HUMANITIES AND SOCIAL SCIENCES
LATVIA

Volume 26, Issue 1
(Spring-Summer 2018)

CONTENTS

FROM THE EDITOR

Dear Reader,

This is the first issue for 2018 and we expect to be able to publish the next issue in autumn-winter 2018.

The authors are both PhD students and established academics. The articles are a heterogeneous set and cover a number of fields in the humanities and social sciences such as management, economics and sociology. In this issue, we have articles by authors not only from Latvia, but also from Germany.

A reminder for past and future authors that the journal can be found in the EBSCO Sociology Source Ultimate database. It would be useful for you if you ensure that your university library subscribes to this particular EBSCO database.

We hope you enjoy this issue and are looking forward to the next issue.

Best wishes

Viesturs Pauls Karnups
General Editor

BELONGING AND RETURNING HOME: DECONSTRUCTION OF LATVIAN RETURNEES' NATIONAL IDENTITY

Inese Šūpule
Dr. sc. soc.

Evija Kļave
Dr. sc. soc.

Abstract

The aim of this article on Latvian returnees' national identity is to get understanding of whether and how the forth and back migration experience affects returnees' sense of national identity. Different dimensions of national identity (territorial, political and cultural) have been analysed, both for their emotional and instrumental aspects. As empirical data, 18 semi-structured in-depth interviews with Latvian nationals who emigrated between 1991 and 2011 and returned after 2010 were analysed. The study acknowledges Hedetoft's statement that migration processes affect the growing variability of belonging: one can have several 'homes' and 'identities', as identifying with one country does not exclude identification with another, whether that is the country of origin or of residence. However, the formation of strong supranational identity, i.e., the sense of belonging to Europe has not been manifested among Latvian returnees.

Keywords: Latvia, return migration, returnees, national identity, social constructionism, Europe

Introduction

Since the beginning of the 21st century, the population in Latvia has decreased by 9.1% (Hazans, 2013: 66). Both, demographic and long-term emigration processes have influenced the decrease. Numerically the greatest movement was observed between 2004 and 2010 when approximately 200,000 people emigrated from Latvia (Hazans, 2011: 76). Although in recent years the amount of emigrants tends to decrease, several thousand nationals still leave the country annually. Concurrently the return migration process takes place when after years spent in emigration, people return to their country of origin with no immediate intention to re-emigrate as it is in case of circular migration. Similar processes can be observed in other Baltic States, however, the migration processes in Estonia are less active

than they are in Lithuania and Latvia, but, in comparison to Latvia, return migration in recent years has been more active in Lithuania.

Due to the globalisation debate, a lot of attention has been paid to the impact of migration on national identity in receiving countries (for example, Guibernau, 2007; Brettell, 2015). Many studies have analysed identity construction of Latvian migrants abroad (Buholcs & Tabuns, 2015; Jurkāne-Hobein & Kļave, 2015; Kaprāns, 2015; Saulītis & Mieriņa, 2015). Comparably few studies have focused on returnees' adaptation and self-perception after returning home (Barcevičius, 2015; Boccagni, 2013; Hazans, 2016; Kļave & Šūpule, 2015; Williams & Balaz, 2005). However, there are almost no studies on the emotional charge that recent Latvian return migrants invest in the place, language, symbols and beliefs and how do they reflect their belonging taking into account their migration experience.

The aim of the research on returnees' national identity is to obtain an understanding of whether and how the forth and back migration experience affects returnees' sense of national identity, and what dimensions of national identity (territorial, political and cultural) along with its constituent elements return migrants attach meaning to. In addition, the authors were interested in what ways the migration experience affects the formation of a supranational identity. Therefore, the research analyses different facets of the sense of belonging to Europe as a separate dimension of national identity.

National Identity of Returnees as Social Construction

For the purpose of understanding national identity the authors lean on the social constructionist approach which looks at identity as a discursive phenomenon that is being continuously modified and articulated situationally within the process of interaction. In addition, it should be rather noted that there are many overlapping identities, not one definite and fixed identity, as identities are situational and inconsistent. For example, in the context of migration returnees in Latvia can present themselves as Latvians or host country residents, or emigrants (Latvians abroad), returnees (Latvians who have returned from other countries), etc., but these identities are not fully "open", as they are determined by the discursive resources, available to the individual (Billig, 1996/1987; Hall, 1996; Potter & Wetherell, 1987). The authors consider that national identity is a discursive construction, based on social categorisation and socially constructed conceptions of common origin and cultural differences. National identification is based on categorisation, related to contrasting

one group to others, division in "we, as nation" and "they, the others" (Hall, 1992; Jenkins, 2008/1997; van Dijk et al., 1997; Wodak et al., 1999).

A number of identity scholars have tried to distinguish definite national identity dimensions for analytical purposes. For example, Montserrat Guibernau has distinguished five national identity dimensions: 1) psychological, which characterises emotional affiliation; 2) cultural (values, convictions, traditions, customs, language, experience; culture helps to imagine one's community as different from the others); 3) dimension of territorial belonging which includes opinions on home as a place, scenery, nature; 4) historical memories which allow a person to feel proud of his or her country, gain inspiration and energetic elevation for their roots; and 5) political dimension, which consists of civil links on individual level: responsibilities, rights, values, loyalty to a particular national or supranational formation (Guibernau, 2007).

The authors in their empirical analyses draw on a modified Guibernau's classification. The territorial dimension has been viewed both, as belonging to a local area, and belonging to Latvia, as well. The political dimension has been looked at in relation to political participation activities, interest in political resources in a certain community and attitude towards citizenship status either in Latvia or in the country of residence. The analyses of the cultural dimension focus on practising traditions and the meaning of the language in stories told by returnees, as well as using cultural markers in distinguishing their community from others. The dimension of European affiliation has been analysed separately, taking into consideration several aspects – territorial, cultural and political affiliation to Europe/European Union.

Special attention within the analyses has been paid to the psychological aspects of return migration and identity transformation as a result of migration experience. One of the hypothetical assumptions of the analyses has been raised under the influence of Nan M. Sussman approach (Sussman, 2011); presuming that a sense of affiliation to the country is an essential element of returnees' self-concept, and it determines the re-integration process upon returning. According to Ulf Hedetoft, because of migration processes, there is an increase in affiliation variability – one can have a number of "homes" and "affiliations" (Hedetoft, 2002: 13–14). Conversely, a study on return migration in Lithuania served as the basis for another hypothetical assumption, that the most important ties, which facilitate the return and sense of belonging to the state, are family ties, as in Lithuania the main reason for return is social links: family and relatives (Garbenčiūtė, 2012).

Does the migration experience have any impact on the formation of supranational identity, and what is its significance in respect to one's

national sense of belonging? There were three hypothetical assumptions about the European dimension of Latvian return migrants' national identity. Firstly, the emigration experience has strengthened the European dimension of one's national identity taking into account that in most cases the host countries were countries belonging to the European Union. Secondly, European cultural identity is rather strong having its roots in pre-war period (the first period of Latvia's independence, 1918–1940). Thirdly, European political identity is rather weak due to several factors: perception of the EU as a similar geopolitical union to that of the former Soviet Union; perception of political area of the EU as separated from the national policy; limited opportunities of Latvian politicians to influence EU level political decisions in favour of Latvia; poor knowledge on European level institutions, decision making processes etc.; and low trust in political power in general.

Methods and Data

For the information about Latvian returnees' national identity and its different dimensions, a qualitative research design was used. The study draws on 18 semi-structured in-depth interviews with Latvian returnees within various groups of age and social status, who left Latvia within a period from 1991 to 2011. The study target group were people who lived and worked in emigration for at least one year, and have moved back to Latvia after 2010. The authors were not concerned with circular labour migration, emigrants returning for a vacation or school holidays, nor for an extended homeland visit without the intention of remaining in Latvia. The authors neither interviewed people who emigrated only for their studies having a plan to return after their studies would be finished. The authors were concerned with those returnees who emigrated for indefinite time (with or without intention to return), decided to move back and intend to remain permanently in Latvia. All interviews were carried out between February and November 2014. The length of the interviews was on average between 60 and 90 minutes. The interviews were audio-recorded and then transcribed. For detailed information on informants' age, emigration countries, time spent in emigration, occupation and interview language see in Appendix.

At the beginning of each interview the informants' migration experience in general was elicited, from mobility within the country of origin to emigration and return migration motives and experience. Questions concerning returnees' national identity covered the following issues: the place in Latvia where the informant feels linked to; the importance of Latvian as a native language; situations in which the informant feels

connected to other Latvians/residents of Latvia; meaning and celebration of national and traditional holidays; participation in national elections in the country of origin; maintaining or change of the citizenship; things, people or circumstances the informant missed while in emigration. In order to explore the European dimension of returnees' identity the authors asked questions about informants' general sense of belonging to Europe and their attitude towards Latvia's accession to the EU.

Data analysis was performed using the standard qualitative data coding procedure, starting with the open coding and identifying the main data structuring themes. In the further process of analysis both axial and selective coding were applied (Neuman, 2006: 415–418), allowing to determine returnees' national identity discourse themes and topics in each of primary defined national identity dimensions – territorial, political, cultural and European dimensions. Thus, the basic structure of the discourse under investigation was obtained. Theme and topic categorisation, in its turn, allowed the authors to see what elements informants include into their discourse, which aspects of the problem they pay attention to and which aspects they ignore, thus determining which topics are more significant and which are less. The analysis of in-depth interviews has been structured according to the above-mentioned returnees' national identity dimensions.

Data Analysis

Territorial Dimension

Territorial dimension has been viewed both, as belonging to a particular locality because belonging to Latvia develops through definite and specific prism of one's biography, and as belonging to Latvia as a territory with its characteristic climate and landscape.

It is characteristic of most interviewed returnees that, at least in the beginning they returned to places where they emigrated. Comparatively less common are the cases when the place to return to differs; it is mostly due to rational and economic considerations – the purchase of housing at the particular location, better job opportunities, more convenient household conditions.

The study shows that territorial sense of belonging can develop with more than one place/locality in Latvia. Essentially, informants talk about two, rarely about three towns/villages they feel connected with. First, it is their birthplace where they spent their childhood and school years. If active life does not take place there anymore, and there are no social links (family, friends) with it, typically, the link with the place disappears and the belonging is a mere formality. Secondly, it is a place where the informant lives, usually works in the current stage of his/her life. In many cases, it is a

place where the informant has returned to after emigration. Thirdly, it can be the birthplace of one's partner, which has broadened the individual's social network and through this network, a certain sense of belonging has been developed to one more locality. All the above-mentioned types of localities mostly characterise cultural dimension of territorial identity, which is based on social links.

Locality is of great importance in the informants' stories as the individual's social and cultural foundations of national identity are interpreted through it. With respect to the birthplace, informants speak about their families and place specific culture (the language and lifestyle). It can be seen, for example, in the following quotation from an interview where the informant is very clearly aware of how the particular locality, its culture, community and environment have shaped his sense of belonging to Latvia in general:

> 'I always feel very strong belonging to Latvia! I have always felt; possibly, it comes through Mazirbe [a village in the Latvian countryside]. In my childhood I spent all the summers in Mazirbe, this feeling comes from there. The sea, which is there, woods, which have always been there; it somehow has been in me since childhood. There is that energy storage in Mazirbe where I accumulated the energy; Mazirbe is that nature of Latvia. While in Germany the energy battery usually depleted, then I came to Latvia, and it was charged again.' (13)

The main constituent elements of territorial identity are social ties and the environment (nature) which determines strong emotional affiliation to a particular place. Social ties – relationships with family members, relatives and friends who live in the particular place – are one of the major constituent elements of territorial identity. Those returnees who have not only been born, spent childhood and school years, but also live in the same place (before and after emigration) and are connected to this particular place by social links feel stronger sense of belonging to the place of their origin. That is exactly the close social network, which makes up the sense of home – close emotional belonging to a particular town:

> 'Yes, I missed people; those, around me. When you walk in Liepaja [a city in Latvia], you greet people, like in the country; a lot of acquaintances.' (8)
>
> 'Sure, friends, relatives are here in Latvia. If you get on well with your relatives, like my Mum and Grandma, you see that a person gets older every half a year. It makes me think; about such a thing that one day someone can be gone. Here I have more possibilities to spend time with those people. It is important for me.' (9)

Alongside with social – emotional ties, economic (job) and educational ties play important role in building territorial instrumental belonging. Search for work and study purposes are two of the main causes of internal migration, when building up an independent life. It can be migration to the closest town, regional centres and the capital city of Riga. Active workplace can also become the basis for territorial identity formation. However, it is a sense of belonging, which is rather based on pragmatic and instrumental considerations:

> 'My birthplace, the town where I was born also attracts me. I can go there now and then and regain strength, feel the joy of nature, meet relatives, feed on energy. That is it. And then Riga again. I have got used to Riga being my home.' (11)

Talking of important localities, informants mention their psychological feelings aroused by life in a particular place. Mostly they are positive emotions – peace (as opposed to stress), inner psychological balance, feeling improved by social network in the particular place, that you belong; you are not a stranger. Informants compare the quick and intensive pace of life, which is characteristic to the host country with comparatively calm and slow atmosphere in towns and cities in Latvia, a possibility to meet and spend time together with personally important people (family, friends). Secondly, emotionality is revealed through stories of environmental elements (streets, the sea, sand, rivers, woods), which are a powerful part of returnees' national identity as a whole. It is interesting that describing nature as an important element of establishing the ties with Latvia, returnees, mostly being town-dwellers originally, oppose the urban environment in the host country to natural rural/wild environment in Latvia:

> 'You sleep in a bed in England and dream how cool it would be if you could hear frogs croaking in a pond outside. There is nothing like that. We had a park next to our house; the lawn was mown down, but it does not even smell as it does in Latvia; when mown down, it smells of grass. It was the thing I missed. There is nothing like that. You just sit on the asphalt.' (2)
>
> 'The nature is very much missing. There is also pretty nature, but there is everything... you can go for a walk in a park, but it is not in the wild, in the open air.' (6)

Political Dimension

Many of the return migrants interviewed do not grant a big emotional or political significance to the national holiday, Latvian Independence day on 18 November. While in emigration, part of the informants celebrated the holiday because of children, others admit that it was an ordinary day:

> 'For us Independence Day is subordinate as it is our grandfather's birthday then. Ok, we celebrate a little. Children need to be taught those patriotic sentiments, but I do not feel that way myself. Go to see the fireworks, something else; discuss why it is so, but it is more for children, not so important for adults.' (8)

Justifying, why this holiday was not celebrated while living in emigration, informants refer to the fact that this is not a public holiday in the host country. Therefore, one should make special efforts to create the festive feeling and observe certain traditions or rituals. At the same time, when speaking about traditional folk holidays, such as summer Solstice such obstacles are not mentioned.

Characteristically that the celebration rituals were observed in families with children thus carrying out children's civic education. This shows, that it is important and parents wish their children to be aware of their connection to the Latvian state and they want to build their children's sense of belonging to Latvia. Overall, it is observed that national holidays are not ignored neither in Latvia, nor in emigration, but in returnees' stories, they fail to comply with the collective community awareness and civic mobilisation functions.

Another aspect characterising the political dimension of national identity is participation in national elections. In compliance with Latvian legislation, emigrants who are citizens of Latvia have the rights to participate in the elections of Latvian and European parliament, as well as in Latvian referendums. It has been concluded in the study on Latvian diaspora political involvement that emigrants' participation in elections is influenced by several socio-political factors: the electorate level of political competence, links between and responsibility level of the electorate and politicians, the quality of political offer, social and civic activity level of the diaspora, as well as the technical side of voting procedures (Lulle et al., 2015).

Although the interviewed returnees had participated in elections, their participation, like celebration of national holidays was more formal as it is characterised by low political competence and weak civic patriotism. Informants, when interpreting their motivation, mention such motives as civic duty and responsibility, doing functions imposed by the society, attending a social event – a chance to meet other emigrants from Latvia. One of the returnees links participation in national elections with considerations on returning to Latvia:

> 'Motivation was that it was not all the same what is happening here. Of course, you are there and understand that you want to go home one day, and this is why it was done. Theoretically you understand

that those two votes will make no difference, but there is a sense of responsibility that you must do it.' (2)

In some interviews, political and ethnical sense of endangerment as reasons for participation in elections can be identified. This is a characteristic to Latvians as ethnic and political community in general (Zepa et al., 2005, 2006; Šūpule et al., 2004). Since regaining independence in 1991, there is evident ethnic division of political parties in Latvia. Statements that one has to participate in elections to vote for any Latvian party regardless of its political offer, in order to prevent the prevailing of pro-Russian political forces, are indicative of Latvians as endangered majority manifestation:

'What stimulates going [to take part in elections]? Actually, mass media zombies, pressing to go so that some Russians do not go, and things like that, but not so that I know that this party is the right one, which [to vote] for; that is the main thing.' (8)

Higher civil activity is connected with a perceived threat to national identity elements, as it could be seen in the Referendum on the Russian language as the second state language in 2012. This referendum met with the highest diaspora activity of all elections and referendums. 39 763 voters, which was 72.71% of all the registered nationals voting abroad at the time participated in it. Although the interviews did not contain a separate question about participation in the referendum on the language, the subject was raised by returnees themselves commenting their political involvement in general:

'The referendum on the language, yes. I suppose it was the only one where I went to take part. [..] I wanted the Latvian language in Latvia, so that the Russian language did not overpower. It was important; exclusively for the Latvian language.' (6)

Institutionally significant constituent characterising the political dimension of national identity is the returnees' attitude towards the Latvian citizenship and a possibility to change it to the host country citizenship. When investigating this issue, it is important to take into consideration that citizens of Latvia were denied the right to have double citizenship until 2013, which could be a restrictive factor to change the citizenship, although none of the informants mentioned this as an impediment when making the choice to maintain or change the citizenship. The study did not identify any case of deliberate and purposeful desire and action to acquire the citizenship of the host country. Only in one case, when permanent emigration and assimilation in one of the host countries had been originally planned the informant admitted that her spouse and her had considered the change of citizenship. During the five years, they spent in emigration this couple's sense of belonging to Latvia got stronger; they became aware that they would always be strangers, not

locals in their host country and finally they made a decision to return to their country of origin and maintain the citizenship of Latvia:

> 'We were not satisfied with the situation in Latvia, exactly – in social and political sphere. Somehow, we got an idea to go somewhere, where the social life is better organised, where there is order, where politicians are interested in their nation. Fortunately, we maintained the citizenship of Latvia. But at the beginning, we had an idea that this is going to be our home. We were going to stay forever, and we wanted to get the citizenship. But then, as years passed by, little by little we had a feeling that we do not belong, this is not the right place for us, it is cold here, and it is unlikely we will stay here; and then we gave up the idea about the change of citizenship.' (12)

In those cases when the emigration was planned as temporary only, the issue of the change of citizenship was not even raised. The analysis of the discourse of returnees is indicative of maintaining the citizenship. The interviews did not reveal any pragmatic motives for obtaining the host country citizenship; most likely it is due to the fact that equal rights and state-guaranteed range of services was available to citizens of Latvia as a European Union member state and locals.

Living conditions and financial situation had been better in emigration than in Latvia for a number of informants. Belonging to Latvia as a state is not associated with the state-provided sense of security, job opportunities or social protection. Returnees speak negatively of all the above-mentioned aspects; moreover, economic factors had been main motives for their emigration:

> 'As soon as you need to start thinking about what and how to eat, what to buy, what you can afford to buy. At that moment it somehow seems, cannot the state really do something to straighten out the situation so that everybody has a job and can live normal life. Then you start looking more sceptically at the state, and start thinking whether you really need to go and live somewhere else, if nothing changes here.' (2)

Cultural Dimension

The cultural dimension in the study is defined in compliance with the interpretative sociology paradigm according to which culture is a social reality resulting from subjectively motivated individual actions and interactions, and it is composed of various social agents, institutions and phenomena. Ethnicity, traditional folk festivals, culture and sports life, sense of home – the entirety of all these themes and the significance attached to them characterises the culture dimension of returnees' national identity.

Ethnic pride referring to the common origin, myths, culture and language of the ethnic group was manifested in several interviews with returnees:

> 'I am really proud to be born a Latvia, proud of growing up here. I always brought out that I am from Latvia, I am Latvian.' (6)

Ethnicity, Latvian identity was also attested by celebrating the summer Solstice. The summer Solstice is a holiday when the interviewed returnees feel united with other Latvians. The traditional folk festival brings together the ethnic community. Several returnees, when speaking of this holiday in the interviews stressed that none of the other holidays in the emigration had been so important to them as this one, as this holiday differs from all the others which both, in Latvia and in their country of residence had been celebrated more or less alike:

> 'To me personally the most important holiday is the Ligo holiday [summer Solstice]. You usually sit at home at Christmas; Christmas is alike everywhere – England or here, all right, here we have snow during Christmas time, there is no snow there, but the processes are mostly the same. But Ligo holiday, it is something for me – it is a holy thing.' (2)

In the returnees discourse on their ethnicity one of the most interesting, although not typical issues is about fragmented ethnicity when an individual does not feel unequivocally belonging to one particular ethnic group and thus problemises not only his/her, but also other community members' ethnicity:

> 'Somehow a very conservative opinion [in the society] on the definition of Latvians. Because, for example my boyfriend [a Russian] is much more patriotically minded and involved in all the issues on Latvia that me. I consider myself to be a Latvian, although I come from a mixed family, but we somehow had maintained the Latvianness. Now I do not really know what my opinion is, but I understand that the whole thing should be re-defined.' (16)

Several Latvian returnees of Russian origin spoked about their difficulties to present themselves as Latvian Russians abroad. Returnees of Russian origin feel to be affiliated with the state of Latvia, but they do not feel the sense of belonging to Latvians as an ethnic group. To them belonging to the Russian ethnic group is significant:

> 'The most interesting thing is that I need to explain all the time and to everybody that I am a Russian, but I come from Latvia. They do not understand that the Latvian language is not at all like the Russian language. We do not choose where to be born. I am happy I was born in Latvia.' (10)

One returnee expressed the point of view that ethnic cleavages are not so strong in emigration context, because both Latvians and Russians are friendly and united by the fact that they are Latvian residents:

> 'It was like a holiday for me when I met someone from Latvia. You can meet up and talk to the people, and there is somehow the atmosphere. It does not matter if it is a Latvian or a Russian. If the person is from Latvia, it is enjoyable all the same.' (11)

In another case, a returnee (a Latvian) reflects on the way the host country started influencing his ethnicity and its characteristic features, thus promoting assimilation process into the host country society. Emigration in this case made the person to define one's identity as a denial of another identity and to draw the boundaries of one's ethnic identity:

> 'I started feeling that after five years spent in Germany I was becoming a bit like a German myself, became more reserved, more monotonous, kept calm; the emotional being, the Latvian which is inside me, intuitive, creative, emotional started fading. Do I want to become even more like Germans? Most probably, I do not. I want to be like I am, live where I am, in the surroundings which are typically mine.' (13)

When asked if they followed Latvian culture and sports events on the world stage, almost all the informants answered in the affirmative. Success of various artists and athletes, large-scale Latvian culture events in Latvia invite feelings of national patriotism, the pride of the people and the country, emotional sense of community with other residents of Latvia. In this context, the artist or athlete's belonging or not belonging to the informant's ethnic group loses its significance and the key is their national belonging to the Latvian state. Thus, culture in the sense of artistic and intellectual activity, and sport does not only consolidate ethnic community, but also civic community, develops not an ethnic, but a civic nationalism discourse:

> 'Always happy when I read about bobsleigh, success in skeleton. This is where I feel patriotism. In music, too. Then I am happy for Latvians. Such feeling of togetherness. Yes, I feel myself as a patriot of Latvia and in certain ways a patriot of Latvians; the basis for me is Latvia as state.' (4)

> 'When Latvia gains global success, I am happy for it. This way I feel united; that is the place where I was born, those are people who I live with, and I am a part of this nation. Even though I am a Russian who was born in Latvia, I am a part of the nation.' (11)

Language has one of the most significant roles in the formation processes of ethnic self-consciousness and identity in Central and Eastern European countries (Schöpflin, 2000: 116–127), where Latvia belongs as

well. In the returnees' interviews, the Latvian language is a topical issue, first of all, in the decision-making context regarding return to Latvia. Longing for life in Latvia is connected not only with the nature, relatives and the usual environment, but also with a willingness to speak in one's native tongue where it is the easiest to express oneself and understand others. The desire to speak Latvian refers to practical everyday situations as well, for example, visits to physicians. Common language and a possibility to speak freely on philosophically deep issues are at the basis of closer social relationships, and the language barrier does not allow developing such relationships where there are no users of the Latvian language:

> 'Although we knew the language very well, we could communicate fluently, as soon as there was a more philosophic topic to be discussed, we immediately felt we lack the right words. In Latvia, it is possible to form deep relationships with people just because of the language, because it is possible to express one on complicated issues as well. I missed a possibility to make friends with people.' (12) Secondly, the Latvian language, the knowledge of it is significant with the reference to children, formation of their national identities. Parents wish their children to learn the Latvian language, to speak and study in their native language. However, while living in the host country, parents have observed gradual linguistic assimilation of their children into the host country community (see also Kļave & Šūpule, 2017). For example, children, when speaking among themselves, speak English, as it is easier for them. Therefore, there are parents who, being aware of the assimilation, make a decision to return: 'Our girls started becoming more English than Latvian. They were four years old, and they did not know elementary words in Latvian, although we had a rule that we speak only Latvian at home. But they, when they were playing, they spoke only English. They went to school; everything was in English for them.' (5).

An important topic of returnees national identity discourse is home, sense of being at home. It is characterised by maintaining active links with family member, relatives and friends living in Latvia. In several cases, informants regularly visited Latvia for several weeks or even several months, maintaining strong links with their loved ones' social network. Visits to the country of origin are considered to be a special transnational practice, which is in many ways connected to return migration (Carling & Erdal, 2014: 4). The social network and the environment have made it possible for returnees to feel at home in Latvia upon return, to belong to a particular place and country whereas in the country of residence, regardless of successfully passed everyday life issues they still felt strangers:

> 'I spent a lot of time in Latvia. Practically all the university holidays and most holidays at work were spent in Latvia. I never felt as an outsider in Latvia. I always felt like I was returning home from a temporary absence.' (4)

The topic of home as a place where an individual is territorially and socially connected to characterise also a transnational sense of belonging, which means that identification with one country does not exclude identification with another one. Informants admitted that in emigration it had been difficult to say where exactly their home was – in the country of residence or the country of origin:

> 'Sense of home? In Liepaja [a city in Latvia] indisputably, unquestionably. Although all those years, when I was coming to Latvia, I was staying at my Mom's. Then, of course, I was saying – ok, I am going home soon. Home was in Ireland. I needed a couple of days to adapt to be understood, not to be pulled back to Ireland. Then I wanted to stay in Latvia longer, but if it was too long, I did not want back to Ireland. Then, when I returned to Ireland, I needed two weeks again to adapt to living there.' (9)

In some cases upon returning to Latvia, returnees have developed transnational lifestyle and transnational identity features can be observed, for example, attaching importance to more than one country and social group. In these cases, economic and social links with the previous country of residence are of greater significance than political, cultural or emotional ties. Transnational lifestyle and formation of transnational identity are characteristic of highly qualified specialists – returnees working in the spheres on demand in the labour market (IT, for example) who have built professional social network in the previous country of residence as well:

> 'I do not feel any strong ties that I would be missing – home or anything like that. I have always felt very well and interesting in London; I have quite successful career there, interesting projects, but I simply like it better here, in Latvia. Because people here are more interesting. The mentality is more like mine, and life is a little simpler. However, there are few people in Latvia being professionally on the same frequency. I feel I belong to Latvia, I am Latvian, but I do not feel like other Latvians.' (2)

The emigration experience has affected returnees' stand regarding the preferred place of residence, but this does not mean that they definitely would prefer living in Latvia or in another country. In some cases emigration has promoted the sense of territorial belonging to Latvia, irrespective of the fact that before emigration a possibility to move to permanent residence in another country was considered:

'We want to live in Latvia and we have finally found a place, because all that time we spent away from here, the six years, we constantly questioned ourselves where we wanted to be and what we wanted to do. The feeling that we are not in our shoes never left us in neither Norway, Spain, or Asia. And only here, in Latvia we found our house, the place in the country, and we finally have the feeling that we are where we must be, and do what we like to do.' (12)

Although most returnees mention Latvia, or even more precisely – a particular city or town in Latvia, as their preferred place of residence, in some cases an opposite opinion is expressed that the emigration experience has enabled one to realise the openness of the whole world and free mobility options, therefore a permanent place of residence in the territorial meaning is not of importance any more. One can reside in any place in the world. In few returnees' stories, we can see that global migration and open borders have changed their attitude towards their territory of origin. Along with the access to global space, the understanding of one's country of origin as a part of the open, global space is expanding. Such discourse is more characteristic of young people who do not have families yet and who do not deny a possibility of repeated emigration:

'For me Latvia is not anymore as it used to be. Closed space. Yes, because people are coming to us from all over the world. I do not feel that I would like to live in just one place. Whatever the country is like, I would like to live in various countries. To live for some time here and there.' (11)

European Dimension

The results of the in-depth interviews revealed that the general sense of belonging to Europe is mainly constructed on practical or instrumental arguments. A very important topic is that of mobility opportunities, and mobility is evaluated exclusively positively and as the main real benefit for everyone being a European citizen:

'That you can travel, there isn't that restriction, there are no visas, you buy a ticket and go where you want, which direction your nose points to all around Europe.' (5)

Almost every informant, even not asked about his/her attitudes towards the introduction of common European currency in Latvia, covered this topic. Interestingly, we can observe both positive and negative attitudes. Those who have expressed their opinion in rather negative categories did not talk in terms of economic benefits or losses. The negative arguments were built around the loss of national currency as an implicit manifestation of national particularity and even the symbol of Latvia's sovereignty:

> 'The only thing was the change to Euro, for that I was not ready yet. That is a benefit for foreigners, but I think that our old money was part of our nation, our state. Lats [Latvia's national currency before joining euro zone] are associated with Latvia. In a way I grieved that we lost Lats. That probably is one of the examples that emotional experience for a state, a nation can be the currency.' (11)

Some informants, especially those who are highly qualified, clearly demonstrated their positive attitude towards EU from the perspective of economic development, the access to and integration into Europe's wide markets etc.:

> 'I don't have antipathy to the European Union, to European institutions or other European nations. I would not have any objections, if there would be more integration both on the Baltic and European level. It was beneficial [for Latvia to join EU]. I can talk about economic reasons for 20 minutes. Economic conveniences. I think about material things, economics rationally.' (4)

Finally, the interviews data shed light on the construction of European identity as global scale identity in opposition to local scale identity expressed in terms of the sense of belonging to native village or native town:

> 'I think that more likely it is possible to belong to something tiny, something small, to some village. I think that I could say that I belong more to Liepaja [a regional city] or some small village rather than I could say that, yes, I belong to Europe.' (7)

In this quotation, one can explicitly see the significance of local territorial identity in the context of multilingualism and multiculturalism prescribed to Europe and even broader. On the one hand, there is the will to preserve the national (Latvian) identity, to keep national particularities, on the other – there is a sense of inevitable global citizenship.

The political dimension of Latvian returnees' European identity is very weak. During the interviews, the answers to questions concerning the informants' interest in European level political events or participation in the EU Parliament were rather scarce although the interviews were held at the pre-election period:

> 'I don't keep up with politics. Isn't it important? No. I trust those people, who are there and who do it, that they know what they are doing. Politics doesn't [interest me] at all.' (6)

> 'I follow up, but not so often as daily, but I try to refresh my memory, because I need it for work. I need to be informed. Have you participated in the European Parliament elections? Honestly, I don't remember. I can't tell, I don't know.' (11)

The last aspect is that of the cultural dimension of European identity. If we look back at the period, when Latvia regained its independence in the early 1990s, the discourse 'we are back into Europe where we have always been' was one of the most dominant public discourses. It was very important to stress the belonging to Europe, common history and West European culture in general. The interview data allow the drawing three main insights concerning modern European cultural identity of Latvian returnees. First, there is a will to stress the particularities and specifics of Latvian national culture, for example, when comparing different celebrations and/or national holidays. Secondly, culturally Latvia and Europe have been opposed to Russia and former Soviet Union. It is stressed that Latvian culture is rather European, thus Latvians belong to European culture, but Russians to Russian or Slavic culture. Thirdly, European culture is seen mainly in terms of lifestyle, not so much of different arts:

'It isn't possible to reject cultural influence from European countries. It is not possible. If one looks how people around dress and behave, they unambiguously behave like Europeans. If we compare now former Soviet Union and present Latvia, then Latvia is more European.' (11)

Conclusions

In the returnees' national identity discourse, greater meaning has been given to the territorially local and cultural dimension, while political and supranational or European dimension being of less importance. When defining the sense of belonging both, emotional and instrumental aspects are equally significant, although it must be emphasised that the reasons for returning are mostly emotional, and as in Lithuania (Garbenčiūtė, 2012) they are grounded on social links with Latvia: family, relatives, friends who live in Latvia. The study shows that returnees have maintained close ties with Latvia and their relatives also while living in emigration; this is consistent of the conclusions of the study carried out by Sussman (2011). The study also acknowledges Hedetoft's statement (Hedetoft, 2002) that migration processes affect the growing variability of belonging, because one can have several "homes" and "identities", as identifying with one country does not exclude identifying with another – country of origin or country of residence.

