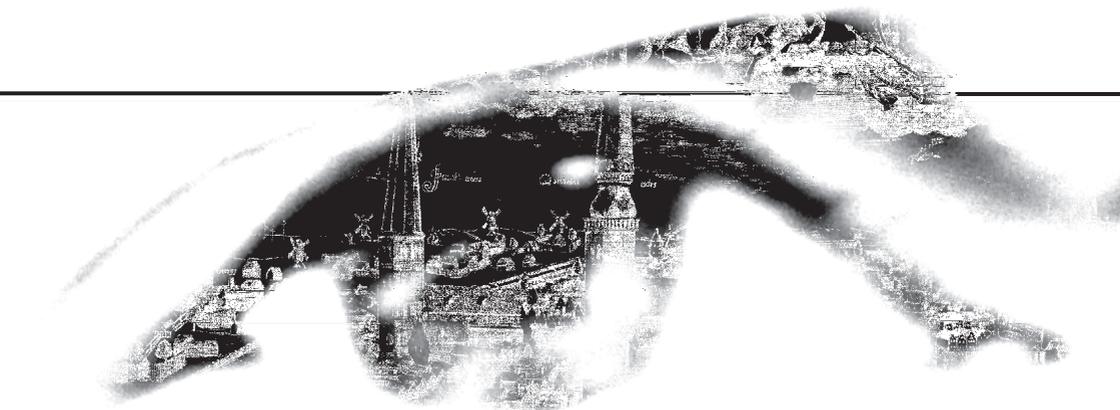


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FROM THE EDITOR

Dear Reader,

This is the second issue for 2019 and we expect to be able to publish the next issue in spring-summer 2020.

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, economic history, politics and sociology. In this issue, we have articles by authors not only from Latvia, but also from Germany, Lithuania and Ukraine.

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

ORGANISATIONAL INNOVATION SITUATION ANALYSIS: IN SEARCH OF A NEW MEASUREMENT MODEL¹

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Abstract

In a globalised world organisational innovation is one of the key factors for the development of a company and perceiving its competitiveness. Enterprises deal with the difficulty of identifying factors and elements for successful implementation of organisational innovation.

According to a recent scientific debate, it is a challenge to find the perfect metric as organisational innovation measurement is complicated to perform. There are frameworks of measurement of organisational innovations (for example, Dominant Diamond model, Innovation Funnel, Innovation Value Chain and Oslo Manual), but they are proved to have drawbacks that makes it difficult to perform analysis. Recent studies have drawn to the necessity to develop a framework that will avoid the disadvantages of existing models that is the main purpose of this article. Several studies have pointed out a few elements necessary to look at – data usable not only for analysis itself, but for the policy making as well; and a measurement framework to capture the organisational innovations. This article looks at different definitions and metrics of organisational innovations applicable with the system approach, coming to the conclusion that for the development of effective innovation measurement it is needed to develop a conceptual framework with 5 dimensions: 1) Innovation ability and strategy; 2) Innovation Management ability; 3) Linkages and accessing knowledge; 4) Organization and culture; and 5) Innovation Results. To identify the current situation in the Baltic States and to understand where to test the model, the authors have performed a multidimensional analysis of the fields of innovative business by using correlation and regression analysis according to the indicators of Finance, Employment and Investments. These indicators were chosen on the basis of European Union studies and their results that are generally accepted and recognised as qualitative. The data of the Central Statistical Bureau and the Bank of Latvia has been used. The main conclusions of this study are that Latvia falls behind the other Baltic States in EU Innovation rank and the main reason is a low level of innovations;

¹ The research for this article has been supported by the European Regional Development Fund post-doc research support No. 1.1.1.2/VIAA/1/16/016.

Analysing the correlation between number of employees, turnover, investment in ICT and venture investments showed only a relationship between number of employees and investment in ICT, regression analysis showed that 80% of the investment in ICT is explained by an increase in the number of employees that supports the given model, but the field of an enterprise does not have any effect on the success of innovative companies. The purpose of this article is to build a new framework of analysis of organisational innovation to test this model and use it in the further studies. This article assesses developments in currently performed studies looking at measurement of organisational innovation based on the recent issue of the Oslo manual and studies in Europe to create a theoretical framework for further studies. The results can be used for measuring organisational innovation more effectively, as well as the implementation of organisational innovations. The developed model is the next step for the research that is planned to perform, as well further researchers could use the model.

