by law (Law of Bailiffs, 2002). In the performance of their duties bailiffs are equated with public officials who are independent in the performance of their and subject only to the law (Law of Bailiffs, 2002).

As stated in the Law on Bailiffs, the professional activities of a bailiff in Latvia can be divided into three categories: official activities performed in order to enforce decisions of courts and other institutions or officials (Article 73); official activities performed by a sworn bailiff at the request of the interested person (Article74); and other activities which sworn bailiff is permitted to perform upon agreement with the interested person (Article 75);

Currently, the activities of a bailiff in Latvia are characterized by the following basic principle: institutional independence, *numerus clausus* principle and financial independence (Grigore-Bāra E., Avota E., Berlande G., 2018).

Institutional independence derives from a number of legal provisions in the Law on Bailiffs. Namely, Article 3 of the Law on Bailiffs stipulates that sworn bailiffs are independent in the performance of their duties and are subject only to the law. However, Article 10 of the Law in Bailiffs stipulates that the state and local government institutions, courts, prosecutors and pre-trial investigation institutions must guarantee the independence of sworn bailiffs in the of official duties. Natural and legal persons, as well as officials are prohibited from interfering in the professional activities of sworn bailiffs, affect and influence them. At the same time, the guarantees of the independence of bailiffs are balanced by the mechanism of control over the legality of bailiffs' activities (Grigore-Bāra E., Avota E., Berlande G., 2018). In accordance to Article 83 paragraph two of the Law on Bailiffs, supervision over the activities of the position of sworn bailiffs in civil procedure is performed by a district (city) court.

The status of an official follow from Article 5 of the Law on Bailiffs. Particularly, in their official activity, bailiffs are equated with state officials (Grigore-Bāra E., Avota E., Berlande G., 2018). Consequently, the Law "On Prevention of Conflict of Interest in Activities of Public Officials" (Law "On Prevention of Conflict of Interest in Activities of Public Officials", 2002) applies to sworn bailiffs Section 4, paragraph one, clause 21 of the said law provides that a sworn bailiff is a state official. Therefore, bailiffs are subject to the restrictions and prohibitions of officials specified in the Law "On Prevention on Conflict of Interest in the Activities of State Officials".

The principle of *numerus clausus* follows from Article 7 of the Law on Bailiffs, which stipulates that the number of sworn bailiffs and their positions, divisions and their boundaries shall be determined by a special list drawn up by the Minister of Justice. Consequently, the services of a bailiff are available throughout the territory of Latvia. This principle also characterizes the work of sworn notaries in Latvia. At the same time, the Law on Notaries, unlike the Law on Bailiffs, contains certain criteria for creating new or eliminating existing notarial posts.

The financial independence of bailiffs follows from Article 137, paragraph two of the Law on Bailiffs which stipulates that bailiff are financially independent in their professional activities. Therefore, the legislator has provided bailiffs with financial independence from the state budget. Currently, bailiffs are self-employed, who have to take care of their own income as well as the maintenance of their place of practice.

Conclusions

The Institute of Bailiffs has undergone cardinal changes in the Republic of Latvia in less than 30 years. In order to meet the requirements of joining the European Union, Latvia needed to carry out reforms of the bailiff institute.

Bailiffs have become public officials from an employee of the Ministry of Justice. Sworn bailiffs are independent in their work and subject only to the law. At the same time, the guarantees of the independence of bailiffs are balanced by the mechanism of control over the legality of bailiffs' activities.

After the reform, the requirements of education and practical experience corresponding to the legal profession were set for bailiff profession in the same way as for other members of the legal profession.

Financial independence and autonomy have been achieved. Bailiff service are evenly available throughout the territory of Latvia.

Bailiff reforms have ensured proper enforcement of judgments and quality bailiff work in accordance with rule of law.

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Helmuts Lejnieks, Ilona Lejniece. DIGITAL REALITY IN COMPANIES AS A PART OF CORPORATE SOCIAL RESPONSIBILITY DURING PANDEMIC: CASE OF LATVIA

Abstract

Research purpose. The aim of the article is to understand the relationship between the concept of corporate social responsibility and the issue of digital reality.

Design / Methodology / Approach. The research is based on a scientific research analysis method (deduction, synthesis, induction, critically creative) analysing principles of corporate social responsibility during pandemic, including digital social responsibility in companies. Within the framework of the research, methods of analysis and deduction are used to reveal the degree of concentration of digital principles in the socially responsible business environment. The method of synthesis and induction, as well as the logical approach, is applied in assessing the effects of the application of the principles of digital reality of corporate social responsibility. A critically creative method is applied to the presentation of the results of the research, revealing the elements of digital reality included in the corporate social responsibility.

Findings. Corporate social responsibility and digital reality are one of the most important factors of global competitiveness in the modern business environment. The new everyday life during pandemic – remote work, remote provision of goods and services not only poses new challenges for companies, showing both pros and cons in the work processes and organization, but also requires the need to improve the social and digital dialogue model as well as to encourage entrepreneurs for not only socially, but also digitally responsible business environment. Socially and digitally responsible entrepreneurship goes hand in hand, and such interactions must ensure participation in the provision of working and living conditions for both the company's employees and society as a whole.

Originality / Value / Practical implications. Prepare a crisis management plan to improve social and digital dialogue between business and society. In order to avoid mistakes, the plan is recorded both as process improvement as well as changes in regulations.

Keywords: Digital reality; corporate social responsibility (CSR); business; pandemic; Latvia.

JEL codes: M14; M15.

Authors:

Helmuts Lejnieks, Heli Ventures Ltd., Riga, Latvia. E-mail: lejniekshelmuts@gmail.com

Dr.oec., Assistant Professor **Ilona Lejniece**, EKA University of Applied Sciences; Institute of Economics of the Latvian Academy of Sciences, Riga, Latvia. E-mail: lejniece.ilona@gmail.com

Introduction

The pandemic has significantly affected the global processes, generating substantial economic, health and social risks. These processes have led many industries, entrepreneurs and companies to adapt quickly to the new conditions. Various international organizations have estimated that, from a social and economic perspective, the impact on the economy due to the crisis affected by the pandemic, is worse than in 2008, measuring a drop in the GDP by 2-3 points for every month of confinement. It has caused a loss of more than 195 million jobs. Although, the recovery process after the crisis can take a long time, pandemic has emphasized the ability of the public administrations and educational institutions to provide work remotely using various e-solutions.

Seeing how rapid is an accumulation of unemployment around the world, it's important to analyse how the labour market is functioning right now and how it can potentially develop in the future, considering the digitization. The topicality of the research paper can be characterized by the labour market, which has significantly changed due to Covid-19 crisis. When the global pandemic started, many employers and entrepreneurs were forced to adapt to the new circumstances. This meant - to buy and sell their goods and services through the e-environment. Although, it was nothing new for many companies, it still brought new challenges for all of us, as these procedures were taken to the whole new level. In this case, it is important to understand, how these conditions have changed the digitalization processes and how other aspects have transformed or established together with the crisis. It is essential to understand how corporate social responsibility has settled, interacting with digitization. In this case, to analyse the success of the development of digitization in Latvia, looking at both - the aspect of corporate social responsibility and DESI index. The aim of the article is to understand the relationship between the concept of corporate social responsibility and the subject of digital reality. The importance of the topic can be seen in the fact that corporate social responsibility and the digital reality are one of the most important factors in the modern business environment. Furthermore, it means that these both aspects have been affected by the crisis, and it is significant to look in depth, how exactly the Covid-19 crisis have changed the business environment we are living in right now.

The aim of the research paper is to understand the relationship between the concept of corporate social responsibility and the issue of digital reality.

The hypothesis of the research paper indicates that with the development of digitalization, it is becoming part of a culture of corporate social responsibility. This means that digitalisation is becoming increasingly important for a successful and internationally competitive business environment. Understanding the significance of these both processes, it is vital to analyse whether the hypothesis can be confirmed or not. The research is based on a scientific research analysis method (deduction, synthesis, induction, critically creative) analysing principles of corporate social responsibility during pandemic, including digital social responsibility in companies. Each method helps analysing the aspects of the digitalization and corporate social responsibility, as well as, to understand, how these processes interact between each other. The new everyday life that includes remote provision of goods and services, remote work, etc, has a beneficial side, as well as many challenges. Considering the new conditions that the pandemic has developed during the last year, the results of the study potentially indicate that the labour market has developed the ability to digitize businesses.

Literature Review

Analysing the challenges and opportunities that face Latvia during the pandemic, there have been various scientists and politicians, giving their opinion and point of view. Peteris Vilks, Head of the Interdepartmental Coordination Center, has emphasized the positive aspects that Latvia has developed. It is clear that crisis has significantly accelerated the digitalization of business. Many companies and entrepreneurs have been able to react quickly enough and reorient their business in changing circumstances by digitizing the services they provide and, even more so, by creating and marketing new, innovative products and solutions in areas such as e-commerce, logistics and healthcare. Needless to say, people have been able to adapt well to the change of habits that is happening right now in our society. Analysing the data by LIKTA, it is clear that 43% of the companies have been able to provide an opportunity for their employees to work remotely (Latvian Information and Communications Technology Association, 2020). Furthermore, 45% of the companies and entrepreneurs have used the opportunity to receive and send e-invoices on a daily basis, while only a quarter, 26%, use e-signature in Latvia. These data show that there has been a great development in the digitalization process, however, they still have to improve in the future. Working remotely has its challenges and benefits, and it’s clear that it’s just one of the new forms of the employment created by digitalization that will increasingly strengthen and enter the labour market.

The challenges aimed at the digital transformation of governance and business, including the development of digital skills and competences, will also contribute to the wider use of various new forms of employment. It must be said that the remote work currently has created many challenges and almost traps, creating an additional psychological burden. That is why it has emphasized that there is no right time to fully evaluate the effectiveness of the remote work. Although, many companies have said that they will continue working in these conditions after the pandemic, as they find it more convenient. In the end of March, The State Chancellor did a survey, asking how the remote work has affected their mental health, where 33% of the surveyed, said their mental health has been quite affected by these new conditions. These indicators show that remote work in the future is more seen as an alternative option. (LIKTA, 2020). In the public administration perspective – it is considered to be as an instrument for productivity and efficiency, as well as the cost reduction. These data can prove that from the corporate social responsibility side, the companies can try to aspire to provide as good remote work as possible, but there will still be other circumstances, that cannot be affected by employers.

In the context of the research topic, it is essential to analyse what is the relationship between corporate social responsibility (CSR) with the above-mentioned aspect - the issue of digital reality. CSR has always been a good practice since the end of 20th century. This practice also benefits the demand among consumers, choosing products and services from companies with high reputation, and which in their daily basis, generally recognized business ethical principles. It is clear that companies can gain recognition and achieve higher development if they engage with international arena. This is what it is considered to be aware of the most important aspects to make companies more competitive in the world, not only at the national level. The development of corporate social responsibility is influenced by two main factors. The first factor emphasizes the demand for organized business structure and socially responsible business environment, clear principles and high reputation, becoming a supplier of foreign companies or their partners. This is highly necessary for any company that takes a lot of work and development process – to develop good reputation and high standards. It is important to mention that the reputation that grows in the company depends on number of aspects, including the work of employees, environment in the company, PR strategies, etc. The second aspect that defines the corporate social responsibility, is the need to enter the global market and be equivalent to the competitor, offering quality and responsible business principles and products. (Pisera, 2020; Gandullia, 2020; Zozulakova, 2019; Naqvi, 2021; Yasin, 2021; Derbez, 2019)

Entrepreneurs and companies from Latvia are talking more about the importance of the CSR. However, Latvian reputation and CSR studies say that there are few entrepreneurs, public institutions and public representatives who understand the actual essence of CSR. Also, there should be more companies talking about the significance of it. It should be noted that the corporate social responsibility is not limited to labour law and the labour market. It is a whole framework of events and procedures that encourage the entrepreneurs and society to develop socially responsible entrepreneurship. (Ministry of Welfare, 2020). Understanding the importance of the CSR, it is important to evaluate how this framework goes hand in hand with the issue of digital reality. Digitalization has been an important tool while developing the business era. It is the use of digital technologies in order to change a business model, while providing new value-producing benefits and opportunities. Digitalization has been a big motivator for many businesses to develop more stable and unique businesses. Needless to say, digitalization goes hand in hand with the growth of the labour market, so it is crucial to look in depth, how these processes interact between each other. One of the ways how to analyse the interaction between the corporate social responsibility and the digital reality, is to look at the DESI index look at The Digital Economy and Society Index (DESI) that helps to understand, how the Digital Economy is measured in

Europe (European Commission, 2020). DESI index tracks the evolution of the EU Member States in digital competitiveness and summarise relevant indicators on the EU's digital performance. There are several dimensions that develop the DESI index: connectivity, human capital, use of internet, integration of digital technology, digital public services (see Table 1).

Table 1. DESI index five dimensions (Source: European Commission)

No.	Dimensions		Dimensional subsystems
1		CONNECTIVITY	fixed and mobile broadband, prices
2		HUMAN CAPITAL	Internet use, basic and advanced digital skills
3		USE OF INTERNET SERVICES	citizens' use of content, communication, online transactions
4		INTEGRATION OF DIGITAL TECHNOLOGY	business digitalization, e-commerce
5		DIGITAL PUBLIC SERVICES	e-government, e-health

Every dimension is important – after a specific period of time, the EU carries out the studies to determine where each member state of the EU stands. For each EU Member State, the reports made by the EU every year, helps to understand, how the country has developed in the above-mentioned aspects. It also contributes to the process of understanding, what should be improved for each Member State.