The most significant elements of territorially local dimension of national identity are cultural, social and emotional ties with the particular place. Returnees themselves did not pay any attention to the political aspect of local belonging. Instrumental factors (such as more convenient everyday life, wider social life or culture possibilities, and accessibility of a range of services) which make up the belonging to a particular locality

are not of essential importance either. At the same time, the environment and inherent rhythm of life in a particular place are important; these constituent elements of territorial sense of belonging are referred to the cultural (in the sociological meaning) dimension.

Data analysis shows that, on the one hand, the political dimension of national identity is weak, which is testified by the attitudes towards celebration of national holidays, generally low interest in political developments in the country and the meanings attributed to participation in elections which are not characterised by national patriotism, strengthening the political community consciousness or motivation to influence the political processes in the country. On the other hand, disinclination to lose politically institutional affiliation to the country – indisposition to change the citizenship, active civic position in cases of endangerment to other national identity elements (participation in the referendum on the state language) give evidence that political dimension is important.

The language as the central marker of Latvian national identity is a theme, which is activated in connection with the return to the country of origin. The importance of children's knowledge of the Latvian language to their parents gives evidence on the role of language in forming the ethnic identity. A significant element of returnees' national identity is the traditional summer Solstice and its celebration. This holiday impersonates other elements of national identity, as well – Latvian countryside nature, being together with one's family, relatives, friends, and awareness of national uniqueness.

The European dimension of national identity sheds light on returnees' supranational identity formation. The emigration experience, contrary to our initial assumption, has weak or no impact on the European dimension of Latvian return migrants' national identity. The life experience in other European countries has rather strengthened the sense of belonging to Latvia than fostered the formation of supranational identity. This relates to Hedetoft's conclusions that psychologically it is easier to identify oneself with a narrower community with comparably clear boundaries and cultural traditions, but the EU project offers quite blurred and open understanding of the territory (the EU enlargement process) and traditions and values.

The European dimension is constructed mostly on practical and instrumental reasons, including the national security issue, not on emotional or psychological aspects. The European cultural identity of return migrants is based on the geographical location and common life style, and is in opposition to Slavic (Russian) culture. In its turn, the European political identity is not manifested in terms of belonging to common European political community, shared political responsibility or values. Nevertheless, the ignorant attitudes are not linked with the perception of the EU as a

similar geopolitical union to that of the former Soviet Union, but rather explained by low interest in large-scale political activities in general.

REFERENCES

Barcevičius, E. (2015). How successful are highly qualified return migrants in the Lithuanian labour market? *International Migration*, 54(3), 35–47.

Billig, M. (1996/1987). *Arguing and Thinking: A Rhetorical Approach to Social Psychology*. Second edition. Cambridge: Cambridge University Press.

Boccagni, P. (2013). 'I'm not like all these Ecuadorians'. Promises and dilemmas of immigrants' selective ethnicity appropriation. *Social Identities, 20:1*, pp. 57–73.

Brettell B. C. (2015). Theorizing Migration in Anthropology. The Cultural, Social, and Phenomenological Dimensions of Movement. In: *Migration Theory: Talking across Disciplines* (ed. Brettell B. C. and Hollifield F. J.). Third edition. Routledge, pp. 148–197.

Buholcs, J. & Tabuns, A. (2015). Latvijas emigrantu transnacionālo identitāšu izpausmes sociālo tīklu portālu lietojumā. Grām.: *Latvijas emigrantu kopienas: cerību diaspora* (red. Inta Mieriņa). Rīga: Latvijas Universitāte, 128.–143.

Carling, J. & Erdal, M. B. (2014). Return Migration and transnationalism: How Are the Two Connected? *International Migraton,* Volume 52, Issue 6, pp. 2–12.

Garbenčiūtė, L. (2012). Return Migration: Brain Gain and Possibilities of Adaptation in Lithuania. In: *Grupės Ir Aplinkos 3*, pp. 43–72.

Guibernau, M. (2007). *The Identity of Nations.* Polity Press.

Hall, S. (1992). *The Question of Cultural Identity.* In: Hall, S., Held, D., McGrew, T. (eds.). Modernity and its Future. Cambridge: Polity, pp. 273–326.

Hall, S. (1996). Introduction: Who Needs Identity? In: Hall, S., Du Gay, P. (eds.). *Questions of Cultural Identity.* London: Sage Publications, pp. 1–17.

Hazans, M. (2011). The Changing Face of Latvian Emigration, 2000–2010. In: *Latvia. Human Development Report 2010/2011. National Identity, Mobility and Capability*. Zepa, B., Kļave, E. (eds.) Riga: Advanced Social and Political Research Institute of the University of Latvia, pp. 77–101.

Hazans, M. (2013). Emigration form Latvia: Recent Trends and Economic Impact. In: OECD *Coping with Emigration in Baltic and East European countries*, OECD Publishing, pp. 65–110.

Hazans, M. (2016). *Atgriešanās Latvijā: remigrantu aptaujas rezultāti*. Rīga: Latvijas Universitātes Diasporas un migrācijas centrs. http://www.diaspora.lu.lv/fileadmin/ user_upload/lu_portal/projekti/diaspora/petijumi/Atgriesanas_Latvija_-_ petijuma_zinojums_FINAL03.pdf

Hedetoft, U. (2002). *Discourses and Images of Belonging: Migrants Between "New Racism", Liberal Nationalism and Globalization*. AMID Working Paper Series 5/2002.

Jenkins, R. (2008/1997). *Rethinking Ethnicity.* Second Edition. Sage Publications.

Jurkāne-Hobein, I. & Kļave, E. (2015). Krievvalodīgo latvijiešu Lielbritānijā un Zviedrijā transnacionālā piederība. Grām.: *Latvijas emigrantu kopienas: cerību diaspora* (red. Inta Mieriņa). Rīga: Latvijas Universitāte, 180.–193.

Kaprāns, M. (2015). Latviešu emigranti Lielbritānijā: transnacionālā identitāte un attālinātā nacionālisma konteksti. Grām.: *Latvijas emigrantu kopienas: cerību diaspora* (red. Inta Mieriņa). Rīga: Latvijas Universitāte, 108.–127.

Kļave, E. & Šūpule, I. (2015). Reemigrācijas politika Latvijā: politika un prakse. Grām.: *Latvijas emigrantu kopienas: cerību diaspora* (red. Inta Mieriņa). Rīga: Latvijas Universitāte, 194.–209.

Kļave, E. & Šūpule, I. (2017). Latvian and language competition in the diaspora (emigrant community). In: *Language situation in Latvia: 2010–2015. A sociolinguistic study*. (ed. L. Lauze). Available at: http://www.valoda.lv/en/297-2/ (last seen: 10.01.2018.)

Lulle, A., Kļave, E., Reire, G., Birka, I. & Ungure, E. (2015). *Diasporas politiskā pārstāvniecība Latvijā un Eiropas Savienībā: parlamentārā dimensija*, Latvijas Universitāte. Available at: http://www.diaspora.lu.lv/petijumi/ (last seen: 21.07.2015.)

Neuman, L. W. (2006). *Social research methods: qualitative and quantitative approaches*. 6th edition. Boston: Pearson/Allyn and Bacon.

Potter, J. & Wetherell, M. (1987). *Discourse and Social Psychology: Beyond Attitudes and Behaviour.* London: Sage Publications.

Saulītis, A. & Mieriņa, I. (2015). (Ne)pastāvošās Latvijas emigrantu kopienas ASV. Grām.: *Latvijas emigrantu kopienas: cerību diaspora* (red. Inta Mieriņa). Rīga: Latvijas Universitāte, 161.–179.

Sussman, N. M. (2011). *Return Migration and Identity: A Global Phenomenon, A Hong Kong*. Hong Kong, Hong Kong University Press.

Šūpule, I., Krastiņa, L. & Peņķe, I. (2004). Ethnic Tolerance and the Integration of Latvian Society. Riga: Baltic Institute of Social Sciences.

Van Dijk, T. A., Ting-Toomey, S., Smitherman, G. & Troutman, D. (1997). Discourse, Ethnicity, Culture and Racism. In: van Dijk, T. A. (ed.) *Discourse as Social Inter-action. Discourse Studies. A Multidisciplinary Introduction*. Vol. 2. Sage Publications, pp. 144–180.

Williams, A. M. & Balaz, V. (2005). What Human Capital, Which Migrants? Returned Skilled Migration to Slovakia from the UK. *International Migration Review*, 39 (2), pp. 439–468.

Wodak, R., de Cillia, R., Reisigl, M. & Liebhart, K. (1999). *The Discursive Construction of National Identity.* Edinburgh University Press.

Zepa, B., Šūpule, I., Kļave, E., Krastiņa, L., Krišāne, J. & Tomsone, I. (2005). *Ethnopolitical Tension in Latvia: Looking for the Conflict Solution.* Riga: Baltic Institute of Social Sciences.

Zepa, B., Šupule I. & Krastiņa, L. (2011). *Integration: Practice and Perspectives. A Sociological Study of Society Integration.* LAP LAMBERT Academic Publishing GmbH & Co. KG.

Appendix

Informants' characteristics

Nr.	Sex	Age	Native language	Occupation	Year of emigration	Year of return	Host country
1	M	47	LV	IT expert	2010	2013	Norway
2	M	32	LV	Construction work supervisor	2009	2013	Great Britain
3	F	41	LV	Preschool teacher	2011	2013	Great Britain
4	M	25	LV	Entrepreneur, business consultant	2007	2013	Great Britain
5	F	30	LV	Worker	2010	2013	Great Britain
6	F	38	LV	Self-employed	2006	2011	Ireland
7	F	34	LV	Shop manager	2000	2010	Great Britain
8	M	39	LV	Construction work supervisor	2009	2012	Norway, Germany
9	F	30	LV	Economist	2007	2011	Ireland
10	F	26	RU	Finance analyst	2007	2014	USA
11	M	27	RU	Tourist guide	2009	2011	Great Britain
12	F	29	LV	Translator	2008	2013	Norway
13	M	36	LV	Mathematician	2002	2007	Germany
14	M	26	LV	Political scientist	2007	2013	Great Britain
15	M	27	LV	Hotel business	2007	2013	Great Britain
16	F	29	LV	Pharmaceuticals, lecturer	2008	2012	USA
17	F	36	LV	Lawyer, NGO's project coordinator	2010	2014	Switzerland
18	M	33	RU	IT expert	2010	2014	Great Britain

IMPACT OF DISTANCE COMMUNICATION ON DIFFERENT MOTIVATIONAL CONCEPTS[1]

Frank W. Hager

Dipl.-Wirt.-Ing. (FH), MBA, M.A.

Abstract

This article should contribute to corporate communication theory by considering the mechanisms of distance communication (telecommuting) between mobile teleworkers and their organisation, as well as the role of a functional communication on both; the factual and relationship level in enhancing employee motivation. Despite its importance for organisations and leaders, there is considerable confusion about effects on motivation, associated with distance communication in the context of mobile telework. This article aims to provide a degree of clarity by identifying, analysing and discussing the main linkages to employee motivation found in general and relevant science literature, as well as scientific publications in common databases, to stimulate and provide directions for future research. Corporate communication and motivation literature, as well as scientific papers in this field has not yet adequately considered this concept. This may be due to confusion regarding to the definition of motivation, and to concerns about overlaps with related constructs such as engagement, organisational commitment, organisational identification or affiliation. This article closes the gap with an appropriate model, mirroring the found main concepts and enhancers of employee motivation as well as the associated communication effort on different "integration levels". The article discusses linkages between motivation and distance communication, which suggest research potential in the field of HR-Management and Organisational Development (OD). The study just as well encourages communicators in telework-teams, to consider effects of communication strategies and tactics. The aim of this analysis is also to inspire responsible person and departments to show up the communication needs of employees in mobile telework. This conceptual article provides an overview of motivation and communication theory literature, aiming to identify the main aspects for motivated employees. It suggests motivation as a hierarchical psychological state on different levels, of how strong employees in mobile telework are linked to and integrated into their organisation, against the background of distance communication.

Keywords: Mobile telework, telecommuting, distance communication, motivation, identifi-cation, commitment, affiliation

---

[1] A version of this article was presented at the 21st European Scientific Conference of Doctoral Students PEFnet 2017, November 30, 2017, Brno, Czech Republic.

Introduction

Modern information and communication technologies bridged space and time in a way, considered hardly conceivable some years ago. This fact created completely new possibilities for work organisations. A cooperation or "working together", in a central enterprise is less and less necessary. In addition, the technology enables a previously unknown networking of organisations (Eichenlaub, 2010). The predominantly digital exchange in mobile telework, e.g. via Customer Relationship Management (CRM) – Systems, Enterprise Resource Planning (ERP) – Systems and E-mail, as well as the brief exchange of information via smartphones, is the consequence of this development. From the perspective of the company, the deployment of mobile teleworkers is indispensable. On the one hand, due to the rapid reactivity to customer requirements, which lead to an increase in flexibility and thus to productivity and competitiveness (Nerdinger et al., 2011). On the other hand, companies hope to strengthen their innovative power and improve product quality, if mobile teleworkers are in regular personal contact with customers. Another attractive feature for companies are the reduced space requirements and the associated cost reduction potential (Bernardino, 1996; Berth, 1995). At the first glance, this decentralised form of work – away from their headquarters – offer employees the highest level of freedom and autonomy in the context of mobile telework. Due to the limited communication possibilities, in interaction between teleworkers and internal teams, or other parts of the company, characterised by the lack of social contacts with colleagues and executives, new problems arise in an organisational cooperation, which ultimately can make itself felt in terms of work performance and motivation.

Results of the literature review

The idea behind this study is the basic thought that a substitution of direct, personal communication by means of a digital or verbal goal- and purpose-oriented exchange via data processing systems, e-mail or short telephone conversations leads to the restriction of important qualities of human communication. This interpretation can be explained on the basis of the 2nd Axiom of Watzlawick et al. (1967). Accordingly, each message contains information, whose content seems at the first sight rather uninteresting, because the nonverbal portion of the message provides the actual indication, of how the sender wishes to be understood by the recipient. In this respect, communication proceeds, according to Watzlawick et al. (1990), on a *factual level* and subliminally on a *relationship level*. The topic and content is communicated on the factual level; however, communication on the relationship level is more complex. The

relationship aspect indicates how the transmitted data on the factual level is to be understood and represents a meta-communication – a higher-level communication. Furthermore, the thesis of Watzlawick et al. (1990), states, that the relationship level has a stronger influence on communication than the factual level. Thus, the relationship level also has a great impact on the factual portion of the message, while conversely the influence has a lesser extent (Reich, 2000). Speaking of a *functional communication*, it must succeed on both levels (Fulk & Cummings, 1984). In the case of distance-communication, which is mainly carried out via new media, and is not or only rarely characterised by face-to-face contacts, the relationship aspects are largely hidden. A contextless and abstract process thinking increasingly dominate communication, in this case, which does not additionally happen as a meta-communication, by exchanging information solely.

Motivation in the understanding of this analysis

In general, and without defining the term down to the most minute detail in this study, one speaks of motivation if a change in human behaviour because of a positively evaluated state of life can be noticed (Rheinberg, 2002). Internal and external incentives inducing individuals to this particular behaviour (Pelz, 2003; Jost, 2000, Comelli & von Rosenstiel, 2009). It is spoken of motivation, if behaviour is targeted or determined: for example, in terms of reaching a certain goal or fulfilling important tasks. (Deci & Ryan, 1993; Mook, 1996). The concept of motivation in this study implies the factors of intrinsic motivation (e.g. recognition, self-growth, control and warm relationships) and extrinsic motivation (e.g. safety, social status, good working conditions and salary) (Ryan & Deci, 2000).

Against the background of employee motivation, the concepts 1) organisational commitment, 2) organisational identification, 3) organisational inclusion, and 4) affiliation has been identified as the main concepts of motivation in communication and interaction processes from the abundance of researched literature and scientific work. The analysis and discussion of the linkages between distance communication and motivation is given in the following explanations.

Identification & Commitment vs. Distance Communication

By reviewing the relevant scientific literature and papers in the field of motivation and communication theory, the concepts of identification and commitment occurred frequently and partially overlapping. However, both terms should be considered in the following explanations in a differentiated way, in order to be able to define the relation to "distance communication" as precisely as possible.

Nakra (2006) describes identification as follows: "Organisational Identification is one of the forms of an individual's attachment to an organisation that has been recognised as having important implications for organisational effectiveness". Ashforth and Mael (1989) argue that employees who identify strongly with their company tend to show a supportive attitude. Identification is, from their point of view, the perception of one's own person in relation to the company. Simon (1997) extends this statement and argues that employees who are strongly identified with their enterprise make decisions, which are consistent with the organisational objectives. Thus, companies benefit from strong organisational identification of their employees. The identification effect of internal communication between companies and employees therefore means, "[to] establish, and maintain mutually beneficial relationships between the organisation and the employees on whom its success or failure depends" (Cutlip et al., 1985). The importance of identification with regard to employee communication also plays a crucial role in the study by Smidts et al. (2001), who summarise that managers should promote internal communication, and thereby the strengthening of organisational identification. The importance of identification with one's own company is, from their point of view, often underestimated by the company's management. The results of the study by Smidts et al. (2001) clearly show that adequate information about the company strengthens identification. A good communication climate is achieved by providing sufficient information, opportunities to talk and the chance to be heard and actively involved. As a result, withheld information has a negative impact on identification (Welch, 2012).

Nakra (2006) clearly distinguishes between identification and commitment. The author believes, that identification describes the analysis of the relationship between individual and organisation, since identification also contains conclusions about the process and the product of the relationship. Commitment, on the other hand, tends to focus on something that an employee has done before or has done at a given time. Tompkins (1987) describes the difference between the two concepts as follows: identification is the *substance* of the relationship between the organisation and the individual, commitment corresponds to the *form*. Elements of the form could be, for example, loyalty to the organisation, the willingness to work hard for the employer or the intent to stay with the company (Wells, Thelen & Ruark, 2007). In the same way, Mowday et al. (1979) consider it to be proven that commitment is correlated with a strong intrinsic motivation. Commitment develops as a result of an exchange-based relationship between individual and organisation (Mael & Ashforth, 1992), in which the employee perceives himself/herself and his/her company as two separate psychological units (Rousseau & Parks, 1993; Levinson, 1965).

Mael & Ashfort (1995) also found, that commitment could occur in a company-independent case. This way, an employee can build an emotional relationship with a company, which embodies similar goals and values, even without working there. In this respect, a person is experiencing commitment without being in direct interaction with the company.

Internal communication and organisational identification are strongly linked, as scientific studies show that communication affects the attitude of employees, which is in turn bound to the identification with the company (Nakra, 2006). Thus, communication can positively influence the identification process, as it allows employees to share subjective perception of the visions, goals and culture of the organisation (Bartels, Pruyn & de Jong, 2009). Postmes et al. (2001) also echo this. In their opinion, vertical communication, which originates from the management and executive board, is the best way to influence organisational identification of employees. Vertical communication helps staff members to define themselves with the values of the organisation, its less tied to specific character traits of members and thus presents the organisation as a whole. Consequently, a sense of organisational attachment can be conveyed.

In the ideal case of a functional communication, this feeling feeds the perception of actively participating and shaping the organisation. Finally, a poor (or very limited) communication can weaken the organisational identification. Does the employee identify with the higher meaning of his/her work? Does the employee identify with his/her organisational role? Does the employee identify with the goals and is he/she willing to contribute to the achievement? It is obvious that these sources of motivation actually corresponding with organisational identification. It can be reasonably assumed, that employees, who identify themselves in some way with their work, with the purpose of their work and the organisation, are motivated – in the opposite case, without motivation, the willingness to perform is non-existent.

In the light of the foregoing considerations, it becomes clear, that organisational commitment and organisational identification should be distinguished conceptually. In conclusion, this distinction also refers to the degree of employee *integration*. The difference can be determined by the link to a person's self-concept (van Knippenberg & Sleebos, 2006). Identification is part of an employee's self-concept. Commitment, on the other hand, is not necessarily connected with a person's self-concept (Ashforth & Mael, 1989). Thus, an organisational identification represents a higher organisational bonding, reflecting at the same time the self-perception of the employees. Otherwise, commitment is a more general attitude (in a sense of bonding) of individuals. In other words, organisational identification could be regarded as a *higher level of integration* compared to commitment.

These findings so far already show the importance of thinking about how the nature of communication, communication processes and communication channels affect the co-operation and motivation of employees. It can be assumed that the creation of conditions for higher organisational identification require a higher communication effort than for the creation of conditions for an organisational commitment of employees.

Whilst information and persuasive arguments are communicated by the management during the development of commitment, which in sum makes a job or the company interesting and valuable (van Dick 2004), the improvement of identification is about the creation of a sense of unity – employees should know themselves as a part of the company. There are also internalisations of common objectives within identification processes taking place. Employees make organisational goals to their own, thereby contributing to the success of the company. In identification processes, staff members and the organisation merge to one psychological unit (Rousseau & Parks, 1993; Levinson, 1965). Despite the exchange of information of the management on a factual level solely (Watzlawick et al., 1990) – in the context of vertical communication – motivational conditions are not given, because of the spatially separate cooperation and the lack of structural integration.

Organisational Inclusion vs. Distance Communication

Lombard & Ditton (1997) and Gajendran & Harrison (2007) point out, that representatives in mobile telework often feel excluded, because they do not directly recognise how their daily work contribute to the objectives of their team or the company's aims. Bartel et al. (2007) report in a qualitative study from similar findings.

Büssing & Broome (1999) note that the lack of information and a lack of transparency in relation to one's own company can cause the aforementioned uncertainties among teleworkers. In particular, they refer to the perception of their own work performance. This lack of perception is also mentioned by (Brandt, 1999), who argues, that successes in distance cooperation cannot be spontaneously shared with colleagues. In the opposite case, there are no immediate contacts to be able to clarify questions and problems. On the basis of these results it can be stated, that the direct, communicative reflection of work results, the perception, and in consequence the organisational sense of belonging could influence the employees motivation positively. Reversely seen, the lack of direct contacts for a constructive exchange leads to frustration.

Hence, distance communication can result in a lack of involvement of mobile teleworkers in organisational culture. Thomas (2005) describes

organisational culture as an orientation system that reflects symbols, language, rituals or habits of the collective on the relationship level. In this framework of action, it is possible for employees to find their way around in the collective, for which knowledge about the social environment is needed and the knowledge of how to deal with this knowledge. Against this background, cultural norms or customs are a clear guidance, which directly influence the thinking, action and the perception of the workforce. Thus, organisational culture reflects what is right or wrong, good or bad and what kind of values and traditions should be lived and cultivated. Organisational culture, as it is linked to verbal and non-verbal communication, can be perceived in any place and at any time within the company, and characterises work processes (Strobel & Lehning, 2003; Brunelle, 2013).

Based on this, the concept of the *social anomie* after Durkheim (1983/1897) plays a decisive role in teleworking. Durkheim sees anomie as a state of social disintegration. Due to the borderless working situation, societal differentiation are becoming increasingly apparent. The absence of structural and regulatory principles weakens collegial cohesion. As a result, general social rules getting less attention, the collective order is dissolved, and a state of anomie appears. According to this, *alienation* – the lack of tried and tested norms (in the context of this work: the non-perception of culture) – can be regarded as the opposite of organisational inclusion. Kanungo (1979) interprets the concept of alienation in a socio-psychological way. According to Maslow (1954), he describes it as unsatisfied or frustrated needs for safety and social inclusion. On the organisational and individual level, the study of alienation processes refer to their linkages to individual freedoms and control opportunities, possibilities for participation, responsibility, social integration and identification.

The subjective estrangement approach after Seeman (1959, 1972) differentiates five subjective psychological dimensions of alienation, which are derived from situational characteristics of the organisational environment. The characteristics of *powerlessness* and *meaninglessness* signify perceived control and influence limitations of individuals in social systems, as well as experienced meaninglessness – as a result of missing possibilities for recognising or expanding the conceptual connections between one's own work and the overall system, respectively for the lack of possibilities, to build or expanding competencies for these purposes.

If existing norms are no longer considered as the guiding basis for their own behaviour and are no longer shared with other individuals of the system, the individual who rejects the values and norms of society can perceive his/her cultural alienation through social learning processes. Seeman speaks here of the characteristics *normlessness* and *value isolation*.

The characteristic *self-estrangement* describes alienation tendencies, which arise through lack of self-actualisation.[2]

Distance communication, perception of work performance and organisational culture are closely related to organisational inclusion respectively alienation. Lenk (1989) describes the fact that communication via technical media is not only narrowed, but also generally purpose-oriented, hence, reduced to its factual value. Fulk & Cummings (1984) also refer to Watzlawick et al. (1967) and agree that communication on a factual level loses its socially binding character. The holistic experience of the counterpart in the communication process remains incomplete. According to Lenk (1989), teleworking can suffer seriously in its quality due to limited communication.

This is understandable, since via Distance Communication usually a target-oriented and factual communication style is chosen. With an intensified use of electronic media, which neglects a personal face-to-face and informal communication style, this factual communication behaviour can on the long run cause the feeling of alienation. Establishing a functional communication on a factual and relationship level could thus reduce the discrepancy between the claims, norms and values, as well as the situational conditions of the work organisation, which oppose the individual needs. It is therefore important to integrate these values and needs of mobile teleworkers into the internal communication strategy and work routine. Hayes et al. (2002) also hold this view. They argue, that a better organisational integration of employees working at home means a strengthening of personal sense of belonging. The work of Baumeister & Leary (1995), Golden (2006) and Greenhaus et al. (1990) examined the opposite case: The lack of organisational involvement of employees in workplaces outside the organisation is associated with reduced work engagement, dissatisfaction with work and a rejection of internal colleagues.

An integration of mobile teleworkers in the framework of an "extended communicative" culture ranges from uniform attitudes, in which the personality should be just as important as the staff qualification, through daily communication behaviours to the actual workplace beyond the organisation's boundaries and the technological prerequisites which determine the choice of communication channels. A holistic communicative experience has to be established, by supporting and carrying the organisational culture. It can be assumed that, by implementing this strategy, to ensure a higher quality of communication achieving a better

---

[2] Maslow (1954) defines self-actualization as the desire or the tendency to exploit one's own full potential, the development of own personality. In doing so, the individual urges to experience his/her "full-being".

integration of mobile teleworkers, the communication effort will continue to increase.

Affiliation vs. Distance Communication

Humans have the natural tendency, next to the needs for efficiency and autonomy, to adopt the regulation mechanisms of the social world unconsciously in order to be associated with other persons, becoming a member of the social world *(affiliation)*. Attempting to feel connected with others, determining autonomously at the same time own actions, the person takes over and integrates goals and behavioural norms into his/her own self-concept. Prerequisites for this process are offers and requirements in an accepted environment, which strengthens the corresponding behavioural tendencies (Deci & Ryan, 1993). Changes in membership status can cause emotional reactions. Positive effects are associated with higher affiliation; negative effects are associated with reduced affiliation. Furthermore, ongoing high involvement in social relations should lead to generally a better emotional condition; lasting deprivation, on the other hand, to a generally poorer emotional condition. These assumptions are evidenced by various studies, which show that happiness, contentment or serenity are associated with the existence of close social relationships, while a lack or loss of social relationships can be associated with feelings of anxiety, loneliness, and social isolation (Baumeister & Tice, 1990; Leary, 1990; Leary, Koch & Heckenbleikner, 2001; Leary & Springer, 2001; Russel et al., 1984).

These findings can be easily projected to the context of mobile telework. For mobile teleworkers, a purely exchange on the factual level can lead to feelings of social isolation, if there are no compensating informal contacts with colleagues. Times for social communication are also required during working hours. If social contacts are neglected or not available, this has an impact on the working environment and the informal crisis management in every day work, which is normally able to determine many personal problems in operational cooperation (Walke, 1994). Brandt (1999) also considers that, especially in the form of telework, a subjective feeling of social isolation arises by the fact, that there is a serious reduction in social contacts at work. Telephone or electronic media could not adequately replace private or informal side conversations during coffee breaks or face-to-face meetings.

An affective bond and support, as well as emotional involvement, are essential in the field of teamwork, but harder to achieve if communication takes place over a structural distance. In addition, communication at a solely factual level is an obstacle, in order to express one's own emotions, which can lead into a higher stress level (Mann, 1998). Emotions are

central for functional teamwork. They can benefit stirring interest in informal organisational processes (Ashforth & Humphrey, 1995). The lack of personal links to other people and the lack of information in a social setting also affect, as pointed out by Gallenkamp et al. (2010), building a social relationship and trust. Cooper & Kurland (2002) and Vega & Brennan (2000) describe the perception of social isolation of employees in telework as one of the main problems of this form of labour. Montreuil & Lippel (2003) speak behind this background of a critical disadvantage of telework. According to Baumeister & Leary (1995), interpersonal relations are the basic need of every human being and responsible for human motivation.

Buddendieck et al. (1999) mention the need for *self-motivation* at telework. According to (Nerdinger & Oelsnitz, 1995), it depends on the social connections of the mobile teleworkers to their colleagues. Conversely, it can be concluded that the feeling of social isolation, caused by a strongly restricted communication at a structural distance, can lead to low employee (self-) motivation. Emotional (and social) involvement are central to motivation (Ashforth & Humprhrey, 1995; Organ, 1990). Mann et al. (2000) found, that the emotional part of teleworking and its impact on employees is focused on the absence of the physical organisation, the organisational structures and the work environment. Closely related to this is the physical separation of colleagues. This results in a reduction of the affective bonding of the team and in a lack of emotional support, as well as a loss of the meaningfulness of the communicated message. Also (Bakker, Van Emmerik & Euwema, 2006) assume that group cohesiveness depends mainly on the affective bonding between employees. Emotions in the sense of contagion are part of the team spirit and can be a key driver in organisations (Mann et al., 2000).

Thus, for a motivated teleworker, there is a need to be emotionally integrated in a social network. Abraham Maslow describes this specific context on the basis of the *need for love and affiliation* at the third level of his model "Hierarchy of Needs" Maslow (1954). A social network can have the function of support, which is mainly determined by the quality of the system. The quality is, among other things, decisive, how much support a person receives from colleagues and direct supervisors, how often he/she is lonely and with which kind conflicts the employee is confronted (Döring, 2003). At this point, it is assumed that the quality of the social network is decisively determined by the quality of the communication.

In the light of the above-mentioned, it is clear that poor or limited communication bridging a structural distance and social isolation of mobile teleworkers – due to their affiliation needs – is closely linked to low staff-motivation. The research findings are mainly related to classic telework. However, it can be assumed, that the situation in mobile telework is similar. Social integration aiming at a feeling of employee's affiliation can

be attained through a high level of horizontal communication effort, taking into account the needs of mobile teleworkers on a relationship level, in order to further increase staff motivation.
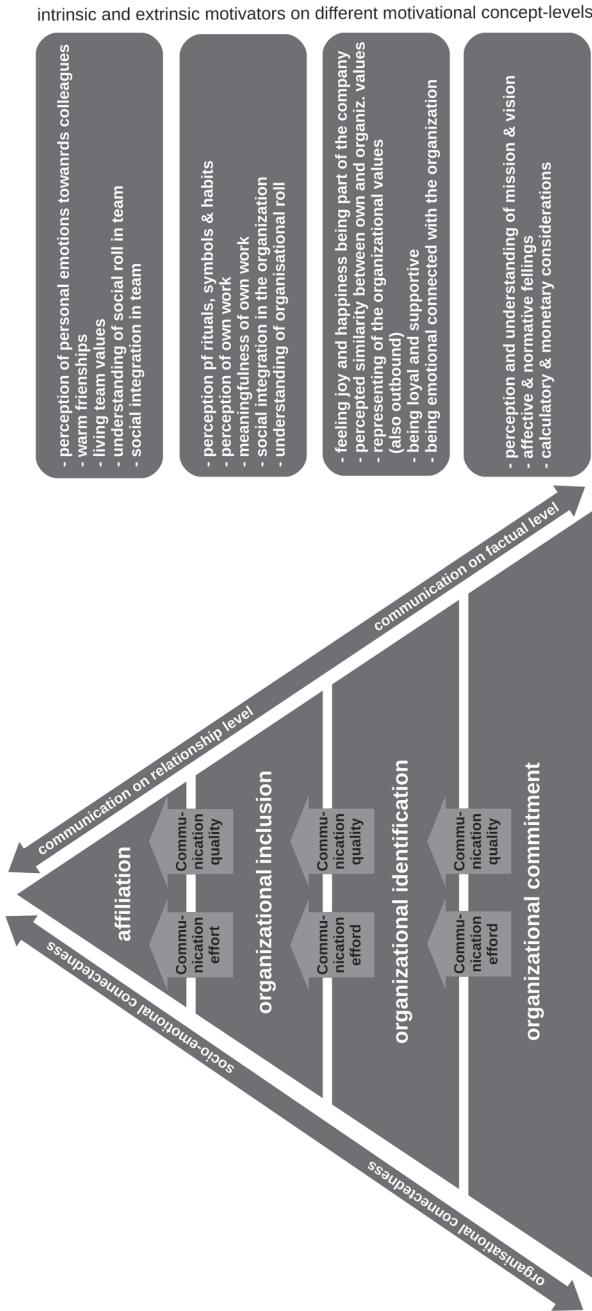
Conceptual Model & Discussion

The previous discussion raises the question, how the relationship between distance communication and motivation of mobile teleworkers can be conceptualised. The model in Figure 1, in the form of a pyramid structure, contains the four main motivational concepts and motivators, identified in literature and discussed before, arranged within different levels of hierarchy attempting to link these against the background of Distance Communication. The motivation concepts are arranged in four categories, starting with the most basic physiological on the level of the organisation (bottom of the pyramid), which increase in their hierarchy and intensity up to cognitively and emotionally developed human needs for social affiliation.