Keywords: Latvia, organisational innovation, measurement of organisational innovation, theoretical framework, organisational innovation definitions

Introduction

Innovative business has complex characteristics, innovative companies must not only update through the development, but must learn to implement new ideas and think out of the box. Innovativeness shows the potential of the company that could be defined by resources, financial and legal opportunities, techniques, technologies and culture. Innovative potential is the most important priority for the innovative company, intensity of innovation process will show performance results expressed in effectiveness of innovations.

According to Schumpeter (1939) innovation is essential for sustainable growth and economic development. In the modern economic society, innovation processes occur at the different levels from the enterprise to the national. Innovation increases competitiveness of new and of existing enterprises. There exists a thought that big enterprises, as well as developed countries which have resources for innovation processes, develop with a negative effect on innovation (Schumpeter, 1939). Once an enterprise has outreached a size of SME it requires a better control system, they lose ability to innovate as freely as they could (Turner, J. R., Ledwith, A., & Kelly, J. F., 2010), and thus enterprises are turning to improvement rather to innovations (Gopalakrishnan, S., Bierly P. & Kessler, E. H., 1999). The vision of innovation becomes more complex and harder to implement (Agle, B. R., Mitchell R. K. & Sonnenfeld J. A., 1999). This theory has an opposite opinion of higher opportunities for enterprises in wealthy thicker markets comparing with developing countries (Shane, 2003), when larger firms may put increased resources behind the innovation process

(Iwamura, Jog, 1991) and Silicon Valley could be the best example of implementation and development of innovations in highly developed and wealthy conditions.

Innovation is defined as the implementation of a new or improved product or process and a new marketing or organisational methods in intercompany operations, workplace organisation and business relations (OECD, 2005). Thus we understand that innovation process is divided into two main groups technological and non-technological innovation, each of them has two categories, for technological it is product and process innovation, for non-technological it is marketing and organisational innovation (Damanpour, F., 2017).

To understand situation in the EU, the authors have looked at the statistical data using the EU Innovation Scoreboard. The European Innovation Scoreboard since 2007 works on factors that impact strengths and weaknesses of European countries in the innovation implementation process. Four dimensions have been developed to analyse innovative rank of the countries: human resources (e.g. where and how people are employed, as well as do they have necessity and willingness to participate in innovation process, students, lifelong students); investments (e.g. government investments in the R & D, venture capital expenditures, is government willing to support innovative companies, where innovative companies invest, comparing R & D and non- R & D investments, is the country interesting for investors in the field of innovations); innovation activities that include division of innovation implemented and linkages or how enterprises collaborate with other enterprises, public, government institutions, as well as internationally; employment impacts (e.g. knowledge intensive activities, fast growing enterprises in innovative sectors) and sales impacts (e.g. high tech product, knowledge intensive services exports, new product sales).

According to European Innovation Scoreboard (2018), Latvia is ranked as 3rd country from the end, falling behind other Baltic States. Human resources are considered the strength of Baltic States, but it is necessary to mention countries that are counted as innovative leaders, are decreasing workforce numbers in agriculture and other sectors, though this number of employees is high in Baltic States (employing 23% of people after the age of 41), that shows high percent of adults employed in agriculture.

Latvia and Lithuania have an advantage of an innovation friendly environment that shows a positive trend during last 6 years, this index has been growing steadily. Estonia which has been the most successful innovative country comparing to other Baltic States has a positive investment index, for last ten years Estonia is interesting for venture investors, government and private companies invest in R & D, as well as innovation processes have been made national level priority.