Analysing the case of Latvia, the latest data show the developments in year 2020, however, the latest detailed report has been made in 2019 that emphasizes how these above-mentioned sections have developed. For each country, DESI index is being recalculated in order to see the changes and developments. Among 28 Member States, in 2020 Latvia ranks 18th among the all-EU Member States. (see Figure 1). Comparing the results of DESI in 2019, Latvia has slipped three places down. The data show that digital skills in Latvia do not reach the average European level. In our country this indicator is 75%, the European average - 80%, but, for comparison, in Lithuania - already 93%. On the positive side, the quality of e-government services has continued to improve over the past year, there is very good broadband coverage with high-speed, high-performance networks, and the country has already been allocated spectrum for 5G (European Commission, 2020). It rose higher due to a slight improvement in performance in several DESI areas. It can be seen that there have been successful developments in recent years due to the widespread availability of high-speed fixed and mobile broadband networks and the increasing use of e-government services. Furthermore, digital public services and connectivity are working well in Latvia. However, the business sector in Latvia still lags behind the average indicators in the European Union - both in the field of human capital and in terms of technology integration. It is estimated that almost half of the population lacks basic digital skills.

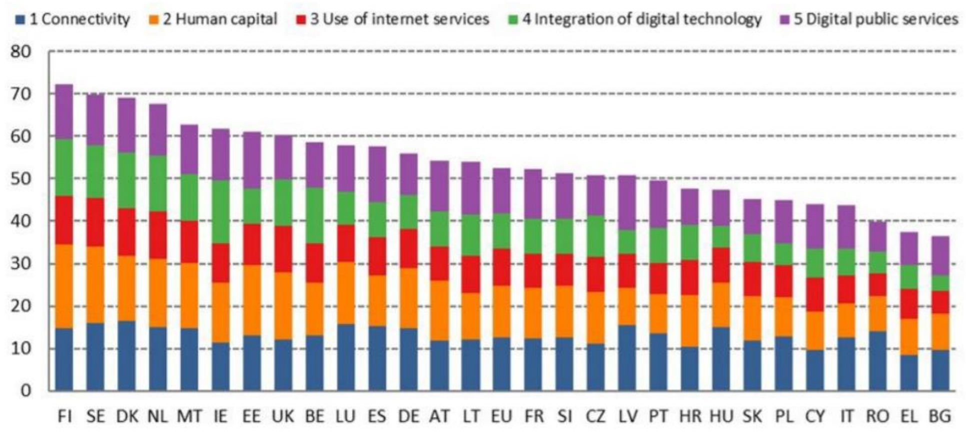

Fig.1. DESI index Europe, 2020 (Source: European Commission)

Although Latvia has made progress in the field of digital public services, there is stagnation in the use of technology among companies. This is attributed to the fact that Latvian companies do not make sufficient use of all the opportunities offered by e-commerce. Needless to say, this dimension can be mentioned as one of the stagnation points regarding the Corporate Social Responsibility. As we understand that CSR stands for the development process as well, this aspect can affect the company's ability to become competitive among the large businesses in the international arena. The connectivity, which is mentioned as the first section, stands for fixed broadband coverage, mobile broadband coverage and prices. Successful progress can be seen in the growing number of people who are more active in using various e-government services. Analysing Latvia's performance in the context of connectivity, Latvia is seen above the EU average. In recent years, this pace of progress has remained well in line with the EU average. Latvia's effective aspect has been its ability to successfully develop several tools that other countries have not developed so far.

Analysing the overall **connectivity** in 2020, it is clear that there is higher progress needed. Much work remains to be done to meet the needs that are currently necessary during times of crisis. Member States, including Latvia, are currently working to achieve the transposition of EU Greater progress that is also needed in the context of digital skills. This has been demonstrated by the Covid-19 crisis, which has called the society to switch to the digital environment quickly and efficiently. Although we see that Latvia is able to develop together with other member states, it is also necessary to develop more tools to improve this process of digitization in Latvia as well. In the context of the European Union, a large proportion, around 42%, still lack basic digital skills (Jekabsone, 2020; Gudele, 2020).

The next dimension is **human capital**, where Latvia ranked in the 21st position among the EU Member States. However, in the 2020, Latvia ranked as the 24th, it must be said that here Latvia unfortunately ranks below the EU average, as well as no significant development has been achieved in the recent years. This figure is low, with only 48% of the population having basic digital skills. Furthermore, in the context of advanced digital skills, there is an even wider gap with the rest of the EU. Several aspects are essential for the successful development and progress of human capital. It does not just depend on strategy. It includes a number of important measures - including guidelines for the development of society and education, as well as Latvia's cyber security strategy. In the context of the EU, there has been a progress and improvement in the internet user skills, as well as in the advanced skills.

The use of **Internet services** is the next aspect that is considered in the context of the DESI index. Here, Latvia ranks slightly below the EU average. However, in the context of the pandemic and the Covid-19 crisis, there has been a significant increase regarding the use of internet over the last year. The use of video calls has increased the most, where both employers and companies organized their work with the help of various video platforms. Looking at this aspect, it must be said that the ability of companies to provide work remotely through the various uses of this platform is assessed positively.

The next dimension of the DESI index is the **integration of digital technology**. In 2020, Latvia unfortunately ranks only 24th here, which shows the need to understand where Latvia's biggest challenges have developed. Analysing the overall EU data, it is clear that the companies have become more and more digital - the biggest companies have taken the lead. 38.5% of large companies use advanced cloud services, while 32.7% also use large data analytics. However, there are many who do not yet take advantage of these advanced technologies. Looking at e-commerce data, it can be concluded that in 2019, only 17.5% of SMEs sold their services online. Compared to 2016, it is considered to be only a small increase - only 1.4 percentage points. In contrast, online sales in 2019 were used by 39% of large companies. It is clear that the EU is working to improve the overall digitalisation process and the working environment in all EU countries, as these development processes depend not only on each country but also on the EU's involvement as such. To promote e-commerce in particular, the EU has put in place a range of measures and incentives. Cross-border barriers removed, cheaper cross-border parcel delivery facilitated, online customer protection protected, etc (Jekabsone, 2020; Gudele, 2020).

The last aspect of the DESI index is **digital public services**. According to EU data, there is a general trend towards the use of digital public services in both e-government and e-health. This increase in trends was seen as expected and not surprising, seeing a change in habits during the Covid-19 crisis. This trend has led to more efficient work for both different administrations and companies. It has also helped to save money, improve transparency and promote citizen participation in political processes. According to EU data, 67% of all Internet users who submitted forms to various public authorities in 2019 used online channels, a significant increase since 2014. This shows that using Internet services is much more convenient, faster and more profitable. It must be said that Latvia has shown one of the best results in this dimension. After analyzing all the dimensions, (see the Table 2) to understand the progress in Latvia, Lithuania, Estonia, and in the EU.

Table 2. DESI index progress in the Baltic States and EU – score and rank, 2018-2020 (Source: European Commission)

	2018		2019		2020	
EU28 average	46,5		49,4		52,6	
	Score	Rank	Score	Rank	Score	Rank
Latvia	46,8	15th	49,9	15th	50,7	18th
Lithuania	49,4	12th	51,8	12th	53,9	14th
Estonia	55,7	5th	58,3	5th	61,1	7th

Table 2 above emphasizes how the DESI index has developed during the past three years in the Baltic States, as well as in the EU in general. The results show that in the each country DESI index has increased, meaning that all dimensions have progressed by the time. Estonia has shown the best results among all three countries, ranking 7th in the EU. Although, Latvia ranks the lowest between all three countries, it still has a great increase and developments regarding the DESI Index dimensions. Looking at the DESI index, it must be acknowledged that over the past year, each country has experienced various challenges, including Latvia. This index is vital for the development of the digitization process in each country. Several entrepreneurs and companies are still looking for the right ways to promote this digitization process during the pandemic. In order for a company to call itself digitally successful, it is necessary to develop in several directions, including the correct use of resources, adapting them to different business needs, as well as learning about different IT systems. It is important to understand, why Latvia has not reached the average DESI index level among the EU Member States. Maris Sperga, business development director of technology and entertainment company Tet Data Center, says that Latvian entrepreneurs do not want to risk new, as yet unknown solutions. There is a tendency for companies to have this ''waiting tendency'' - to allow new tendencies to be tried by other, most likely foreign companies, and then only apply them in their practice. Sperga emphasizes that such an approach is not considered a successful strategy in the world of technology. Great caution and stifling modernization do not allow Latvian companies to develop successfully and become internationally competitive. Although local companies have relatively wary of different IT options, the complex pandemic time has contributed to quite successful business development in the field of digital skills. People have increasingly started to learn the business environment - have significantly increased domestic registration. In March 2020, Latvia was registered by 30% of domains more than usual. (Day of Business, 2020)

Corporate social responsibility significantly goes hand in hand with digitization processes. When walking and developing new trends, companies must be able to adapt to new circumstances. Data protection in the digital age is considered as one of the priorities. Although the importance of cyber security is increasing, third of Latvian enterprises important information is stored not in external servers, but on the office computers. If these devices are lost or damaged, the data is almost irretrievably lost, which also affects the customer's loyalty to business. It should be noted that one of the successful solutions is the storage of files on a virtual server, called ''a cloud''. It is a flexible service where you can store databases, as well as data backup copies, Internet sites, etc. Although this type is considered very safe, it is still used by a small part of businesses. (Zozulakova, 2019; Orbik, 2019)

Last but not least, it is clear that Latvia's business environment is developing by the time. There have been successful achievements among Latvian companies and entrepreneurs that have proved their ability to be competitive enough among the global actors. However, Latvian entrepreneur lack of use of tools that would increase the competitiveness among other international players. Although the pandemic has significantly affected the global world, digitalization process has developed.

Research Methodology

The research methodology consists of a set of purposefully selected, mutually compatible and complementary methods, which in this case is subordinated to the principles of corporate social responsibility during pandemic, including digital social responsibility in companies.

The research is designed as a systematic review, including searching databases and organizations – ResearchGate, European Commission, Latvian Information and Communications Technology Association, Cross-Sectoral Coordination Centre Republic of Latvia, etc.

Research limitations. The research is based on a scientific research analysis method (deduction, synthesis, induction, deduction, critically creative) analysing principles of corporate social responsibility, including:

1) analysis of the principles of corporate social responsibility during the pandemic, including digital social responsibility in companies – how the pandemic has changed the labour market, and how the principles have changed and dominated during the new conditions. (Governmental offices, European Commission Reports);

2) importance of the corporate social responsibility - a whole framework of events and procedures that encourage the entrepreneurs and society to develop socially responsible entrepreneurship. CSR is an important tool to develop internationally competitive labour market;
3) corporate social responsibility and digital reality – the most important factors of global competitiveness in the modern business environment. Two processes that interact between each other. DESI index, structured in five aspects, helps to measure the development process;
4) CSR transforming CSDR – Corporate Social and Digital Responsibility. Socially and digitally responsible entrepreneurship goes hand in hand, and such interactions must ensure participation in the provision of working and living conditions for both the company's employees and society as a group. (European Commission, Council of Europe, European Parliament, Ministry of Economics of the Republic of Latvia, Cross-Sectoral Coordination Centre of the Republic of Latvia, The Ministry of Welfare of the Republic of Latvia, LIKTA);
5) Business survey - 50 small and medium-size entrepreneurs and companies were interviewed. 80% from the survey participants, employ up to 50 employees, 43% entrepreneur turnover does not exceed the 500 000 *euro*/per year. Four questions were asked to entrepreneurs about barriers they face regarding the modernization / digitization in small and medium-sized enterprises. Also, questions regarding the key benefits of modernization/digitization, modernization/digitization areas and planned investments in modernization/digitization;
6) Expert opinion on digitization processes in Latvia (Peteris Vilks, Head of the Interdepartmental Coordination Center; Maris Sperga, business development director of technology and entertainment company Tet Data Center).

Within the framework of the research, methods of analysis and deduction are used to reveal the degree of concentration of digital principles in the socially responsible business environment. There are five measurable principles – Connectivity, Human Capital, Use of Internet Services, Integration of Digital Technology, Digital Public Services.

The method of synthesis and induction, as well as the logical approach, is applied in assessing the effects of the application of the principles of digital reality of corporate social responsibility, considering the new circumstances caused by the pandemic to the labour market.

The deduction and induction methods are for acquiring new knowledge and discovering regularities, an indispensable tool in the identification of the economic environment and the elements forming its competitiveness, in determining the advantages and disadvantages, as well as in determining the causal relations of the processes prevailing in the economic environment and the effects.

A critically creative method is applied to the presentation of the results of the research, revealing the elements of digital reality included in the corporate social responsibility.

Research Results

Although pandemic has caused a loss of more than 195 million jobs, businesses and companies around the world have been able to adapt to the new conditions and provide work remotely.

Digitalization is an important aspect to the business environment to become internationally competitive, stable and successful.

After analysing several opinions stated by the experts, the global pandemic has brought new opportunities for the companies to develop their digitization skills, which is seen as an advantage to the business environment.

Analysing the data by Latvian Information and Communications technology association (LIKTA), 43% of the companies and entrepreneurs have been able to provide remote work for their employees during the pandemic.

According to statistical data, it can be concluded that remote work significantly affects the psychological condition of employees. As the pandemic has affected the human psyche, some of the experts recommend not to evaluate the effectiveness and benefits of the remote work for this moment.

Corporate Social Responsibility is an important practice that includes many aspects in order to achieve successful business. It is a whole framework of events and procedures that encourage the entrepreneurs and society to develop socially responsible entrepreneurship.

DESI index is one of the important tools that helps to evaluate the interaction between Corporate Social Responsibility and the Digital Reality.

Although Latvia has made progress in the field of digital public services, there is stagnation in the use of several technology tools among the companies and entrepreneurs.

Needless to say, in order to develop the digitalization process in Latvian businesses and to become more competitive internationally, it is important for companies to take risks in trying new solutions that would help Latvian entrepreneurs to become more competitive.

Although we see that Latvia is able to develop together with other member states, it is also necessary to learn and use more tools in order to improve the process of digitization in Latvia as well.

Needless to say, it is clear that the EU is working to improve the overall digitalisation process and the working environment in all EU countries, as these development processes depend not only on each country but also on the EU's involvement as such.

Analysing the business survey data, 43% of respondents, emphasize that there are luck of funds regarding the modernization / digitization process in small and medium-sized enterprises. Furthermore, 33% of the respondents say that companies have not adapted the specific solutions for their businesses, and 12% from respondents do not have enough understanding and knowledge regarding these processes.