The pyramid is a content model; it deals with content, nature and effect of the discussed and analysed motivational concepts. Furthermore, a taxonomy of the motivators is given, and finally it is concluded, by what communicative conditions which motivators become behavioural. In this respect, the phenomenon of distance communication on a factual level, has a higher negative effect on the behaviour on upper levels (and consequently on the integration of the employees) than on the lower levels.

The categories "organisational commitment" and "organisational iden-tification" can be realised with comparatively lower (vertical) communication effort than a social integration of employees associated with the feeling of affiliation. The reason for this is the increasing need for communication on a relationship level, heading to the top of the pyramid. Responsible for this fact are related *context information*, which must be taken into account in the case of messages via distance communication, but which increase the individual effort in interactions. Thus, if an employee should feel social connectedness or affiliation and should be socially integrated, vertical communication is no longer sufficient, for example, within the scope of employee information activities.

Only by organisational inclusion, which is aiming perception and recognition of importance of the own work of the employees, a mobile teleworker becomes aware of the personal role in between the enterprise. This is achieved mainly by way of a horizontal communication, and through the involvement of the employee in the culture within the bounds of his/her organisation. In order to achieve a social cohesion, sharing of common values within teams and between colleagues, as well as

Figure.   **Different motivational concepts vs. quality/required effort of communication**

intrinsic and extrinsic motivators on different motivational concept-levels

- perception of personal emotions towanrds colleagues
- warm frienships
- living team values
- understanding of social roll in team
- social integration in team

- perception pf rituals, symbols & habits
- perception of own work
- meaningfulness of own work
- social integration in the organization
- understanding of organisational roll

- feeling joy and happiness being part of the company
- percepted similarity between own and organiz. values
- representing of the organizational values
  (also outbound)
- being loyal and supportive
- being emotional connected with the organization

- perception and understanding of mission & vision
- affective & normative fellings
- calculatory & monetary considerations

communication on factual level

communication on relationship level

socio-emotional connectedness

organisational connectedness

affiliation

organizational inclusion

organizational identification

organizational commitment

Commu-nication quality

Commu-nication effort

Commu-nication quality

Commu-nication efford

Commu-nication quality

Commu-nication efford

Source: Author's own compilation

reaching the feeling of a sense of belonging, a functional and informal communication is necessary – on both the factual and the relationship level – which in turn counteracts an even higher individual communication effort by transporting additional context information on the part of the organisation, team members and supervisors equally.

Attributing the above-mentioned context information to a solely temporal effort is not reasonable. The higher communication effort also covers the avoidance of misinterpretations, wrong decisions, conflicts or the questioning of communication expectations, as well as the needs of employees in mobile telework. Those responsible in the departments of HR-management or organisational development (OD) are therefore required to consider these aspects within the communication strategy in teams and to question how, in addition to an objective-institutional communication, integrative communication tasks can be carried out via digital media.

Additional contextual information on the relationship level, which in some respects "simulate" a meta-communication at a distance, could thus contribute to an improvement in the motivation of the employees in telework. In order to achieve this, it is necessary to know individual motives and needs of employees at the remote workplace to get a clear idea of the contextual information required for an improved communication strategy.

Conclusion

The results of this study have implications for the selections of steps of the organisational development (OD), HR-Management and can show superiors' directions for the choice of virtual work programmes in the framework of mobile telework. In sum, this article explores the relationship between distance communication and different forms – respectively concepts – of motivation. The introduced Telework-Communication-Quality (TCQ) Model assumes a hierarchy of these major concepts and a rising communication effort, to achieve affiliation and, in this way, fully social integration of mobile teleworkers (represented by the top of the pyramid) into their organisation and teams. The communication effort can be seen or defined as a prerequisite reaching a higher communication quality on communication at a structural distance. Limited communication, which results from bridging this distance, can either been solved by emerging from the digital environment, coming more often into physical contact, in the form of meta-communication, or by simulating it, by adding specific context information to the daily exchange of digital messages or telephone calls. For example, semiotic studies could examine the influence of verbal and visual symbols on work engagement more precisely. But also the sound of communication (tone of voice), should examined in terms of its possible

impact on the perception of personal needs of employees in telework, to find out, if there is a probability to achieve a higher motivation by intonation. This future works could be a giant leap in motivation research in the context of this article.

REFERENCES

1. Ashforth, B. E. & Humphrey, R. H. 1995. Emotion in the Workplace: A Reappraisal. Human Relations, SAGE Publications, Thousand Oaks, 48. pp. 97–125.
2. Ashforth, B. E. & Mael, F. A. 1989. Social identity and the organization. Academy of Management Review, 14(1), pp. 20–39.
3. Bakker, A. B., van Emmerik, I. J. H. & Euwema, M. C. 2006. Crossover of burnout and engagement in work teams. Work and Occupations, SAGE Publications, Thousand Oaks, 33(4), pp. 464–489.
4. Bartel, C. A.; Wrzesniewski, A. & Wiesenfeld, B. 2007. The struggle to establish organizational membership and identification in remote work contexts. In Bartel, C. A. (Ed.), Identity and the Modern Organization, Lawrence Erlbaum Associates, Mahwah, New Jersey, pp. 253–272.
5. Bartels, J.; Pruyn, A. & De Jong, M. 2009. Employee identification before and after an internal merger: A longitudinal analysis. Journal of Occupational and Organizational Psychology, Wiley, New Jersey, 82, pp. 113–128.
6. Baumeister, R. R. & Leary, M. R. 1995. The need to belong: Desire for interpersonal attachments as a fundamental human motivation. Psychological Bulletin, APA, Washington, 117, pp. 497–529.
7. Baumeister, R. F. & Tice, D. M. 1990. Anxiety and social exclusion. Journal of Social and Clinical Psychology, New York, London, 9, pp. 165–195.
8. Bernardino, A. 1996. Telecommuting: Modeling the employers and the employee's de-cisionmaking process. Routledge, London, p. 9.
9. Berth, R. 1995. Nachholbedarf Personalentwicklung. In: Gablers Magazin, Wiesbaden, 12, pp. 37–39.
10. Brandt, C. 1999. Telearbeit – eine Zukunft für Frauen mit Kindern? In: Die Frau in unserer Zeit. Schriftenreihe der Konrad Adenauer Stiftung, Bonn, 2, p. 59.
11. Brunelle, E. 2013. Leadership and Mobile Working: The impact of distance on the Superior-Subordinate-Relationship and the moderating effects of Leadership style. International Journal of Business and Social Science, Radford, 4(11), pp. 1–14.
12. Buddendieck, A.; Leo, P. E. & Hell, W. 1999. Introduction of alternating telework in a local government administration – an evaluation. Zeitschrift für Arbeits- und Organisationspsychologie, Hofgrefe, Göttingen, 43(3), pp. 165–170.
13. Büssing, A. & Broome, P. 1999. Trust under telework. Zeitschrift für Arbeits- und Organisationspsychologie, Hofgrefe, Göttingen, 43, pp. 122–133.
14. Comelli, G. & von Rosenstiel, L. 2009. Führung durch Motivation. Vahlen, München, p. 6.
15. Cooper, C. D. & Kurland, N. B. 2002. Telecommuting, professional isolation and employee development in public and private organizations. Journal of Organizational Behavior, Wiley, New Jersey, 23, pp. 511–532.

16. Cutlip, S. M.; Center, A. H. & Broom, G. M. 1985. Effective public relations. Prentice-Hall, Upper Saddle River, p. 215.

17. Deci, E. L. & Ryan, R. M. 1993. The Theory of Self-Determination of Motivation and its Relevance to Pedagogics. In: Zeitschrift für Pädagogik, Berlin, 39(2), pp. 223–238.

18. Döring, N. 2003. Sozialpsychologie des Internet: Die Bedeutung des Internet für Kommunikationsprozesse, Identitäten, soziale Beziehungen und Gruppen. Hogrefe, Göttingen.

19. Durkheim, È. 1983 orig. 1897. Der Selbstmord. Suhrkamp, Frankfurkt. p. 329.

20. Eichenlaub, A. 2010. Vertrauensaufbau bei virtueller Kommunikation durch Ähnlich- keitswahrnehmung. Springer Gabler, Wiesbaden, p. 4.

21. Fulk, J. & Cummings, T. G. 1984. Refocusing Leadership: A modest proposal. In: J. C. Hunt; D. M. Hosking; C. A. Schriescheim; R. Steward (Eds.), Leaders and Managers: International Perspectives on managerial Behavior and Leadership, Pergamon, Oxford, pp. 53–81.

22. Gajendran, R. S. & Harrison, D. A. 2007. The good, the bad, and the unknown about telecommuting: a meta-analysis of the psychological mediators and individual consequences, Journal of Applied Psychology, APA, Washington, 92, pp. 1524–1541.

23. Gallenkamp, J.; Picot, A; Welpe, I. & Drescher, M. 2010. Die Dynamik von Führung, Vertrauen und Konflikt in virtuellen Teams. In: Gruppendynamik und Organisations-beratung. Springer, Wiesbaden, 41(4), pp. 289–303.

24. Golden, T. D. 2006. Avoiding depletion in virtual work: Telework and the intervening impact of work exhaustion on commitment and turnover intentions. Journal of Vocational Behavior, Elsevier, Amsterdam, 69(1), pp. 176–187.

25. Greenhaus, J. H., Parasuraman, S. & Wormley, W. M. 1990. Effects of Race on Organizational Experiences, Job-Performance Evaluations and Career Outcomes, Academy of Management Journal, Chicago, 33(1), pp. 64–86.

26. Hayes, B. C.; Hayes, S. A. & Major, D. A. 2002: Climate for opportunity: a conceptual model. Human Resource Management Review, Elsevier, Amsterdam, 12, pp. 445-468.

27. Jost, P. 2000. Organisation und Motivation – Eine ökonomisch-psychologische Einfüh-rung. Springer, Gabler, Wiesbaden, pp. 80–83.

28. Kanungo, R. N. 1979. The concepts of alienation and involvement revisited. Psychological Bulletin, Washington DC, 86, pp. 119–138.

29. Leary, M. R. 1990. Responses to social exclusion: Social anxiety, jealousy, loneliness, depression, and low self-esteem. Journal of Social and Clinical Psychology, New York, London, 9, 221–229.

30. Leary, M. R., Koch, E. & Hechenbleikner N. 2001. Emotional responses to inter-personal rejection. In: Leary M. R., (Ed.). Interpersonal rejection. Oxford University Press; New York: 2001. pp. 145–166.

31. Leary, M. R., & Springer, C. 2001. Hurt feelings: The neglected emotion. In R. M. Kowalski (Ed.), Aversive behaviors and relational transgressions: The underbelly of social interaction. American Psychological Association, Washington, pp. 151–175.

32. Lenk, T. 1989. Telearbeit. Möglichkeiten und Grenzen einer telekommunikativen De-zentralisierung von betrieblichen Arbeitsplätzen, Duncker & Humblot, Berlin, p. 103.

33. Levinson, H. (1965). Reciprocation: The relationship between man and organization. Administrative Science Quarterly, SAGE Publications, Thousand Oaks, 9, pp. 370–390.

34. Lombard, M. & Ditton, T. 1997. At the Heart of It All: The Concept of Presence. Journal of Computer-Mediated Communication, Wiley, New Jersey, 3(2).

35. Mael, F. A. & Ashforth B. E. 1992. Alumni and their alma mater: A partial test of the reformulated model of organizational identification. Journal of Organizational Behavior, Wiley, New Jersey, 13, pp. 103–123.

36. Mann, S. 1998. Achieving frontline communication excellence: The cost to health. IEEE Transactions on Professional Communication, New York, 41, pp. 254–265.

37. Mann, S.; Varey, R.; Button, W. 2000. An exploration of the emotional impact of tele-working via computer-mediated communication. Journal of Managerial Psychology, Bingley, 15, pp. 668–690.

38. Montreuil, S. & Lippel, K. 2003. Telework and occupational health: a Quebec empirical study and regulatory implications. Safety Science, Elsevier, Amsterdam, 41, pp. 339–359.

39. Maslow, A. H. 1954. Motivation and personality. Harper and Row, New York.

40. Mook, D. G. 1996. Motivation – The Organization of Action W. W. Norton, New York, pp. 25–53.

41. Mowday, R. T.; Steers, R. M. & Porter, L. W. 1979. The Measurement of Organizational Commitment. Journal of Vocational Behavior, Elsevier, Amsterdam, 14, pp. 224–247.

42. Nakara, R. 2006. Relationship between communication satisfaction and organizational identification: An empirical study vision. The Journal of Business Perspective, SAGE Publications, Thousand Oaks, 10(2), pp. 41–51.

43. Nerdinger, F. W.; Blickle, G.; Schaper, N. 2011. Arbeits- und Organisationspsychologie. Springer, Berlin, Heidelberg, p. 506.

44. Nerdinger, F. W. & Von Oelsnitz, D. 2008. Grundlagen des Verhaltens in Organisationen. Kohlhammer, Stuttgart, p. 102.

45. Organ, D. W. 1990. The motivational basis of organizational citizenship behavior. In. L. L. Cummings, & B. W. Staw (Eds.), Research in Organizational Behavior, Greenwich, JAI Press, 12, pp. 43–72.

46. Pelz, W. 2004. Kompetent führen. Springer, Wiesbaden, p. 117.

47. Postmes, T., Tanis, M. & De Wit, B. 2001. Communication and commitment in organizations: A social identity approach. Group Processes & Intergroup Relations, SAGE Publications, Thousand Oaks, 4(3), pp. 227–246.

48. Reich, K. 2000. Systemisch-konstruktivistische Pädagogik. Einführung in Grundlagen einer interaktionistisch-konstruktivistischen Pädagogik. Luchterhand, Neuwied, p. 35.

49. Rheinberg, F. 2002. Motivation. Kohlhammer, Stuttgart, p. 17.

50. Rousseau, D. M. & Parks, J. M. 1993. The contracts of individuals and organizations. In L. L. Cummings and B. M. Staw (Eds.), Research in Organizational Behavior, JAI Press, Greenwich, 15, pp. 1–47.

51. Russell, D.; Cutrona, C. E., Rose, J.; Yurko, K. 1984. Social and emotional loneliness: An examination of Weiss's typology of loneliness. Journal of Personality and Social Psychology, 46, pp. 1313–1321.

52. Ryan, M. & Deci, E. L. 2000. Intrinsic and Extrinsic Motivation: Classic Definitions and new directions. Contemporary Educational Psychology, Elsevier, Amsterdam, 25, pp. 54–67.

53. Seeman, M. 1959. On the meaning of alienation. American Sociological Review, SAGE Publications, Thousand Oaks, 24, pp. 783–791.

54. Seeman, M. 1972. Alianation an engagement. In: A. Campbell & P. H. E. Converse (Eds.), The human meaning of social change, Russell SAGE Foundation, New York, pp. 472–527.

55. Simon, H. A. (1997). Administrative behavior: A study of decision-making processes in administrative organizations. Free Press, New York, 33, pp. 355–367.

56. Smidts, A.; Pruyn, A. & Van Riel, C. 2001. The impact of employee communication and perceived external prestige on organizational identification. Academy of Mana-gement Journal, Chicago, 49(5), pp. 1051–1062.

57. Strobel, G. & Lehning, U. 2003. Arbeitssituation von Beschäftigten im Außendienst: Defizite und Gestaltungsmöglichkeiten der psychosozialen Arbeitsbedingungen. Bun-desanstalt für Arbeitsschutz und Arbeitsmedizin, Dortmund, Berlin, Dresden.

58. Thomas, A. 2005. Kultur und Kulturstandards. In: Thomas, A.; Kinast, E.-U.; Schroll-Machl, S. (Ed.): Handbuch Interkulturelle Kommunikation und Kooperation, Grundlagen und Praxisfelder, Vandenhoeck & Ruprecht, Göttingen, pp. 19–31.

59. Tompkins, P. K. 1987. Translating organizational theory: Symbolism over substance. In Jablin, F. M., Putnam, L. L., Roberts, K. H. & Porters, L. W. (Eds.). Handbook of organizational communication: An interdisciplinary perspective. SAGE Publications, Thousand Oaks, pp. 70–96.

60. Van Dick, R. 2004. Commitment und Identifikation mit Organisationen. Hogrefe, Göttingen, p. 5.

61. Van Knippenberg, D. & Sleebos, E. 2006. Organizational identification versus organizational commitment: self-definition, social exchange, and job attitudes. Journal of Organizational Behavior, Wiley, New Jersey, 27, pp. 571–584.

62. Walke, B. 1994. Betriebliche und überbetriebliche Vernetzung von Arbeitsplätzen. Springer Gabler, Wiesbaden, p. 233.

63. Watzlawick, P.; Beavin, J. H. & Jackson, D. D. 1967. The Pragmatics of Human Communication, W. W. Norton & Co., New York.

64. Watzlawick, P.; Beavin, J. H. & Jackson, D. D. 1990. Menschliche Kommunikation: Formen, Störungen, Paradoxien. Huber, Bern, Stuttgart, Wien, pp. 53–56.

65. Welch, M. 2012. Appropriateness and acceptability: Employee perspectives of in-ternal communication. Public Relations Review, Elsevier, Amsterdam, 38, pp. 246–254.

66. Wells, M. M.; Thelen, L. & Ruark, J. 2007. Workspace personalization and organizational culture. Does your workspace reflect you or your Company. Environment and Behavior, SAGE Publications, Thousand Oaks, 39(5), pp. 616–636.

67. Vega, G.; Brennan, L. 2000. Isolation and technology – The human disconnect. Journal of organizational change management, Emerald Insight, Bingley, 13, pp. 468–481.

PRODUCTIVITY, AS AN INDICATOR OF THE EFFICIENCY OF A COUNTRY'S ECONOMIC SYSTEM: A LATVIAN CASE

Gunārs Vaskis
Dr. oec.

Egils Fortiņš
M. commerc., M. oec.

Abstract

The aim of the article is to show the range of issues to consider when developing a country's economic policy for increasing productivity.

The relative level of national development over a period of time, on the one hand, is the goal of prosperity for any country and its inhabitants. On the other hand, in an open society, in the larger economic space (EU) of the free movement of people (including goods, capital, etc.), this is a condition for sustainable development. The relative level of socio-economic development of the country, without going into detailed relationships, is characterised by GDP per capita. From a production point of view, the labour force in the productive sectors, whose efficiency is reflected in labour productivity, generates the gross mass of GDP.

When deciding on the formulation and implementation of national economic policies, governments face a very significant problem: the assessment of productivity and its interaction with other factors. This is especially important for small countries, such as Latvia. This is not possible if the economic category itself – productivity is not defined with sufficient precision. Productivity is a multi-dimensional concept, which has become one of the basic principles upon which modern economic thinking is based. The concept of productivity includes not only economic factors, but also non-economic factors such as education, science, political stability and value systems. By creating conditions for productivity increase, a dynamic and systematic approach to creating wealth and long-term economic growth is necessary.

Keywords: Latvia, labour productivity, competitiveness, economic policy

Introduction

There are many studies in the world of economics that give a fairly clear answer to both the nature of productivity, the importance of factors, the level determining factors, and the toolbox for increasing this level. The question remains as to why, in the European post-socialist countries, almost

30 years after the dismantling of the socialist system and its planetary economy, the productivity level shows a critically low level compared to the EU-15. Moreover, even in Latvia, where the level of productivity is critically low, so far there have not been enough studies that could serve as the basis for political decisions. The current situation shows that labour productivity in Latvia is catastrophically low. According to EUROSTAT data, in 2015 labour productivity (as to the value added per employee) in Latvia was 16.7 ths. EUR per year, which was 38% of the EU28 average and 20% of the EU28's best (Denmark). Compared to Estonia, this indicator in Latvia was only 65% of Estonia's reported productivity. A lower productivity level was reported only in Bulgaria and Romania.

Figure 1. **Apparent labour productivity (Gross value added per person employed) – thousand euro, 2015**
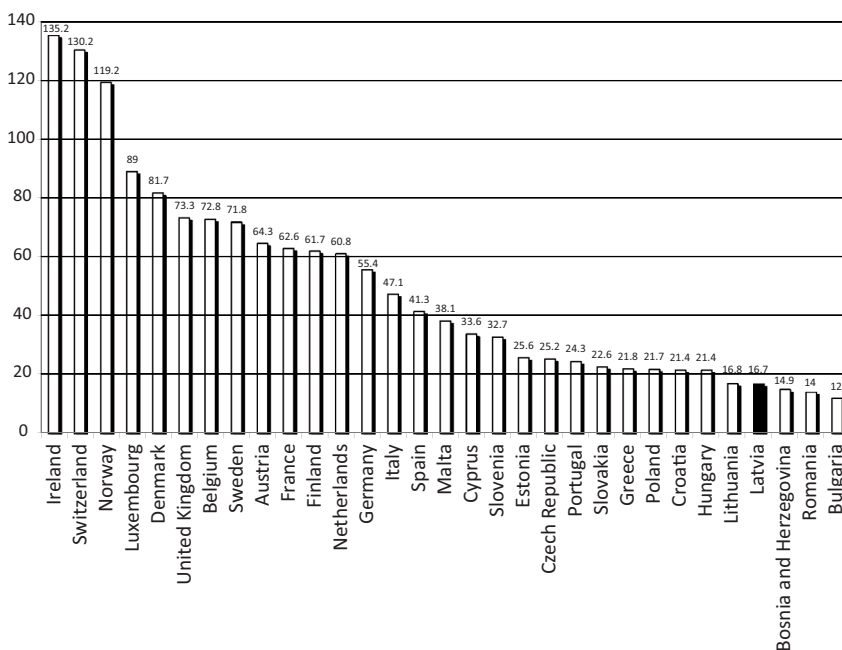
Source: Eurostat database, Author's calculations

The current situation shows:
- profound problems in the Latvian economy,
- the inability of the free market to solve inefficient national economic problems, and
- the need for state intervention in solving the problem.

Nature of Productivity

Productivity is used to evaluate the efficiency of the use of factors by comparing the volume produced with the quantity of factor used. Labour productivity, which is the most common indicator of productivity measurement, is the amount of output corresponding to the labour-intensive acquisition or defined as the value added per hour worked [9]. Work productivity is determined by human capital, technological change and economies of scale [15].

Capital productivity is defined as gross output or added value. Capital productivity improves the quality of work thanks to the improvement of machinery and equipment. It is essential to understand the difference between capital productivity and the rate of return on capital. Capital productivity is a physical productivity indicator, but a capital return rate is an income indicator that indexes capital gains from equity capital [12].

One of the topical concepts is the concept of a total factor productivity (TFP) [14]. The overall factor productivity is important not at the company level, but also at the national level, as it enables the development of a balanced state economic policy. The productivity of total factors can be calculated by dividing the total output by the total investment. The growth of the TFP also reflects the so-called impact or the external impact of the return on investment that goes beyond those that the investor can internalise. The consequences of this overcoming are mainly due to the social benefits resulting from technological advances and innovation.

Measurement of Productivity

Measurement of productivity in many cases relates to the availability of data. Generally, productivity can be measured as the productivity of one factor (referring to the output indicator for one investment indicator). Productivity can be measured as multi-factor productivity (which refers to the output measurement set of inputs). Another difference that is particularly significant at the industry or enterprise level is the productivity measures that cover some of the gross output volumes for one or more raw materials and those who use the concept of value added to capture the product movement. [9, 12]

The OECD has developed several measurement methods for measuring various types of productivity see Fig. 2.

This article will focus on productivity gains and will be based on the Eurostat definition of labour productivity.

"Apparent labour productivity is defined as value added at factor costs divided by the number of persons employed. This ratio is generally presented in thousands of euros per person employed". [5]

Figure 2.   Overview of main productivity measures

Type of output measure	Type of input measure			
	Labour	*Capital*	*Capital and labour*	*Capital, labour and intermediate inputs (energy, materials, services)*
Gross output	Labour productivity (based on gross output	Capital productivity (based on gross output)	Capital-labour MFP (based on gross output)	KLEMS multifactor productivity
Value added	Labour productivity (based on value added	Capital productivity (based on value added	Capital-labour MFP (based on value added	-
	Single factor productivity measures		*Multifactor productivity (MFP) measures*	

Source: OECD manual [11, 13]

In turn, Eurostat's productivity definition is based on the definition developed by the OECD; "Apparent labour productivity is defined as value added per person employed". [12, 32]

$$\frac{Quantity\ index\ of\ value\ addied}{Quantity\ index\ of\ labour\ input}$$

Both firm management and the government are embedded in the most rational use of jobs to create added value. The productivity of the work only partially reflects the productivity of the employee's personal capacity or the intensity of their use. The relationship between output and labour input depends to a large extent on the use of other resources.

When comparing productivity measurement based on gross output, measured by productivity based on added value, it should be noted that the growth rate of value-based productivity is less dependent on any variable intermediate between labour and labour or the degree of vertical integration. Value-added productivity measures tend to be less sensitive to material and service and labour substitution processes, rather than measures based on gross output. For example, when using outsourcing, the workforce is replaced by intermediate inputs. This leads to a decrease in value added as well as a decrease in labour costs. The first effect increases the measured productivity; the second effect reduces it.

As labour productivity measures reflect the combined effects of capital investment, intermediate investment and total productivity changes,

they do not exclude any direct technical change effects, whether they are embedded or dispersed. The latter works with capital goods and intermediates and thus affects labour productivity; the former usually increases production opportunities for a given set of raw materials, and it also affects productivity.

At the aggregate level, value-based labour productivity forms a direct link to the widely used standard of living, per capita income. Productivity has a direct impact on living standards by adjusting variable working hours, unemployment, labour force participation rates and demographic changes.

From a policy point of view, value-based labour productivity is important as an argument in the negotiations on the salary of a job.

The current paradigm [1]: to increase national growth, wages, etc. it is necessary to increase productivity. However, productivity cannot be increased – it is a result, it may be a goal, but not a means (even for GDP or welfare enhancement).

Labour productivity is an indicator of the efficiency of work, which personifies the collective nature of work in the indicator of the efficiency of individual companies, which is an indicator of production efficiency at an enterprise level.

The total industry or economic productivity indicator is an aggregate, which depends on the labour productivity of individual companies and the parameters of the industry or economic structure. At any aggregate level of the economy, labour productivity is an indicator of the efficiency of this system.

Productivity and Value Chains

Productivity at enterprise level shows the efficiency of the management system in the environmental constraints of the environment. It should be borne in mind that the corporate governance process is not limited to the process of converting input products. The company's efficiency is determined by a set of value chains that includes [20, 14]:

1. New product development;
2. R&D, design;
3. Key parts and components;
4. Base material;
5. Assembly/ labour intensive service;
6. Distribution;

---

[1] Paradigm (gr. Παράδειγμα "model, image, sample") – a certain pattern of perception and thinking, a world view, the main theoretical assumptions (framework). Encyclopaedic Dictionary of History. http://vesture.eu/index.php/Paradigma

7. Retail / after sale service;
8. Marketing / branding; and
9. Supply chain management.

Consequently, productivity is not only a direct result of the production process, but also the result of the whole chain of value chain creation.

Taking into account the size and structure of the Latvian economy, the level of production concentration, optimal sizes of export-capable enterprises, etc.; particularly important is the involvement of Latvian enterprises in the global value chain (GVC).

Participation in GVCs through exports boosts productivity and allows Latvian firms to increase better quality jobs, yet only the most productive firms are able to participate in GVCs. Further integration in GVCs may result in a wider productivity gap between a handful of exporters and the large mass of non-exporters, unless the number of firms participating in GVCs increases. A more inclusive participation in GVCs requires boosting the productivity of smaller non-exporting firms and ensuring that firms seeking to start exporting can access the resources needed to overcome barriers to enter export markets. [20, 19]

The discussion of productivity in the public space, taking into account the denominator of the productivity formula, tends to focus on a low level of labour force that is reasonably related to labour education and motivation. However, such an opinion can be considered superficial, and usually expressed by non-specialists.

Productivity and the Technical Level of Production

The primary level of productivity is determined by the technical level of production, which in most of the company are equipment and machinery. Any company does not have significant (systemic) restrictions on the purchase of technically high-quality equipment and machinery. Consequently, in Latvia there are no constraints on the technical factor for ensuring the level of productivity of developed countries. Problems may arise in the area of financing purchases of equipment, but this relates to demographic characteristics, size, capital adequacy, reputation and other factors limiting funding. The conditional productivity level of technical systems can reduce the level of capacity utilisation, which is basically dependent on the company's management factors (organisation, marketing and sales, etc.).

In assessing the productivity of a company's technical systems, which is estimated by natural indicators, it should be taken into account that the economic operator can offset the technical level of lower equipment,

by minimising other costs. The purchase of equipment from an economic point of view is determined by the results of Cost Benefit Analysis. As a result, low labour costs can be a reason for the use of low-output technical systems.

Given that the value added is based on the product's market price, the value added in the price depends on the cost of the intermediate product. Under international competition conditions, it can be assumed at large that the cost of an intermediate product in a particular company is consistent with the average cost of the intermediate product market for the product in question, or is negligible. Of course, there are some differences in costs. For example, in the case of Latvia, electricity prices are disproportionately high, as they include mandatory payments, which, by their very nature, are taxes. It should be borne in mind that the cost of an intermediate product depends not only on its market prices, but also on the normalisation of the use of an intermediate product, which is an element of the production organisation and depends on the management of the company.

In this case, the amount of PV generated by one employee depends on the amount of output generated, irrespective of the cost of the intermediate product. Abstracted from the differences in the labour productivity of the product, the value-added structure is basically determined by the level of capacity utilisation. The capacity utilisation decreases from the optimal level, the proportion of fixed costs (in the form of depreciation of fixed assets) increases in the price of the whole product or production unit and, consequently, in value added. The above relations, on the basis of an abstract example, are illustrated in Figure 3.

Figure 3. **Value-added structure in the product, depending on the cost of the intermediate and capacity utilization (abstract example)**

Value-added structure in the product, depending on the cost of the intermediate	Value-added structure in the product, depending on capacity utilization
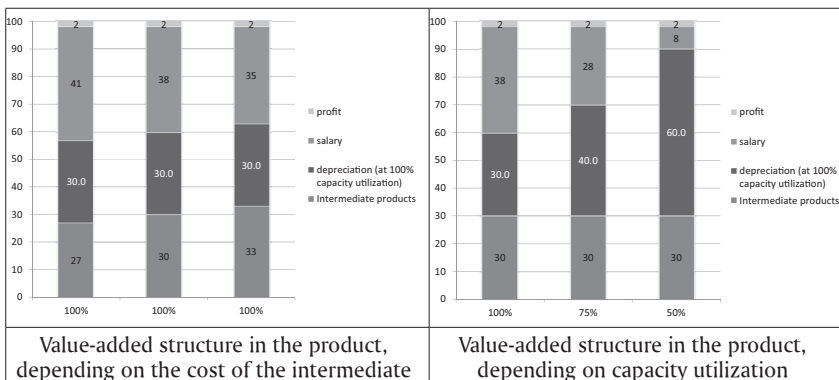
Source: Author's calculations

In the example, the assumption is that a merchant uses a constant margin (2%) in each option. Statistical data and research results show that entrepreneurs in Latvia use higher profit margins than in Europe, which leads not only to low wage levels, but also to a decrease in the level of competition. Relatively high Latvian price-cost margins suggest less intense competitive pressures than in other European Union (EU) countries [19, 10].

The efficiency of using fixed assets (especially technological equipment) is one of the main factors of productivity. At the same time, it determines wages and salary levels. One cannot conceive of the rationale that wage growth cannot yield productivity gains. At the same level of productivity, the wage level depends on the level of utilisation of the power and the distribution of value added by the entrepreneur.

The division of value added at the level of entrepreneurs in Latvia leads to short-term consumer interests over the long-term development needs of the company, and undervaluation of labour costs.

Productivity and Workforce

In the public space, speaking about the low level of wages, a low level of labour productivity is put forward in Latvia as an argument. Further arguments are put forward in the case of low qualifications of labour force, low motivation and low ethical work. However, this approach is too simplistic and does not provide answers to critical system issues, for example:

1. The unanswered question remains why a Latvian construction worker in the United Kingdom has several times higher productivity than in Latvia, or the Latvian policeman, doctor, fire-fighter has lower work intensity and professional abilities, than in Germany, France or Sweden.
2. Does the German truck driver drive more than a tonne/kilometre as a Latvian driver, etc.?

The labour force is the one required by the technical level of production. Adapting the labour force to technical system changes is less time-consuming than the development cycle of the relevant technical systems. Labour force potential is characterised by qualification. The actual labour force's efficiency, along with qualifications, is determined by the organisation of production and the motivation of the staff.

Labour force qualifications are formed within the framework of general and vocational education systems, which is based on the state function. However, based on the system approach, it can be safely asserted that this is not just a matter of education.

1. The ability of generic and vocational education systems to prepare well-educated workforce is inextricably linked to educational

motivation. Each individual decides to deliberately or unknowingly make choices within the CBA. Taking into account the low potential of a potential workforce to predict or predict the future, decisions are made on the basis of the assessment of the current or past circumstances.

2. Thus, it is precisely the function of the state that is not only to create an education system compatible with the time cycle of education and vocation acquisition and the parallel scientific and technological development process, but also to create the right landmarks for the individual selection process.

3. It should be taken into account that orienteering is not only the creation of educational places suitable for the future structure of the economy and the propagation of the professions concerned. The CBA includes a cost-benefit assessment. The predicted relative standard of living is one of the most important parameters in the decision-making process for choosing a profession.