Although, there are several benefits that emphasize the benefits modernization has developed. 92% of respondents say that these processes have decrease the time spending regarding specific activities. 83% emphasize that there's more time needed to increase the competitiveness. Higher productivity, reduced labour, production and other costs are mentioned as other benefits for modernization/digitization.

The survey results show that modernization / digitization process have been developed in many areas and procedures, including customer service, administration of document or decision flows, marketing, customer data processing, payments, etc.

In order to increase the digitization process, 69% from the respondents say that they have used their own funds. Only 20% have attracted the external financing, using offers from financial institutions, EU fund, banks and state support programs. Last but not least – 10% from the respondents do not plan to invest or have not made their decision yet.

Conclusions

The new everyday life during pandemic – remote work, remote provision of goods and services not only poses new challenges for companies, showing both pros and cons in the work processes and organization, but also requires the need to improve the social and digital dialogue model as well as to encourage entrepreneurs for not only socially, but also digitally responsible business environment.

After doing a research on digital reality and corporate social responsibility during pandemic, a number of findings can be drawn. The last year has significantly affected the whole world, as well as changed several aspects in the context of labour market. Employees and employers had to switch to remote work efficiently and quickly, providing quality service to consumers and good conditions to employees. Although, it caused many challenges and unexpected situations, many countries, including Latvia, successfully managed to switch the work rhythm.

Furthermore, a crisis management plan or a restructuring plan for each sector emphasizes the following development aspects - social and digital dialogue between business and society, improving the company's internal processes in digital reality, as well as changes in regulations - external regulatory enactments and internal regulation.

Corporate social responsibility and digital reality are one of the most important factors of global competitiveness in the modern business environment. CSR has been an important tool and aspect in order to increase the development in labour market and to achieve successful and competitive business in the international system. Analysing the CSR developments in Latvia, it can be concluded that for Latvian entrepreneurship it would be significant to increase the awareness of CSR among employees and employers. The pandemic has emphasized that CSR goes hand in hand with the digitalization. Understanding the importance of digitalization as part of the successful business in 21st century, it is vital for entrepreneurs to work on develop their digital tools and skills. This aspect emphasizes that the hypothesis of the research paper – ''with the development of digitalization, it is becoming part of a culture of corporate social responsibility'' can be confirmed.

Corporate Social Responsibility (CSR) transforming Corporate Social and Digital Responsibility (CSDR) because of the modernization and digitization processes. This procedure has been socially and digitally responsible entrepreneurship that goes hand in hand, and such interactions must ensure participation in the provision of working and living conditions for both the company's employees and society as a group.

According to the results of the DESI index, it can be concluded that Latvian entrepreneurs do not use all the opportunities offered for the development of digitalisation, which thus creates stagnation for the CSR. However, the digital skills in Latvia do not reach the average European level in 2020, the quality of various services and tools is developing. In order to increase the digitalization development in Latvia's labor market, there must be more educational seminars and instructions for the society group that lack the digital skills. Although Latvian entrepreneurs and companies often wary to take risks with the use of new solutions in the work process, the conditions of the pandemic have contributed to the successful development of digital skills.

To conclude, it is clear that digitalization is an integral part of the labour market in the 21st century. To be internationally competitive, especially during pandemic conditions, it is vital for each business to develop their digital skills and to educate their staff. Even when the pandemic ends, the digital era will be growing and the whole business world has to be ready for new discoveries and challenges.

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Michael A. Radin, Natalia Shlat. THE PECULIARITY OF VALUE ORIENTATIONS OF TEENAGERS IN RUSSIA

Abstract

Research purpose. The article's goals were to analyze the value orientations problem of today's teenagers in Russia. The authors' aims are to introduce the concepts of "value", "value orientations", "introduction of values" and to clarify the value orientations' status among the teenagers' personality structure and their role within the sociocultural space and within the development of their value system; these include educational values, creating an amiable educational, and developing social and working environment and leadership values. The article will explain and emphasize the results of an analysis of value orientations of Russia's teenagers based on the reviewers' summary findings during the 2015–18 period. The authors will also indicate the tendencies in the value orientations' changes that emerge among teenagers and will share the results that render specific dominating value orientations that resemble the teenagers in Russia (students between 14–17 years old).

Design / Methodology / Approach. Our methodologies are based on the questionnaires that were designed and deciphered with the help of the students studying in the "Educational Psychology" program at Pskov State University Department of Education. The high school students in the 9th, 10th and 11th grades were asked to participate and answer specific questions in the questionnaires. These questions can be found in Tables 1 and 2. Teenagers between the ages of 14–17 years old in 9th–11th grades were chosen to participate in the questionnaires as it is the ideal time period of their development of adolescence period and while their horizons widen with their youth worldview attitudes. There were slightly more girls than boys in our conducted study.

Findings. Throughout our studies we discovered the first priority of today's teenagers is the value of personal happiness and a financially secure life. In addition, we found that teenagers' desires are to dress well, obtain a good education, having free time for hobbies and social life and to live in prosperity. Our study also concluded teenagers' priority includes good friends as their peers and are a preference group with whom they feel comfortable and secure sharing about their life plans, first love and hobbies. Self–confidence also ranked as a priority within the hierarchy of values as teenagers today feel insecure and are characterized by self–doubt.

Originality / Value / Practical implications. The originality of our research focuses on the certain orientation of values among the teenagers in Russia and aims on the priorities of their value orientations. In particular, we designed a distinct questionnaire that remits and examines specific ranks and priorities of teenagers' value orientations. This then directed us to understanding about the decision making and about the life's goals. Moreover, the results of this study can be used as the basis for the development of relevant content for a regional education internship program or a school education program, which is a mandatory document for all secondary educational institutions within the Russian Federation.

Keywords: Value; value orientations; implementation of values; introduction of values; school age.

JEL codes: I2; O3.

Authors:

Michael A. Radin, Ph.D. Associate Professor of Mathematics, Rochester Institute of Technology (U.S.A). E-mail: michael.a.radin@gmail.com

Natalia Shlat, Ph.D. Associate Professor of at the Department of Theory and Methodology of Primary and Preschool Education of Pskov State University (Russian Federation). E-mail: NataliaShlat@gmail.com

Introduction

A change in society's values and attitudes is manifested by substantial reassessment of the moral foundation of life in today's society, especially due to the absence of university accepted patterns of culturally approved behavior due to numerous factors (Platanova &

Semyonov 2018). The transformation of life's values and the attenuation of the upbringing functions of the "school–crisis of values" is observed, which is then accompanied by the dominance of individual values, the meaning of life orientations of individual values and the meaning of life orientations of individuals. As a result, this becomes a multi–tasking challenge for teenagers to acclimate to the new local and global changes while they are in process of developing their moral values and expanding their experiences.

The federal policy within the Russian educational field is described in its' Federal State Educational Standards (Platanova & Semyonov 2018), which is based on a system–activity approach aimed at developing personality traits on the basis of foreign influences and globalization. In addition, the content outlines the teenagers' focus on society's expected value system and is developed by the following educational themes: self–education, work, creativity, health, safe and secure life style values, patriotism, leadership tasks, etc. It is pertinent to notice the strengthening and improvements in the regulatory documents of these current values such as love for motherland (patriotism), respect for other cultures and dialogue of cultures, and education and careers as it will guide teenagers to accept challenging leadership tasks and become future leaders within Russia and on the international level.

Today's teenagers are experiencing the reformation of the traditional Russian values which are influenced by the actively propaganda media that includes the film industry, internet and foreign influence. As a result, a conflict of interest emerges between the new values in comparison to the traditional values such as: same–gender families, respecting the authority and moral values of adults and more experienced people versus self–expression, freedom versus permissiveness and shame versus sexual promiscuity (Platanova & Semyonov 2018).

According to Ovsyanik and Seleznev (2017), the synthesis of fragmentary impressions, scattered experiences of behavior and activity which provide a common scale of values occurs throughout the life span. However, it generally emerges most intensively during teenage developmental years. At this critical age, the foundations of a world value relationship are developing and the patterns of behavior are assimilated together with their corresponding assigned values.

Studies have illustrated that the value orientations of today's teenagers vary and depend on the educational level, social status, regional factors, and membership in a national–ethnic group and religion (Kezina & Kondakov 2015; Sukhina 2015). It is essential to notice that the principles of the new cultural changes and educational reforms have not blended together with the traditional values such as family, friends, childhood, religion and commitment in achieving results. The priorities of collectivism and human equalities have not been completely dismissed from the massive and individual Russian consciousness while the material values are changing (Platanova & Semyonov 2018).

The choice of life's values is always associated with the choice of lifestyle and the relationships with other people and the world. In his book "Pedagogical Humanology", the German philosopher and educator Hermann Nohl observed that everyone should have a metaphorical interpretation of life to come and to envision themselves in their place in this world (Nohl 1938). This is a resulting image of the developing values that depict happiness, sadness, love, envy, faith, patience, success, and wealth, which outline an eternal perspective and design an individual's biography and faith.

According to (Stepin 2015), the human world knowledge (objective, actual descriptions and explanations of known realities) and self–comprehension always include an axiological component. As a result, the value approach to education lets us choose the right path to developing and enhancing the human culture and leadership.

Values' orientations are vital factors that prompt a person to make decisions and to accept leadership tasks. The developmental degree of value orientations serves as a method of determining the level of personal development. As mutual understanding conditions, value orientations imply a comparison of the present and the past, accepting other people (completely or partially), that is, being flexible and understanding that the other person has the right to be as himself/herself without criticisms or judgements. In addition, comparing a measure of similarities and differences of individualities.

As the system of personal and moral reasoning and intuition develops actively during the school–teenage period and as the teenagers react very sensitively and robustly to local and global social changes. A special focus is emphasized towards the teenage senior school age in order to study the value orientations problem of an individual in deeper details.

The aim of the study is to discern the originality of teenagers' value orientations and priorities whose ages range between 14–17 years old. The data was collected from the city of Pskov Municipal Budgetary Educational Institution and the Russian Ministry of Education. The research methods include the analysis of the scientific data, comparative analysis, testing and questionnaires. Our research sample was conducted with interviews of 240 teenagers between 14–17 years old that consists of 115 boys and 125 girls. The questions were asked about their orientation values and priorities (see Table 1 and Table 2 for more details).

Literature Review

During the developmental years of axiological science, various views emerged regarding the essence, nature, structure and functions of values. In fact, there are currently more than one hundred definitions of values in the scientific literature that guide us to the conclusion that the problem of values and priorities continues to be widely studied in Russia and in other countries. We can classify values based on various grounds by (Fedosova 2009).

The social foundation was established by Ossovsky (1985) that addressed the values–norms and values–objects. In particular, Soloviev (2012) studied the spiritual, intellectual and social values, while (Tugarinov 1960) described the values of life, culture, and leadership.

The personal significance of values, their role in self–assertion and self–realization is mentioned in the works of (Rokeach 1973), who distinguished two classes of values: t**erminal values** that address conviction and goals and **instrumental values** that remit conviction–quality or actions. Schwartz (2007) dedicated his research on defining a universal set of values and the structure of their interconnections. According to Schwartz, people apply values to assess life events, other people, themselves and most important of all, in decision making. Essentially, preferred values reflect on an individual's well–being. He also established the Schwartz Value Scale (SVS). In fact, SVS rejects the simple classification values by Rokeach which are divided into finite instrumental values and determines the structure of motivation factors. Among similar topologies, the value systems of (Fedosova 2009) can also be remitted. It is stated by (Gurevich 1994) that "a value is a personality–colored attitude to the world, arising not only on the basis of knowledge, but also of one's own life's experiences". Our life's experiences expand our local and global horizons of apprehensions of diverse issues that occur on a frequent basis.

Anisimov (2001) and Rogova (1996) indicated the fundamental nature of universal values as the aspects of the hierarchy of values, under which they strived to establish certain choices of values' priorities. According to (Rogova 1996), people's values and desires preserve humanity, provide suitable life conditions, and enhance teenagers' development and happiness. Some authors correlate values with leadership and decision making (Maslow 1999).

In the social and the scientific world there is a common view of what are the most important values and what are the universal ideals. It is however challenging to predict and design the future values. Nevertheless, at times society accepts virtues of a man, kindness, health, justice, love towards a neighbor, and honesty as permanent human values (Luzina 2000).

The historical aspect implied two approaches relative to the definition of value; an **objective approach** and a **subjective approach** (Fedosova 2009). The criterion of teenagers' classifications (Fedosova 2009) can be viewed as objective characteristics. On this basis, values are divided into material and spiritual categories and pinpoint society's distinct values.

The values' aspects can be interpreted as a holistic phenomenon as a positive and a negative importance that describe the corresponding positive and negative values (Fedosova 2009; Sukhina 2015). By following the analysis of values' nature in various concepts, Sukhina (2015) concluded that a value system with an anthropomorphic meaning has a positive or negative significance for an individual. In fact, for each value the opposite anti–value can be found. For instance, significant examples of ethical values that include (right vs. wrong), (good vs. evil), (justice vs. injustice) and aesthetic value such as (beautiful vs. ugly). Ideas regarding those values or additional values are the product of people's direct contact and experiences with the outside world that enhance personal experiences and broaden their horizons.

Bolnov (1999) described the substantive aspect of education and rendered the following groups of values: the values of everyday life (frugality and diligence), the values of human relationships (respect, compassion, and tolerance), the values of higher sphere of spiritual life (sensitivity, ability empathy), and Christian values (faith and love of a close one). In fact, he considered these values as vital criteria for effective leadership and decision making.

Scientifically there is an atypical interpretation of single and unique values in their essence. According to Schwartz (2007), value such as intuition is indisputable as it allows you to assert creative ideas, make the right decisions and guides to effective and flexible leadership. In addition, it guides to a direct path to turning ideas into reality.

Bubnova (1999) proposed a value orientation model that consists of three degrees: values–ideals (internal and social values), values–properties and values–methods of activity.