4. It is not possible to analyse in detail the problems of the current system of academic and vocational education systems and the ways of piloting in the scope of this publication, but it is worth pointing out that the system of vocational education is not limited to the acquisition of the first state occupation, but should be included in the conditions of a rapidly changing labour market demand, recurrent vocational training (lifelong learning).

5. It should be taken into account that recently vocational education has been limited to a state-organised system. Equally important is the acquisition of professions in the company. It involves, as with the full acquisition of the profession, the development of basic vocational education skills in accordance with the specifics of the company, retraining for work on the new technique. However, it should be taken into account that such professional training is primarily possible in medium and large enterprises.

6. The structure of the size of companies is one of the problem areas for the professional development of individuals with higher education. In the current situation, a large part of the company (and can be found by job advertisements) is looking for experienced staff. Experience can be obtained only during the work process, but often the duration of the experience does not determine its quality.

7. In today's highly technological production conditions, the total productivity level in the economy depends on a number of factors of the national economy, including sectorial structures of the economy, R & D intensity, production concentration level, distances of the main export market, etc. A number of factors mentioned above inevitably relate to the size of the state.

Specificity of Economic Growth of Small Countries

A country's economic policy depends on the size of the country. This is because the ability of the state to implement one measure or another depends on the size of the state. Economics does not have a uniform approach to national classification.

"Small States" as by the Commonwealth Secretariat is a group of sovereign countries with a population of 1.5 million people or less, plus a number of larger countries (Botswana, Jamaica, Lesotho, Namibia and Papua New Guinea) that share certain characteristics [19, 101].

In the Paper "Small states in a global economy: The role of institutions in managing vulnerability and opportunity in small developing countries" authors discuss the definitions of "small countries" given in the literature. "There is little agreement over what actually constitutes a 'small' country. Recent research by Easterly and Kraay (2000: 2014) on 'microstates' includes those 'having an average population over the period 1960–1995 of less than one million'.

Others have used population figures of one and a half million (Commonwealth Secretariat, 2000); three million (Armstrong & Read, 1998); five million (Collier & Dollar, 1999), and ten million (Kuznets, 1960; Streeten, 1993). The authors use the figure of five million (1998 population) as the cut-off, since this is approximately the median population of all countries in the world" [3, 7–8].

Despite the size classification of different countries, Latvia is clearly in the same category as a small country.

Most author's small national problems relate to the following factors:
- Small Domestic market;
- Large Openness to Foreign Trade;
- Small Domestic Market;
- Limited Resources.

The authors of this study, on the basis of literature analysis, outline the main problems of small economies: "Due to its small population size, a small state distinguishes itself by its limited labour force... Small countries possess a smaller range of special skilled labour compared with their large counterparts [..] Potential staff shortages, which may occur during the restructuration process of production if only a limited number of special skilled workers are available among the existing labour units. Specialisation in labour-intensive products is harder in countries with a small population. If a state is restricted by a small (territorial) area, there is often a scarcity in natural resources, which may affect the diversification possibilities in production and exports. When a country possesses vast territories, but has a low population, it is unlikely that there would be enough capital available to exploit the natural resources. The government would then

need to attract enough foreign capital (i.e. in the form of foreign direct investments) to balance its low domestic capital reserves. Foreign countries would be hesitant to invest in such small states, since it is assumed that there are limited market opportunities due to low domestic demand. A further negative effect can be caused by the brain drain, which occurs when there is a lack of investment in the domestic high-skilled sectors (such as research and development). A small domestic market and demand limit the production of positive (internal and external) economies of scale, usually accomplished by large companies and industries... Producers in these countries are confronted with relatively high unit prices, which may raise the final sales price. The low number of firms in the industry also limits competition and the efficient allocation of resources. Monopolies and oligopolies may arise in this case, which would further hinder innovation. Small countries tend to have high levels of government consumption, since certain specific government expenditures occur in both small and large states. However, there are fewer taxpayers in small countries to bear the burden of financing government expenditures. Relatively high level of spending in the public sector is often countered by economies of scope. Public employees in these countries must often perform multiple tasks in order to reduce personnel costs. This may be related to a loss of quality of the public goods provided by a small state" [7].

The problems of Latvia as a small country are reflected in the small population, which continues to decrease as a result of economic factors. The decrease in the number of inhabitants inevitably leads to a decrease in the density of population, which increases the cost of maintenance of the national economy and social infrastructure per employee. Despite the fact that there are seven large (republic) cities in Latvia, only the population of Riga and its prospective assessment let one hope for serious foreign investments in the real sector of the economy.

The role of the state in increasing productivity

Productivity is determined by the availability of resources, their quality and their efficiency. At the enterprise level, this means effective management of the company. The company operates in an environment created by the market and the state. Consequently, it is necessary to define the role and place of the state in increasing productivity.

Economics as a System

The economy is a system. It can be recognised by default or by public declaration. If this is a system then one needs to use system access.

Without going into the definitions of the systems, from the point of view of system theory, the economy can be defined as an open self-organising system. This leads to two important aspects.

First, the economy is a managed system, therefore, for the functioning of the economy and the provision of homeostasis, (".. the characteristic of the system to maintain the essential parameters of the boundary of the system in the system's interaction with the environment ..), the essential characteristics are closely related to the basic quality of the system, the disruption of which leads to the destruction of the system [10, 80]) and requires management.

The economy has full control over the elements of the management system and the functions and functioning of the principles. Consequently, the first parameter of the management system is the determination of the target. It should be borne in mind that a macro-system can also participate in setting targets for each specific level of management (for example, the common objectives of the EU in the framework of the individual Member States' objectives).

The overall goals of the economy, as is the case with the international consensus, are full employment, price stability, balance of payments balance and sustained and comparable growth [2, 80].

Two of these are related to work – growth and full employment. Moreover, both of these indicators are interdependent.

An essential issue is the relationship between economic growth and development. A simplified view allows one to assume that both of these categories are in parallel. However, both these synthetic indicators are in mutual interaction. Within the framework of the economic management system, it is necessary to optimise the content indicators of both of these categories and the factors of interaction. For example, there can be economic growth, but if all the money goes in depreciation and the profit of the entrepreneur, there is no development, (there is no money for education, infrastructure, health, purchasing power of people).

Management is a function of the system that is focused on preserving the main parameters (the loss of which parameters lead to a system collapse when the environment changes), or the management is oriented to the execution of a specific program that provides stable functioning, homeostasis, to achieve certain goals [9, 592].

At the macro-economic level, the management entity is the government (or its specialised management substructure). Consequently, economic governance is a function of government. Effectiveness of the functioning of the economic system is an indicator of the efficiency of government functioning.

The private and public sectors are closely intertwined in modern economies. They interact with each other with each other [2, 65].

The state and economy are related as follows:

1. A country with income redistribution ensures the satisfaction of collective needs (education, health, social security, safety);
2. The state must create the appropriate legal order for the desired economic order;
3. The functioning of the market depends on circumstances, which the market itself has not created; and
4. Business shall be established in cases where the private sector does not do this for certain reasons or it is risky to transfer certain types of economic activity to private hands [2, 75].

According to OECD estimates a gradual alignment of product market regulations to best practices in a broad range on non-manufacturing sectors could boost aggregate labour productivity levels – and thereby potential GDP –by several per cent over a decade (Bouis & Duval, 2011) [19, 10–11].

Public Administration and Labour Productivity

Primarily the institutions and government policies that make up the economic environment within which individuals determine a country's long-run economic performance and firms make investments, create and transfer ideas, and produce goods and services [18, 114].

MGI[2] productivity studies point out "The role of government in helping boost productivity is likely to be even more significant in developing economies than in developed ones. The author's analysis suggests that about 60 percent of productivity growth in agriculture, 40 percent in the automotive sector, and 35 percent in retail will be tied to policy change in developing economies. The policy barrier is lower in developed economies, but even here, one still sees around 25 percent of the opportunity in agriculture and 10 percent of the retail opportunity being dependent on policy changes. These findings are in line with previous MGI research that has indented policy as a critical barrier to (or critical enabler of) productivity growth, accounting for over half of the productivity gap between Brazil, India, Japan, and South Korea and the productivity frontier. Overcoming policy barriers will require a clear understanding of the role that government policy and actions have on productivity, employment, and other goals in the specific context of each country. The most effective role of government also depends on the characteristics of the sector, including

---

[2] The McKinsey Global Institute.

exposure to global competition, capital intensity, speed of innovation, and industry structure. One-size- fits-all solutions are rare. Instead, governments need to tailor their interventions and approaches to the sector. Ultimately, success depends at least as much on the capacity to execute across legislative and executive branches as on the specie choice of policy" [4, 83–84].

"Companies have a major role to play in delivering higher productivity across sectors through improved and more efficient processes and leveraging technology to the fullest. Governments would need to ensure that the full range of enablers of higher productivity is in place, from competitive intensity to the availability of skills and capital, as well as regulation that promote flexible labour markets that help mitigate the employment impact of change and ensure that companies have the workers they need to thrive. One can now turn to a discussion of ten key enablers that need to be in place to capture the world's full growth potential" [4, 84].

Latvia's social infrastructure is one of the essential factors for the country's socio-economic development. Many studies and statistics show the inadequate level of development of social infrastructure in Latvia, and they are one of the factors that determine the level of insufficient level of provocative behaviour. This indicates an inadequate level of government efficiency. For example, the OECD 2015 in the analysis of social infrastructure research, it was found that

- Public education expenditure, benefiting from demographic trends, is projected to decline from 4.4% of GDP to 3.5% of GDP by 2050 (European Commission, 2012). Up to the secondary level, Latvia's educational performance, as measured by PISA scores, is slightly above average for the resources committed (Figure 6). [6, 12]
- Latvia is currently performing less well in vocational and higher education. To date, the VET[3] has not had a particularly good image; the share of those who consider that VET provides high-quality learning was well below the EU average. [6, 13]
- The amount of public funding provided for R&D is the lowest of any EU member state and the lack of public funding is identified by the Ministry of Education as a major factor slowing down scientific progress in the country. Expenditure for scientific research in the business sector in 2010 was 0.22% of GDP, placing Latvia significantly below the average EU-27 rate of 1.23% of GDP. [6, 14]

---

[3] Vocational Education and Training.

- Public infrastructure is one of the most important public contributors to a favourable business environment and hence to growth potential. Considerable resources are required in this respect. The overall quality of logistical infrastructure in Latvia is perceived as relatively low. [6, 15]
- Bureaucracy and administrative inefficiency have plagued the Latvian economy. According to the OECD Product Market Regulation (PMR) indicators, businesses face a high degree of red tape, as regulatory procedures seem overly complex, notably in terms of permits and licenses. The administrative burden on start-ups, sole proprietors and corporation is above the OECD average. [6, 26]

Productivity Comparative Analysis

The factors that underpin the productivity level and its dynamics are reflected in the WEF GCI Indicator System in a sufficiently detailed manner. As these indicators are comparable across EU countries, the following analysis uses comparative data for GCI and productivity level.

The authors are aware that the productivity level is the result of the interaction of all the GCI indicators, and without a deeper study, it is not possible to determine the impact of each factor on the level of productivity and its dynamics by treating massive amounts of data. This analysis is considered as the first step in determining the overall possible relationship between productivity level and GCI indicators.

At the same time, the profile of individual pillars of the Latvian GCI is given in comparison with some developed countries and groups of countries. Part of the comparisons is given in the EU-28, part of Latvia and EU-15. The use of the EU-15 format is useful for simplifying the images and because the author's interest is related to raising the productivity level to the E-15 level.

GCI and productivity correlations clearly show that countries with a high competitiveness index have a high level of productivity at the same time. In addition, productivity in the EU-15 with a low competitiveness index (Greece, Italy, Spain, Cyprus, Portugal, and Malta) lags behind the most economically strongest in the EU.

**Figure 4. GCI and productivity in the EU-28, 2016**
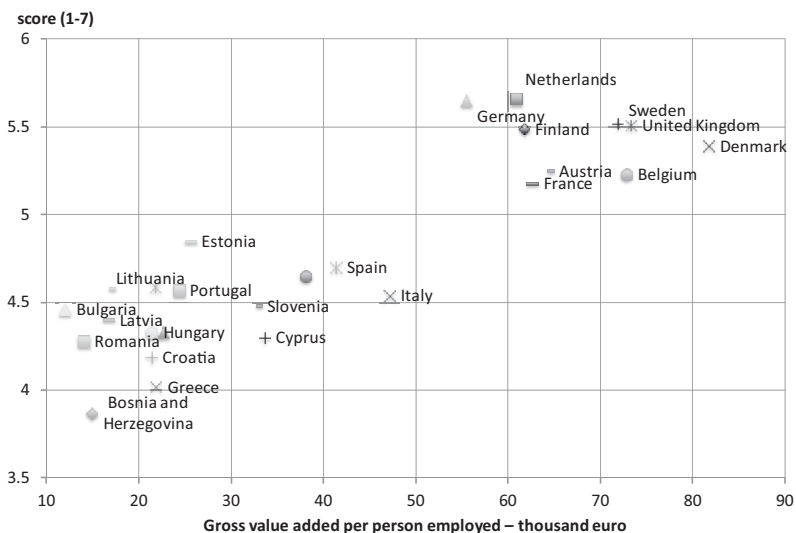
Source: Eurostat database, The Global Competitiveness Report 2017–2018, Author's calculations

On the other hand, in these countries, GCI does not differ much from the new EU member states, which indicates other factors that have a significant impact on productivity, which in turn leads to the assumption that only focusing on improving GCI indicators may not be enough to increase the competitiveness of the national economy and socio-economic development.

The analysis of the aggregate value of GCI's individual pillars shows that Latvia in most of them is not below the EU average, while macroeconomic stability shows a better result than the EU average. In the author's view, it is wrong to focus on the EU average when it comes to development. With each expansion wave, it is relatively low. Assessing the value of the indicators at the best of the EU, there is already a considerable number of indicators lagging behind (Business sophistication, Institutions, Innovation and Market size). If the size of the internal Market size is relatively independent[4], then the quality of the institutions is complete, but innovation is to a large extent in the government's field of responsibility.

---

[4] The size of the internal market is determined by the number of inhabitants and their purchasing power. Both of these factors are not only the effects of demographics and market forces, they are also the result of the management process and hence the functioning of state power.

Figure 5.   GCI pillars score in Latvia as a percentage of the maximum and the average of the EU 28, 2016
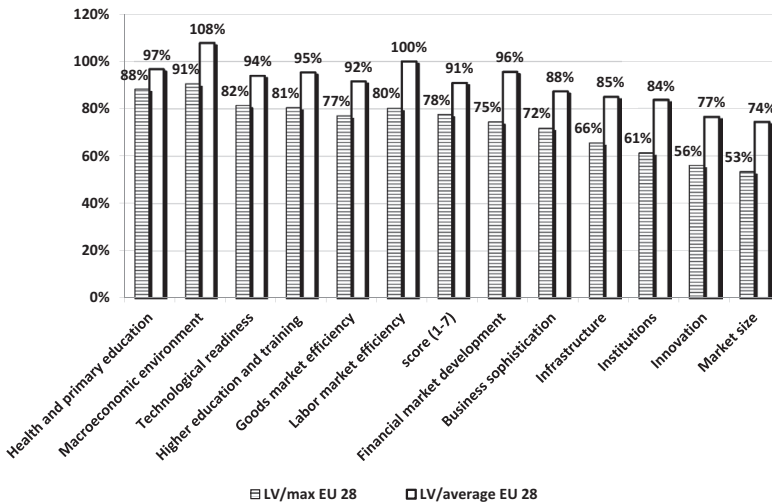
Productivity comes primarily from the business sector. The Business Sophistication pillar is published by the GCI. Analysis of this pillar and productivity level correlation can serve as the basis for the beginning of a more in-depth study. Figure 6 shows a clear correlation between Business sophistication and productivity. Consequently, the development of the individual factors of this pillar could play a significant role in raising the level of productivity in the Latvian economy. In addition, it should be taken into account that, based on the theory of systems, the group of companies is the control object in the national economic system. Therefore, in order to increase the efficiency of the operation of the system, it is necessary to perform correction management system functions. Assuming that the management of each individual enterprise is carried out by its management, it follows from system theory that the formulation of the objectives of any open system is influenced by metasystem signals. From here, the role of the state lies in the reduction of business efficiency (including productivity level). From the GCI pillar, Business sophistication, Latvia lags far behind "11.03 State of cluster development" and "11.05 Value chain breadth". Taking into account the small size of Latvia, these factors play an important role in boosting business efficiency.

Figure 6.   The link between productivity and GCI (Business Sophistication) in EU countries. 2016
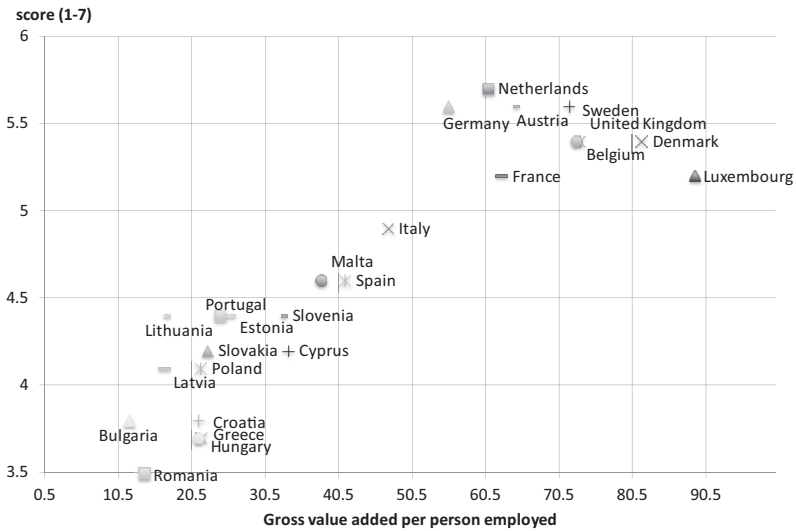
Source: Eurostat database, The Global Competitiveness Report 2017–2018, Author's calculations

Figure 7.   Profile of business sophistication Latvia and ES-15, 2016
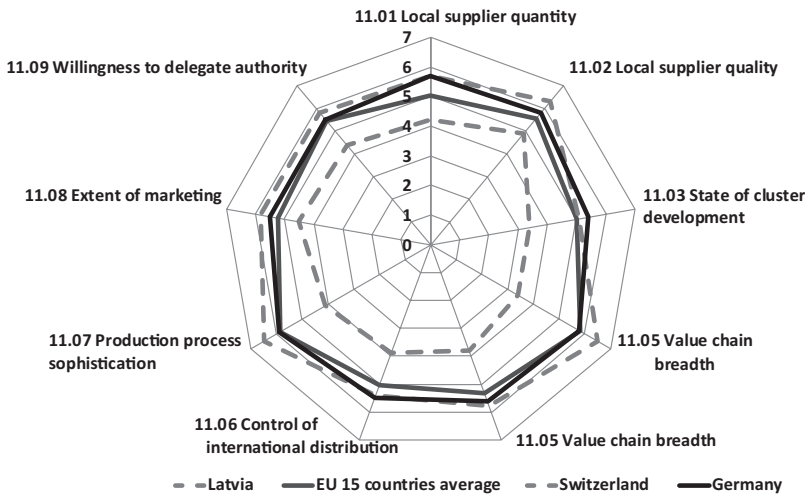
Source: The Global Competitiveness Report 2017–2018, Author's calculations

Company internal factor management is the prerogative of corporate boards. Exactly from enterprise, management depends productivity indicators at company level. Unfortunately, "Efficacy of corporate boards" in Latvia, as compared to developed countries, is at a low level

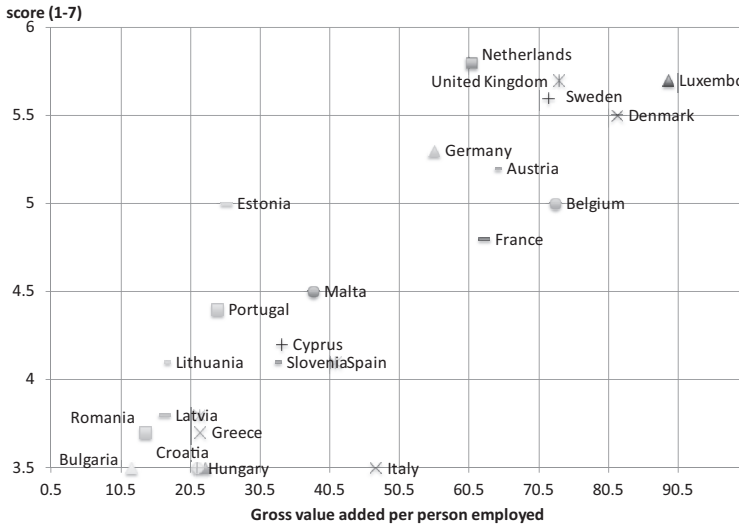**Figure 8.**   Efficiency of corporate boards Latvia and ES-15, 2016

Source: Eurostat database, The Global Competitiveness Report 2017–2018, Author's calculations

Taking into account the role of the state in the country's socio-economic development, it is interesting to assess the level of productivity at the values of various institutional pillars in individual countries.

The indicator for institutional development owes a similar picture to the overall assessment of GCI and productivity. At the same time, this leads to the conclusion that the GCI indicators do not exhaust the government's impact on productivity. These pillars figures, given their supernatural nature, and supposedly according to their authors' neoliberal views on economic development factors, do not include the impact of economic legislation and policies. This can be verified even by observing that Estonia exceeds that figure not only Greece, Spain and Italy, but also France and is on an equal footing with Belgium.

Figure 9.   Link between productivity and GCI (Institutions) in EU countries, 2016

Source: Eurostat database, The Global Competitiveness Report 2017–2018, Author's calculations

Figure 10. Latvian GCI Institutional Pillar Comparative Profile, 2016
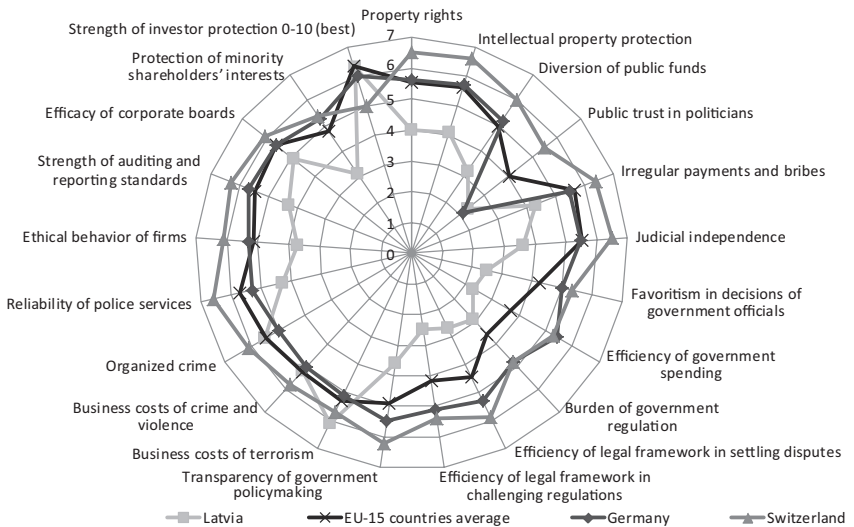
Source: The Global Competitiveness Report 2017–2018, Author's calculations

Taking into account that the state with legislative force, budgeting and distribution of financial resources, as well as administrative power are influenced by economic entities and their results, the state influence on the productivity level is not only in the institutional sector. Undoubtedly, the effectiveness of a business in a country is influenced by certain factors whose characteristics are included in other pillars (7th pillar: Labour market efficiency, 9th pillar: Technological readiness, 11th pillar: Business sophistication, 12th pillar: Innovation).

**Figure 11. Comparative profile of government responsibility factors**
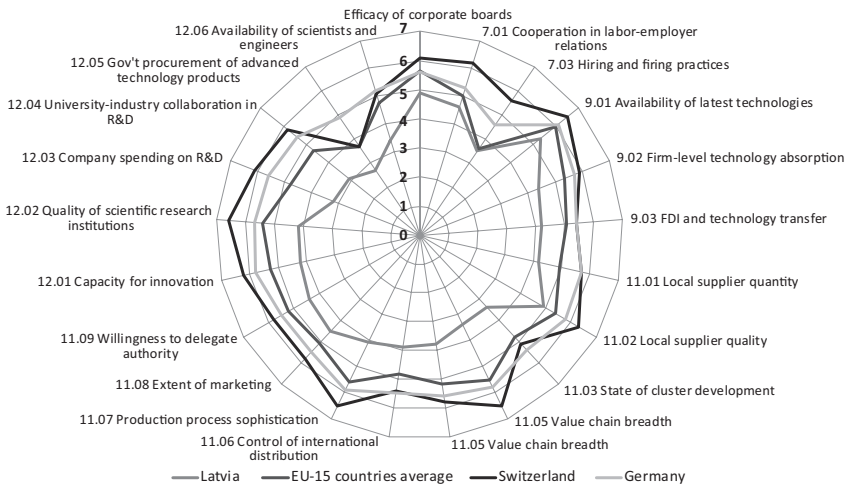
Source: The Global Competitiveness Report 2017–2018, Author's calculations

This extended analysis shows that the 12th pillar is particularly disadvantaged: Innovation, 12.04 University-industry collaboration in R & D, 7.05 Effect of taxation on incentives to work, 12.03 Company spending on R & D, 11.03 State of cluster development, 11.05 Value chain breadth indicators. It is incorrect to assume that these lines of action are the sole responsibility of the business community. The government needs to intervene in the economy if entrepreneurs do not. The government needs to have sufficiently powerful analytical and scientific research capacity to allow monitoring the situation, making decisions and making the necessary changes in economic policy. Mostly the government has direct competence 2nd pillar: Infrastructure.

The state of infrastructure in Latvia, when analysing the WEF GCI indicators, is in a very poor condition. The lower overall infrastructure indicator is only Slovakia, Romania, and Bulgaria. Infrastructure development

policy, infrastructure development and maintenance are based on government competence. Exactly infrastructure development is probably one of the most important directions for increasing productivity.

Figure 12. Labour productivity and GCI (Infrastructure) aggregation in EU countries, 2016
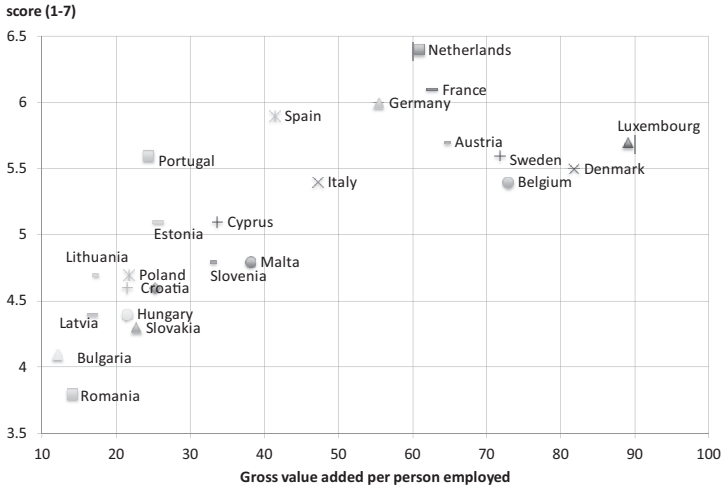
Source: Eurostat database, The Global Competitiveness Report 2017–2018, Author's calculations
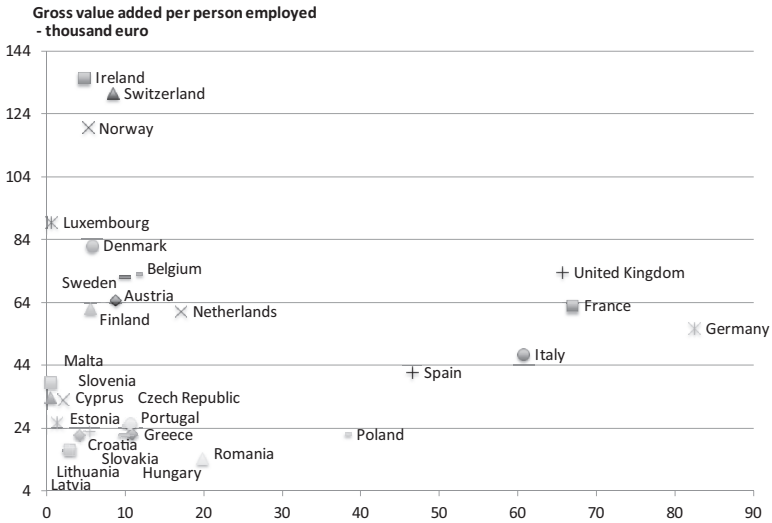
Figure 13. Labour productivity and GCI (Higher education and training) aggregation in the EU countries, 2016
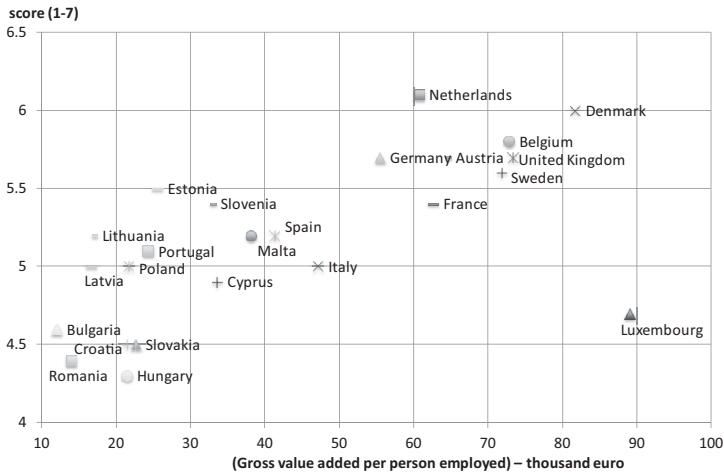
Source: Eurostat database, The Global Competitiveness Report 2017–2018, Author's calculations

The GCI pillar of Higher Education and Training, with a productivity level, shows similar results as other GCI indicators. Taking into account studies on the level of development of higher education in the country, this factor group is also a significant factor in increasing productivity. More so because of the fact that the education sector directly affects the 1st pillar: Institutions 12th pillar: Innovation 11th pillar: Business sophistication.

Figure 14. Productivity and national size (population) I, 2016

Source: Eurostat database, The Global Competitiveness Report 2017–2018, Author's calculations

One of the indicators that distinguishes Latvia from most of the EU countries is its size (population). One of the hypotheses put forward is that Latvia, as a small country, has a serious constraint on economic development in the existing technological formation. Therefore, it is worthwhile to compare the level of productivity with the size of the state.

Figure 15. Productivity and national dimensions (population) II, 2016

Source: Eurostat database, The Global Competitiveness Report 2017–2018, Author's calculations

Comparison of national size and productivity level does not give enough confirmation or denial of this hypothesis. This requires in-depth research.

Conclusions

Productivity is one of the key factors contributing to economic growth. It affects economic growth, reducing production costs and effectively using production factors.

The analysis of the aggregate value of GCI's individual pillars shows that Latvia in most of them is not below the EU average, while macroeconomic stability shows a better result than the EU average.

Productivity comes primarily from the business sector. Unfortunately, "Efficacy of corporate boards" in Latvia, as compared to developed countries, is at a low level. From the GCI pillar, Business sophistication, Latvia lags far behind "11.03 State of cluster development" and "11.05 Value chain breadth". Taking into account the small size of Latvia, these factors play an important role in boosting business efficiency.

The results of the study indicate that productivity is higher in those EU countries with strong institutional development, economic, educational and health infrastructures and are involved in technological innovation.

The indicator for institutional development owes a similar picture to the overall assessment of GCI and productivity. At the same time, this leads to the conclusion that the GCI indicators do not exhaust the government's impact on productivity. These pillars do not include the impact of economic legislation and policies.

The state of infrastructure in Latvia, when analysing the WEF GCI indicators, is in a very poor condition. Infrastructure development policy, infrastructure development and maintenance are based on government competence.

Taking into account that the state with legislative force, budgeting and distribution of financial resources, as well as administrative power are influenced by economic entities and their results, the state influence on the productivity level is not only in the institutional sector. Undoubtedly, the effectiveness of a business in a country is influenced by certain factors whose characteristics are included in other pillars (7th pillar: Labour market efficiency, 9th pillar: Technological readiness, 11th pillar: Business sophistication, 12th pillar: Innovation).

Analysis shows that the 12th pillar is particularly disadvantaged: Innovation, 12.04 University-industry collaboration in R & D, 7.05 Effect of taxation on incentives to work, 12.03 Company spending on R & D, 11.03 State of cluster development, 11.05 Value chain breadth indicators.

The GCI pillar of Higher Education and Training, with a productivity level, shows similar results as other GCI indicators. The education sector directly affects the 1st pillar: Institutions 12th pillar: Innovation 11th pillar: Business sophistication.

It is necessary for countries to invest more in research and development activities in order to implement technological development, as well as creating an appropriate environment for cooperation between state institutions and entrepreneurs for increasing productivity.

The government needs to have sufficiently powerful analytical and scientific research capacity to allow monitoring the situation, making decisions and making the necessary changes in economic policy.

REFERENCES

1. Ai-Ting Goh and Tomasz Michalski. Should small countries fear deindustrialization? Finance and Economics Department, HEC Paris May 19, 2009.

2. Artur Woll. Allgemeine Volkswirtschaftslehre. Verlag Franz Vahlen München. 1987. 626. Seiten.

3. Bräutigam, Deborah; Woolcock, Michael. Working Paper. Small states in a global economy: The role of institutions in managing vulnerability and opportunity in small developing countries. WIDER Discussion Papers // World Institute for Development Economics (UNU-WIDER), No. 2001/37, 16 p.

4. Can productivity save the day in an aging world? McKinsey Global Institute. January 2015.

5. Glossary: Apparent labour productivity – SBS. http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary: Apparent_labour_productivity_-_SBS

6. Improving public sector efficiency for more inclusive growth in Latvia. OECD Economics department working papers No. 1254, By Caroline Klein and Robert Price. 28 p.

7. Jörg König and Renate Ohr Small but Beautiful? Economic Impacts of the Size of Nations in the European Union. Center for European Govenance and Economic Development research. Discussion Papers number 128 – August 2011. p. 20.

8. Latvijas Nacionālais attīstības plāns 2014.–2020. gadam. Apstiprināts ar 2012. gada 20. decembra Latvijas Republikas Saeimas lēmumu. Pārresoru koordinācijas centrs. 2012. gada decembris.

9. Lieberman, M. B., & Kang, J. (2008). How to Measure Company Productivity Using Value-Added: A Focus on Pohang Steel (POSCO). *Asia Pacific Journal of Management*, *25*(2), 209–224. http://dx.doi.org/10.1007/s10490-007-9081-0.

10. Математика и кибернетика в экономике издательсво Экономика Москва, 1975, 681 с.

11. Measuring productivity. Measurement of aggregate and industry-level productivity growth. OECD manual. Organization for economic co-operation and development. OECD publications. 2001. p. 154.

12. OECD Glossary of Statistical Terms. *OECD 2008* p. 601.

13. Smidova, Z. (2015), "Policy areas for increasing productivity in Latvia economics", OECD Economics Department Working Papers, No. 1255, OECD Publishing, Paris. http://dx.doi.org/10.1787/5jrw57nr0f23-en.10-aug-2015.

14. Syverson, C. (2011). What Determines Productivity? *Journal of Economic Literature*, *49*(2), 326–365. https://doi.org/10.1257/jel.49.2.326.

15. Taylor, T., Greenlaw, S. A., Dodge, E., … & Sonenshine, R. (2016). *Principles of Economics*. US: Rice University, Open Stax.

16. The Global Competitiveness Report 2017–2018 World Economic Forum.

17. The public-sector productivity imperative, McKinsey Public Sector Practice, March 2011, How can American government meet its productivity challenge? McKinsey & Company, July 2006.

18. Why Do Some Countries Produce So Much More Output Per Worker Than Others? Author(s): Robert E. Hall and Charles I. Jones Source: The Quarterly Journal of Economics, Vol. 114, No. 1 (Feb., 1999), pp. 83–116 Published by: Oxford University Press.

19. World Economic Situation and Prospects 2017. United Nations New York, 2017. p. 191.

20. Yashiro, N. et al. (2017), "Moving up the global value chain in Latvia", OECD Economics Department Working Papers, No. 1438, OECD Publishing, Paris.

NORMS AND POWER IN FIGURATIONAL SOCIOLOGY

Aleksejs Šņitņikovs

Dr. sc. soc.

Abstract

The purpose of this article is to highlight the strengths of conceptualisation of norms and power in figurational sociology and to identify some of its limitations. The founder of figurational sociology Norbert Elias, along with his theory of the civilizing process, created a number of middle-range concepts, which can be both theoretically interpreted and used in empirical research. His central concept was figuration, the bounded network of interdependent actors with the shifting power balance. Elias understood norms or rules as conventions, or prescriptions, which serve the purpose of coordination of interdependencies but at the same time closely tied to the distribution of power among the actors. Concepts such as formalisation and informalisation, duality of norms, established and outsiders make possible empirically grounded analysis of transformation of norms and their social functions. Research conducted in figurational perspective has contributed to the advance of sociological understanding of norms and power. At the same time in figurational sociology there is lack of recognition of autonomy and impact of ideological power, for instance, that religious or metaphysical doctrines can bring about changes in the norms of collectivities and habitus of the individuals.

Keywords: norms, power, figuration, development, interdependence, civilizing process, law, ideological power

Introduction

Norms and power are essential concepts of modern social theory, but their interpretations differ in contemporary theoretical syntheses. Some authors have argued that figurational sociology founded by Norbert Elias can be used as a basis for further development of social theory[1]. In this article, the author proposes that at least, conceptualisation of norms and power and their interrelationships in figurational sociology have certain strengths, notably, that in its framework these concepts can be theoretically

---

[1] For example: Dunning, E., Hughes, J. (2013) *Norbert Elias and Modern Sociology*. London: Bloomsbury; Quilley, S., Loyal, S. (2005) Eliasian Sociology as a 'Central Theory' for the Human Sciences, *Current Sociology*. Vol. 53(5), pp. 807–828.

interpreted in a fairly consistent way and fruitfully applied in research of social problems.

It can be argued that in the works by Elias the concept of power has a more central role than the concept of norms or rules. He at times criticised the concept of norms, along with such concepts as structure or role for the way these were used in sociology contemporary to him because he considered that these are static abstractions of certain features of society at a particular stage of development[2]. He argued that the usage of the concept of norms contains elements of wishful thinking, especially in structural functionalism. Behaviour which is in conformity with norms is deemed to be 'good' and 'functional' for the maintenance of the social system, while violation of prevailing norms is viewed as anomic and dysfunctional. He considered power a more fundamental feature of human relationships and one of the key concepts for explanation of the transformation of societies. On the other hand, it can be said that the problem of normative regulation of behaviour was central in his studies of the civilizing process and later in his research on national identity. He sought to explain the patterns of behaviour in modern and pre-modern societies and used a number of terms for normative regulation. Habitus was the main concept in his studies of the civilizing process – the internalised constraints imposed by the social environment in forms of laws, rules and power relations. He also used the terms code of behaviour, tradition of behaviour and feeling in his later work on national identity, and the concept of rules in his more theoretical works.

Elias's figurational and process sociology was empirically and historically oriented. The concepts and middle-range theories, which he elaborated, are applicable to study of various social and historical settings and topics, including problems of norms and power, which can be seen in subsequent research in figurational perspective[3]. It is important to recognise the explanatory potential of theories and concepts developed in figurational sociology. However, it is also necessary not to overstretch their use and to identify their eventual limitations. As a matter of fact, Elias did not intend that his concepts and theories would constitute a closed system; on the contrary, he presupposed that they could be tested, corrected and improved.

---

[2] Elias, N. (2000) *The Civilizing Process*. Oxford: Blackwell, p. 468.

[3] Online journal *Human Figurations* published by Michigan University contains a large number of articles which use figurational perspective and may be referred to for information about contemporary research and discussions in figurational sociology: https://quod.lib.umich.edu/h/humfig?page=home

General conception of rules, norms and law

Elias had stated clearly that he did not regard rules as invariant and necessary property of human relationships because one can observe relationships with few or no rules altogether – such as wars, revolutions, rebellions, massacres etc. In heated conflicts where opponents are very hostile to each other, there are no rules; these relationships are governed by the strategic action and cunning, each of the opponents trying to weaken or destroy the other. However, these relationships also are not devoid of any order – they are ordered in the sense that the actions of one party are determined by the expectation of the actions of another. This is an order ungoverned by predetermined or agreed rules, such as may be observed in nature. Elias noted that with the assumption that there cannot be human relationships without rules one cannot explain under what conditions rules arise. It can be said that Elias did not come to the overall explanation of the origins of rules, but from his "game models" and also from his work on the civilizing process it can be deduced that one of the preconditions for the rules, or norms, is existence of a more or less even power balance among the actors; another is interdependence among the actors, and an expectation that it will continue in the future[4].

Elias considered interdependence among humans as the most basic fact of social life and also as the proper subject matter of sociology. Another important concept for him was power. People struggle for the desired place in the system of interdependencies; those who have greater power resources make others more dependent on them and have more possibilities to steer the behaviour of others. Modern societies are characterised by complex interdependence among groups and individuals and require more rules to regulate their interactions. People in societies of the past, such as feudal societies of the middle ages in Europe, were far less interdependent. There were far less rules applicable in the territories of the nascent, developing states and their enforcement was problematic and contested. That was especially so when decentralising, centrifugal tendencies became prevalent, as Elias shows on the example of medieval France. By receiving the grants of land and through making them their hereditary possessions, the feudal lords acquired the base for their independent power. The king became more dependent on his vassals than they were dependent on him. Consequently, his power to issue laws and to resolve disputes was very limited. At times, the king was confronted by his more powerful vassals and was unable to make them follow their feudal obligations. In the 12th century, the King of England Henry II was formally

---

[4] "Game models" are set forth in: Elias, N. (1978) *What is sociology?* New York: Columbia University Press, pp. 71–103.

the vassal of the King of France, but he was attaching more lands in France. That was the breach of homage, the promise of loyalty to his feudal lord against which the French king protested, but as Elias remarks, ""law" counts for little when it is not backed by corresponding social power"[5]. It was usual to resolve disputes over land by military means, and in this struggle, the decisive factor was the physical strength of the combatants. The kings were more able to impose the legal order and issue laws as the process of centralisation advanced from the 13th century and the monopoly on the use of violence and taxation was gradually established. When society became more integrated and the central authority more stable, a legal order could be imposed in the territory. Elias stresses that it is the power of central authorities, which makes the laws valid and that the content of the legal norms reflects the power balance in the society: "Legal forms correspond at all times to the structure of society"[6]. The institutions of power embedded in the overall power structure of society make the law count, although, as Elias notes, there may arise an impression of the autonomous existence and functioning of the system of law. Law may operate relatively independently from the power structure of society, but finally it must be regarded as "a function and symbol of the social structure or – what comes to the same thing – the balance of social power"[7]. The law is not simply a tool of the dominant class and the expression of its will; the power position of any social group is more or less precarious and may be challenged. In historical process, there are changes in the power balances between the social groups and the legal norms express their changing power potentials. The power base of the king was the standing army and the monopoly on taxation (in France from 15th century), but also the increasing need of social groups for central regulation and coordination[8]. Law was such means of societal coordination and, as economic interdependence of social groups was increasing, the central authority became regularly preoccupied with law-giving activity.

This general conceptualization of relationships between norms and power may seem quite simple, but it opens up possibilities for empirical investigations of changes of normative orders in connection with the changing forms of interdependence, needs for coordination, and power balance. In this respect, it has advantages in comparison to some influential theoretical syntheses in sociology, for example the theory of structuration by Anthony Giddens.

---

[5] Elias, N. (2000) *The Civilizing Process*. Oxford: Blackwell, p. 283.

[6] Ibid., p. 233.

[7] Ibid., p. 234.

[8] Ibid., p. 314.

The concept of rules is an important one in Giddens's theory of structuration. Social life is permeated by rules, which are of two kinds – syntactic rules governing the usage of language and moral rules, or norms, which are invoked in legitimisation and sanctioning of actions. Rules are general procedures of social practices and human actors are held accountable for following them. Moreover, tacit rules are no less important than discursively formulated rules, such as laws. Power also is an important concept, for Giddens considers that this is what actually constitutes agency – the ability to initiate changes in the objective world. Power is a transformative capacity, which draws upon resources in strategic action or in reproduction of institutions. However, the use of power presupposes the existence of structures – the sets of rules and resources[9]. Giddens emphasises the use of power in regularised and institutionalised social settings. Wars, violent confrontations and the threat of force are not the most far-reaching or typical cases of use of power in human history[10]. The process of structuration involves the application of interpretative schemes, moral rules and resources, in course of which the structural properties of social systems are in turn reconstituted. All social activity "implies the interlacing of meaning, normative elements and power"[11]. Such close linking of rules, norms and power in theory makes difficult the empirical analysis of their interrelationships. It is also doubtful that usefulness of these conceptualisations was demonstrated in Giddens's works on historical sociology[12].

Norms and power balance between social groups

In his later works, Elias put forward a pluralistic conception of the development of society. According to this conception, at different historical phases, there have been different dominant groups and their power position was based on the importance of the function that they performed for the society at the particular stage of development[13]. In archaic

---

[9] Giddens, A. (1979) *Central problems in social theory*. Berkeley and Los Angeles: University of California Press, p. 107.

[10] Giddens, A. (1986) *The Constitution of Society*. Berkeley and Los Angeles: University of California Press, p. 257.

[11] Ibid., p. 28–29.

[12] Giddens, A. (1992) *The Nation-State and Violence*. Cambridge: Polity Press; Giddens, A. (1995) *A contemporary critique of historical materialism*. Second edition. Stanford: Stanford University Press.

[13] Pluralistic conception is presented in: Elias, N. (2009) The retreat of sociologists into the present. In: *Essays III: On Sociology and the Humanities,* Collected Works, vol. 16. Dublin: University College Dublin Press, pp. 107–126.

societies, religious specialists, the priests, and warriors were the most powerful. The priests carried out cultic activities and possessed earlier forms of knowledge, but the warriors controlled the means of violence and performed the functions of defence of the survival unit and attack of other survival units. These two groups of specialists were competing with each other, but among most European peoples, the military specialists achieved dominance. The status and power position of the military specialists was higher than those of traders, merchants, financiers and labourers. However, towards the end of the middle ages the performance of the defence and attack function became more and more dependent on the services provided by the economic specialists. In the process of state formation, the warriors, the state officials, the merchants, financiers and entrepreneurs became increasingly interdependent. With the development of technologies, trade, and organisation of production, these specialists strengthened their power base and eventually obtained access to the political offices and became influential in the process of the political decision-making. These economic specialists, commanding the use of economic resources, came into conflict with the group providing the labour services – the class of workers. The number of interconnected processes – industrialisation, bureaucratisation, urbanisation and democratisation occurring in the 18th and 19th centuries changed the overall structure of society. The masses increased their power potential over against the ruling elites. The changes in the power ratios of the groups was usually a conflict-ridden process, the struggles between the employers and the workers were going on during the 19th and the 20th centuries[14]. The class of controllers of the means of investment was unable to secure an undisputed position of dominance, nor was it possible for the labour. The working classes, thanks to their increasing significance for the functioning of the economic system and their organisation, succeeded in winning more social and political rights. As Elias puts: "The legal extension of franchise, often against strong resistance, was the manifest institutional consequence of the latent shift in the distribution of power towards broader strata"[15].

Elias elaborates on the interrelations between power and norms on a more specific case of the relationships between the sexes in Ancient Rome. He writes that in the period of republic before the 2nd century BC women were thoroughly subordinated to men and were under protection of their husbands or relatives. Women did not have the right to own property and

---

[14] Pluralistic conception is presented in: Elias, N. (2009) The retreat of sociologists into the present. In: *Essays III: On Sociology and the Humanities,* Collected Works, vol. 16. Dublin: University College Dublin Press, p. 123.

[15] Elias, N. (1978) *What is Sociology?* New York: Columbia University Press, p. 66.

the right to divorce only men had such rights. It can be said that women were not considered independent subjects. However, around the 1st century BC the situation changed. There appeared strata of wealthy citizens, who wanted to provide the means of material security for their daughters in case of divorce. When a woman from aristocratic family married, she was endowed with certain assets, which in the beginning were under control of the woman's male relatives, but later became the woman's property. Women obtained the right to divorce and in Rome, both men and women could do it. Thereby, women became equal to men with respect to marital life, even though in other spheres, such as public and political life, inequality remained. An important precondition of ensuring equality between men and women in marriage was a relatively strong state with the system of courts, which could judge impartially and effectively enforce decisions. Elias comments that norms are not entities floating above the humans, they are changing and these changes can be explained by shifting power balances: "[s]uch a norm can be understood and explained with the help of process-sociological reconstruction – that is a reconstruction of the preceding inequality of the partners and of the process that led from it to later equality. And since it is the shift in power between and within states or tribes that are at the centre of these processes, one could perhaps say more generally: norms change with power relations"[16].

Elias identified the overall historical trend of reduction of differences of power potentials between social groups, which he called 'functional democratization'[17]. With the growing interdependence between the groups, there arises a parallel tendency toward reducing of power differentials between the elements of the chain of interdependence, and this brings about changes of norms. Functional democratisation is linked to informalisation. When the social distance between the groups is wide, the more powerful group tends to develop a more formalised code of behaviour, for example, a complex etiquette of the court, the high society or the corps of army officers. Formalised norms function as a mark of distinction, a symbolic differentiation between higher and lower strata[18]. When the power differentials between the groups decrease, there is a tendency of informalisation of norms – the behaviour becomes less standardised, observance of the rules of politeness becomes less strict, there is more

---

[16] Elias, N. (2009) The changing balance of power between the sexes – a process-sociological study: example of the ancient Roman state. In: *Essays III: On Sociology and the Humanities,* Collected Works, vol. 16. Dublin: University College Dublin Press, p. 261fn.

[17] Elias, N. (1978) *What is Sociology?* New York: Columbia University Press, p. 68.

[18] Elias, N. (1996) *The Germans.* New York: Columbia University Press, p. 72.

laxity in expression of emotions. The process of informalisation can be observed in work environment, in relationships between the sexes and other contexts. Elias used the examples of the European societies, notably Germany, to show the operation of the processes of formalisation and informalisation. Substantial weakening or disintegration of the survival unit is likely to lead to a radical informalisation, the breakdown of a particular pattern of self-control; because it is the social group, which sustains the sense of meaning and makes the behavioural code binding[19].

Sociologist Cas Wouters continued the studies of processes of the civilizing of manners beyond the age of absolutism. The codes of conduct of aristocracy and bourgeoisie in the 19th century amalgamated and produced highly formalised manners. The observance of a strict and quite ritualistic code of behaviour was demanded from persons belonging to a 'good society' and was an indication of trustworthiness, which was important for the developing industrial market society. The code of conduct marked by strict self-control, punctuality and moral standards in private life was percolating also into the middle classes. In the 20th century, as industrialisation continued, the economic life required more frequent contacts among people of different social background; the growing interdependence among various social groups meant that social distance had to decrease and the manners had to express the sense of tact rather than demonstrative deference, which came to be regarded as stiff and rigid. Later in the 20th century the trends towards emancipation and informalisation continued. New norms encouraged one to behave in a more 'natural' way and with a greater 'ease', whereas too formalised manners came to be experienced as too hierarchical and insincere. Wouters considers that the changes in the power balance were crucial for the informalisation process. As status differentials and social distance between classes, sexes, ethnic and racial groups diminished, it became less acceptable to express the feeling of superiority towards social inferiors, and that was the main reason for the progress of informalisation[20]. At the same time, the process of informalisation did not mean the decrease of self-control by the individuals. The new pattern of self-control requires more reflexivity and greater awareness of oneself and the others. While in the earlier stages of the civilizing process the self-control was a mechanism of the conscience, nowadays it operates through a more reflexive, conscious

---

[19] Elias, N. (1996) *The Germans.* New York: Columbia University Press, pp. 73–74.

[20] Wouters, C. (2011) How civilizing processes continued: towards an informalisation of manners and a third nature personality. In: Norman Gabriel and Stephen Mennell (eds.), *Norbert Elias and Figurational Research: Processual Thinking in Sociology*. Oxford: Wiley-Blackwell/Sociological Review, p. 150.

process, when the people are aware that the constraints they take on themselves originate in their social environment[21].

Norms and the relationships between the established and the outsiders

The concepts of the established and the outsiders were introduced in the study of the suburb community conducted by Elias in collaboration with John Scotson. These concepts captured the fact that the community was hierarchically ordered: the offices in the administrative and social organisations of the community were held by the representatives of one group of residents, which had lived in the area longer, whereas other groups, more recently settled in the neighbourhood, were excluded from the community offices and the social life of the 'established' group. The higher status group had formed a positive self-image and believed that they had a more ordered and respectful way of life than the other groups, who, as they considered, lived by lower standards. The outsiders were excluded by informal means, such as gossip and rumouring, but these were very effective.

The term 'established' in Elias's theory refers both to social and material success and to the duration of living in the area as a group. When a group lives in a certain place for a long time, which might be several generations, and acquires certain level of well-being, it develops norms of behaviour along with a positive self-image, which strengthen the group cohesion. Material sources of social power, the oldness of the groups, the cohesion, and norms of conduct are linked in Elias's theory: "Greater cohesion, solidarity, uniformity of norms and self-discipline helped to maintain the monopolization, and this in turn helped to reinforce these group characteristics"[22]. Norms of behaviour play an important role in maintaining the power position and the higher status of the group: "The transmission of distinguishing standards usually goes hand in hand with a chance to transmit property of one kind or another…"[23] Elias stresses the importance of the age of the group, its oldness, which explains the emergence of particular group norms, as it is a process, which takes time: the "old families" "stand out from others by certain distinguishing

---

[21] Ibid., p. 157. For the debate about theory of informalisation, see Wouters, C. Mennell, S. (2015) Discussing theories and processes of civilization and informalisation criteriology, *Human Figurations*, 4:3.

[22] Elias, N., Scotson J. (1994) *The Established and the Outsiders*. London: Sage Publications, p. 152.

[23] Ibid., p. 151.

behaviour characteristics which are bred into the individual members from childhood on in accordance with the group's distinguishing tradition"[24]. Developmental perspective is important here: it takes time for the group to become established and it takes time for the shared norms to form, to be learned and transmitted. Time dimension appears also in Elias's concept of sociological inheritance, which he calls upon: norms of behaviour are transmitted along with the sources of power, be those material possessions or certain skills. These constitute the inheritable chances to exercise power. Norms and power operate in a mutually reinforcing way: greater power produces incentives to form and maintain group solidarity, whereas norms help to mark the insiders and outsiders and to a certain degree to monopolise power resources in possession of the group. These norms need not be "rational" – these could be related to certain manners or tastes; still, the more powerful groups usually follow stricter rules which demands stronger self-control, because this in turn is related to a better developed foresight, a prerequisite for greater success. Observing these group rules, or norms, ease communication and mark out the insiders, while breaking those create barriers inside the group and undermines the group solidarity.

The established groups usually develop positive image of themselves and a negative image of the outsiders. The idea of superiority of a group over others, of its higher value is expressed in the concept of group charisma[25]. The established group praises itself and stigmatises the outsiders as people of lesser human worth. The members of the established group have to pay the price for that in the form of observation of the group norms. At the same time, the non-observance of norms by the outsiders is seen as their lawlessness, disorderliness and anomy. For that reason, the members of the established group tend to avoid the contact with the outsiders for the fear of lowering their normative standards, on maintaining of which depends their self-respect, special grace and virtue of the group[26].

Elias argued that there may be different power resources on which the superiority-inferiority relations are based, but the capacity of the established group to sustain its cohesion, identity and observe the code of conduct decreases when its power position is weakened: "traditional patterns of restraint, the distinguishing norms of conduct of an old superior

---

[24] Elias, N., Scotson J. (1994) *The Established and the Outsiders*. London: Sage Publications, p. 152.

[25] Elias, N. (2009) Group charisma and group disgrace. In: *Essays III: On Sociology and the Humanities,* Collected Works, vol. 16. Dublin: University College Dublin Press, p. 80.

[26] Introduction by N. Elias to: Elias, N., Scotson J. (1994) *The Established and the Outsiders*. London: Sage Publications, p. li.

group are apt to become brittle or even break down when the rewarding self-love, the belief in special charisma of the once-powerful group falters with the decrease of their great power superiority"[27]. Elias generalises the established-outsiders model and applies to various historical and cultural contexts, such as relationships between aristocracy and common people, ethnic and racial groups and the international relations.

The model of established-outsiders relations has been taken up by a number of sociologists and applied to contemporary social problems. It has been used in the studies of the relations between the immigrants and local population, the issues of discrimination, exclusion, stigmatisation and reproduction of inequalities[28]. Stephen Mennell has applied the concept in his study of the civilizing process in the USA, and to analyse American foreign policy[29]. Generally, these studies confirm the ideas put forward by Elias and Scotson: the established groups seek to preserve their advantaged position vis-à-vis the outsiders by using ideological tools, such as dissemination of negative stereotypes, gossips or passing of false information, and the policy of exclusion by mobilising their social capital. Still, it can be noted that contemporary studies employing the framework of established-outsiders relations concentrate mostly on power and inclusion-exclusion problem, but pay less attention to the issue of norms. Also, there is missing a discussion about the overarching norms applicable for both the established and the outsiders and what makes these norms valid.

The duality of norms and international relations

Elias was among the first sociologists who called attention to the necessity of considering relationships within large social units, such as states, as well as between them; he also regarded these two kinds of relationships as being governed by substantially different norms. In "The Civilizing Process", he described the military competition between feudal lords as 'elimination struggle'. The competing lords strived to achieve greater power potential over against the others. The stronger lords survived, the weaker were eliminated or subordinated. The same happens between other kinds of social units, the tribes or the states.

---

27 Introduction by N. Elias to: Elias, N., Scotson J. (1994) *The Established and the Outsiders*. London: Sage Publications, p. xlv.

28 Loyal, S. (2011) A land of hundred thousand welcomes? Understanding established and outsiders relations in Ireland. In: Norman Gabriel and Stephen Mennell (eds.), *Norbert Elias and Figurational Research: Processual Thinking in Sociology*. Oxford: Wiley-Blackwell/ Sociological Review, pp. 181–201; Petintseva, O. (2015) Approaching new migration through Elias's 'established and 'outsiders' lens, *Human Figurations*, 4:3.

29 Mennell, S. (2007) *The American Civilizing Process*. Cambridge: Polity Press.

Relationships between social units characterised by mutual distrust and recourse to force is a general phenomenon in human history: "Mutual distrust between human groups, the unbridle use of violence in their relations with each other so long as they expected advantage and were not afraid of retaliation, has been very general, one might almost say normal, throughout the ages"[30]. Distrust and violence are characteristic of relationships between survival units because, according to Elias, in the last instance, there is no authority above them, which can enforce any rule or norm regulating their relationships: "There is no law governing the relations between states of the kind that is valid within them. There is no all-embracing power apparatus that could back up such an international law"[31]. The relationships within survival units, such as states, are formed on the premise that there is a higher authority, which can resolve conflicts, if necessary, by applying physical force. Accordingly, people within states behave in a more restrained way, exercising greater self-control, foresight and consideration of others. People therefore can develop more amicable, peaceful, 'civilized' relationships with each other. More stable self-control in relations among people develops along with suppression of violence by institutional means; this is what Elias called the civilizing process. He retained his views on the different nature of international and domestic relationships in his late works and criticised the theories and conceptions, which pictured social norms of one society as an integrated system. Elias pointed out that norms have integrating, as well as dividing and separating functions[32]. In the relationships among citizens, there is one moral code: people are taught that it is wrong to kill, terrorise others, steal and cheat. However, at the same time all that is permitted or even endorsed in order to defend one's survival unit or in attacking another survival unit[33]. Therefore, the moral code is split and there exists the duality of norms. The concept of the duality of norms can provide theoretical account of the practice of 'double standards' in contemporary politics and mass media.

Researchers distinguish two themes in Elias's texts about international relations. One theme is associated with the idea of survival units opposing each other and trying to secure their existence under conditions of absence of overarching monopoly on the use of violence. There relations are characterised by fragile peace, mutual suspicion and at times flaring conflicts. Most powerful states strive to achieve hegemonic position for security. The civilizing process therefore contained a paradox: greater

---

[30] Elias, N. (1996) *The Germans*. New York: Columbia University Press, p. 137.

[31] Elias, N. (2000) *The Civilizing Process*. Oxford: Blackwell, p. 235.

[32] Elias, N. (1996) *The Germans*. New York: Columbia University Press, p. 158–159.

[33] Ibid., p. 161.

pacification within states led to more violence in relations between states. Nationally anchored habitus prevails in framing the interests of states in foreign policy. There are similarities between Elias's conceptions and modern theories in the discipline of international relations, for example in the view of the difference between the domestic order governed by laws and the anarchy of the international relations, the predisposition of the states to become entangled in spiralling geopolitical competition ('double-bind' in Elias's terms), the acknowledgement that the international peace largely rests on the balance of power – the external constraint that the states impose on each other[34]. There are discussions of contemporary problems in international relations, such as duality of norms, double-bind and established-outsiders relations in world politics[35].

Another theme is connected with Elias's concerns about the trajectory of human development and the future of humanity. He pointed out that one could observe the growing interdependence between national survival units thanks to economic interconnectedness and the global character of problems such as ecology and threat of nuclear war. Consequently, the nation state loses its role as survival unit and it passes to the whole humanity, which is becoming the real survival unit. Elias foresaw the possibility that there could be political integration beyond the nation-state. This post-national unit of integration would comprise a number of states or all states of the globe. The civilizing process on a global scale may lead to the widening of the circle of mutual identification among the international actors, they may acquire stronger repugnance to violence and the norms prevalent in international relations will change[36]. In that case, the global humanity, by gaining greater control of their emotional impulses and mastering greater detachment in international matters, might voluntarily renounce the military means of obtaining security and evolve in a kind of pacified confederation of states[37]. However, the path towards

---

[34] Linklater, A. (2011) Process sociology and international relations. In: Norman Gabriel and Stephen Mennell (eds.), *Norbert Elias and Figurational Research: Processual Thinking in Sociology*. Oxford: Wiley-Blackwell/Sociological Review; Hobson, J. M. (2012) Reconfiguring Elias: Historical Sociology, the English School, and the Challenge of International Relations, *Human Figurations*, 1:2.

[35] Mennell, S. (2012) Realism and Reality Congruence: Sociology and International Relations, *Human Figurations*, Vol. 1 (2); Mennell, S. (2014) Globalisation and the 'American dream', *Human Figurations*, 3:2.

[36] Linklater, A. (2011) Process sociology and international relations. In: Norman Gabriel and Stephen Mennell (eds.), *Norbert Elias and Figurational Research: Processual Thinking in Sociology.* Oxford: Wiley-Blackwell/Sociological Review, pp. 48–64.

[37] Elias, N. (2010) *Humana Conditio*. In: *The Loneliness and of the Dying* and *Humana Conditio,* Collected Works, vol. 6. Dublin: University College Dublin Press, p. 146.

such higher level of integration will be difficult and uncertain, because the national habitus has a 'drag effect' and would inhibit the development of cosmopolitan identities and a wider sense of responsibility[38].

Norms, religion and ideological power

As pointed out above, Elias considered power relations arising from human interdependencies as generally determining the norms prevalent in society. Accordingly, he attributed marginal role to religion or ideology in the civilizing process. Commenting on the mores of the middle ages in Europe, he wrote: "Religion, the belief in the punishing or rewarding omnipotence of God, never has in itself a civilizing of affect-subduing effect. On the contrary, religion is always exactly as civilized as the society or class which upholds it"[39]. Mennell acknowledges that Elias gave little credence to the civilizing influence of religious ideas and regarded the clerics in this respect as no different from secular lords[40]. In his late book "The Germans" Elias is less categorical. He concedes that sometimes inter-group violence in human history could be tempered by belief in superhuman agency[41]. At the same time, he notes that such beliefs can provoke even greater suspicion and violence. He believes that religious organisations with their major power resources could exert pacifying influence on human behaviour. "Still, it was probably not entirely accidental that in Europe, at the time when the most powerful organisation of superhuman beliefs, the medieval church, was losing a considerable part of its dominions, and with it the monopoly of thought-control in Western European societies, understanding of the matter in which the ruling groups of different territories related to each other became secularized"[42]. When the authority of Catholic Church was undermined, the relations between the political units in Western Europe became more unrestrained and ruthless. Nevertheless, the power to influence social relations, for Elias, rests not in religious doctrines or their individual promulgators, but rather in religious organisation.

In this position, Elias runs counter to the traditions of both Max Weber and Emile Durkheim, who regarded religion as an important source of norms. It is well known that Weber considered religion as a sphere of

---

[38] Delmotte, F. (2012) About Post-National Integration in Norbert Elias's Work: Towards a Socio-Historical Approach, *Human Figurations*, 1:2.

[39] Elias, N. (2000) *The Civilizing Process*. Oxford: Blackwell, p. 169.

[40] Mennell, S. (2007) *The American Civilizing Process.* Cambridge: Polity Press, p. 268.

[41] Elias, N. (1996) *The Germans*. New York: Columbia University Press, p. 137.

[42] Ibid., p. 138.

thought and action possessing autonomy relatively to other domains of social action. Different religious doctrines channelled the activity of individuals and groups into different directions, more or less otherworldly. Religious doctrines moulded the ways of life, the patterns of behaviour of their practitioners. For example, according to Weber, rationalisation of the conception of the divine at the birth of monotheistic religions transformed the behaviour of believers "into a milder, but more permanent *habitus*, and moreover one that was consciously possessed"[43]; Protestantism imposed on its followers steady self-control and provided economic activity with the sense of purpose, which was conducive to the rise of capitalism[44].

S. N. Eisenstadt, drawing on the works of Weber, argued that charisma as capability to create existential meaning is a constituent element in institution building[45]. Institutions have two dimensions: organisational and symbolic. Charismatic personalities, or 'institutional entrepreneurs', have been able to reorganise symbolic and cognitive orientations of their followers, to formulate new collective goals, propound new norms and inject those in the organisational forms. As he shows on the examples from Weber's writings and in his own research, charismatic activities have influenced throughout history various institutional spheres, including politics, law, religion and the economy[46]. Michael Mann in his extensive historical-sociological study of human societies put forward the concept of ideological power as being relatively independent from other sources of power – military, economic and political. The basis of ideological power, he argues, lies in the need for normative regulation and meaning. He mentions examples, which point to the autonomous nature of ideological doctrines and religious practices and their influence on social order. The attractiveness of early Christianity was in its capacity to create a normative community, the ecclesia, for the people of the Roman Empire who were excluded from the official cultural life. Christian communities existed for three centuries without the buttress of the state and in spite of persecutions. In the medieval period, the significance of Catholic Church was in preservation of literary culture and providing a degree of normative pacification in Europe across the territorial units of secular and ecclesiastic

---

[43] Weber, M. (1965) *The Sociology of Religion.* London: Methuen & Co Ltd., p. 158.