According to the conclusions of (Luzina 2000), the meaning of value is not connected with an idea, but instead is intended to guide an individual to his/her life orientations. Hence, individual values serve as life's benchmarks for each individual and are based on experiences, talent and upbringing. In addition, it enables each individual to distinguish the world of phenomena into essential, meaningful, and significant values. These choices represent the value orientations. In other words, value orientations are an individual's preference and priority for certain values.

In consonance with the results of the research by Arkhipova (2010), values serve as a vital part of the ideological foundation on which an individual subsequently establishes his/her life within the society; in fact, they are determinants of the strategic levels of socialization which direct to efficient decision making and leadership (Arkhipova 2010). Pursuant to (Fedosova 2009; Ivanov, Khusainov & Litvinov 2014), individual's value orientations are developed during the interaction process of sociocultural–external conditions (value content of the environment) and individual–personal characteristics (age, typological, and socio–psychological). The sociocultural factors during the development of an individual value system include family, school and the mass media.

As indicated by (Kodzhaspirova and Kodzhaspirov 2003) value orientations are each individual's selective attitude to material and spiritual values, the system of his/her attitudes, beliefs, and preferences expressed in their consciousness and behavior. The guided orientation to a concrete value is only possible when an individual has a desire to master it; considering not only what is essential but being aware of his/her own opportunities. For instance, J. Piaget (Farwell 1967) singled out the stage of moral realism during the formation of an individual's value orientations as the basis of his/her moral development. In fact, the values are norms postulated by society and their undoubtable consequences are the stage of moral realism (in this context, values are relative while the individual's intentions dominate). On the bases of Piaget's principles, Kohlberg (1994) noted that the vital criteria for moral maturity is the highest level of achievement of moral development that distributes the adoption of universal ethical principles and the foundations of new moral values by the individual's personality and his/her own ethical concepts.

The concepts of value orientations, life's goals and the meaning of life are closely related to life's meaningful orientations and are interpreted as the result of awareness of values, goals, and the meaning of life (Ovsyanik & Seleznev 2017).

Teenage value orientations are based on the principle that each individual has his/her own beliefs and his/her own socially endorsed system of values that are shared by many people as a model of standard necessities. The development of the quality of teenage value orientations are especially vital in order to succeed in a multicultural society and effectively perform leadership tasks. Teachers play a significant role during the development stages of teenagers' subjective position and the formation of a system of value orientations and leadership while they learn the meaning of abstract values' categories such as friendship, consciousness, mercy, and joy (Pashinina & Popov 2017).

In their study, Pashinina and Popov (2017) concluded that the interpretation of value orientations of today's teenagers correlates with their categories and functions as an evaluative attitude of a person (group) together with the aggregate materials and spiritual benefits, which then guide towards individual or group goals. Orientations' reflections are the subject's attitude to the individual's well–being, which is a result of consciousness and evaluative choices of vital subjects and objects.

Methodology

Our methodology was established based on the questionnaires that were thoroughly designed by the students in the "Educational Psychology" program at Pskov State University Department of Education. Throughout the study, the value orientations quality methods of Rokeach modified by Leontiev and the questionnaire of Senin (1991) "Fatherland" (Karymova & Romanova 2015; Leontiev 1992) were applied. The sample consisted of 240 teenagers between 14–17 years old; 115 boys and 125 girls. In addition, our research methods include the analysis of the scientific data, comparative analysis, testing and questionnaires.

The questionnaires were analyzed by specific teacher–psychologists and students studying in the "Educational Psychology" program at Pskov State University Department of Education. The questionnaires were then distributed to high school students in the 9^{th}, 10^{th} and 11^{th} grades. The questions can be found in Tables 1 and 2. Teenagers between the ages of 14–17 years old in 9^{th}–11^{th} grades were selected to participate in the questionnaires as it is precisely the ideal time period of the development of adolescence and youth worldview attitudes. There were slightly more girls than boys in our conducted study. We also obtained data from the city of Pskov Municipal Budgetary Educational Institution and the Russian Ministry of Education.

Furthermore, the primary aim of the study was to identify the originality of teenagers' value orientations and priorities (ages between 14–17 years old). The research methods include the analysis of scientific data, comparative analysis, testing and questioning.

The ethical considerations of our study were aimed towards the improvement of the educational process quality within the Russian educational system. In fact, when a student enters a high school in a Russian educational system, his/her parents agree to fill out various forms that render the student's interests, activities, current academic progress, the student's leadership skills and future goals. Our methodology then directed us to the following results.

Results

The findings of the *Rokeach test of value orientations* (summary of the results is presented in Table 1) indicate that the priority of today's teenagers is the value of personal happiness and a financially secure life. The results indicate that teenagers' desires are to dress well, obtain a good education, having free time for hobbies and social life and to live in prosperity.

First of all, we discovered that value orientations are one of the most crucial personality characteristics and functions as their central and principal component determines the subject's relatively stable selective attitude towards the surrounding reality with significant influence on the choice of behavior.

Second of all, we concluded that a priority for teenagers is having good friends as their peers and are a preference group with whom they feel comfortable discussing their life plans, first love and sharing hobbies. In addition, we concluded that strengthening the dynamics of social contradictions sharpens the current generation's value–semantics and self–determination issues, which are certainly vital for decision making and effective future leadership.

Self–confidence ranked as a third priority within the hierarchy of values. This is due to the fact that teenagers today feel insecure and are often characterized by self–doubt. This is reflected by criticizing their own appearance, the insufficiencies in establishing constructive interactions with adults and the insufficiencies in solving their problems and making decisions independently without their parents' and friends' influence and assistance.

The hierarchy of value orientations emerges with the following structure: proceeding with the 4th rank as interesting work, 5th rank as health (perhaps with the influence of public opinion), 6th rank as value of love, and the 7–8th ranks include the adolescent system of value orientations, the values of individual self–realization, freedom, creativity, cognition, and active and productive life. In addition, teenagers today are also concerned about a cheerful lifestyle (9th–11th ranks) as they desire to live a productive life with active entertainment. Moreover, while considering the system of values, it can be seen that the 12th rank corresponds with a happy family life as teenagers are not serious about marriage and family.

Based on the view of Schwartz (2017), the desire for a family may indicate a lack of autonomy for young people and a lack of independence (financial and moral) as well as a low educational level. On the other hand, within the context of the Russian culture realities, this desire emphasizes the presence of a certain level of spiritual and moral adolescent development (Platanova & Semyonov 2018). This due to the fact that their family value attitude is a sign of human involvement in the traditional Russian culture and renders a reflection of the primordially Russian mentality.

Table 1. Ranked place in the system of terminal values in the group of teenagers

№	Terminal Values' Orientations	Rank
1	Financially secure life	1
2	Having good and faithful friends	2
3	Self–confidence	3
4	Interesting job	4
5	Health	5

6	Love	6
7	Creativity and freedom	7
8	Cognition	8
9	Active life	9
10	Productive life	10
11	Entertainment	11
12	Happy family life	12
13	Life wisdom	13
14	Development	14
15	Happiness of others	15
16	Beauty of nature and art	16

Values such as social recognition and wisdom rank 13–14th in the system of terminal values as teenagers are not fully independent in their decision making and are not yet ready to accept leadership tasks. In fact, they are still not aware of the social success value. Values such as development is also of some concern to teenagers and therefore ranks 15th. Due to the predominance of egoistic tendencies, teenagers do not think about the happiness of others and hence rank 16th. The choice of beauty of nature and art is insignificant as this value orientation does not contribute to individual self–realization.

While analyzing the results with the Rokeach test (1973) (summarized data is presented in Table 2), it can be concluded that teenagers today understand why education is essential (especially higher education) as it leads to interesting work and a prestigious profession with challenging leadership tasks (Ovsyanik & Seleznev 2017). Value orientations assigned in the 3rd–8th ranks reflect the specifics of teenagers; in particular, their internal desire to become adults and leaders with lack of experience and with insufficient and insignificant values such as rationalism, diligence, open–mindedness, and business efficiency.

Moral values such as tolerance and sensitivity place in the last rank within the teenagers' system of value orientations; this is a common trend as the significance of material values and moral values are gradually diminishing.

Table 2. Ranked in the system of instrumental values within the group of teenagers

№	**Terminal Values' Orientations**	**Rank**
1	Education	1
2	Nurture and discipline	2
3	Intransigence to flaws and wrongdoings	3
4	Cheerfulness	4
5	Honesty	5
6	Responsibility	6
7	Independence	7
8	Strong will, courage in upholding views	8
9	Self–Control	9
10	Performance	10

11	Open–mindedness and rationalism	11
12	Work efficiency	12
13	Tenderness (care)	13
14	High queries	14

The results of the *questionnaire by I.G. Senin "FATHER"* suggest a similar tendency in the teenagers' preference relative to the results of the described test above. Note that the highest score was obtained on a scale of high financial standing and achievement connected together with the choice of a prestigious profession. Furthermore, active social contacts with friends and with the most significant people whose opinions they value are also pertinent for teenagers. Creativity ranked 6–8th in the system of teenage value orientations. This is due to the lack of independence, orientation leaning towards others' opinions and spiritual satisfaction.

From the analysis of the acquired results on the scales of life spheres, it can be seen that teenagers prioritize the field of education and training in the first rank and public and family life in the last rank; this is due to the fact that marriage during younger years is a rare trend in Russia today.

In consonant with the results of the research conducted in the value orientations of today's teenagers, a number of traits can be found that emerged in earlier studies by several Russian scientists (Zakharov & Borisova 2018; Karymova & Romanova 2015; Penkov 2015; Selezhev & Ovsyanik 2017) and (the National Russian Center on Public Opinion Studies 2018).

The first trend: the significance of moral and ethical traditional values diminishes as the value of personal happiness, self–realization and success in society is the primary priority of today's teenagers (14–17 years old).

The Second Trend: for today's teenagers (14–17 years old), the most essential issues are of their own existence, material values and the values of individual self–realization. It is evident that the corresponding values to parameters that reflect attitudes towards other people such as sensitivity and tolerance are of minor importance.

The Third Trend: for teenagers (14–17 years old), the most significant rank renders the values of high material standing and achievement that lead to successful leadership skills. On the other hand, the significance of preserving their own individuality and spiritual satisfaction ranked lower.

The authors therefore agree with other researchers regarding the widespread opinion that addresses the pragmatic practice of values by today's teenagers as their values. These value include self–realization, stimulating and challenging work, material wealth, and approval of thoughts and actions by close people and friends. These values portray a very active and proficient part of the new generation and different thinking in comparison to their parents' generation. It is essential to emphasize that the practiced and prioritized teenagers' values today depend directly on those values that are currently cultivated in society locally and globally. The hierarchy of the value system changes from generation to generation, in the meantime, several universal human values such as health, education, peace, and freedom remain unshakable.

While analyzing the results on the scales of life's values, the authors concluded that education, professional life and challenging leadership roles are the most relevant value criteria during this vital teenage period. On the other hand, family and social life rank as a lower category of significant values' criteria for today's teenagers.

The authors can make preliminary conclusions regarding the ambiguous impact of the current socio–cultural conditions based on the value orientations of today's teenagers. In fact, they emphasize the priority rank of self–actualization values, do not distort their desire to interact with loved ones and friends, and support their orientations that guide to leadership and to their goals and needs.

The obtained data suggests that it is essential to study the value sphere of today's teenagers more in depth in order to identify the pedagogical tools (methods and forms) of self–selection and appropriation of the generally accepted value system in various cultures relevant to their personal experiences.

Conclusions

Currently there has been a shift to post–modernization of values which renders the transition from materialistic to post–materialistic values such as self–expression, self–realization, and the quality of life. This is later coalesced together with values such as self–confidence, independence, communication needs, gaining courage in upholding views, amiable working environment, and performing leadership tasks. Hence these values form the basis of the post–modernization process.

During the past decades, several authors discussed the negative changes in the field of motivational–needs of the younger generations and the positive trends as well. On one hand, the positive trends include material well–being, interesting and challenging work and the presence of good and faithful friends whom they can trust. On the other hand, the negative changes render the focus towards high financial and leadership positions with lack of experiences. These were reflected in the study.

Teenagers today are characterized as purely pragmatic and with ethical and spiritual goals. It is interesting to notice that teenagers prefer well–being and on the contrary like to aim on intriguing and challenging work and the presence of good and loyal friends. It is not a coincidence that the teenagers' number of choices who classified value orientations that are connected to the material consumption such as high financial standing corresponds with the number of choices that are oriented towards value orientations of the non–consuming plan such as education, health, and creativity.

From the results of the study, preliminary conclusions can be made about the dubious impact of modern sociocultural conditions on the value orientations of today's teenagers. In fact, they emphasize the priority of the self–actualization values and do not distort the teenagers' desire to interact with loved ones and friends, and yet support their orientation needs.

The following questions pose prospects for further research addressing the unique value orientations problem of today's teenagers. What values are now practiced by teenagers and by what criteria should their significance in today's society be determined? How many values and which specific values should guide today's teenagers to success and happiness? What pedagogical methods are timely and effective for self–selection and for assigning a value system relative to their personal experiences for effective communication and leadership in society? What methods are efficient in determining the individual trajectory of the development based on a consistent system of value orientations that are intercultural and acceptable in various cultures?

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Ance Gricmane. IN THE PLACE OF DEMIURGE: LATVIAN ARTIST H. HEINRIHSONE AND ESTONIAN ARTIST J. ARRAK AS ALTAR PAINTERS

Abstract

Research purpose. This article examines the idea of Latvian artist Helena Heinrihsone and Estonian artist Juri Arrak as demiurgic creators involved in the process of making sacred art or altarpieces for Lutheran churches after the Fall of the Iron Curtain in the Baltic Sea region. PhD candidate in Art History, Mg.art. Ance Gricmane is inquiring into the artistic value and professional merit of the contemporary sacred works exhibited in the Latvian and Estonian Evangelical Lutheran churches.