[44] Weber, M. (1958) *The Protestant Ethic and the Spirit of Capitalism.* New York: Charles Scribner's Sons.

[45] Eisenstadt, N. S. (1968) Introduction. Charisma and Institution Building: Max Weber and Modern Sociology. In: N. S. Eisenstadt (ed.) Max Weber. *On Charisma and Institution Building.* Chicago: University of Chicago Press.

[46] Weber, M. (1968) *On Charisma and Institution Building.* Ed. by S. N. Eisenstadt. Chicago: University of Chicago Press; Eisenstadt, N. S. (2003) *Comparative Civilizations and Multiple Modernities.* Vols. 1 and 2. Leiden: Brill.

lords, which contributed to maintenance of translocal communication and economic ties[47].

Law historian Harold Berman argued that theological conceptions of Christianity and Greek philosophy strongly influenced the formation of legal tradition in Europe. Especially this influence could be seen in Western Europe, after rediscovery of Roman law in 11th century. Scholastics generalised the norms of Roman law, systematised them, developed the idea of natural law to which customary and statute law had to be subordinated, advanced methods of legal reasoning and formulated fundamental principles and concepts of law. Subsequently, there emerged understanding of law as a particular sphere of theory and practice relatively autonomous from politics and religion[48].

All these examples indicate that explanation of the origins of norms in terms of 'power' as understood by Elias, is not sufficient[49]. A more complete explanation strategy should take into account ideological, religious and cultural influences understood as autonomous forces capable of changing normative regulation of societies.

Conclusion

Studies in the perspective of figurational sociology show that the concept of norms is a complex one. Its content is not exhausted by a simple functionalist notion that norms are generalised behavioural expectations serving the purpose of prevention of disappointment of expectations of social actors[50]. Norms are in a complex way interweaved with the power structure of society, with the matters of social prestige and self-image, state formation and the civilizing process. The actual observation of norms is dependent upon the existence of an effective external controlling agency and the in-built, acquired through socialisation self-control of the individuals. Norms governing domestic relations are different from norms prevalent in international arena. Norms reflect not only the power balance between the groups within society, but also the power position of the particular survival unit in relation to other survival units. Studies

---

[47] Mann, M. (2013) *The Sources of Social Power.* Vol.1. Cambridge: Cambridge University Press, Chapter 10.

[48] Berman, H. (1983) *Law and Revolution. The Formation of the Western Legal Tradition.* Cambridge, Mass.: Harvard University Press.

[49] J. Goudsblom attempted to defend Elias's position on religion, in author's view, not quite convincingly (Goudsblom, J. (2003) Christian Religion and the European Civilising Process: The Views of Norbert Elias and Max Weber Compared in the Context of the Augustinian and Lucretian Traditions, *Irish Journal of Sociology*. Vol. 12(1), pp. 24–38).

[50] Luhmann, N. (1985) *A sociological theory of law.* London: Routledge & Kegan Paul.

in figurational perspective produced a stock of sociological findings and it appears to be more fruitful to search into the patterns of interrelations between norms, power and meaning in various historical contexts than to postulate in theory their inseparable interconnectedness.

The question of the origin of norms in figurational sociology, however, is controversial. The denial that norms can derive from charismatic, religious sources contradicts other sociological schools. Works by Weber, Berman, Eisenstadt and Mann point out that religious or metaphysical doctrines can direct and shape human behaviour, establish norms of interaction, and organise collectivities. The problem of the relation of the 'ideal' factors to the genesis of norms has not yet been dealt with directly by the scholars working within figurational perspective. It is rather common either to downplay the impact of worldviews and ideas in comparison to the significance of 'power' or to reformulate the question in terms of occupational specialisations. Fuller integration of ideological factors can enrich the theoretical and methodological tools of figurational sociology and result in constructing of a more powerful explanatory framework.

REFERENCES

Printed sources

1. Berman, H. (1983) *Law and Revolution. The Formation of the Western Legal Tradition*. Cambridge, Mass.: Harvard University Press.
2. Dunning, E., Hughes, J. (2013) *Norbert Elias and Modern Sociology*. London: Bloomsbury.
3. Eisenstadt, N. S. (1968) Introduction. Charisma and Institution Building: Max Weber and Modern Sociology. In: N. S. Eisenstadt (ed.) Max Weber. *On Charisma and Institution Building.* Chicago: University of Chicago Press.
4. Eisenstadt, N. S. (2003) *Comparative Civilizations and Multiple Modernities*. Vols. 1 and 2. Leiden: Brill.
5. Elias, N. (1978) *What is Sociology?* New York: Columbia University Press.
6. Elias, N. (1996) *The Germans.* New York: Columbia University Press.
7. Elias, N. (2000) *The Civilizing Process.* Oxford: Blackwell.
8. Elias, N. (2009) Group charisma and group disgrace. In: *Essays III: On Sociology and the Humanities,* Collected Works, vol. 16, Dublin: University College Dublin Press, pp. 73–81.
9. Elias, N. (2009) The changing balance of power between the sexes – a process-sociological study: example of the ancient Roman state. In: *Essays III: On Sociology and the Humanities,* Collected Works, vol. 16, Dublin: University College Dublin Press, pp. 240–265.
10. Elias, N. (2009) The retreat of sociologists into the present. In: *Essays III: On Sociology and the Humanities,* Collected Works, vol. 16, Dublin: University College Dublin Press, pp. 107–126.

11. Elias, N. (2010) *Humana Conditio: Observations on the Development of Humanity on the Fortieth Anniversary of the End of a War (8 May 1985).* In: *The Loneliness of the Dying and Humana Conditio*, Collected Works, vol. 6, Dublin: University College Dublin Press, pp. 77–170.

12. Elias, N., Scotson, J. (1994) *The Established and the Outsiders.* London: Sage Publications.

13. Giddens, A. (1979) *Central problems in social theory.* Berkeley and Los Angeles: University of California Press.

14. Giddens, A. (1986) *The Constitution of Society.* Berkeley and Los Angeles: University of California Press.

15. Giddens, A. (1992) *The Nation-State and Violence.* Cambridge: Polity Press.

16. Giddens, A. (1995) *A contemporary critique of historical materialism.* Second edition. Stanford: Stanford University Press.

17. Goudsblom, J. (2003) Christian Religion and the European Civilising Process: The Views of Norbert Elias and Max Weber Compared in the Context of the Augustinian and Lucretian Traditions, *Irish Journal of Sociology*. Vol. 12(1), pp. 24–38.

18. Linklater, A. (2011) Process sociology and international relations. In: Norman Gabriel and Stephen Mennell (eds.), *Norbert Elias and Figurational Research: Processual Thinking in Sociology.* Oxford: Wiley-Blackwell/Sociological Review, pp. 48–64.

19. Loyal, S. (2011) A land of hundred thousand welcomes? Understanding established and outsiders relations in Ireland. In: Norman Gabriel and Stephen Mennell (eds.), *Norbert Elias and Figurational Research: Processual Thinking in Sociology.* Oxford: Wiley-Blackwell/Sociological Review, pp. 181–201.

20. Luhmann, N. (1985) *A sociological theory of law.* London: Routledge & Kegan Paul.

21. Mann, M. (2013) *The Sources of Social Power.* Vol.1. Cambridge: Cambridge University Press.

22. Mennell, S. (2007) *The American Civilizing Process.* Cambridge: Polity Press.

23. Quilley, S., Loyal, S. (2005) Eliasian Sociology as a 'Central Theory' for the Human Sciences, *Current Sociology.* Vol. 53(5) pp. 807–828.

24. Weber, M. (1958) *The Protestant Ethic and the Spirit of Capitalism.* New York: Charles Scribner's Sons.

25. Weber, M. (1965) *The Sociology of Religion.* London: Methuen & Co Ltd.

26. Weber, M. (1968) *On Charisma and Institution Building.* Ed. by S. N. Eisenstadt. Chicago: University of Chicago Press.

27. Wouters, C. (2011) How civilizing processes continued: towards an informalization of manners and a third nature personality. In: Norman Gabriel and Stephen Mennell (eds.), *Norbert Elias and Figurational Research: Processual Thinking in Sociology.* Oxford: Wiley-Blackwell/Sociological Review, pp. 140–159.

Internet sources: online journal *Human Figurations*

28. Petintseva, O. (2015) Approaching new migration through Elias's 'established and 'outsiders' lens, *Human Figurations*, 4: 3 http://hdl.handle.net/2027/spo.11217607.0004.304.

29. Hobson, J. M. (2012) Reconfiguring Elias: Historical Sociology, the English School, and the Challenge of International Relations, *Human Figurations*, 1: 2 http://hdl.handle.net/2027/spo.11217607.0001.206.

30. Mennell, S. (2012) Realism and Reality Congruence: Sociology and International Relations, *Human Figurations*, 1: 2 http://hdl.handle.net/2027/spo.11217607.0001.210.

31. Mennell, S. (2014) Globalisation and the 'American dream', *Human Figurations*, 3: 2 http://hdl.handle.net/2027/spo.11217607.0003.206.

32. Delmotte, F. (2012) About Post-National Integration in Norbert Elias's Work: Towards a Socio-Historical Approach, *Human Figurations*, 1: 2 http://hdl.handle.net/2027/spo.11217607.0001.209.

33. Wouters, C., Mennell, S. (2015) Discussing theories and processes of civilisation and informalisation criteriology, *Human Figurations*, 4: 3 http://hdl.handle.net/2027/spo.11217607.0004.302.

EU FUNDED LIGHTHOUSE PROJECTS AS THE MOVING FORCE TOWARDS KNOWLEDGE INTENSIVE URBAN DEVELOPMENT

Grigorijs Oļevskis
Dr. habil. econ.

Timurs Safiuļins
M. sc. econ.

Abstract

This article focuses on the identification and promotion of existing lighthouse initiatives in Latvia's capital city Riga; initiatives that take an integrated approach, have high impact and replication potential, and cover a range of different sectors. The authors seek to identify the winning elements of these initiatives on the key themes of long-term political leadership, collaboration and engagement with stakeholders, contribution to multiple policy objectives, and project economics and business models. Two lighthouse initiatives are investigated – development of the smart card and smart solutions for a new building complex, the Torņakalns complex. The electronic card system is a multifunctional system that can be used as payment for public transport, to register for different social services (e.g. catering services), for city car parking, park and ride or access to different kinds of discounts for certain social groups. A basis for the initiative is the continuous monitoring of flows within the system. Five parameters are regularly used: number of vehicles, number of drivers, number of trips, km travelled and hours. Data can be acquired for different types of transport (bus, trolleybus and tram) and can also be divided between working days and weekends. The Torņakalns lighthouse initiative is designed to help meet the city's overall strategic 2030 goal: to create energy efficient, resident-friendly and modern neighbourhoods. The development of the Torņakalns complex is aligned with the strategic 2030 development goal of Riga; that the city is to become friendly to pedestrians, cyclists and public transport. What is characteristic of the Torņakalns complex is that it is centred around the establishment of a new City Administrative Centre and agglomeration of university buildings, that it uses an existing railway line as a multimodal transport junction rather than keeping it as a barrier that separates different city parts, and that the area is formed as a micro town, which provides not just one, but many functionalities. Analysis of the processes of planning in Riga is inspired by the best practical solutions and "lighthouse" initiatives winning elements.

Keywords: Latvia, Riga city, key winning elements of success, lighthouse initiatives, planning

Introduction

In this article, information is provided on each lighthouse initiative, followed by an analysis focusing on the following key elements:

1. Integration of energy, INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) AND TRANSPORT
2. REPLICATION AND SCALABILITY
3. INTEGRATED BUILDING BLOCKS
4. Monitoring and reporting
5. Winning elements
6. Promotion

The lighthouse initiative result focuses on the identification and promotion of existing lighthouse initiatives in each STEP UP city; initiatives that take an integrated approach, have high impact and replication potential, and cover a range of different sectors. It seeks to identify the winning elements of these initiatives on the key themes of long-term political leadership, collaboration and engagement with stakeholders, contribution to multiple policy objectives, and project economics and business models.

This article focuses on the development of innovative projects in the STEP UP Latvia's capital city Riga. The objectives of the article are to:

- Identify best practice energy and lighthouse initiatives in partner and learning network Riga;
- Define the winning elements of these lighthouse initiatives and promote them;
- Define in depth the common challenges for the city;
- Develop several innovative projects in Riga, which should include the following elements: project concept, descriptions of key actors, stakeholder engagement, project economics, energy calculations and key performance indicators;
- Show that an integrated approach between sectors and actors achieves better energy efficiency and economics than traditional approaches.

The analysis of the processes of urban planning in this article is inspired by the best practical solutions and "lighthouse" initiatives winning elements. Defining certain initiatives as 'lighthouse' is done with the explicit goal of accelerating changes in perceptions and beliefs on a wide scale. The innovative projects will also be based on an inventory of pipeline projects and windows of opportunity in the cities.

Principles of the Strategic Planning of Urban Development

Industrialised countries since the mid XX century demonstrated the widespread use of planning tools in the management of cities. After the Second World War, almost all European countries and the US research groups and institutions have begun to develop long-term forecasts of economic development. At the turn of 1950–1960, it was possible to observe a real boom in economic forecasting. In this was manifested the desire to determine long-term trends in national and global economic development, order to use them in capital investment and innovation policy development in the struggle for markets and sources of raw materials. Especially wide circulation was received methods of strategic planning (both national and regional), whose foundations were laid by management theorists and implemented in practice by enterprises and corporations.

At the same time, this has increased the need for strategic planning of urban development, which was due first of all to the inability to solve complex of short-term and medium-term social and economic problems, and make more predictable the risks of entrepreneurship.

The decisions of the authorities, especially local, impact on people's lives by providing them with basic needs in housing, education, nutrition, health, and so on. Local authorities, like businesses, need to respond to changes in the surrounding situation. Business is necessary for the optimal allocation of personnel, equipment and capital in order to maximise return on investment. The city authorities must distribute human and capital resources to the best use of their advantages to meet the needs of the population.

Strategic thinking as applied to urban processes is a fairly new concept dating back to the 1980s, with its roots in military planning and adopted first by the business world. Global consideration of the processes that affect citizens is advisable when it is included in any initiative whose aim is to plan for the future or to define planning. Cities experiencing strong competition with other cities or even within their own neighbourhoods might use this documental framework to understand, project and intervene. Despite the relatively limited importance of the environment as a policy objective within formal policy documentation, a large proportion of local authorities have initiatives in place, or planned, which attempt to combine economic development and environmental aims. (Gibbs et al., 1998).

In general terms, it can be stated that strategic plans over the last twenty years have acted reasonably well as instruments of strategic reflection, as processes of public-private consensus and inter-administrative coordination, and as frameworks for formulating strategies in the local and territorial sphere. Without overriding the other planning systems in

the territory, the strategic plans have meant creating a state of opinion, motivating institutions and introducing reflections oriented in the long term towards having more developed cities, bearing sustainability in mind (Golden, 2006).

The ideas and practice of strategic planning have evolved over time. It has become generally recognised that the planning process rarely follows the 'rational' model of a sequential cycle of formulation, implementation, monitoring, and evaluation. Instead, planning occurs as a continuous and iterative process, in which important decisions are frequently taken during the implementation stage, and monitoring and evaluation occur in advance of final outputs and outcomes. Thus, although current understanding of strategic planning retains the idea of planning as being about setting goals and identifying the means of achieving them, it has moved away from a fixed plan and solutions, to an adaptive process, involving the management of change as it affects conditions, constraints, and resources. Second, it involves a shift away from the view that the state alone is responsible for development, to one in which various stakeholders are involved in the planning processes of dialogue and accountability. Third, strategic planning involves a comprehensive and holistic approach, which seeks to integrate the full range of available resources, and to build on existing policies and initiatives (Cherp et al., 2004; Gonzalez & De Lazaro, 2013).

The range of considerations for positive urban growth management is extensive (Paul James et al., 2013).

- Providing for land assembly and eminent domain. Where land availability is tied to the capacity to assemble land, particularly through the use of compulsory acquisition, these provisions can be stronger tools for economic development. However, this is only culturally and politically legitimate if handled as a positive form of exclusion within the law, and in accordance with human rights obligations, including to customary land-holders and undocumented settlers.
- Establishing plans for integrated economic development and land-use. Integrated land-use and transport development is an important subset of activities related to economic development and a more equitable distribution of job opportunities. Actions to co-ordinate household location, employment/enterprise location, and transport networks can create powerful economic development nodes within growing cities, preferably at large scale through the accumulation of linked activities. However, this has not prevented extension of the urban growth boundary on several occasions.
- Centralising metropolitan planning and authority. Sometimes, metropolitan development may fully integrate urban growth

management within one agency. Developing one comprehensive development plan is more easily accomplished when there is one metropolitan jurisdiction; however, this is rare.

- Demarcating particular economic precincts. Technology precincts and urban-based actions to enable innovation, science, and technology can be part of, or give rise to, urban growth that needs to be carefully managed.
- Developing a capacity for urban growth management. This area of intervention is critical in matching economic development and urban growth management.

Urban planning per se is not a European policy competence. However, economic, social and territorial cohesion all have a strong urban dimension. As the vast majority of Europeans live in or depend on cities, their developments cannot be isolated from a wider European policy framework. The EU has had a growing impact on the development of cities over recent decades, notably through cohesion policy. Cities are expected to play a key role in the implementation of Europe 2020 (European Union, 2011).

1. *Smart Growth*: Cities concentrate the largest proportion of the population with higher education. They are at the forefront in implementing innovation strategies. Innovation indicators such as patent intensity demonstrate that there is a higher innovation activity in cities than in countries as a whole.
2. *Green Growth*: Cities are both part of the problem and part of the solution. The promotion of green, compact and energy-efficient cities is a key contribution to green growth.
3. *Inclusive growth*: Social exclusion and segregation are predominantly urban phenomena. Cities are the home of most jobs, but also have high unemployment rates. Cities can contribute to inclusive growth, notably in combating social polarisation and poverty, avoiding the segregation of ethnic groups and addressing the issues of ageing (European Commission, 2011).

In view of the on-going discussions about climate change and the worldwide trend of urbanisation, cities and urban regions are moving into the focus of attention of policy, industry and research. The European targets for achieving a low-carbon economy ("2020 targets" and "European Energy Roadmap 2050") are enormous challenges for society in the field of energy, which can only be tackled through clear strategies. The concept of Smart Cities can provide solutions on both a technological and process level for shaping the future of European Cities in a sustainable way based on two key elements: highly increased energy efficiency and maximum integration of renewable energy sources into existing systems.

Current questions for research and implementation in the context of Smart Cities focus on the following thematic areas:

- integrated urban energy planning & intelligent energy management on regional & city level;
- merge of Information and Communication Technology (ICT) and energy, as well as transport technologies;
- smart urban energy networks (thermal + electric, complemented by gas grids);
- energy-efficient interactive buildings;
- renewable energy supply for urban areas; and
- sustainable mobility.

The initiative puts its focus on the EU member states. It elaborates how a Europe wide implementation of the Smart. (The Smart Cities Member States Initiative, 2011) the idea of Smart Cities is rooted in the creation and connection of human capital, social capital and ICT infrastructure in order to generate greater and more sustainable economic development and a better quality of life. Smart Cities have been further defined along six axes or dimensions:

1) Smart Economy
2) Smart Mobility
3) Smart Environment
4) Smart People
5) Smart Living
6) Smart Governance

Smart Cities comprise a portfolio of initiatives, with different (though often overlapping) focal areas, modalities, participants and constituencies (European Union, 2014).

The European Commission's Smart Cities and Communities communication define which of the cities' best practice projects can be defined as lighthouse initiatives[1]:

1. Tackle issues at the intersection of the transport, energy, and ICT sectors.
2. Trigger strategic partnerships of innovation driven companies acting across geographical borders.
3. Forge strong partnerships with local leaders and municipal authorities.

---

[1] The lighthouse project was instigated by students at the Chalmers School of Entrepreneurship (CSE), which is an action-based master-level educational program, integrating entrepreneurial education with venture creation within the university. (Ollila, Williams-Middleton, 2011).

4. Engage and empower citizens and local stakeholders to reduce greenhouse gas emissions, energy consumption and more widely to improve the urban environment.
5. Offer solutions to the broad scope of geographical, spatial and demographic characteristics of European cities.
6. Encompass a project design phase where different building blocks would be selected.
7. Show an integration phase where these would be combined, and in many cases also integrated with legacy infrastructure and systems.
8. Be demonstrated and validated at scale sufficient enough to enable systematic change in applications, which are not yet commercial.
9. Followed by a review phase to assess performance and transferability (European Commission, 2012).

Each of the lighthouse initiatives is being promoted within the cities, and there are many similarities in terms of the approaches used. The municipalities have, in most cases, put in resources in order to spread information about the initiatives to the general public through communication campaigns, using posters, leaflets and new websites. Public dialogues have also been arranged for representatives to increase understanding among stakeholders and to seek their points of view. Beyond this, several actions for communicating the lighthouse initiatives are being taken as part of the STEP UP project, focusing on the key winning elements of the initiatives, as well as the general recommendations.

The contribution to all three European 2020 climate and energy targets is also important, as well as increased knowledge transfer and replication potential across European countries. STEP UP is focused on how integrated planning between industry sectors and other actors can generate better energy efficiency performance, economics and social benefits compared to traditional approaches. The integrated approach towards energy planning, integrated project design and implementation is considered by addressing three core themes together: energy and technology; economics; and organisation and stakeholders.

Riga's Lighthouse Initiative to use Smart Cards

The smart cards lighthouse initiative started in 2007, with the aim of creating an electronic payment system for public transport in Riga and to ensure its functionality. By using new technologies, the system aims to provide an effective, efficient and inclusive service to all inhabitants. The initiative focuses on developing an innovative and easy payment solution in the form of a common electronic card system. It is a multifunctional system that can be used as payment for public transport, to register for

different social services (e.g. catering services), for city car parking, park and ride or access to different kinds of discounts for certain social groups. The initiative fulfils the key European Commission and STEP UP lighthouse criteria.

The lighthouse initiative to use smart cards focuses on three issues:

    I.   To create a more rational organisation of public transport;
    II.   To reduce energy consumption in the city; and
    III. To achieve greater convenience for residents.

Improved public transport: the system deals with different aspects of transportation. The introduction of the smart card system has affected how public transport services are planned, including traffic routes and transport frequency. The benefits of the system, such as better routes, improved timing and comfort, together with additional measures, helps citizens prioritise public transport over private cars and reduces the need for private cars.

Reducing energy consumption: is one of the main aims of the project and is done in several ways. Data on passenger flow is analysed daily so that the optimum car or coach size can be used. The data is also used for long term planning of the public transport system in order to be able to introduce necessary changes when it comes to energy consumption. By achieving increased access to public services, the system aims to reduce private motoring in the city. implementation of the e-card system also aims to reduce the fuel consumption of public transport by cutting unnecessary costs. Furthermore, energy consumption should also be affected through an increased use of non-paper technologies.

Centralised information network: the basis of the lighthouse initiative is to use ICT as a way of making services for citizens more effective and thereby achieve a more holistic solution to several challenges at the same time: such as reduced energy consumption and better access to public services. A centralised information network that manages all data within the system has been developed. This has been built to manage the complex nature of the system and its many different functions: whether it is used in order to access social services, public transport or parking. The multi-functionality of the network also means that it can be accessed from different geographical locations and through different types of technologies, depending on where and for what one is using it. This also means that the network consists of many different 'nodes', such as: ticket validators where passengers validate their cards; consoles that the drivers use for validating and selling tickets, the portable terminals that are used by the staff in order to check the passenger´s tickets, as well as the data concentrator which connects the system with the main data centre.

The Riga e-card initiative is based on similar e-card systems that already exist in a number of other cities – such as Paris, Lyon, Toulouse, Warsaw, Zurich, Houston, Montreal and Melbourne – which shows that there is a replication potential. However, the system in Riga has been adapted in order to meet Riga's needs, including a wide variety of different services and a high degree of integration between different sectors. The feature that separates the system in Riga from other similar systems is that it connects social services with transport. This might increase the difficulties of replicating the system as a whole, since elements like resources, policy decisions and infrastructure need to be implemented not only within the transport sector, but also within social services. However, provided that the necessary political decisions are taken and that funding is available, the system should be replicable, as the overall methodology and technological solutions are already there.

The approach to e-cards that is used in Riga – which combines traffic and social services – must, by necessity, integrate different building blocks. However, initially the system only included public transport, and therefore consisted of fewer building blocks than it does today. Over time, it was developed as a wider system for different purposes. To begin with, several different transport-related building blocks were added. However, over time a whole new sector was added, so that today individuals use the system in order to apply for a variety of different social services in addition to transport related services, as follows:

1. The transportation of school pupils;
2. Entrance to schools (in order to take care of security);
3. School catering services; and
4. Social services – the provision of free meals by the Welfare department of Riga City Council and others.

The e-card system will also soon be implemented for the integration of railway transport, and there is an ambition for additional smart card pilot projects with new purposes over time.

A basis for the initiative is the continuous monitoring of flows within the system. Five parameters are regularly used: number of vehicles, number of drivers, number of trips, km travelled and hours. Data can be acquired for different types of transport (bus, trolleybus and tram) and can also be divided between working days and weekends.

The data that is acquired from the continuous monitoring of traffic flows is used for public transport planning in Riga. The data shows that the number of passengers using public transport in Riga is increasing from year to year. Between 2012 and 2013, there was a 6% increase in the use of public transport. By understanding how traffic flows are structured it is possible to organise the use of vehicles in a more effective way and thereby

reduce their energy consumption, as well as save money. On average, since 2010 traffic has fallen by 2–8% on working days and between 9–13% on weekends.

Key winning elements of success are as follows:

Political leadership with a long-term approach. From the start, Riga City Council has had a key role in this initiative, by both introducing it and providing finance. In addition:

- Riga City Council sets the policy, adopts the discounts and accepts new smart cards pilot projects;
- The traffic department is responsible for public transportation in Riga and planning public transportation zones;
- The welfare department assists individuals from risk groups;
- The department of education, youth and sports optimises and coordinates assistance in schools

Collaboration and dialogue with all stakeholders. A system that connects different services and sectors with the aim of solving a variety of problems can only function if a number of different actors are engaged and connected. The role of the City Council has been central to the e-card initiative, as set out above. Citizens use public transport, different offers connected to the system such as free dining opportunities and car parking services. Additionally, pupils use the e-card to check in at schools.

Contribution to multiple policy objectives. One key winning element, which has enabled the initiative to be successful is that the system provides a general ICT infrastructure – the e-card system – that integrates different kinds of transport services with the delivery of social services; students use the same ticket to register their arrival at school as others who use it for public transport or to park their car. The use of a general ICT infrastructure has meant that the system has been able to deliver new services within different sectors and to different actors at the same time, and therefore contributes to a number of policy objectives in the city.

Traffic data is used as a tool for the development and planning of the system. The fact that the system generates data, which can then be used in order to develop the system further, is a winning element. This opens up opportunities for a system that has a high potential for organisational learning.

Business models to attract investment. For the development, financing and management of the e-card initiative, Riga's municipal public transport company (100% owned by the City of Riga) created a joint venture with Affiliated Computer Services Solutions France S.A.S by creating a limited liability company called "Rigas karte". Rigas karte proposed technological solutions by integrating them with Riga's public transport system, including buses, trams and trolleybuses. The system also attracts sub-contractors

that are specialised in a variety of issues. It works together with state and local organisations, as well as with ticket issuing and trading venues. The business model combines public sector grants and loans, alongside commercial activities. Riga City Council using municipal grant and loans mainly financed the establishment of the e-card initiative.

The promotion of the e-card system started with a wide range of information being presented in the media. Focus was put on the benefits of the system and on its convenience for customers. The system was demonstrated at conferences and through several press briefings. Text and visual information was presented at public transports vehicles, at stations and at the customer offices of the transport company. The promotion and education has focused not only customers, but also on sellers, drivers of public transport vehicles and controllers of tickets.

Riga's Smart Solutions for a New Building Complex

This initiative derives from wider plans to develop a new city centre, the Pārdaugava centre. It is also a result of long-term discussions on the concept and location of a new administrative centre for the city, which will now be established as part of the new complex, the Torņakalns complex. The Torņakalns lighthouse initiative is designed to help meet the city's overall strategic 2030 goal: to create energy efficient, resident-friendly and modern neighbourhoods. Reduced traffic flow in the city centre is part of this, with neighbourhoods situated close to the centre being used more intensively.

A research study on the technical and economic justifications for the redevelopment of brownfield sites in the Torņakalns district was conducted in 2009, forecasting a number of benefits from the development. These include productivity growth and improvement in educational quality, cost-saving benefits expected from the relocation and merging of the university, and additional employment. Furthermore, the project is expected to contribute to reduced environmental pollution in the area. The expected energy savings from the project are 50–70% compared to areas of a similar scale that are built in a traditional way (Municipal portal of Riga, 2014).

The complex will consist of a combination of buildings, transport infrastructure and public spaces. As an integrated project, it will feature different functions, including Riga's Administrative Centre, the Academic Centre for the University of Latvia, housing, schools, workplaces, recreational and shopping areas, as well as transport services. Parts of the complex will take the form of a 'slow movement' area, with different services located at a walking distance from each other. The overall area is 46 ha, with a total of 665,000 m^2 of newly constructed buildings. Parts

of the complex are already under construction, including the Academic Centre of the University of Latvia; this includes a number of buildings housing different academic departments, institutes and national research centres. Construction of The National Library is fully completed and the surrounding infrastructure improved, including adding cycle tracks and pedestrian lanes on the main roads along the river Daugava.

Low energy consumption is central to the development of the Torņakalns complex, and new technologies are planned to contribute to this. Territorial improvements and well-functioning transport flows are other key goals; this will be met in part by a new multimodal transport junction, with a new railway station, bus terminal, tramway line and cycling tracks.

According to the development plans, the contribution towards the city's overall 2030 strategic goals will be made in a variety of ways, including:

Heating, cooling and ventilation: energy for heating, ventilation and cooling will be supplied by a district heating system. Ground heat will be integrated into heating and cooling systems, with bearing poles functioning as thermoprobes for the heat pumps. Air conditioning equipment is planned to include heat and humidity retrieval.

Water: accumulation devices will be installed for collecting rainwater, which can then be used to water green spaces. Hot water supply will be managed using solar collectors.

Lighting: since approximately 35–50% of the power consumed in buildings of the type being constructed is typically used for lighting, this will be provided by luminescent lamps, energy efficient lamps and LED diodes. Furthermore, outdoor lighting will be powered using renewable energy resources such as wind rotors and solar batteries, with reserve connections to the grid.

New technologies will be used to achieve the best possible conditions for energy efficiency, territorial improvements and better transport flows, as well to maintain the buildings to meet the needs of residents and visitors to the city. As the complex is still being planned, a number of ICT elements are still in development. However, the academic centre, which is already being built, provides some examples.

Power network control system: efficient functioning of the electrical power network within the academic centre will be achieved by implementing a network control system integrated with a lighting control system. The network control system will feature the following functions:

- Night mode – after classes, vacant areas will be transferred to night mode, with all power-consuming devices, which are not required switched off automatically. Devices that need continuous power supply will be left on.

- Safety and control – the simplified identification of damage and timely prevention of accidents will be enabled, as well as the capability to observe other existing processes.
- Manual control – the system user can adjust the system to his or her own needs.
- Protection against blackouts – in case of an emergency blackout the system is automatically transferred to alternative power sources (for example, UPS, diesel-operated generator or reserve input).

Automatic lighting control: lighting devices will be controlled from a multifunctional monitoring system, which will provide energy efficient lighting to all premises, and include measures for maximising the use of daylight, recording the presence or absence of people on the premises, zoning for required intensity and night mode functions.

The development of the complex is aligned with the strategic 2030 development goal of Riga; that the city is to become friendly to pedestrians, cyclists and public transport.

Integration of transport and mobility: the complex will integrate transport infrastructure with new buildings and public spaces. Parts of the complex will have the feel of a 'micro town' with all the functionalities of a town: housing, schools and workplaces, recreational and shopping areas and transport services. The micro town will have a 'slow movement' area with all functional zones located at a walking distance from each other.

Connections to the rest of the city: solutions will not only take into account the needs of the specific neighbourhood, but also the nature of all transport flows in the district of Pārdaugava, where the Torņakalns complex is situated, as well as the need to reduce traffic congestion in the historical city centre. The new railway station and bus terminal will reduce public transport flow on the right-hand side of the nearby Daugava River, and will provide a fast and simple transfer to the city centre.

Multimodal transport junction: the complex will include a new multimodal transport junction with a new railway station and bus terminal, as well as a new tramway line and cycling tracks. This will encourage users of, and visitors to, the area to use alternative modes of transport to private cars.

The Torņakalns complex is designed to address a challenge that is common in many European cities: how dense and multi-functional neighbourhoods can be established on vacant city centre land, in a way that results in increased public transport and energy efficiency. There are other examples of such initiatives elsewhere in Europe, such as Kvillebäcken in Gothenburg, which creates opportunities for such initiatives to learn from each other. However, initiatives such as these, which consist of many parts

and actors, are always based on local circumstances and therefore take various forms.

What is characteristic of the Torņakalns complex is that it is centred around the establishment of a new City Administrative Centre and agglomeration of university buildings, that it uses an existing railway line as a multimodal transport junction rather than keeping it as a barrier that separates different city parts, and that the area is formed as a micro town which provides not just one, but many, functionalities. Replicating the whole concept of the Torņakalns complex would not be possible for most European cities, but many parts of it could be. This is also shown from the fact that the Torņakalns initiative has learned from other initiatives, such as Stratford City in London and Rapid City in York, in terms of how a centre can be spread out on both sides of an existing railway line without these lines potentially isolating the different parts of the scheme.

When it comes to the complex's potential for being scaled up, there are certain aspects of the initiative that are well suited to other parts of a city, for example the establishment of multi-functional neighbourhoods. Some of the technology solutions for decreasing energy consumption could also be implemented in other districts and thereby have effects on a wider scale. In addition, the transport solutions already take into account transport flows and congestion across the wider city, which implies that the new transport junction will certainly have effects on the city's wider transport system.

The complex will be made up of a number of buildings that have been designed as separate unique constructions; however, spatially they will create a single complex. These include:
- Riga City administrative buildings (58,000 m^2);
- Office buildings (265,000 m^2);
- Residential buildings (225,000 m^2);
- Commercial buildings (60,000 m^2); and
- Recreational buildings (6,000 m^2).

The Academic Centre of the University of Latvia, one of the first buildings to be constructed, includes a number of buildings offering a comfortable, functional and economic learning, work and living environment oriented towards sustainable development. The centre includes different parts: the Academic Centre for Life Sciences (which will be completed in 2015), two institutes (the Institute for Microbiology and Biotechnology and the Institute for Chemical Physics), as well as six national research centres which focus on everything from environment resource acquisition and sustainable utilisation technologies to public health and clinical medicine.

Transport infrastructure is another important building block in the complex. The micro town nature means that a network of roads will

connect the different functions of the complex, and these functions will be accessible by foot, bicycle and public transport. The new railway station and bus terminal will provide a fast and simple transfer to other areas in the city, and the existing railway line will be developed so that its barrier effect is reduced as much as possible.

Public spaces and outdoor environments are another building block. An urban recreational area is planned, aiming to create a well-adapted and comfortable space for people of different age groups and varied interests, friendly to the existing ecosystem and adapted to the existing urban environment. The buildings of the Academic Centre of the University of Latvia will be located around a square, which will be the representative public outdoor space of the University. Other initiatives will create green outdoor environments; the Academic Centre for Life Sciences will have an external design which shows an affinity to nature, with a green five-leaf akebia (*Akebia quinata*) vine growing on the central façade to mitigate the effect of excessive solar heat in the summer and frost in the winter, succulent plants grown on the roof and crops planted in the yard.

Key winning elements of success, as follows:

Political leadership with a long-term approach. The idea of a compact and energy efficient neighbourhood is also supported by Riga's wider political strategies, and the initiative is directly linked to Riga's development strategy of becoming a smart and sustainable city with an emphasis on socially responsible, sustainable, smart and compact urban development.

Collaboration and dialogue with all stakeholders. Political leadership has played a central role in the initiative, which has been made possible as a result of initial plans for an administrative centre for the city. In addition, the university is closely involved with the development of the complex, and it is likely that this research and teaching establishment has been an important catalyst for the project.

Various other stakeholders have also been involved, including through a management and marketing committee (established in 2008) with 22 members from stakeholder organisations. Each organisation represented a particular area, and the committee enabled stakeholders to harmonise projects and decisions, create ideas and find the best solutions. Citizens have also been engaged through an exhibition of the projects for all Riga residents and a four-week public consultation.

Contribution to multiple policy objectives. The initiatives contribute to the implementation of different development objectives Riga, providing city environmental, social and economic benefits. If a city wants to change its energy consumption, it is necessary to work with other policy areas as well as energy, such as mobility and traffic. Similarly, if a city wants to improve public health, changing mobility patterns is a prerequisite.

Business models to attract investment. The administrative centre and the university campus are two examples of how the Torņakalns complex has been made possible by building on existing initiatives of strategic interest. The first stage of the initiative, which focuses on the establishment of the university buildings and their equipment, is partly financed by the European Regional Development Fund and partly by Latvian governmental organisations. The infrastructure and roads will at this stage be financed by municipal funds.

Conclusions and recommendations

Conclusions

All the initiatives that have been included in this article are based on an integrated approach in which different sectors and actors are brought together in order to achieve holistic solutions to pressing problems faced by Riga. Furthermore, they are all contributing towards the EU2020 goals of energy use reduction, reduced CO_2 emissions and an increase in renewable energy.

One of the main attributes of the lighthouse initiatives is that they combine energy, transport and ICT as part of an integrated, cross-sectoral approach. Initiatives such as these is complex by nature. They work with various arrangements of actors and sectors in order to address complex problems for which there are no easy solutions; these are sometimes called 'wicked' problems.

There is not one way to organise, or even analyse, a lighthouse initiative. The initiatives all feature transport, energy and ICT, but do this in different ways. In many cases, the initiatives have a main focus with other building blocks attached to them. In comparison, the initiatives within STEP UP that have regeneration of city districts as their focus also target energy efficient buildings, mobility and transport, and how people and goods can be transported as efficiently as possible. Often ICT is a solution for monitoring energy consumption, the smartest way of travelling or for smart grids. However, none of the initiatives have ICT as their main focus; instead, ICT is essential in order to support overall transitions in other systems.

Innovations are dependent on innovation systems; if the receiving party does not have a well-functioning innovation system, a particular innovation will be difficult to implement there. This also means that a lighthouse initiative can have very high replicability in one particular city, but very low replicability in another. This means that it may be useful to split 'replicability' into two sub-terms: 'specific replicability' to describe how hard or easy it is to replicate a project in a specific case, and 'general

replicability' to analyse a project's replication potential in general. Some general factors that influence replication have been identified below:

Technology: the more a technology builds on 'common' designs, and the simpler it is, the easier it is to replicate. However, technology that works perfectly in one condition may not be possible to use in another, for example due to lack of fit to existing systems, climate differences or legal hindrances. The smart card ticketing system in Riga, for example, may not work elsewhere without significant technological changes to existing ticketing systems used on the transport network.

Policy and governance: it can be difficult to replicate a lighthouse initiative when the governance structures in two cities are completely different. All lighthouse initiatives in Riga have started as a result of strong political leadership with a long-term approach. A great initiative is hard to implement without support from politicians and public officials. It is also likely to be easier for a project to succeed if a similar initiative already exists at some other geographical location in the country.

Culture, norms, values, traditions and world view: culture and norms can make project replication a challenge. In a city with very strong support for car use and where the infrastructure is built for car travel, it would be difficult to succeed.

Economy: the economy is one of the most important factors that make an initiative feasible. Central government funded both the e-card initiative in Riga. Economic models and funding are often very specific for each initiative, and what is possible for one may not be possible for another.

Geography: some projects are very dependent on specific geographical and topographic circumstances, whilst others are not. For those that are, in general it is harder to translate them into other cities. If a city, for example, lacks space for green areas or new buildings, then geography will be a barrier. An example of this is the Torņakalns complex in Riga, which is partly made possible by the fact that there was a considerable amount of vacant land in an area in need of regeneration.

Integrated approach: the greater and more complex a lighthouse initiative t is, the more difficult replication is. These lighthouse initiatives often feature a number of actors, large budgets and local dependencies, which mean that from the beginning they are not suited to replication as a whole. There are indeed many ways of arranging initiatives, which can have significant energy impacts on a wider scale. However, cities do need to plan ahead, and at the same time be flexible, open for collaboration and different initiatives, and take advantage of windows of opportunity.

Combining a number of components in one initiative often results in synergy effects. Many of the problems that the lighthouse initiatives are trying to solve interact with one another, creating negative feedback loops,

and they therefore need to be addressed on many fronts at the same time. With an integrated approach and a holistic view, there is an opportunity to find creative solutions to the global and local problems faced by the cities. The future is in many ways unpredictable and we do not know today what the problems and the solutions of tomorrow will be. When initiative are complex and designed to feature a mix of solutions there is the potential for both short-term actions and long-term change. Equally, some actions, which seem quite small today, can have the greatest effects in the future.

According to the European Commission's criteria, lighthouse initiatives should have a 'high impact'. In order for this to be demonstrated, monitoring and reporting on the progress and impacts of an initiative is essential. Some factors that influence the ease of monitoring are:

- The more complex a initiative is, the more difficult it is to calculate its impact;
- Initiative that have behaviour change as an aim, e.g. those that focus on travel choices or energy use, are hard to monitor when it comes to their impact;
- New initiative often lack data in the early stages; and
- Sometimes, monitoring only focuses on activities (for example the amount of new study visits or workshops arranged), not on results (social impact or environmental impact).

These are all valid factors that make monitoring more challenging or limit the amount of useful data that is available. However, it makes it more difficult to understand whether an initiative is lighthouse or not if its impacts are not known, so all initiatives should have monitoring built in from the start.

all the initiatives have four key features, which have been central to their success:

     I.   Political leadership with a long-term approach.
     II.   Collaboration and dialogue with all stakeholders.
     III.   Contribution to multiple policy objectives.
     IV.   Business models to attract investment.

Key recommendations are as follows

Understand lighthouse criteria: if cities are aiming to identify and promote projects that meet the European Commission's lighthouse criteria, a clear and thorough understanding of these criteria needs to be developed. Where aspects are unclear or open to misinterpretation, direct communication with the Commission may be required.

Build in key criteria from an early stage: where potential lighthouse initiatives are at an early stage of development, cities need to ensure that

elements, which meet key lighthouse criteria, are built in early on, including regular monitoring of performance and impacts, and the potential for replicating and scaling up. Where this is not possible, the potential to add in lighthouse elements later, such as the integration of additional sectors, should be explored so that key windows of opportunity are not missed.

Start off small: sometimes it is wiser to start off small and scale up the initiative if successful, than to acquire large amounts of resources from the beginning.

Build on existing initiatives: initiatives do not always have to start from anew. Rather, the analysis in this study shows that it is possible to get help with resources and promotion by basing a new initiative on an existing project that has high status or symbolic value in the city.

Understand replicability: when thinking of replicating an existing initiative in another city, a thorough analysis of its specific replicability is needed; what parts of it would be possible to replicate based on political, economic, geographical, technological and cultural factors.

Explore different funding sources: an integrated approach gives opportunities to explore new types of hybrid funding, when various stakeholders and sectors are combined in an initiative, resources can be generated from several different sources at once.

Think cross-sectorally: when developing an integrated, cross-sector initiative, new ways of addressing problems can be explored. For example, an initiative focused on decreasing energy consumption within the transport sector can also contribute to the city's goal of improving public health.

Secure political support: successful initiatives need both local and national political leaders that champion them and act as enablers.

Think long term: sustainable energy initiative will last for decades. Therefore, it is important that the approach taken has a long-term focus and looks beyond short-term political cycles.

Collaborate and engage with stakeholders: the promotion of lighthouse initiatives in, and by, cities needs to be carried out in conjunction with high quality stakeholder engagement and collaboration, to ensure citywide support from a variety of stakeholders.

Maintain up to date project information: cities need to regularly update information on their existing lighthouse initiatives in order to make the promotion of these initiatives much more straightforward and effective.

Learn from mistakes: an important part of learning is to understand elements of projects that are weaker or do not work, and use this to develop future projects that have a higher impact. Cities need to be more willing to identify and accept mistakes or weaknesses in order to learn from these.

Lighthouse initiatives are complex, meaning that general conclusions about them should be made with care. In this article, however, some general tendencies regarding how lighthouse initiatives can be organised have been described, which other cities can learn.

REFERENCES

1. Cherp, A, George, C., Kirkpatrick, C. (2004) A methodology for assessing national sustainable development strategies, *Environment and Planning*, *C*: 22, 913–926.
2. European Commission. (2011). Cities of tomorrow – Challenges, visions, ways forward. European Commission, Directorate General for Regional Policy. Luxembourg: Publications Office of the European Union, 112 p.
3. European Commission. (2012). Smart Cities and Communities – European Innovation Partnership. C 4701 final, Communication from the commission, European Commission, available http://ec.europa.eu/digital-agenda/en/users/Newsroom [viewed 05.03.2015].
4. European Union. (2014). Mapping Smart Cities in the EU. Study. European Union, available http://www.europarl.europa.eu /studies. 196 p.
5. Gibbs, D., Longhurst, J., Braithwaite, C. (1998). Struggling with sustainability: weak and strong interpretations of sustainable development within local authority policy, *Environment and Planning A*: 30, 1351–1365.
6. Golden, M. (2006) Urban indicators and the integrative ideals of cities, *Cities*: 23(3), 170–183.
7. Gonzalez, M., De Lazaro, M. (2013) Strategic planning and sustainable development Spanish cities, *European Journal of Geography*, Volume 4, Issue 1, 48–63.
8. James, P., Holden, M., Lewin, M., Neilson, L., Oakley, C., Truter, A. and Wilmoth, D. (2013). *Managing Metropolises by Negotiating Mega-Urban Growth*, in Mieg, H. and Töpfer, K. eds, *Institutional and Social Innovation for Sustainable Urban Development*, Routledge, 424 p.
9. Municipal portal of Riga (2014). *Teritorijas plānojuma pārvaldības sistēmas izstrāde – īpašumtiesību aprobežojumi un kompensējošie mehānismi. Pētījums*, Rīga, available http://www.sus.lv/sites/default/files/media/faili/ petijums.pdf [viewed 05.03.2015].
10. Ollila, S., Williams-Middleton, K. (2011). The venture creation approach: integrating entrepreneurial education and incubation at the university, *International Journal of Entrepreneurship and Innovation Management*, 13(2), 161–178.
11. The Smart Cities Member States Initiative. (2011). Cities Concept and new co-operative ways for funding can be found and sustained in complementarity and collaboration with Horizon 2020 and via transnational calls for proposals. The Smart Cities Member States Initiative, available http://www.smartcities. at%2Feurope%2Ftransnational-cooperations%2Fthe-smart-cities-member-statesinit iative%2F&ei=v8OoVa2KHoKmsgGm05fQAQ&usg=AFQjCNFkrKLTmK5che6P2imr WnuoeV_qw [viewed 16.04.2015].

THE LATVIAN HOTEL INDUSTRY: CHALLENGES AND TRENDS

Jūlija Mironova
M. soc.

Abstract

The hospitality industry worldwide is one of the leading industries in the economy, as well as one of the leading industries by number of employees worldwide. Hospitality industry provides jobs in countries all over the world, as well as in the countries, where unemployment is at a critical level. In Latvia, hospitality industry is a fast-growing sector of the economy. Its successful development is determined by geographically successful location, natural resources, rich cultural and historical heritage, as well as by growth-oriented workforce. The hotel industry in Latvia is expanding quickly by opening new hotels of local and international companies. Due to fast development, the hotel industry is facing different challenges. Being aware of these challenges would help hoteliers to develop their business as customer are waiting. By knowing newest trends in industry, hoteliers would be able to keep their business competitive. The hotel sector is part of the huge hospitality industry, which offers accommodation to travellers. The aim of this article is to study main challenges and trends of the hotel industry in Latvia and to make proposals for hotels based in Latvia. The report focuses on Latvia hotel industry. The motivation behind this conducting study was to develop advice for hotels operators in Latvia, how it is possible to improve their performance based on main trends and future challenges of the hotel industry in Latvia.

Keywords: Latvia, hotel, industry, hospitality, trends, challenges

Overview of tourism industry in Latvia

In the EU in terms of GDP, of employment and of external trade tourism is considered as one of the most important economic activities. Tourism is the largest generator of wealth and employment; it is economic engine for developed and developing economics worldwide. Industry constitutes 11 per cent of global GDP and supports 200 million jobs worldwide (Paulo, 2000). Furthermore, tourism if often being criticised for providing only low-wage and seasonal employment (Cardoso, 2000).

Tourism in Latvia is considered as one of the country's economic development opportunities and priorities service sector and significant source of export revenues, which increases county's gross domestic product. The tourist industry has a huge multiplier effect – its growth stimulates demand for catering, transport, healthcare, entertainment,

and trade services. According to calculations of satellite accounts of the Latvian Central Statistical Bureau, the share of tourism-specific sectors in total value added in 2010 amounted to 5.3%. (Framework of Tourism Development in Latvia for 2014–2020, 2014)

In Latvia, the responsible institution for the development and implementation of tourism policy is the Ministry of Economics of the Republic of Latvia. The Law on Tourism determines the main tasks of the Ministry of Economics in the field of tourism. The Investment and Development Agency of Latvia implements the state policy for tourism development, and its main task is the branding of the country as an attractive tourism destination on the international level. (Sectoral policy. Tourism, 2016) Tourism is considered to be one of Latvia's main economic development opportunities, an important source of export revenue and a key contributor to GDP. The tourism sector provided almost 75 000 jobs and accounted for 8.5% of total employment in Latvia in 2014.

Hotels and similar accommodation establishments recorded 2.1 million guests in 2014, an increase of 14% over 2013 levels. Of these, nearly 70% were international visitors. International tourist arrivals grew by 20% to reach 1.8 million in 2014. Five source markets together accounted for 60.9% of total tourist arrivals – Russia (19%), Lithuania (14%), Estonia (10%), Sweden (9%) and Germany (9%). (OECD Tourism Trends and Policies, 2016)

Regarding to the available statistics of Central Statistical Bureau in Latvia, the number of hotels in Latvia is growing every year. Table 1 shows a number of hotels during last 3 years.

Table 1. Number of hotels and other accommodation establishments in Latvia

	2014	2015	2016
Total	**544**	**563**	**607**
Hotels and similar establishments	238	306	316
Guesthouses and other short-stay accommodation	289	242	275
Camping grounds, recreational vehicle parks and trailer parks	17	15	16

Source: Central Statistical Bureau

Table 1 shows, that total amount of hotels in Latvia is growing every year by approx. ~10%. The other type of accommodation are also increasing in number.

Table 2 shows number of rooms in hotels and other accommodation establishments.

**Table 2.** **Number of rooms in hotels and other accommodation establishments in Latvia**

	2014	2015	2016
Total	**14873**	**15138**	**15862**
Hotels and similar establishments	11114	11970	12425
Guesthouses and other short-stay accommodation	3563	2993	3250
Camping grounds, recreational vehicle parks and trailer parks	196	175	187

Source: Central Statistical Bureau

Both of the Tables above and statistic data are showing an increasing amount of both the number of hotels and number of rooms, which can be considered as a sign of growing tourism industry. (Central Statistical Bureau, 2017)

83% of total amount of overnight stays in Riga belongs to foreign tourists, but in Jūrmala amount is decreasing – 58%. Based on export capability, without Riga, can be highlighted the largest cities in Latvia – Jūrmala, Liepāja, Ventspils, Valmiera, Jelgava, Kuldīga, Jēkabpils, Daugavpils etc. (Framework of Tourism Development in Latvia for 2014– 2020, 2014)

Local hotel operators dominate the Latvian hotel market, and the largest of them is SIA "Mogotel" with two hotel brands presented on hotel market – Wellton and Rixwell. There are some international hotel chains in the hotel market in Latvia – Carlson Rezidor Hotel Group and Accor Hotel Group, Kempinski Hotels (Real Estate Market Overview, 2017). Figure 1 shows the distribution of hotels by the number of stars in Latvia.

Figure 1. **Distribution of hotels by number of stars in Latvia 2016**
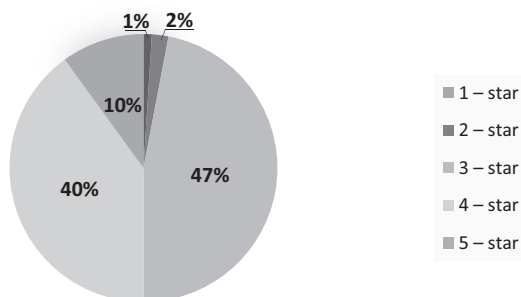
Source: Real Estate Market Overview, 2017

Figure 1 shows how the number of stars distributes hotels in Latvia. The tendency shows that there are mainly 3 star and 4 star hotels in

hotel market in Latvia, which means that medium segment hotels are very popular. The luxury 5 star hotel segment is much smaller and more exclusive. The 1 star and 2 star hotel segment is extremely small in Latvia.

Trends and Challenges of the Hotel Industry in Latvia

Technologies in Hotel industry

It is well known, that in the hotel business rules were always dictated by consumer needs. However, the spread of technology in recent years gives a completely new meaning to the term "consumption driven economy". Technology will change the hotel business to the unknown, moreover, even faster than hoteliers expect it. (Thornton, 2015)

64% of U.S. hotel guests mentioned that it is very or extremely important for hotels to continue investing in technology to enhance the guest experience. (Hospitality Oracle, 2016)

Many hoteliers are taking advantage of the advancement of technology by creating hotel homepages for booking and advertising. Even a small hotel, like a bed and breakfast, may have as good a web presence as the largest five-star hotel through a website. (Saxena, 2014)

Technologies are being used to improve efficiencies in the hotel industry. The hospitality industry is the fifth industry with the highest investment in sensors. Based on information from reports and industry news, the investment today is critical to ensure positive customer experiences. (IQ, 2016)

Based on the following information, technology is changing hotel business right now.

Firstly, Millennials (people born around 2000) are becoming important market share, and hotelier's needs are to fight for this market share. These people have completely different habits and expectations regarding communication, service and brand loyalty than hoteliers are used to. According to the survey data, 46% of millennials mention, that online check-in would motivate them to choose this hotel again (Thornton, 2015). Mobile hotel check-in and checkouts could become the norm soon, enabling staff to focus more on the guest experience. (Carter, 2017)

Secondly, more and more companies are relying on online search platforms such as Google and Booking.com B.V. This trend has created a new challenge – how to become aware of their brand and values? In 2020, the smartest players in the industry will find ways to communicate their uniqueness to market segments of interest, but now they need to understand their target audience and its desires.

Thirdly, many of major hotel chains have neglected Airbnb and similar alternative hotel service providers, who offer their own vacant apartments

to guests. At the end of 2014, Airbnb became the world's largest hotel provider of hotel services, measured in rented rooms. This platform is offering rooms in 99% of countries in the world. Now, hotels have to rethink their business model. Only proactive steps in developing innovative pricing systems and attracting strategic partners will allow current players to keep their business. (Thornton, 2015)

Robotisation could be a serious issue for hotel industry in future years. Millennials, who are becoming main contributors of the hotel industry, are expecting robotisation in everyday life, and accommodation is not an exception. A fully robot-operated hotel already exists – Hen-na Hotel in Sasebo, Japan. Millennials nowadays expect immediate response from the accommodation, so hotels will be forces to use chatbots (compute application with artificial intelligence, what manages to maintain conversations with human users) for immediate response. (Celia, 2016)

However, technologies are fast becoming part of the hotel industry, and hoteliers need to use them to improve their performance and become more attractive to potential customer. Only following this trend, hotels may become competitive enough.

Taxation in Hotel Industry

Until now, VAT on accommodation services was 12%, but in 2017, the Latvian Ministry of Finance came up with a proposal to raise this tax from 12% to 21%, following the recommendation of the World Bank. According to the accommodation enterprises opinion, this action will cause serious damage to the industry and also is a negative signal for the business environment and investments in this sector in Latvia. (Vaidere, 2017)

On March 31, 2017, the Minister of Economics, Arvils Ašeradens, met presidents of largest tourism organisations to discuss the decision of the Ministry of Finance to increase VAT. According to the opinion of the representatives of the industry, this decision is dangerous for the industry: Latvia would lose its competitiveness as a tourism destination; many enterprises will be forced to stop their business activity, which would increase unemployment. Furthermore, it would give a negative impact to the revenues of regional government budget and would make all the investments in recent years in attracting tourists meaningless.

If the plan of increasing of VAT will be implemented, the tax on accommodation in Latvia will be more than twice as high as in Estonia or Lithuania, and three times higher than in Poland. In 2018, all the Baltic States are celebrating the century of the foundation of their Republics. These events will be visited not only by locals, but also by tourists. If Latvia becomes less competitive, visitors will more likely visit Lithuania

and Estonia, and investments made in Latvia during last years in attracting of tourists will be lost.

The reduced rate of VAT for tourist accommodation services applied in almost all countries – 25 of 28 countries of EU have reduced VAT. For example, in Estonia and Lithuania the tax rate is 9%, in Poland 7%. At present, the full VAT rate of 20% and 25% applies to this service only in Denmark, Slovakia and United Kingdom. If the government will raise VAT to 21%, Latvia will become a country with second highest VAT rate in EU. (Ekonomikas ministrija, 2017)

All the representatives of the tourism industry emphasise that in past years significant and targeted work has been done to popularise Latvia not only as a destination, but also as a favourable and safe place for investments. Riga, as a capital of the Baltic States, is proud of its popularity among foreign tourists. "LiveRiga", the Latvian Congress Office and other projects, has promoted it. (Latvijas Viesnīcu un restorānu asociācija, 2017)

Marketing in Hotel Industry

To develop the hotel industry in Latvia, the main task for new hotels, as well as for the other hotels, is to take care of the increase in the tourist flow – not to redistribute existing guests, but to directly attract new ones. There is a lot of work to be done in the field of marketing, and Riga should be regarded as an attractive destination. Improving marketing strategies of the hotels is already happening hotels are cooperating with travel agencies; they participate in international exhibitions.

A big challenge for the Latvian hotel business is to fill the conditional vacancy in the off-season from October to April. More business tourists, conferences, big events should be attracted to this period. Prices in Riga hotels are still lower than the average in Europe, even lower than in Estonia. Low prices are pleasing tourists, but not so much – industry representatives. It is necessary to create an interesting and good offer for which customers would be willing to pay more. (Krūmiņa, 2017)

Companies in the hospitality industry should look for innovative way to please market demand. One of the possible ways to please market demand is to adopt travel commerce platforms, innovative mobile and corporate travel technology to service the world's rapidly growing demand. (Costa, 2016)

Some of the true methods of marketing becoming outdated. Email marketing is proven to be one of the most effective ways to communicate with customers and potential guests, but nowadays hotels are facing with difficulties as younger Generation Y considers this type of communication boring. For a new generation, more attractive advertise are smart technologies. (Hub, 2017)

However, some of the marketing tools are becoming more and more popular. For example, Facebook is used for customers for sharing their experience – positive or negative, with mentioning place they have been. (Na Su, 2015) It depends on the hotel type, how usually hotel is using Facebook. Luxury hotels are more likely using Facebook as relations management tool, rather than as a distribution channel, how it can be used by budget hotels. (Dieck, 2018)

Globalisation bought a new business model, known worldwide as models based on technologies, mobile networks and smartphones. Millennials power these business models, also known as "connected generation". These customers are exposed to marketing more than any generation in the history. (Costa, 2016)

Nowadays, Millennials have shown scepticism towards regular or traditional communicational approaches. These traditional approaches are strongly focused on products and are using strong sell techniques. Millennials are waiting for a relevant, with emotional approach, focused on products characteristics. Information should be provided on different platforms, including mobile applications. (Margarida Custodio Santos, 2016)

New important players at Hotel Market in Riga

The hotel industry in Latvia is developing very fast. In 2016, room numbers increased by 358 rooms, comparing to 2015. In the past years, large international hotel chains came to the Riga Hotel Market.

In September 2017, Grand Hotel Kempinski Riga started to host its first guests. This international brand opened the first five-star hotel of this brand in Riga at the beginning of autumn. As the General Manager of the Hotel, George Ganchev, mentions, opening a hotel at the end of high season is a challenge for hotel revenues, but it gives opportunities to focus on training of employees. This international company has their own high internal standards to follow (Darzdovska, 2017). The opening of five star hotels in Riga means that hoteliers will face a challenge of attracting more guests to increase the five-star hotel market in Riga. The number of certified five-star rooms in Latvia reached 571 units; this figure is able to meet currents real demand for these type of rooms. Last year, only 4% of guests chose five-star hotels. (Vigupe, 2017)

The average hotel occupancy indicator in Latvia in 2016 was 44%, but in Riga – 55%. Despite this fact, few hotels are being built, because they become more competitive than hotels that were built 10–15 years ago. New brands like Radisson RED and Hilton Garden Inn come to the market, and they will attract tourists by using modern technology and by being equipped with the latest technology. These hotels will be able to beat old hotel charm and architecture, and in order to compete with new projects,

old hotels will be forced to lower prices for accommodation. This turn can lead to decrease in the quality of services they provide. (Vigupe, 2017)

Building of Rail Baltica

Rail Baltica is a greenfield rail transport infrastructure project. A goal of this project is to integrate the Baltic States in the European rail network. The project includes five European Union countries – Poland, Lithuania, Latvia, Estonia and indirectly also Finland. It will connect Helsinki, Tallinn, Pärnu, Riga, Panevežys, Kaunas, Vilnius, and Warsaw. This project is the largest Baltic – region infrastructure project in the last 100 years, and it is planned to build the railway in 10 years. Rail Baltica is a project for passenger and freight traffic, with a total length of 870 km. (Rail Baltica, 2017)

Rail Baltica is going to bring a completely new travel experience to Baltic passengers that cannot be compared to any of the existing means of transportation in the region. Travel time from Riga to Tallinn with a car is approx. 4 hours, but with Rail Baltica, this journey will be only 1 hour 55 minutes long. (Rail Baltica, 2017)

At the end of 2017, it is planned to start the construction of the Radisson Hotel, which will work under brand Red. The hotel will be built in the centre of Riga, near to the shopping centre Origo, next to the location of the Rail Baltica Station. (Poriete, 2017)

Conclusions: Future Challenges and Trends in the Hotel Business in Latvia

Tourism is considered to be one of Latvia's main economic development opportunities, an important source of export revenue and a key contributor to GDP.

Local hotel operators dominate the Latvian hotel market, and the largest of them is SIA "Mogotel" with two hotel brands presented on hotel market – Wellton and Rixwell. There are some international hotel chains in hotel market in Latvia – Carlson Rezidor Hotel Group and Accor Hotel Group, and Kempinski Hotels. Guests mainly chooses 3-star and 4-star hotels, these medium segment hotels are very popular. Luxury 5 star hotel segment is much smaller and more exclusive. The 1 star and 2 star hotel segment is extremely small in Latvia.

There are mainly the following trends and challenges in the hotel industry in Riga.

New technologies in the hotel industry are becoming more popular and hoteliers have to implement these technologies in everyday hotel life to stay competitive. Nowadays, new generation of guests are waiting for something special and never seen in the field of technology. International

hotel chains, like Accor Hotel Group and Rezidor Hotel Group are investing in technologies to develop their hotels in Riga and provide expected service. Local hoteliers need to investigate how real it is to compete with international brands on the field of technologies, and how to implement technological progress into the strategy of the hotel.

There is a proposal of the Ministry of Finance in Latvia to increase VAT on accommodation services from 12% to 21%. According to the opinion of the representatives of the industry, this decision is dangerous for the industry: many enterprises will be forced to stop their business activity, which would increase unemployment. As a result, increasing VAT would give negative impact to the revenues of regional government budgets. Although this proposal is not yet accepted, hoteliers need to implement these changes in their future business plans to become with new strategies based on higher VAT rate. Hotels have options to increase room price or attract more guests to fill the space from lost profit because of the new tax rate.

Nowadays hotels are experiencing significant changes in hotel marketing area. The new generation of the guests are waiting for more modern marketing strategies to get them interested in the products the hotels are offering. For the hotels, it is very important to implement technologies in marketing strategies to become competitive and be able to increase their market share because some true methods are becoming outdated and new customers are waiting for advertisements that are more attractive.

Hotel industry in Latvia is developing very fast. In the past few years, huge international hotel chains came to Latvian hotel market – Kempinski Hotel Group and Accor Hotel Group. The opening of new international hotels in Riga means that hoteliers will face challenges in attracting guests, because international hotels are working by the highest standards. These hotels are able to invest in new technologies and build more attractive and innovative buildings. Local hoteliers need to base their strategy on their strengths and invest in the innovative products for guest satisfaction.

Building of the new transport railway system is huge opportunity for hoteliers in Riga. Rail Baltica is going to bring a completely new travel experience to Baltic passengers that cannot be compared to any of the existing means of transportation in the region. The time of journey from different cities in Estonia, Lithuania and Poland will be even two times shorter than time spent traveling by car. Now, at the end year 2017, it is planned to start the construction of the Radisson Hotel, which will work under brand Red. The hotel will be built in the centre of Riga, near to the shopping centre Origo, next to the location of the Rail Baltica Station.

Local hoteliers should partly base their strategy of development on this project.

There are many challenges hotel industry in Latvia will face in future years. However, following main trends would make hotel performance successful and lead hotels to long-term development.