Design / Methodology / Approach. The research is based on the materials found in the archive of the Latvian Contemporary Art Centre, interviews with the two artists and with theologians. Specifically, Gricmane has selected for analysis two altarpieces by each of the two artists currently on display in The Evangelical Lutheran Church in Kolka (LV) and The Halliste St. Anna's Church (EE). The pieces were made in the ’90s during political reconstruction in the Baltic states and Europe. These two altarpieces are compared with the so-called profane masterpieces each of the artists were creating in their respective workshops at the same time as the altarpieces.

Findings. It is crucial to open a dialogue about contemporary sacred artworks and, while accepting the canonical interpretation, also recognize their value from the perspective of contemporary art, painting in particular. This research shows that an artwork, although not located in a museum but instead placed in a religious setting, can still have a great impact on the viewer and their senses, advancing the understanding of contemporary national sacred treasures located in the Baltic provinces like Kolka (LV) and Halliste (EE).

Originality / Value / Practical implications. This research confirms the premise that sacred art or, in religious terms, an altarpiece can be considered a part of the contemporary art scene in the Baltic Sea region. There appears to exist a point of impact between the religious hierarchical structure and the secular consumer of contemporary art. While both of these spectator groups are interested in the particular art form and value its semiotic meaning, each of them seems to be experiencing a different effect upon viewing the altarpieces displayed in the two Lutheran churches. These two local Baltic artists are known for their secular works made in the ’90s far beyond the borders of the Baltic states; this only reinforces the idea that the altar paintings are the result of their personal interest in religion and their religious praxis, while still substantiating the claim that the altarpieces are professional and should be considered as a part of the cultural heritage of the Baltic Sea region.

Keywords: Contemporary art; altar painting; heritage; The Baltic Sea region; Juri Arrak; Helena Heinrihsone; Evangelical Lutheran church.

Authors:

Ance Gricmane, EKA University of Applied Sciences, Riga, Latvia. E-mail: gricmane.ance@gmail.com

Introduction

If we look at Helena Heinrihsone’s portrayal of *The Crucifixion of Jesus* and Juri Arrak’s *Christ* separately from their entire careers as artists, it might be difficult to understand why they have chosen to explore these stories in particular for the altars of the Kolka and Halliste Evangelical Lutheran churches (Visit Latvia; Visit Estonia, online). The Kolka Evangelical Lutheran Church was built at the request of the Dundaga baron Osten-Sacken in the 19th century, St. Anna’s Halliste church – in the 18th century (Visit Latvia; Visit Estonia, online).

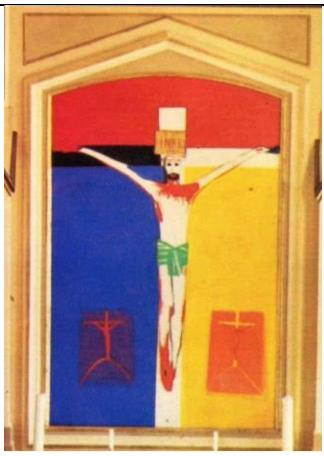
According to the principles observed traditionally, the churches built on the seashore tend to feature conceptual depictions of Biblical scenes or stories with Jesus walking on water and St. Peter sinking due to his lack of faith or Christ instructing his disciples to throw out their dragnets to finally catch fish thus bringing an end to ill-fortune. Contrary to this, Heinrihsone chooses a scene that has no connections to water or fishing. The local fishermen community might not believe the chosen subject is particularly relatable; it does not elicit familiar emotions or inspire attachment. Nonetheless, she has decided to place the emphasis on Christ's suffering on the cross.

Upon examining the artists' works of the time and placing these altarpieces in the context of their overall body of work, certain creative decisions of theirs become much clearer. At the time of creating the altarpiece, Helena Heinrihsone was working on a painting series – *Female Christ* (Archive of Contemporary Art Centre of Latvia, 2016) and Juri Arrak – on a series of linocuts. Juri Arrak has made at least six altar paintings currently located in Estonia and Canada; his art tells the story of complicated relationships between the two sexes.

Methodology

Researching all the materials located in an archive of the Contemporary Art Centre of Latvia, it was clear that Helena Heinrihsone's workshop was full of recently completed works that focus on social issues – abortions, legal and performed without anaesthesia in the Latvian Soviet Socialist Republic, in the Soviet Union and post-Soviet states (Stavro, 1993). While the artist was painting the altarpiece for The Kolka Church, she was regarding "a woman" as Christ bleeding (certain parallels can be drawn here with a woman having an abortion, or with thieves and murderers "at the right hand of Christ, and at His left" referencing the Bible, Mark 15:27-28).

Table 1. Altarpiece and artwork by artist H.Heinrihsone (Source: Archive of the Latvian Centre for Contemporary Art)

Ev. Lut. Church. Kolka, 1993 (consecrated) triptych, oil/canvas	Female Christ, Riga, 1989 oil/canvas
	

The figure of Christ conveys to humanity the forgiveness and redemption of the sins of the whole world. For these sins, God Himself had to take on mortal flesh – He became human and allowed this human body to be nailed to the cross to save humanity from eternal damnation it was headed for due to its evil deeds displeasing to God. On the other hand, in this very artist's studio, a painting was created depicting a woman who has suffered pain; her body is covered in cut wounds, her right hand is covering her genitalia, her left hand is pointing towards her face. The artist is as if sharing the fates of those many women who chose or were forced to choose abortion in their lives. Heinrihsone shows the social problem of violence against women in her own home country. By placing the altarpiece and the image of the woman in the same workshop, we directly become aware of the salvation story the artist is communicating.

Not long after creating *Female Christ*, the author agreed to paint the altarpiece for The Kolka Evangelical Lutheran Church. Being an avant-garde piece, it initiates a new wave in the Latvian sacred and religious art scene. The composition is centred – a triptych with a symbolically selected combination of expressive colours – black, red, yellow; composition built the same as the altarpainting's - vertical and centred (discussed more thoroughly in the chapter *A Modern Altarpiece in Old Churches in Latvia, Estonia, Northern Germany* in the Thesis of A. Gricmane).

Meanwhile, The Halliste Lutheran Church in Estonia features an altarpiece by Estonian artist Juri Arrak. The church was renovated in 1991 with the support of the local community. The church is also a hometown church to one of Estonia's former presidents Toomas Henrik Ilves, as pointed out in one of the digital travel guides (Home page of Juri Arrak, 2002).

Already in Soviet times, Arrak was representing the creative community of Estonia internationally by participating in exhibitions in Canada and Europe. His works are now part of the collections at the Tretyakov Gallery in Moscow and the Museum of Modern Art in New York. These are just a couple of places where the works of this artist are displayed for public viewing. The Halliste Church is showcasing one of his more recent contributions to religious art (Halliste St. Anna's Church, homepage, online). The author himself states in an interview that he began painting altarpieces already back in the 1980s in Estonia (for example, *The Kiss of Judas*, oil on canvas; *On the Hill (Kujud māel)*, oil on canvas, 1985). Most of these paintings are currently owned by private collectors and are not on display in churches (Interview with J.Arrak, 2021).

In the 90s, he created altarpieces titled *Judas' Death* (1996), *Martyr* (1993), and others.

The 2000s began for Arrak with the invitation by Concordia International University Estonia to create an altarpiece for their chapel and the Evangelical Theological Society to design the entire interior for their chapel (Interview with J.Arrak, 2021).

Juri Arrak created his piece for the Halliste Church in Estonia at the same time as artist Helena Heinrihsone painted her triptych for the Kolka Evangelical Lutheran Church in Latvia.

Composition – a cross-shaped composition with the figure of Christ at the centre, facing directly forward. This use of frontal composition indicates authority, radiating from the subject portrayed.

This religious work (iconography/symbolism) depicts two iconographic timelines. The “Christ” figure is blessing everyone who beholds him with open arms. The alternative timeline is compositionally represented by the two white hands on both sides of the vertical piece of the cross, id est, to the right and the left of the central figure of Christ. The palms of the white hands have on them the stigmata Christ got at the moment of his crucifixion as the nails pierced his flesh. The artist also uses the symbol for the Holy Spirit – a dove with open wings ascending above the figure. It is important to note that the dove is not alone. It is as though accompanied by its own shadow twice the creature's size, pointed in the same direction.

In terms of storyline, the local landscape is also featured in the background of the painting and shows a small Lutheran church surrounded by a forest. Christ is walking this land, this local peat-brown soil, thus communicating His presence in this exact geographical location. Christ's head is enclosed by a halo, shaped like the sun, as traditionally done in the Christian religious paintings up until Renaissance. Later halos became a platform for the author's improvisation – it could be depicted as the sun around a saint's head, or a fine ring-shaped object placed like a crown across the forehead and the back of the head. On this occasion, the author has abided by the traditional depiction of the halo – as a source of light.

Technically, the work is a traditional oil painting on canvas arranged in a central composition. However, it should be pointed out that the artist has chosen to paint Christ's hands in a tone matching the rest of his body while his hands outside of his body are white. It might be an attempt to convey to the spectator the two iconographic timelines: the change in the body temperature – hands that have blood flow in them and are attached to a body retain their natural warm colour, while hands that have been pierced by nails and bled become pale and are a sign of death.

Christ is wearing a long beige garment down to his ankles, with long sleeves and a high neckline. This type of dress could be worn in cool weather, however, Christ's bare feet indicate that He is walking a holy land preaching the Evangelical message in the 1st century, during the Roman Empire. The red cape might be symbolically pointing towards suffering that Christ's body is yet to go through.

Table 2. Altarpiece and artwork by artist J.Arrak. (Source: Artist's private archive)

Ev.lut.Halliste church 1990 Oil/canvas	Lott with girls 1990 Linocut/paper
 (Photo from the Halliste Church website) Iconography – two timelines coexisting in a single artwork.	 Graphic series of the early 90's; Topics not discussed in the Soviet Union – religion, sex, etc. Changes in the political system represented in art;

The tradition to use cool tones in the background and warmer tones in the forefront has been observed. Similarly, the rules of perspective have been applied, with the figure in the front being bigger than the landscape in the background. The crucified hands are proportionally bigger than the silhouette of Christ, thus creating an illusion that they are even closer to the viewer than the figure itself. The rules of the light falloff also match those used in the classical realism painting.

The artist has chosen a contrasting colour palette to depict not only the natural phenomena in the moment of Christ's crucifixion but also to show the presence of air as the Holy Spirit in the work. Blue tones are used in the upper part of the painting symbolically inviting the viewer to contemplate the sky, the air, and the atmosphere in motion. He adds other symbols – the dove, the halo, and the fire-shaped brushstrokes next to each other.

Results

Both artists are highly recognized in their own countries working in the field of contemporary painting, but that has not prevented them from taking on the challenge of making sacred art, later exhibited in the Evangelical Lutheran churches in Latvia and Estonia.

Both altarpieces are emotionally charged with artists' individual spiritual and creative expression. According to the journal articles in the archive of the Contemporary Art Centre of

Latvia, this spiritual charge provokes an emotional response in those who behold the altarpieces.

Both altarpieces are professional paintings and artworks that apply the iconographic prerequisites and professional painting techniques – composition, use of colour layers, colour balance, theme, colour intentions, and symbols. They are not made as copies of old masters' works but are unique, original artworks made by two expert artists.

Theologian Guntis Dišlers and artist Helena Heinrihsone both are of the opinion that "contemporary art is meant to shock and provoke", and this principle can be observed in the contemporary altar paintings discussed today (Interview with G. Dišlers, 2006; Interview with H. Heinrihsone, 2015).

It is crucial to understand that the value of contemporary sacred art lies not only in its spiritual merit but also, even more importantly, in being part of the cultural heritage. Sacred art in the Baltic countries is noteworthy and outstanding both due to its professional artistic value and social contribution (reflecting the social issues of the Soviet era, e.g., abortion, totalitarianism).

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Ilze Blauberga. DESIGN THINKING AS A COMPETITIVE BUSINESS TOOL

Abstract

Research purpose. The purpose of the paper is to research literature and scientific reviews to define design thinking as a competitive business tool to be implemented in a business strategy not only in the finance and health sector but in any business in the field of services. Design thinking has reached attention as an important tool, and some of the world's most influential technology companies – Apple, Alphabet, IBM, SAP – have even moved the design to the very heart of their operations. (Braun, 2019)

M. Stickdorn and J. Schneider stated: "Design thinking is an interdisciplinary approach that offers great value for entrepreneurs and innovators in the field of services." (Stickdorn & Schneider, 2012) According to T. Brown "innovation shows how design thinking could be a major lever for change by using design as a systematic tool for managing the innovation portfolio." (Braun, 2019)

Design / Methodology / Approach. The paper analyses information published in print and online resources on service design thinking as well as scientific researches on the topic. The main aim is to define the benefits businesses gain from implementing design thinking in daily operations. This theoretical research will be used as a basis for the next research phase – an empirical study.

Originality / Value / Practical implications. Many businesses were, and still are affected, and some are still even temporarily closed due to the COVID-19 crisis. To be able to restart business or find other aspects in continuing businesses in the current competitive environment companies have to develop new approaches and new ways of bringing an added value for clients. Design thinking focuses on understanding customer needs and accordingly transforming approaches into solutions adapted for the new normal.

Keywords: Design thinking; innovation; management.

JEL codes: O20; D83; L26

Authors:

Ilze Blauberga (MBA), Lecturer at Alberta College, Riga, Latvia. E-mail: ilze.blauberga@gmail.com

Introduction

On March 11, 2020, the World Health Organization reported the COVID-19 outbreak can be characterized as a pandemic (WHO, 2020). All EU/EEA countries and more than 100 countries across the world were affected (ECDC, 2020). The promptest way to end COVID-19 is considered gaining immunity to the virus for the majority of the world population, and the fastest solution to reach this goal is to be vaccinated (Ourworldindata.org, 2021). The vaccines are progressing so well that one can believe that in the foreseeable future world can return to everyday functioning being closer to what used to be the new normal.

Even with high pressure and big uncertainty, it was observed that countless organizations adapted fast and were innovative enough to be able to operate in the new conditions. Part of companies switched their operations to the online environment, and partially automated business operations as well as improved the decision-making processes (Mischke, Woetzel and others, 2021). As Goedhart & Koller (2020) notes, when creating value for investors, organizations around the globe, must not forget about the contentment and demands of employees, clients, partners, and society as such.