REFERENCES

1. Carter, B. (2017, 03). *How technology is changing the hotel industry and the impact on guest experiences*. Retrieved from deBugged: https://www.rentokil.com/blog/how-technology-is-changing-the-hotel-industry/#.Whm3XEqWbIU.
2. Célia Veiga, Margarida Custódio Santos, Paulo Águas, José António C. Santos, (2017) "Are millennials transforming global tourism? Challenges for destinations and companies", Worldwide Hospitality and Tourism Themes, Vol. 9 Issue: 6, pp. 603–616, https://doi.org/10.1108/ WHATT-09-2017-0047.
3. Cardoso C., Ferreira L., "The effects of European economic integration on tourism: challenges and opportunities for Portuguese tourism development", International Journal of Contemporary Hospitality Management, Vol. 12 Issue: 7, pp. 401–409, https://doi.org/10.1108/09596110010347248.
4. Central Statistical Bureau. (2017). *Tourism in Latvia.*
5. Clampet, J. (2016). *www.skift.com*. Retrieved from Everything You Wanted to Know About the Hotel Industry's Gripes Against OTAs: https://skift.com/2016/04/25/every-thing-you-ever-wanted-to-know-about-hotel-industrys-complaints-against-otas/.
6. Jorge Costa, Mónica Montenegro, João Gomes, (2016) "What global trends are challenging tourism organizations and destinations today?: Strategic question overview", Worldwide Hospitality and Tourism Themes, Vol. 8 Issue: 6, pp. 620–624, https://doi.org/10.1108/WHATT-09-2016-0055.
7. Jorge Costa, Mónica Montenegro, João Gomes, (2016) "Global trends challenging tourism organisations and destinations today: What are the likely solutions?", Worldwide Hospitality and Tourism Themes, Vol. 8 Issue: 6, pp. 716–719, https://doi.org/10.1108/WHATT-09-2016-0057.
8. Darzdovska, I. (2017). *Pieczvaigžņu viesnīca Grand Hotel Kempinski Riga*. Retrieved from www.dienasbizness.lv:http://www.db.lv/ekonomika/tirdznieciba-un-pakalpojumi/pakalpojumi/foto-pieczvaigznu-viesnica-grand-hotel-kempinski-riga-466446.
9. Doggrell, K. (2017). *Italy outlaws the rate parity*. Retrieved from Hotel Management: https://www.hotelmanagement.net/own/italy-outlaws-hotel-rate-parity.
10. Ekonomikas ministrija (2017). *Tūrisma nozares organizācijas: PVN celšana kavēs nozares attīstību*. Retrieved from Ekonomikas ministrija: https://em.gov.lv/lv/jaunumi/14467-turisma-nozares-organizacijas-pvn-celsana-kaves-nozares-attistibu.
11. Framework of Tourism Development in Latvia for 2014–2020 (2014). Retrieved from http://polsis.mk.gov.lv/view.do?id=4823.
12. *Hospitality Oracle*. (2016). Retrieved from Creating the Coveted Hotel Guest Experience: https://blogs.oracle.com/hospitality/oracle-hospitality-hotel-guest-experience-research-report.

13. Hub, R. (2017). *Three key online marketing challenges facing hotels*. Retrieved from revenue-hub.com: https://revenue-hub.com/online-marketing-hotel-challenges/.

14. IQ, P. 6. (2016). *Sensing the future of the Internet of Things.*

15. Jill Barthel, S. P. (2015). *OTAs-A Hotel's friend or foe?* London: HVS.

16. Krūmiņa, I. (2017). *Trawelnews.lv*. Retrieved from Jaunais LVRA prezidents uz viesnīcu biznesa nākotni raugās optimistiski: http://travelnews.lv/index.php?m_id=18545&i_id=5&pub_id=104390.

17. *Latvijas Viesnīcu un restorānu asociācija*. (2017). Retrieved from Nozares organizācijas: PVN celšana tūrismam būs katastrofa: http://www.hotel.lv/lv/1064-nozares-organizacijas-pvn-celsana-turismam-bus-katastrofa.html.

18. M. Claudia Tom Dieck, Timothy Hyungsoo Jung, Woo Gon Kim, Yunji Moon, (2017) *"Hotel guests' social media acceptance in luxury hotels"*, International Journal of Contemporary Hospitality Management, Vol. 29 Issue: 1, pp. 530–550.

19. Na Su, Dennis Reynolds, Bixuan Sun, (2015) *"How to make your Facebook posts attractive: A case study of a leading budget hotel brand fan page"*, International Journal of Contemporary Hospitality Management, Vol. 27 Issue: 8, pp. 1772–1790.

20. OECD Tourism Trends and Policies (2016). Retrieved from http://www.oecd-ilibrary.org/docserver/download/8515041e.pdf?expires=1510922337&id=id&accname=guest&checksum=C2F4024560B40AE093AB54C181F28BE7

21. Paulo Rita, (2000) "Tourism in the European Union", International Journal of Contemporary Hospitality Management, Vol. 12 Issue: 7, pp. 434–436, https://doi.org/10.1108/09596110010347374.

22. Poriete, N. (2017). *www.db.lv*. Retrieved from Gatavojoties Rail Baltica, pie Origo būvēs jaunu viesnīcu: http://www.db.lv/ekonomika/gatavojoties-rail-baltica-pie-origo-buves-jaunu-viesnicu-461426

23. *Rail Baltica – Project of Century*. (2017). Retrieved from Rail Baltica: http://www.rail-baltica.org/about-rail-baltica/.

24. Real Estate Market Overview (2017). Retrieved from http://www.colliers.com/-/media/files/emea/latvia/research/2017/real_estate_market_overview_2017_lq_sf.pdf?la=en-LV.

25. Margarida Custódio Santos, Célia Veiga, Paulo Águas, (2016) "Tourism services: facing the challenge of new tourist profiles", Worldwide Hospitality and Tourism Themes, Vol. 8 Issue: 6, pp. 654–669, https://doi.org/10.1108/WHATT-09-2016-0048.

26. Saxena, K. A. (2014). *Importance of technology in hotel business*. Retrieved from www.kunwarasheeshsaxena.com: https://www.kunwarasheeshsaxena.com/importance-of-technology-in-hotel-business/

27. Sectoral policy. Tourism (2016). Retrieved from https://www.em.gov.lv/en/sectoral_policy/tourism/.

28. Trivago. (2017). *What's happening with rate Parity in the Hotel industry?* Retrieved from Hotel Manager Blog: http://hotelmanager-blog.trivago.com/rate-parity-hotel-industry-status/.

29. Vaidere, I. (2017). *Latvijas Avīze*. Retrieved from www.la.lv: http://www.la.lv/bezatbildiba-vai-nekompetence-pvn/.

30. Vigupe, V. (2017). *Rīgā vairojas viesnīcas*. Retrieved from www.varianti.lv: http://www.varianti.lv/lv/articles/3126.

SOCIAL NETWORK MARKETING STRATEGY THEORETICAL FRAMEWORK FOR A GREEN PHARMACEUTICAL COMPANY

Dana Grossu
M. sc. soc.

Henrijs Kaļķis
Dr. sc. admin.

Abstract

Nowadays, social network marketing has become a common strategy for local and global companies for many reasons, such as effectively communication with customers, building community of followers, increased brand awareness and brand recognition, and many others. The aim of the research is to develop social network marketing strategy theoretical framework for a green pharmaceutical company, based on theoretical research of marketing strategy development. In accordance to the research results, it has been decided to propose the development of perceived quality or brand-based advantage as the core strategy for value proposition for green pharmaceutical company`s social network marketing strategy framework. As a result, authors developed theoretical social network strategy framework that can serve as general action plan for green pharmaceutical companies.

Keywords: marketing, strategy, social network, framework, brand-based, pharmaceutical company

Introduction

For every company, including healthcare organisations and institutions, being the distinguishing, unique function of the business (Kotler et al., 2012), marketing has become the philosophy of management that recognises that the success of the enterprise is sustainable only if it can organise to meet the current and prospective needs of customers more effectively than competition (Doyle, 1998). Moreover, under the marketing concept, the paths to sales and profits are customer focus and value (Kotler & Armstrong, 2001), thus, marketing tries to get the organisation to develop and offer what the customer will find of real value (Doyle & Stern, 2006).

Nowadays, social network marketing has become a common strategy for local and global companies for many reasons such as effectively

communication with customers, building community of followers, increased brand awareness and brand recognition, and many others.

Latvia has historically had a strong research, development, and manufacturing base in sophisticated chemical and pharmaceutical products. The industry is an important part of the Latvian economy, accounting for 7.5% of turnover for all manufacturing industries. Pharmaceuticals comprise the industry's largest sub-sector, creating 32% of its total turnover (Investment and Development Agency of Latvia, 2015). In Latvia, there are several green pharmaceutical companies in operation, including manufacturers of pharmaceuticals, vitamins and biologically active food supplements on the basis of natural components. The development of a new social network marketing strategy or improvement of the current ones would lead to increased brand value, brand awareness, and gaining the perceived value and brand-based competitive advantage, especially in green pharmaceutical business field.

The aim of the given research is to develop social network marketing strategy theoretical framework for a green pharmaceutical company, based on theoretical research of marketing strategy development.

To achieve the aim of the research the authors used the monographic research method that included literature review and theoretical analysis considering the social network marketing strategy development concepts.

Results and Discussion

The term *marketing*, both as a business unit and as a management process, is informed with a broad meaning. It covers several different fields, e.g., marketing research, strategic marketing, direct marketing, social media marketing, advertising and selling. For example, Kotler & Armstrong (2001) suggest that a marketing concept takes off from the market definition, accentuates customer needs, coordinates all the customer-related marketing activities, and generates profit by establishing long-term customer relationships based on customer satisfaction. Moreover, as far as the marketing concept is concerned, the way to sales and profits lies through customer focus and value (Kotler & Armstrong, 2001). In some researches it can be found that tomorrow's sales and profits are ensured by today's satisfied customers, willing to stay loyal to the company (Doyle, 1998).

Defining specific marketing strategy and setting marketing plan is an essential part in building a company's competitive advantage and efficiency in the market. According to Aaker and McLoughlin (2010) findings, marketing strategy is a process of channelling a company's resources into optimal opportunities, the goals being the increase of sales and

achievement of sustainable competitive advantage (Aaker & McLoughlin, 2010). Kotler and Keller (2012) point out that "key ingredients of the marketing management process are insightful, creative strategies and plans that can guide marketing activities. Developing the right marketing strategy over the time requires a blend of discipline and flexibility. Firms must stick to a strategy but also constantly improve it. They must also develop strategies for a range of products and services within the organization" (Kotler & Keller, 2012: 55).

It can be concluded that marketing strategy is not static, it is a process that should be constantly revised, reanalysed and adopted in accordance with the changes in internal and external environments. Yet, the marketing strategy is about positioning and gaining strong competitive advantage in the market to meet effectively the needs of the customers. In this connection, Winer and Dhar (2011) offer a scheme for a Complete Marketing Strategy Framework (see Figure 1).

Figure 1.   A Complete Marketing Strategy

Source: Winer & Dhar, 2011
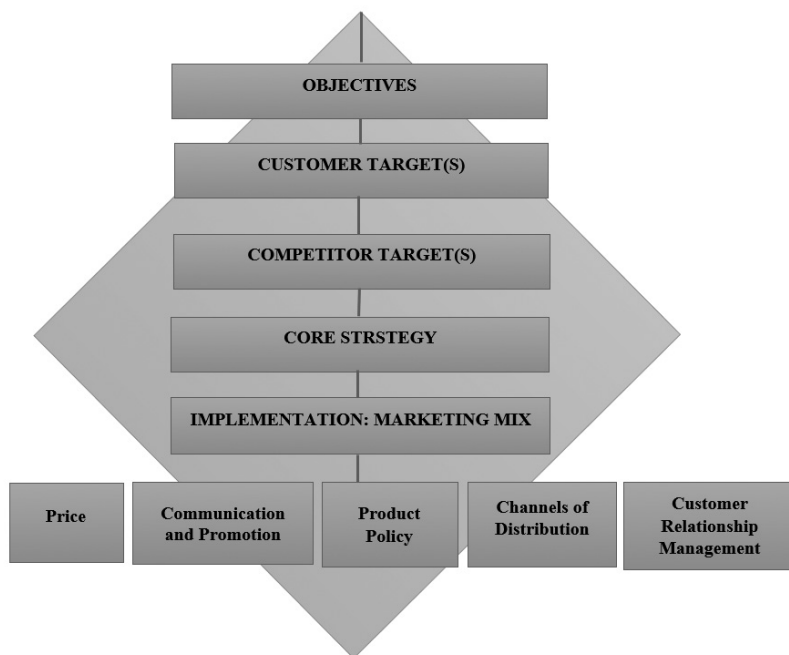
Analysing the Figure 1, the authors find the given Marketing Strategy Framework to be the most illustrative and consistent scheme for developing marketing strategy for a product or service that is suitable also for pharmaceutical companies. The authors agree with Winer and Dhar (2011), that one of the key components of the strategy is the value proposition, that will give the edge of uniqueness and creativity to the product or service, and serves as the basic mean how to differentiate company's product or service from the competitors.

Another study by Prymon (2014) encourages both large and small companies to incorporate the opportunity of gaining competitive advantage into their strategies, this opportunity stemming from the value for the customers. In the most general terms, contemporary sources of competitive advantage are defined through the generation of value in cooperation with stakeholders, predominantly consumers. It seems that strategies that are more specific can be developed on the basis of their value or values (Prymon, 2014). Furthermore, Winer and Dhar (2011) suggest that a value proposition should stem from the paramount strategic decision: the basis on which the company's product will be chosen by the customers over the competitors'. The term for this process is *developing competitive or differential advantage*. There are three general approaches to developing competitive advantage:

1) *Cost- or price-based advantage*. There are two ways of attaining a low-cost position in an industry or product category, i.e. economies of scale and experience curve. Economies of scale stipulate that, with larger sales, fixed costs of operations are spread over more units, with lower per unit costs. Experience curve implies that cumulative production or delivery of a service diminishes the costs, and thus, using the first period of a product's life as a yardstick, one can reliably predict the continued decline in costs.

2) *Quality-based or differentiation advantage*. An approach to achieving a competitive advantage by introducing an observable point of difference that customers will find valuable and worth paying for. There is an obvious tension between this approach and the low-cost-low-price competitive advantage, because this approach implies higher costs, even though with the concomitant increase in consumer's willingness to pay – and often higher margins.

3) *Perceived quality or brand-based advantage*. Many products and services stand out in the competitive environment by giving the customers the perception of higher overall quality or better on a particular product characteristic. Perceptual differential advantages are often applied to the products where differences are minor, hard to achieve or to sustain.

Kotler et al. (2012) insist that the main outcome of marketing should be strategies that deliver customer perceived-value. According to them, market definitions of a business should come on top of product definitions. Rather than put forward its goods-producing process, a company should visualise its business activities as a customer-satisfying process aimed at delivering expected standards of customer-perceived value. Customer-perceived value positioning should lead to the formulation of a successful customer-focused value proposition, i.e. a cogent reason why the provider's product is the best option for the target customer.

Furthermore, Kotler et al. (2012) provide a definition of a successful brand, that is, "an identified product, service, person or place, augmented in such a way that the buyer or user perceives relevant unique, sustained added value that matches their needs most closely" (Kotler et al., 2012). Rosenbaum-Elliot, Percy and Pervan (2015) expand on the roles of the brand. The authors believe that all brands have a functional element, but most brands also need to create an emotional response, because an emotional association is much harder for competitors to duplicate and is, therefore, a more defendable position to hold. Kotler et al. (2012) justify the idea that consumers no longer buy the product or service for functional satisfaction, but their consumption becomes rather meaning based, and brands are often used as symbolic sources for the construction and maintenance of identity.

Another important aspect of branding is brand equity. Kotler et al. (2012) defined brand equity as the added value the brand endows a product or service. Winer and Dhar (2011) provide a more explicit definition of brand equity: "Brand equity is a set of assets (and liabilities) linked to a brand's name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm or that firm's customers" (Winer & Dhar, 2011). Furthermore, Winer and Dhar specify five categories of the assets and liabilities underlying brand value: Brand loyalty, Brand awareness, Perceived quality, Brand associations, Other brand assets, such as patents and trademarks (Winer & Dhar, 2011).

The authors consider that the main dimension of brand's value is brand loyalty. As it is not only the repeat buying from current customers, which is also of a great importance, but also word of mouth of the loyal customers that is likely to generate new customers, as being reliable source of product information and perceived quality and value.

Yet, brand awareness is another important marketing concept. According to American Marketing Association, "it enables marketers to quantify levels and trends in consumer's knowledge and awareness of a brand's existence. At the aggregate (brand) level, it refers to the proportion of consumers who know of the brand" (American Marketing Association,

2016). For this reason, Keller (1998) indicates that brand awareness can be characterised by depth and breadth, whereas the depth of awareness describes the likelihood that the brand can be recognised and recalled, and the breadth of brand awareness relates to the diversity of purchase and consumption situations in which the brand comes to the customer's mind. Moreover, Keller distinguish one more important source of brand equity that is brand image. He believes that in order to create a positive brand image, marketing programs should be employed that implant strong, unique, and favourable associations to the brand in the customer's memory. There are other ways of creating brand associations, apart from using marketing-controlled sources of information, e.g. through direct experience, other commercial and non-partisan sources (e.g., Consumer Reports), word of mouth, and by inferences due to the identification of the brand with a company, country, channel of distribution, person, place, or event.

More significantly, brand awareness has a great impact on creation of competitive advantage, or serve as the basic mean for elaborating strong competitive advantage. According to Aaker (2005), brand awareness highlights the recognition communicated onto a brand, conducive to the consumers' identification with brand product, which subsequently gives the company unchanged competitive advantage (Aaker, 2005).

The authors come to conclusion that brand is the way customers perceive the company. Following that idea, brand has meaningful function to the company's success – it helps to build strong market positioning. It also helps to differentiate the company in the market, and gain competitive advantage among other market offerings. Therefore, branding as such can be defined as a marketing strategy approach for differentiation and market positioning. Moreover, brand drives recognition of the company's product or service, which directly affects customer's purchase decision.

Nowadays almost every company, independently of its field of activities, has a social media profile or page, where the company shares its information, news, product or service special offers, discounts, etc. Hence, Social Network Marketing has become a common strategy for local and global companies for many reasons such as building strong community of followers, rise brand awareness or brand recognition, effectively communicate with customers, and many others. According to Scott (2011), "Social media provide the way people share ideas, content, thoughts, and relationships online. Social media differs from so-called mainstream media in that anyone can create, comment on, and add to social media content. Social media can take the form of text, audio, video, images and communities" (Scott, 2011).

Scott also points out that social media should preferably be perceived not in terms of new technologies and tools, but rather in terms of the new opportunities, these technologies and tools offer to a provider for direct communication with the customers, in a place where they congregate right now. Moreover, Funk (2013) indicates that social media serves a channel for the following channels: customer service, customer engagement and brand-equity-building, and promotion and customer retention. He also suggests that the most useful framework for positioning in social media is (Funk, 2013):

1. To attract the potential customers, by standing out with a clear and unique brand.
2. To convert followers to buyers.
3. To transform, or to build a personal or emotional link with customers

Kotler et al. (2012) have pinpointed the difference between social media and social networking. According to them, social media are a group of internet-based applications that exploit the ideological and technological advantages of *Web 2.0* and make provisions for the users to create and share self-generated content, while social networking is the grouping of individuals into specific groups, similar to small rural communities, mostly carried out online (Kotler et al., 2012). One type of social networking service is *Facebook* that contains directories of some categories, as well as the means to connect with friends. *Facebook* is a highly competitive and dynamic channel and is a powerful solution for most social media marketing strategies; most businesses would profit from turning it into the focal point of their efforts and promotions (Zarrella & Zarrella, 2011). Because of its busy newsfeed, contributed content should be quickly digestible and easily recognisable. Moreover, the content should meet the standards of the unofficial pattern of a Facebook post. Each post should be specific to ones *Facebook Page*. Posts should be kept short and to the point. Media should be added to spice things up, it is important to specify what action one wants users to take. *Facebook* marketing can be amazingly cost-effective, especially versus traditional media alternatives, but it is fairly time-consuming. *Facebook* users appreciate two-way communication. They look for interesting and regularly updated content, and expect exclusive offers for being ones "friend". *Facebook* offers a wide range of tools and platforms to reach users. Marketers can leverage *Facebook Ads*, applications, Pages, or Events. An analytics system called Insights is integrated into each of the tools that provides reliable reports on activity levels and demographics (Zarrella & Zarrella, 2011). All the above analysed led to the conclusion that nowadays social media marketing is a powerful tool, and each company should have an active social media presence. It helps to not only grow and develop company's brand, but to communicate

with company's customers more directly and precisely in terms of target audience, in other words it helps to connect with consumers and build strong relationship. The authors conclude that social media marketing plays a vital role in increasing brand recognition and brand awareness, as social media network can be used as a channel for communicating company's competitive advantage with existing and new customers. In addition, social media strategy is cost- effective marketing tool, since it is easy implement, track and measure.

Following the theoretical analysis, the authors propose a social network marketing strategy framework for a green pharmaceutical company (see Figure 2). In building the strategy framework the authors considered two main objectives of the social network marketing strategy to be reached: increase brand loyalty and brand attachment, as well as to raise brand awareness. For the social network marketing strategy development, it is also important to evaluate current situation and the success of the current activities within a social network platform.

Figure 2. Social Network Marketing Strategy Framework for a Green Pharmaceutical Company
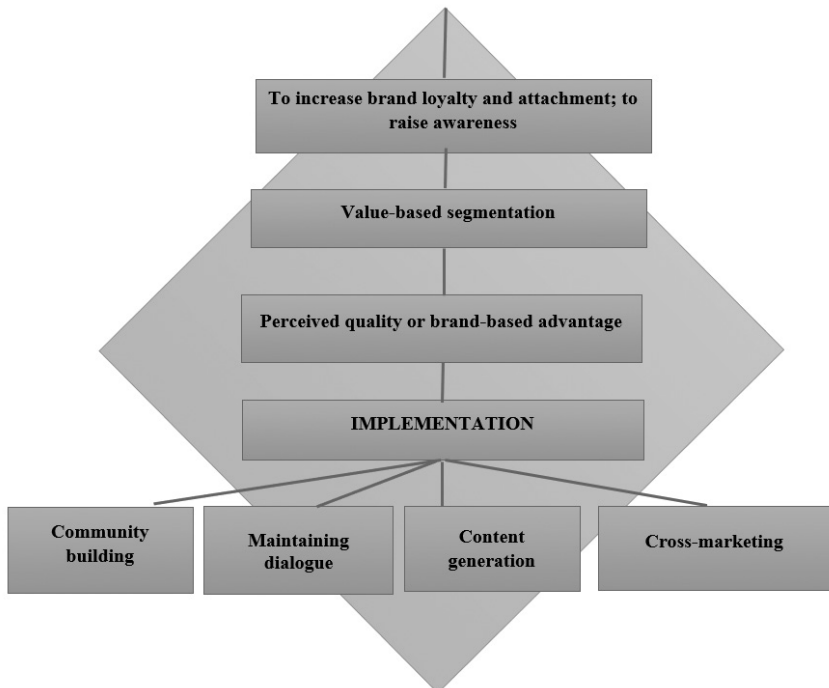
Source: Author's own illustration

In the given framework, the authors propose step-by-step segments of marketing strategy:

1. To increase brand loyalty and brand awareness are the objectives to be reached by the social network marketing strategy.
2. Value-based segmentation is the customer targets, or the customers with specific criteria to be reached.
3. Perceived quality or brand-based advantage is the core strategy for value proposition that defines how the products are differentiated in the market, or the key reason why the customers should buy the company's products rather than a competing offering. The most important part of the core strategy is creating value proposition.
4. The implementation is the set of decisions about specific actions for social network marketing strategy.

The authors indicate that the perceived quality or brand-based advantaged is very essential that is also in accordance to Winer and Dhar (2011) research that perceived quality or brand-based advantage is the strategy to differentiate products from competitors by giving the customers the perception that they are of higher overall quality or better on particular characteristics.

The next task is to elaborate the value proposition and put it to work in the marketplace. This is called product positioning. Winer and Dhar (2011) suggest that positioning takes the competitive advantage (in the given case it is perceived quality or brand-based advantage) and plants it in the mind of the customers so that is understandable what the product stands for and how it is different from the competing offerings in the product category. It is important to mention that positioning includes both actual and perceived differential advantages. To develop value proposition or product positioning for perceived quality or brand-based advantage for a green pharmaceutical company, the authors suggest carrying out research with customers' questionnaires and find answers on:

1. Product feature improvement.
2. The customer's perception of a product quality and evaluation of the satisfaction of product need.
3. Evaluation of brand value and the relationship of the use of green pharmaceuticals and healthy lifestyle.
4. Brand logo associations.

Furthermore, Kotler and al. (2012) emphasise that the main task of marketing is to develop strategies that deliver customer perceived-value. Thus, it is essential to use exactly those features and association that can be determined during the research, as they define the function of products, which satisfies product need, therefore presents benefit of the purchasing.

The implementation segment of social network marketing strategy framework offers the ways, or the set of activities in its broad meaning on how to achieve the objectives of the social network marketing strategy for a green pharmaceutical company.

After elaborating the value proposition based on the features and associations defined, the community building approach could be used to raise brand awareness among potential customers.

The second main activity included into the set of implementation tasks in order to reach the objectives of the strategy is dialogue maintaining. The company should keep in touch with the target audience on the consistent basis; the social network is a great platform for communication with company's target audience, as people are easily reach through the mean of social network.

The most important part of the strategy implementation is content generation, or the types of the content included into the social network marketing activities. The authors have identified the following content generation aspects for green pharmaceutical companies:

1. Transparency content providing information on how the production works, where the raw materials are grown, making emphasis on high technologies and highly professional employees, which would positively influence on the brand value and build the trust between the company and customers.
2. Educational or informative content on the contribution of the use of green pharmaceutical products to healthy lifestyle.
3. Content describing the minimum or zero hazard effect of the use of green pharmaceutical products on the child organism.
4. Content describing the unique features of the green pharmaceutical products and the superior overall quality, as for example, the notion of "green" product and its correlation with sustainable product.
5. Content using symbol positive emotional effect that makes the brand not only memorable, but also influences brand attachment, loyalty, recognition, and awareness.
6. Content that gets customers involved. For example, the social network is a great platform where the company can ask for customers' opinion. Involved them into conversation, ask whether the products satisfy product need, are their expectations of a product met. The customers should feel that the company care about their experience with the products and listening to their concerns.
7. Content showing that green pharmaceutical company label is more than just a brand, for example, it could be emphasising the brand as a symbol of local production, or as the part of healthy lifestyle.

The authors consider that such content directly influence perceived brand value, thus increasing brand awareness and brand attachment.

8. Content expressing company's appreciation to the customers, for example, company say thank you to the customers, or wishing them happy holidays. Following the theoretical background, the positive emotional post-purchase perception is very important in building brand loyalty and attachment strategy.

As suggested previously, content generation is the most essential part of the social network marketing strategy, thus content generation phase should be more specifically and detailed elaborated within the marketing plan. The authors conclude that the approach described is only general recommendations, long-term action plan, or strategy framework for developing marketing campaign for a green pharmaceutical company.

Conclusion

Based on theoretical analysis, the contemporary marketing strategy involves marketing research, analysis of the results, and the development of marketing strategy framework. The authors developed a social network marketing strategy framework stages consist of setting the objectives to be reached by the strategy, identifying customer targets, core strategy formulation including value proposition for market positioning, and the implementation of the strategy, or the action plan how to reach the objectives set at the beginning of the framework. The authors emphasise that the developed theoretical social network strategy framework for a green pharmaceutical company is a general action plan or a "road map" to more detailed marketing plan. Research that is more detailed will be carried out to test if the developed theoretical framework is suitable in real green pharmaceutical company business environment.

REFERENCES

1. Aaker, D. A., 2005. *Strategic Market Management.* 1st ed. New York: John Wiley & Sons.
2. Aaker, D. A. & McLoughlin, D., 2010. *Strategic Market Management Global Perspectives.* 1st ed. West Sussex: John Wiley & Sons Ltd.
3. *American Marketing Association*, 2016. Available at: https://www.ama.org/resources/pages/dictionary.aspx?dLetter=B [Accessed: 25th of November, 2016].
4. Available at: http://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/the-consumer-decision-journey, [accessed 25th of October, 2016].
5. Doyle, P., 1998. *Marketing Management and Strategy.* 2nd ed. Harlow: Prentice Hall.

6. Doyle, P. & Stern, P., 2006. *Marketing Management and Strategy.* 4th ed. Essex: Pearson Education Limited.

7. Funk, T., 2013. *Advanced Social Media Marketing: How to Lead, Launch, and Manage a Successful Social Media Program,* Apress.

8. Investment and Development Agency of Latvia, 2015. *Chemical, Pharmaceutical and Biotechnological Industry in LATVIA.* Available at: http://www.liaa.gov.lv/files/liaa/attachments/chemical_pharmaceutical_biotechnological_industry_min_0.pdf, [accessed: 5th of March, 2018].

9. Kotler, P. & Armstrong, G., 2001. *Principles of Marketing.* 9th ed. New Jersey: Prentice Hall.

10. Kotler, P. et al., 2012. *Marketing Management.* 2nd ed. Essex: Pearson Education Limited.

11. Kotler, P., Armstrong, G., Saunders, J. & Wong, V., 1999. *Principles of Marketing.* 2nd ed. New Jersey: Prentice Hall Europe.

12. Kotler, P. & Keller, K. L., 2012. *Marketing Management.* 14th ed. Essex: Pearson.

13. Prymon, M., 2014. Marketing Strategies for Enterprises in Services Market. *Journal of International Scientific Publications,* 8(118/120), pp. 53–145.

14. Scott, D. M., 2011. *The New Rules of Marketing & PR.* 3rd ed. New Jersey: John Wiley & Sons.

15. Winer, R. & Dhar, R., 2011. *Marketing Management.* 4th ed. New Jersey: Prentice Hall.

16. Zarrella, D. & Zarrella, A., 2011. *The Facebook Marketing Book.* 1st ed. Sebastopol: O'Reilly Media.

THE AUTHORS

Gunārs Vaskis, Dr. oec., Expert of oec. consult. Participated in the evaluation of EU Cohesion Fund and ERDF funds. Study of the problems of Latvian economic development, in particular: real economic aspects of inflation, organisational factors of productivity growth, economic efficiency of investments. Entrepreneurship Efficiency Enhancement Factors and Tools. Scientific research work Fridrich Alexsander Universität, Nuernberg, Germany, Lectures at Freiburg University in Switzerland, Vienna University of Economics, Twente University in the Netherlands.

Egīls Fortiņš, M. commerc., M. oec., lecturer at the Department of Global Economics Interdisciplinary Studies in the Faculty of Business, Management and Economics of the University of Latvia. Studying the impact of national economic growth on the international trading system. Commercial diplomacy in raising Latvia's competitiveness.

Aleksejs Šņitņikovs, Dr. sc. soc., is docent at Social Science Department of Faculty of E-Learning Technologies and Humanities, Riga Technical University. He has participated in fundamental and applied research projects on varied topics, such as national identity, ethnicity and public sector management. His main academic interests include historical sociology, social theory, organisation studies and research methodology.

Inese Šūpule, Dr. sc. soc., is a sociologist and researcher at the Institute of Philosophy and Sociology at the University of Latvia. Her academic interests include the following: migration and ethnic studies, society integration, education, language use and knowledge, and ethnic politics. She has participated in several international research projects, including the EEA and Norway Grant project "Rural depopulation and the governance of education. Comparative study of Latvia and Norway" (2015–2017) and the project "The emigrant communities of Latvia: National identity, transnational relations, and diaspora politics" (2013–2015). Currently she is working on the project "Migration of highly qualified specialists: emigration and return migration in Latvia" (2018–2020).

Evija Kļave, Dr. sc. soc., is a sociologist and researcher at the Baltic Institute of Social Sciences and the Institute of Philosophy and Sociology at the University of Latvia. Her fields of expertise are ethnic studies, migration, society integration, education, language use and knowledge, and policy evaluation. She has participated in several international and national research projects, including the project "The emigrant communities of Latvia: National identity, transnational relations, and diaspora politics"

(2013–2015), the Asylum, Migration and Integration Fund 2014–2020 project "Study of the situation of third-country nationals in Latvia in 2017" (2017).

Grigorijs Oļevskis, Dr. habil. oec., Professor at the University of Latvia, Faculty of Business, Management and Economics, Department of Global Economics Interdisciplinary Studies. His research is focused on International Economics and Business Development Issues: Enterprise Activity, Knowledge – Based Economy and Management.

Timurs Safiuļins, M. sc. econ., is completing doctoral studies at the University of Latvia Faculty of Business, Management and Economics, Department of Global Economics Interdisciplinary Studies. His research is focused on Knowledge Intensive Economy and Smart Urban Development.

Frank W. Hager, Dipl.-Wirt.-Ing. (FH), MBA, M.A. is a Doctoral Student at the University of Latvia, Faculty of Business, Management and Economics, Riga, Latvia. Before joining the Doctoral Programme at the University of Latvia, he has studied industrial engineering and logistics at the University of Applied Sciences in Hof/Germany and Stellenbosch University/South Africa, as well as organizational development at the Technical University in Kaiserslautern/Germany. He served as Area Sales Manager and Product Manager (adhesive segment) in several manufacturing, globally active companies. He is also holding a Certificate as a Mediator and a Process Consultant from the University of Augsburg.

Jūlija Mironova, is a Doctoral Student at the BA School Of Business and Finance in Riga, Latvia. Master Degree was received in the University of Latvia. She works as lecturer and Head of Research Department in "HOTEL SCHOOL" Hotel Management College in Riga. Her academic interests are related to business management in the hospitality industry.

Dana Grossu, M. sc. soc. in Health Management. She obtained her master degree and graduated from Riga's Stradiņš University and RISEBA. She is currently working in pharmaceutical industry and starting her Ph. D. studies. The research topic is connected with economic impact of the parallel import of pharmaceuticals in Latvia.

Henrijs Kaļķis, Ph. D. in Management Sciences. He holds an associate professor position at the Riga Stradiņš University (Latvia) and guest professor position at University of Latvia, as well as he is co-founder and board member of Latvian Ergonomics Society, board member of Business Efficiency association. He has more than 30 publications in Business Management journals, 3 books related to LEAN management, health and safety, ergonomics and human factors.