As admitted by the European Commission (Flash Eurobarometer 2016, 433) from a global economic perspective it is significantly important for Europe to continue being competitive and enhance the quality of living for its population, since innovation is a fundamental aspect. The seriousness of this is highlighted by the European Commission continuously working on new policies and plans to guide an innovation expansion across Europe. Among initiatives previously mentioned, the foundation of the Innovation Union with its aim to create a modern background for innovations and a relevant environment for researches should be brought to attention. It aims to push forward the idea generation of new services and products that would create new jobs for citizens of the EU. The Foundation of the Innovation Union is an asset to the EU's future. By investing up to 3% of EU GDP into research and development by 2020, 3.7 million jobs could be generated and the annual GDP of the EU could be raised by €795 billion by 2025.

Design thinking offers an approach to building new experiences. Customers benefit by experiencing a new approach of being served in a shop or financial or medical institution. By taking into consideration customer needs when designing products and services, and providing fresh user-centered experiences an organization creates economic value for the community and society as well (Stickdorn & Schneider, 2012).

To summarize: design thinking is considered to be the toolkit for changing the way of servicing customers taking into account their needs. Customer-centric companies communicate to customers and end-users to observe them and solve questions and problems organizations have faced. The added value in form of changes in services or products is created based on observations and client experiences (Forbes, 2017). As I.Motee (2020) said: Design thinking is not an experiment, it grants to experiment.

Literature review

Design as discipline or the way of thinking was first mentioned in 1969 by the computer technology scientist and Nobel Prize winner Herbert A. Simon in his book "Sciences of the Artificial". The concept of design thinking was mentioned also in Emeritus Professor of Mechanical Engineering Robert H. McKim's 1973 book "Experiences in Visual Thinking" (Dam & Siang, 2020).

But what does design thinking mean? One definition claims it being a multidisciplinary way that provides additional value for organizations and innovation teams in the service industries (Stickdorn, Schneider, 2010). Another definition is the way how executives incorporate client data and user experience in daily strategic management planning and execution (Knight, J.Daymond, others, 2019), and enabling effective innovation in organizations (Kolko, 2015).

One more very important concept describing design thinking is the client-centered approach. It means the synergy of the team working on problem-solving by incorporating a co-creation approach. We are facing the change of behavior from creating "for clients" to customer-centric thinking "with clients" (Tschimmel, 2012).

In literature sources on management definitions of design thinking diverge from high profile explanation such as design thinking is a "transfer of the organization's design philosophy into design activities and outputs" (Chen & Venkatesh 2013, 1682) to the definition of design thinking as a toolkit of practice, research methods, challenges, prototyping, and testing (see e.g., Seidel & Fixson, 2013).

Tim Braun, who mostly speaks to business leaders and designers around the world about the value of design thinking and innovation claims that by thinking like a designer, the organization can shift the approach to how products, processes, or services are developed (Braun, 2008).

In a way, almost all companies compete with each other to offer innovative solutions. The pillar of success for offering new products or ideas certainly is to reach customer expectations or needs. But the problem organizations face is the target group's understanding and capability to clearly describe the new ideas of products and desirable innovations (Leonard & Rayport, 1997).

Tim Braun admits when he speaks to CEOs, the question managers most frequently ask is "How can I make my company more innovative?" C-level managers admit that nowadays in the fast-changing business environment the main factor to be successful and competitive is innovations, but they understand challenges that occur if they will focus on innovations (Braun, 2019).

To benefit from the process of innovating, it should bring a couple of deliverables: exceptional results, decreasing riskiness, keenness, and belief of employees. Year by year managers expand different effective tactics to reach those deliverables. But when needed to adjust them in daily operations, companies face new difficulties to overcome (Liedtka, 2018).

Which problems can design thinking help us solve? (Hobcraft, 2017)

- Reformulate company values
- Find client-centric innovation
- Redefine culture of the organization
- Relocate business and attitude
- Offering new quality of life to customers
- Working with different systems
- Finding the way market is changing
- Fixing the problems by using innovative technology solutions
- Coming up with a possible new way of business
- Finding complex solutions for problems numbers can`t help to solve
- Learning new ways to work with different teams
- Driving business innovations
- Lading transformation

It is almost impossible to avoid any uncertainty. This is the reason innovators create folders of ideas. The compromises in an organization are the reason a lot of ideas lose the original spotlight and resources are reduced. To decrease this pressure, innovation leaders should have enough power to release weak ideas as Liedtka (2018) call them "ugly baby". Sadly, innovators as solutions find the way to remove more creative ideas, and sometimes also, they are more risky ones than to remove from the repository of ideas those additional ones.

MIT Business School states that "70% to 80% of new product development that fails does so not for lack of advanced technology but because of a failure to understand user needs". Factual documentation of products that failed supports the statement that to be financially successful company needs to have client-centric designed products or services (Braun, 2019).

What is the way to harmonize design thinking into organization processes of innovation? (Tschimmel, 2012)

1. Design thinking is not a skill that can be applied for designers only, these skills can be trained and developed by anyone willing to find a way to solve problems more innovatively, and wanting to visualize new matters, and for those who want to hand in new ideas. Mixed teams training could work as an encouragement for this - for example, team leaders get design thinking training, while designers get the commercial knowledge to understand business needs.
2. Innovation leaders and managers can inspire various teams to develop visualizing

skills. In practice, it could happen via sharing new ideas on post-it notes or meeting room walls without judgment from teammates. Such an activity aims to create prototypes and test them.

3. Introduction to design thinking within the team helps in developing a more creative and visualizing environment. Such simple elements as whiteboards and colorful highlighters encourage a more creative problem-solving approach.
4. Creativity and visualization as effective DT instruments can unify various teams to solve a problem and understand each other better. Besides, visual character assists during the specific kind of innovative process in which the team players are immersed.
5. Design thinking creative processes are managed step by step through several stages. Every manager should get to know DT process steps to guide the team more innovatively.

It is a factor that can help in beating competitors and it prepares the company's services or products to present with an additional advantage compared to competitors (Liedtka, 2018).

Designers, design thinkers, and managers who provide services are expected to prove to C-level managers that the result of design thinking will give a return of money. Return of investment can be expressed as either employers' time saved, improved client loyalty or customer journey, or growth of customer satisfaction. After all, KPI (key performance indicators) will be driven to improve processes or client service quality in the organization.

Result-orientated managers must see the impact of any activity and measurement to believe and to involve the team to make changes in the organization. This is a significant point of design type of projects, to make changes in the organization mentality.

In service organizations, a pretty common problem is estimation impact on results of design implementation into organization processes. The main point is changing processes, customer journey, improve satisfaction and then think and calculate the effect on revenue and profit.

Common behaviors we can expect from implemented projects with design thinking could be:

1. New business: growth of new client base
2. Additional business: existing customer upsell, more money from one customer
3. Longer stay with company services or usage of it means growth of satisfied and returned clients
4. Over and over product use means growth of sales per client
5. Improved supply process means cost saving
6. Improved service level means to be more competitive and successful than others (Polain, 2013)

In 2015 Cambridge, United Kingdom`s Design Management Institute introduces the index of design value (DVI). It was created considering 16 companies from S&P 500 list. based on a portfolio of 16 publicly traded stocks from companies considered to be “design-centric” contingent on a set of criteria that reflects best practices in design management, shows a 211% return over the S&P 500. Short for Standard and Poor’s 500 in the United States, is a stock market index made up of shares of 500 local companies. Many investors consider it to be the best indicator of the overall performance of the American stock market. Those companies were publicly traded stocks companies found to be the most “design-centric” organizations with implemented design thinking processes in the daily management and they delivered 211% ROI compare to others S&P 500. Design Management Institute observed those 16 companies for three consecutive years and they astonishing result by exceedingly more than 200% in the S&P (Design Management Institute, 2015). See Fig. 1.

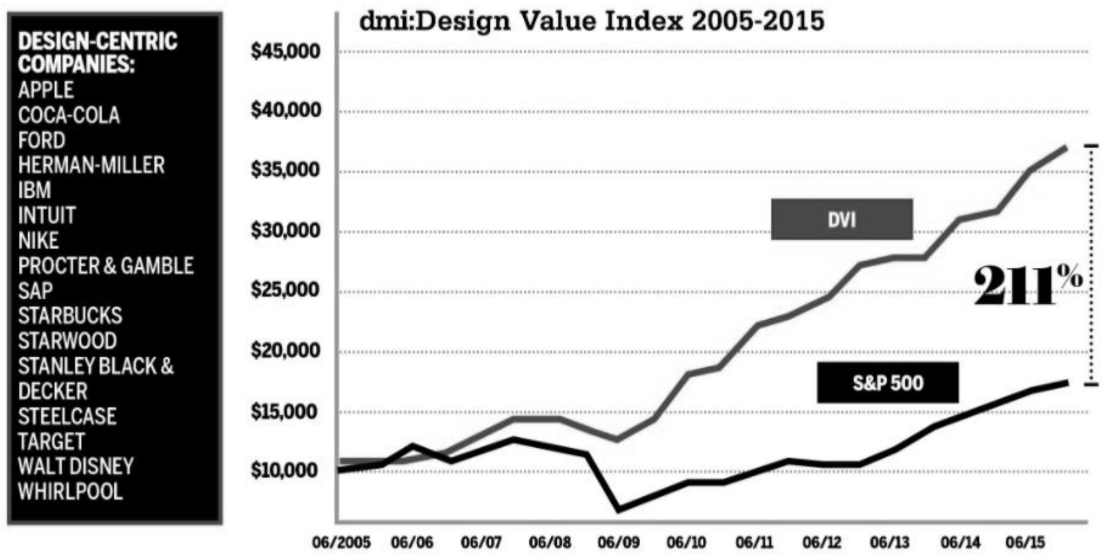

Fig.1. Design Management Institute: Design Value Index 2005 -2015. (Source: Design Management Institute 2016)

It means by every dollar company invested in user experience and/or client-centric product design brings between $2 and $100 in returns.

The Design Management Institute and Motiv Strategies created the Design Value Index as a means to measure the value of implementing best-in-class design management practices. Companies in the Index meet a set of six criteria for inclusion that includes the following:

1. Design thinking is implemented as daily management practice across all organizations.
2. Design management practice is supported by all management members and placed in one of the main roles in daily management practice.
3. Design is led by competent leaders Experienced executives manage the Design function.
4. An organization is acknowledged investments in design and support for the future.
5. C-level management support for all design projects.
6. These organizations are publicly traded on a U.S. exchange already for a decade.

Design Council in the United Kingdom defines design as critical thinking and creativity combined. Much more than just aesthetics (Design Council, 2019). Design Council mentions that the need to innovate and find new solutions is critical. Design skills being central to innovation is supported by the fact that a Design Council analysis found out that 43% of workers using design skills were more likely to work in jobs requiring and generating innovation, carrying out activities using their creative thinking and problem-solving skills to develop new ideas for and answers to work-related problems, compared with an average for the wider UK workforce of just 6% (Design Council, 2018).

The McKinsey Design Index (MDI) rates companies by how strong they are at design and – for the first time – how that links up with the financial performance of each company (See Fig. 2)

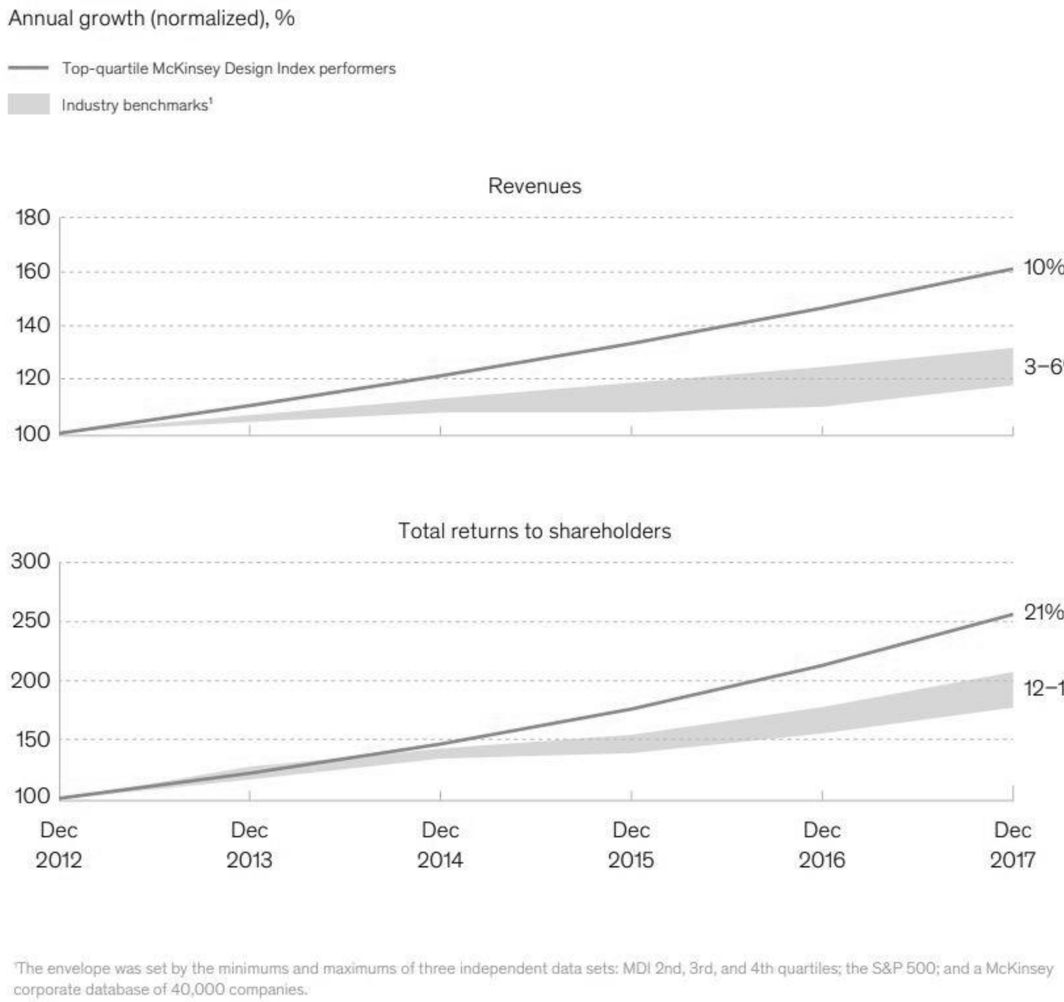

Fig.2. McKinsey Design Index shows outperformed business-standard increase 2:1 (Source: McKinsey, 2018)

Design Index by McKinsey company emphasizes the main steps organizations should take into consideration to reach industry standards of most successful design performers. Organizations that follow key actions will improve their outlook to turn into an innovative company that provides client-orientated products. The main outcome of reaching the McKinsey Design Index would be a significant increase in incomes and return of investments compare to the business standards McKinsey measuring.

1.Company management should proceed toward a measurement system to measure all implemented design steps towards understanding the impact on incomes and expenditures

2. Customer place in the very center in the organization to make a real human-centric approach from the inside of company towards the customer with no lines between online or offline products and systems.

3. Educate key design employees to exceed internal boundaries and work between different teams to improve design understanding across the organization, improve co-working, the impact of company financial results.

4. And remember, design as a process is about repeating, testing and learn, cover customer experience and ideas and continue till going live, present deliverable as a new service or product.

Research by McKinsey, the global management consulting firm gave a few flashy discoveries:

1. McKinsey consultants discover parallels among superior McKinsey Design Index and high business outcomes. Top-quartile McKinsey Design Index figures grow their incomes and by total ROI to investors (TRS) fundamentally faster than competitors in the industry did in the last five years– revenue growth was higher by 32 percentage points and TRS growth was higher by 56 percentage points for the total period.

2. On compiled data we can rely on as business sectors were summarized were banking business, consumer products, and technology companies who serving medical organizations. Summarized information highlights that don`t matter the industry we are looking at; thoughtful design means a lot for the company's financial results.

3. Differences (TRS and revenue) among analyzed periods were crucial. Or let put it differently, organizations who outshine other companies in the industry were awarded. (Fig.3).

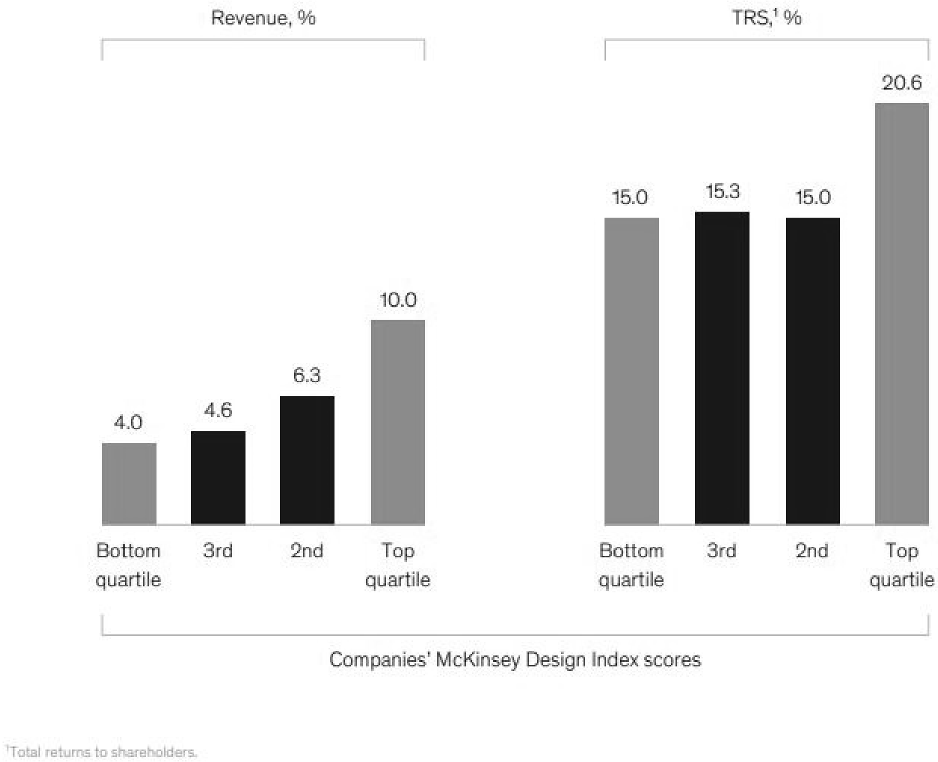

Fig.3. MDI showed parallels between growing revenue and for the top quartile, higher profitability to investors (Source: McKinsey, 2018)

The organizations in McKinsey built Index of Design achieved significantly better financial results have comprehension about design as C-level management practice. Because top-level management performance of design projects will strictly follow up impact on financial results -income and expenditure.

The importance of those remarkable data can be summarized by the example of a network-based gaming organization - which finds that minor changes in user experience and user journey in the web page resulted in significant growth of sales -by 25% (McKinsey, 2018).

Research methodology

Almost every research starts with literature analysis. The author is focusing on compiling literature and information sources about service design thinking as well as scientific articles for this topic. By conducting a thorough literature review, the author determines how other researchers and design thinking practitioners have defined and drawn design thinking`s impact on business results. The main rule for compiling literature and sources was to select authors who have practical linkage with design thinking and authors who focus on design thinking research in different industries. The literature and information sources review will be used to specify the design of the study by providing guidance of strength of previous researches and use them as background.

This theoretical research will be used as a basis for the next research phase which will be an empirical study.

Results

Literature sources clearly showed the impact of design thinking implementation as organization management practice on company's results are visible and give a significant impact in several industries as in product design companies, client service design, and medical care. To have outstanding business performance, organizations from the innovation process should gain problem-solving, impact on lowering costs, and engagement from employees.

By adding design thinking to the company's innovation processes and admit the human-centric approach into innovation processes, the company can gain and be also competitive.

Based on several scientific paper research and sources of design thinking agencies experience, with strong believe in service-oriented organizations, customer-centric companies design thinking should be implemented as soon as possible with small steps to improve products offering, client service, processes -the impact will be visible and touchable.

To evaluate design thinking impact on sales results and be certain of design thinking management practice in hospitality companies research phase should be made.

Conclusions

In roughly twenty years Jeanne Liedtka (2018) emphasized the correlation between strategy and design thinking for organizations to show opportunity for "more widely participative (and) more dialogue-based strategy". For leaders who follow design thinking principles in their companies is necessary to initiate and coordinate cross-functional work with different department teams in a new interactive way. An executive should involve a team with different types of work elements and materials to visually support any meeting about the new direction towards strategy, innovative processes in the company, and actions that should be taken. Only by evaluating the importance of innovative equipment and team`s understanding of data provided by design thinking and impact on the company's future, leaders will more successfully incorporate design thinking as a strategy tool on daily basis and create with the team new insights, approaches to look at the market and customers.

By having comprehension of clients: motivation of actions or choices are made, as well as insights or previous experiences and what and why should be improved, will improve client's satisfaction, loyalty and company results. Better client involvement and experience will correlate with saving or lowering costs or/ and increasing incomes.

The small number of steps in the human-centric approach can generate visible and significant financial outcomes (Reason & Lovlie, others, 2016). In today's conditions design thinking can`t be as feeling to implement, it should be C -level managers' management practice to improve financial results as well as company achievements in the long run (McKinsey, 2018).

Also, Flash Eurobarometer proves (2016) that innovation impacts the revenue of the company. Summarized data from January 2013 showed that the main part of organizations who launched innovative products or design-based services generated up to 25% of those companies' revenue.

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Asie Tsintsadze, Natia Diasamidze. IMPACT OF THE COVID 19 - CAUSED DELAYS ON THE MULTIPLIER EFFECT IN THE TOURISM INDUSTRY

Abstract

Research purpose is to determine the of multiplier effect of investments and revenues gained in the field of tourism before and during the pandemic period in order to identify the shortcomings of the tourism sector in Georgia and to develop ways to avoid shock events.

Design / Methodology / Approach. Quantitative and qualitative analysis methods were used for the research, the efficiency factor for damage of business entities constituting the tourism cluster in the pandemic conditions is determined.

Originality / Value / Practical implications. Tourism is on the list of industries that are mostly affected by the pandemic. Traditionally, the tourism sector has always been influenced by various internal and external factors like military conflicts, natural-climatic conditions, currency fluctuation, economic crises and others. But the shock from COVID 19 has turned out to be fatal for the tourism industry. This problem has emerged to a high degree mainly in developing countries where tourism has contributed greatly playing the most important role in maintaining and improving the socio-economic situation of the population. The conducted research provides business entities operating in the field of tourism with particular approaches that can be used to define the expected shock events.

Keywords. Tourism; investment; multiplication; cluster; shocks.

JEL codes: Z3.

Authors:

Professor **Asie Tsintsadze**, Batumi Shota Rustaveli State University, Batumi, Georgia. E-mail: asinsaze@rambler.ru

PhD cand. **Natia Diasamidze**, Batumi Shota Rusyaveli State University, Batumi, Georgia. E-mail: ndiasamidze@orbigroup.net

Introduction

The modern tourism industry is one of the fastest growing and most progressive sectors of the world economy that can be considered as an independent type of economic activity as well as an intersectoral complex. Tourism has become a phenomenon that has become an integral part of the daily lives of almost a third of the world's population. Moreover, at the beginning of the XXI century, tourism was fairly ranked the third among the leading destinations in the world economy in terms of revenue. The various historic sources mention the first steps of the tourism as the field developed as a result of travelling including the ancient IV century BC hen the Phoenicians began development of trade as a result of the invention of money. Thus, so they can rightly be considered the founders of the "tourism business". In many countries and regions, tourism is a major source of income. Revenue from tourism worldwide amounted to $ 499 billion in 2010-2019.

The activities of economic entities are characterized with different peculiarities in different areas. The development of the entrepreneurial field depends on the skills of the entrepreneur, customer’s decision, technological progress, etc. where the unfavorable decision of the single person often does not significantly harm the business. Though, tourism is a direction that depends on the decision of an individual whether to visit this or that country, city, etc. However, the structure of inter-sectoral economic relations confirms that the tourist as the consumer of manufactured products and services, can influence both the volume and price of manufactured products and, conversely, the socio-economic situation of the country becomes the driver for tourism development.

For three decades, Georgia has been developing the tourism sector with its own capabilities. The dynamics show that both tourist flows and cash inflows into the country are growing. The sphere of tourism, unlike other spheres, cannot create an economy only with spectacles that can serve as the basis to improve the socio-economic situation of the country. The main resource needed for the development of this field is abundant in the nature of Georgia. It is necessary to divide them into tourist destinations and equip them with appropriate infrastructure. The main resource needed for the development of this field is abundant in the nature of Georgia. It is necessary to divide them into tourist destinations and equip them with appropriate infrastructure. The tourism sector is gaining more and more space on the economies of developing countries. The reason for this is the slow development of manufacturing industries, high levels of unemployment and many other reasons. The listed reasons are typical for the economy of Georgia. Considering the economic situation of the country, there are still many problems. Therefore, the study of existing and still undiscovered problems does not lose its topicality. Tourism has a great impact on the socio-economic development of society as it is a source of additional income for the population. The impact of the tourism sector on the development of the economy, its share in GDP depends on a full study of tourism potential, its use opportunities and forecasting future revenues.

From an economic point of view, the attractiveness of tourism as a service industry lies in the fast return of the investment and the profit receive in freely convertible currencies. In addition to the direct impact of tourism revenues on the development of the region, there is also its indirect impact, i.e., "multiplier effect" that reveals the ratio of the deviation of the main economic indicator (production: employment, income) to changes in tourism expenditures.

Sectoral analysis of investments in Georgia in 2019 highlights that the volume of investments in the tourism sector (hotels and restaurants) sums up 12.4% that makes 2.9% lower than the investments in the construction sector and 8.2% lower than the ones in the financial sector. The data confirms the importance of the tourism sector plays an important role in the country's economy. However, the effect achieved by developing the manufacturing sectors required for the development of the tourism sector is very weak. The positive effect is the construction of hotels, restaurants, various entertainment facilities, development of the country's tourist attractions that is reflected in the growth of employment. Nonetheless, the opportunity to offer the tourists national food products and the dishes that is made using the national food products is very low. Therefore, the paper analyzes the dynamics of investments in the tourism sector, the level of production growth and revenues from tourism in GDP, the effect of the multiplication of revenues and expenditures on investment, and the conclusions are drawn.

Literature review

Historically, any direction of tourism was based on the economic goals of a group of people or individuals. The good example of it is the tourism industry created by Thomas Cook, who in 1851 started the first collective train in Derbyshire, so called traffic from Leister to Loughborough. Then, he opened the world’s first travel agency in Leicester, Thomas Cook and Sonny (Thomas Cook Group .... 2019).

The valuable work in tourism development sentences was done by Salah Wahab and John J. Pigram who in their book „Tourism, Development and Growth The Challenge of Sustainability“ (Salab Wahab, 1997) that comprises five goals underline one of the goals of tourism to be the role of sustainable tourism in the social-economical, development of the country. Many scientific papers on the sustainable development of tourism have been published (Josep A. Ivars-Baidal et al. 2021). The paper discusses the issues of sustainable tourism development and focuses on the mismatch between the rapid growth of tourism products and the unsustainability of tourism infrastructure. In a study on the development of the tourism sector in developing countries (Asif Khan et al. 2020), the authors state that tourism is a tool for combating poverty in developing countries that can be achieved through the right investment, economic, environmental policies. In developing countries, not only hotels-restaurants, but also agriculture should be considered to be the direction of foreign direct investment as the tourist "revisiting" is largely related to the consumption of healthy products. Various calculation formulas are used in the scientific paper to calculate the effect of the multiplication in tourism (Sergiu Rusu. 2011), but the effect of foreign investments is not considered. We believe that in order to determine the role of tourism in the development of the country, primarily, the extent to which the inflow of investments is used for the development of tourism need to be determined.

Research methodology

Based on the analysis of tourism sector indicators in developing countries applying the induction method, the characteristic features of Georgia's tourism development have been identified, the share of the tourism sector in total GDP has been analyzed over a period of 10 years that allows to calculate the effect of investment-induced multiplication effect.

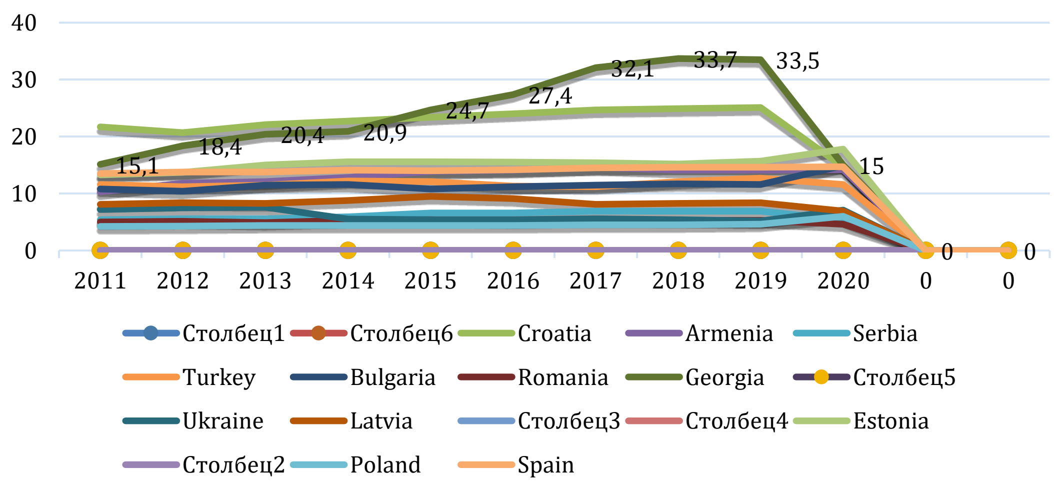

Fig.1. Share of tourism in GDP (%) (Source: Knoema, 2019)

In order to assess the tourism sector development in Georgia, the data of countries with the same political past and different economic development paces before the pandemic and during the pandemic period were mainly taken, namely: Armenia, Bulgaria, Romania, Ukraine, Latvia, Estonia, Poland; the GDP of these countries, except Armenia is almost 3 times higher than the GDP of Georgia. The one is even more in Spain, Turkey, Poland and Ukraine. For the purpose of this article, the authors' interest was focused on assessing the role of tourism in the development of countries before and during the pandemic. By Comparing the results of the economic development of the selected countries for 2019-2020 and the results in the diagram (Fig.1), it is determined to what extend the economy of the countries has been affected by the problems created in the field of tourism.

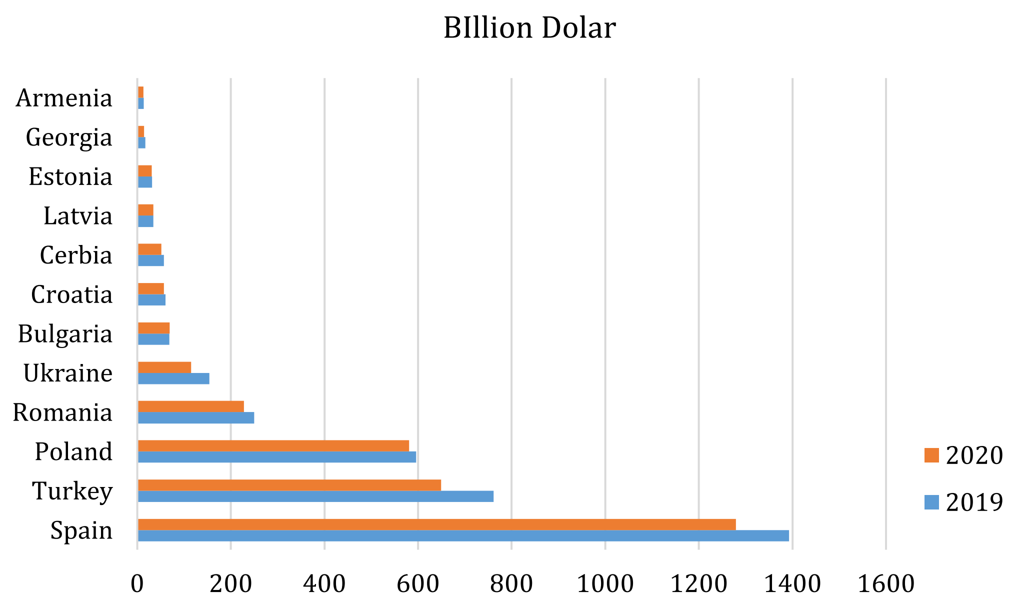

Fig.2. GDP change before pandemic and pandemic period (billion USD) (Source: Statista, 2020)

In the highly l developed countries (Spain, Latvia, Estonia, Romania, Turkey) the share of tourism in GDP is slightly reduced (Fig.1). In the underdeveloped countries, the "pause" of the field had a negative impact mainly on the economy of Georgia that is depicted on the diagram with a sharp fell.

According to the GDP achieved in 2019-2020 of the target countries, a cause-effect relationship was identified between the pandemic and economic development. In Spain that is in the list of the countries with developed economies the GDP rate has changed slightly (Fig.2) during pandemic. That indicates that the Spanish economy does not depend on tourism revenues, as evidenced by the almost linear curve of the sector's share of GDP over ten years (Fig.1).

As it can be seen in the diagram (Fig.1), the share of tourism revenues in Georgia in 2015 is the highest compared to the countries under consideration. This is a good indicator, but it also fell sharply as a result of the "pandemic shock". Based on the analysis, it can be concluded that 1. The high share of tourism in the total GDP is a good indicator that the productive economy in the country is at a very low level; 2. Due to the low level of production, a large part of the resources flowing from tourism yet flows out of the country. To determine the effect of the multiplication, the share of investments in Tourism sector from all inflow in foreign investment is studied.

Given this situation, it is interesting to calculate the multiplier effect from investing in foreign investment in tourism.

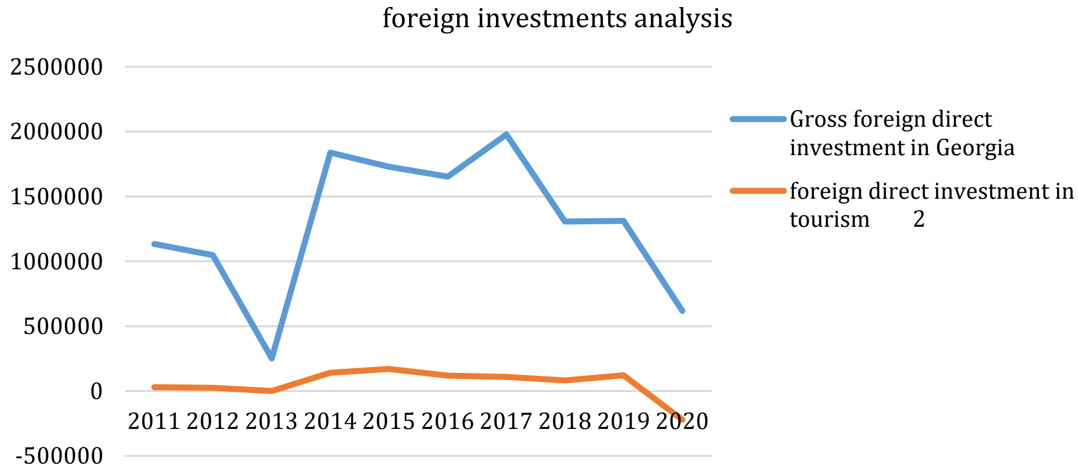

Fig.3. Foreign investments according to sectors (Source: Authors' calculations, based on data of the National Statistics office of Georgia)

The study of all indicators of the tourism sector confirmed that before the pandemic its role in the economic development of the country was steadily growing, except 2013, when there was an outflow of investments that was partly the result of the government change.

Research results

The calculation of the multiplier effect is based on J.M. Keyne's theory: "Any increase in investment is proportional to income." In GDP of Georgia the growth rate of revenues is in contradiction with the almost linear curve of foreign investment in the sector. According to the National Bank of the country, in 2019, revenues from tourism amounted to 3 billion 268 million dollars. When assessing the efficiency of the sector, it is assumed that the income earned in 2019 is not the result of investments made in the same year, but the result of capital invested in infrastructure in previous years. In the tourism market, the costs incurred by the tourist as a consumer are the income of the sector that due to the underdevelopment of production is redistributed to products imported from another country, state taxes and service costs. Joint costs comprise the entire economy. Households, suppliers of goods (from internal and external markets) participate in the circulation being consumers i.e.e each subject of the economy changes its position according to the requirements. It is obvious that if more goods and services are produced within the country, the expenditure incurred by the tourist will have a positive impact on GDP and the share of tourism will increase. The multiplier can be calculated from the expenditures incurred by the state and the revenues from tourism, which, in the opinion of the authors, do not fully reflect the effect of expenditures in the field. Based on the fact that the share of tourism in GDP is high, the volume of expenditures incurred by tourists and investments in the field are taken for the calculation of the multiplier (due to limited statistics, foreign investments are taken as costs in the field).

Expenditures and revenues of the tourism sector

Table 1. Foreign investments in tourism (Source: data of geostat.ge)

Years	Foreign investments (billion dollars)	The amount spent by the tourist (billion dollars)	Visitors number (thousand people)
2011	30, 387	0,96	2822,4
2012	25, 550	1,41	4389,3
2013	-6 ,595	1,72	1300,0
2014	140, 648	1,78	2218,0
2015	170,200	1,93	1452,0
2016	119, 912	2,16	1797,5
2017	109, 486	2,70	2160,9
2018	82, 259	3,22	2400,4
2019	120, 163	3,26	2575,2
2020	-221, 461	0,49	504,2

We believe calculation of the multiplier applying the joint costs will not allow us to draw a conclusion about the level of development of the tourism sector because the joint costs comprise the whole economy: households buy goods and services from the companies; the companies themselves incur production costs; They themselves buy the goods and services they need, and etc. Therefore, the change in the joint costs occurs repeatedly that is explained by the multiplier effect of the cost. This is the effect of the annual inflow of foreign investment in the tourism sector that is cyclically repeated in the economy and generates revenues from the yet implemented projects. This is clearly reflected in the comparison of the annual income from foreign investments in the tourism sector of Georgia. Table 1 illustrates the foreign investment in the sector in 2014-2020 and the income earned in the same years. During the analytical period, the volume of investments increased in 2015 and 2019, while in the remaining years it was characterized by a decline, and in 2020, in particular, there was a large outflow (-221, 461 billion USD). Contrasting the inflows of investment with the revenues, a completely different picture is revealed. Namely, in the same years, revenues are steadily increasing except for 2020 that reflects the expenses incurred by foreign visitors in the first quarter, and the expenses incurred only by resident visitors, in the rest of the period. The connection between the decline in investment flows and the increase in revenue is a result of the infrastructure created in previous years, i.e. the result of the multiplication of the already incurred costs. According to the data in the table, J.M. Keynes theory "Any increase in investment is proportional to income" violated. However, if we take into account that the annual increase in revenues is due to investments made in previous years, the multiplier effect can be considered to be existing. In addition to foreign investment, the tourism economy is affected by many other indicators: the export-import balance, which is negative every year as well as the number of visitors, the political situation in the country, the consumer prices, etc. That is why the change in investment does not reflect the change in the received revenues in the same proportion. For developing countries, tourism is one of the ways to overcome poverty. But this can't only be achieved by attracting foreign investment as tourism depends on the agricultural sector, the energy sector and the road and tourism infrastructure development. To supply family and restaurant services with locally produced goods and products as well as culinary experience of suppliers is highly significant. In the process of research, limited statistics revealed that sustainable tourism development is achievable by integrating the country's economy with other sectors. As the analysis of the tourism sector has shown, the regularity of development depends on many factors in the development of the country's economy. The economic potential of a developing country confirms that income from this sector plays a big role in alleviating poverty, but it is still far from the typical indicators of the developed countries.

Conclusions

Therefore, in order to strengthen the sustainable contribution of tourism to the economy, an integrated tourism policy should be developed focusing on product and service development, national branding, SME development, protection of natural and socio-cultural resources, and analysis of tourism demand and supply. The variable number of foreign visitors is stipulated by the negative evaluation of services and consumer prices when the tourist once travelled in the country. The small volume of national products can not meet the demand for the tourist season and mainly restaurant services depend on the imported product that is not novelty of genuine to the tourist. In order to have a comprehensive picture of the problems in the field of tourism, it is required to process the large amounts of statistical information on all indicators affecting it. This is is unattainable for a country where the culture to store information is still low, risk management is not applied and the factors influencing the decisions made by the tourist as a source of income are not studied. Accordingly, it appeared that the correlation between the indicators given in the table is broken, only in 2014, 2015 and 2019 there is a correlation, just compared to previous years. As for revenues, their steady increase is due to the increase in tourist flows which is noticeable in 2014-2019, although the multiplier effect in this case is not proportional to the increase.

The high share of tourism in the total GDP is an indicates that the productive economy in the country is at a very low level, as a result of which a large part of the resources flowing in from tourism is still flowing out of the country.

The country should pursue the policy coherent tourism that comprises development of the tourism-vulnerable agriculture sector, the maintenance of foreign investment in the infrastructure projects, the actual use of the benefits provided, and the training of service personnel and family business service providers. Permanent research to investigate the multiplier effect is a good indicator to correlate expenditure with revenue. Using the Keynes' approach, it shall be possible to identify the weak point of the sector development related to all indicators and to use the available resources to strengthen it. The study confirms that the weak point is the efficient use of investments, production of national products, consumer prices, etc. All indicators are important, but a consistent policy means gradual elimination of the problems, leaving one less weak point in the evaluation each time, and more resources being devoted to strengthening them.

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