Speaking about weaknesses – innovation implementation, Latvia has very low index of innovation that could be a problem for long term sustainable development of the country's development and economic growth, but even innovation leader Sweden has a comparably low index of innovation, it is a weakness in almost all European Union countries. Research systems have drawbacks and are counted as a weak point, Latvian enterprises do not invest in knowledge, in employees, as well as Latvia doesn't have proper and tight relationship between universities and enterprises, there are no unifying and deep research systems that could be used and developed in the future. A lot of even large companies do not have educational centres, not speaking about SME's.

Thus one can come to the conclusion that Latvia falls behind other Baltic States and the main reason of it could be an unwillingness to develop and invest in research, unwillingness to cooperate and thus to get new ideas from outside, implement them in such way to develop together with other European countries.

Research and analysis

The authors have used the second dimension of European Innovation Scoreboard, 2017 and compared this information with Employment in the fields. To compare EU data and research results, the authors have performed research looking at one of the dimensions using the data of the Bank of Latvia and the Central Statistical Bureau, regression analysis was performed, analysing the fields of activity of innovative companies and their performance in 2016. 7 innovative business sectors were selected (Mining and quarrying (B), Manufacturing (C), Electricity, gas, heating and air conditioning (D), Water supply, sewage, waste management and remediation (E), Wholesale trade, except of motor vehicles and motorcycles (46), Transport and storage (H), Financial and insurance activities (K)), data on their investment in ICT, venture investment and turnover were chosen, complementing the data with number of employees.

To analyse data using regression analysis, a data correlation analysis was initially performed. Analysing the correlation coefficients, it was shown the strongest link is between the number of employees in innovative enterprises and their contribution to ICT (information and communication technologies). This raises the question of whether the use of ICT by enterprises forces companies to grow.

Correlation coefficient shows that there is no connection between number of employees and venture investment, as well as turnover. It means that even small companies can have great foreign investment and have impressive turnover, but innovative enterprises as they develop must have investment in ICT. It agrees with theoretical background mentioned

above when company is big enough it stops to innovate, but begins to develop, it is hard to say about innovation process due to lack of data but, is obviously that numbers of employees are related to development process in the company and necessity to control their activities.

Correlation analysis does not answer the other question how strong this relationship between number of employees in innovative enterprises and their contribution to ICT is. That is why the authors have used a regression analysis. The purpose of this is to determine whether there is a statistically significant connection between the variables, the analysis of regression, both gives the opportunity to observe common regularities and gives explanation to those that do not fit in the common picture.

Regression analysis explains most of the dispersion with the regularity of the existing variables. Typically, the description of the regression model is based on the ratio of the explained dispersion to the unexplained dispersion. This indicator is called the determinant coefficient and is denoted by R-square. In this case, it is 0.583, which means that 58% of the variation of the dependent variable is explained by the variation of the independent variable. The fact that 80% of investment in ICT is explained by an increase in the number of employees supports the given model. Non-standardised ratios show that at 0% of employees, investment in ICT would be 1776 thousand EUR, but as the number of employees increases by 1%, the investment volume increases by 0.088 thousand EUR. The standard error coefficient shows the variance of the independent variables. Non-standardized ratios show how the dependent variable varies by changing the dependent variable per unit, while standardized coefficients allow getting the total exposure of each predictor to the dependent variable. An indicator can support or reject a hypothesis with a lack of correlation. In this example, a is significant at 0.076, that proves stated the hypothesis. ICT is factor that increases when company grows. Innovative companies choose investment in ICT as one of the most important factors to their development, but it is important to mention that trend in EU is completely different, innovative leaders reduce number of people in innovative sectors, they invest in ICT, linkages, knowledge and employee education, but decrease number of the staff.

The next step is to determine the significance of a determinism indicator, or F statistics. F is 6.976, at the significance level of $0.076 > 0.05$. This means that with a probability of 69% we can say that the number of employees affects the number of contributions to ICT.

The R-square shows that the number of jobs is not related to the volume of investments, only 2.8% of the model is explained, this requires an in-depth analysis to find out in which way and what factors influence the investment attraction among innovative companies in these areas. Increase in the number of enterprise employees by 1% for

0.004 million EUR will increase investment and, in addition, both indicators of significance > 0.05 , therefore, are insignificant.

Similar results are also provided by variance analysis, only 14% of the model can be explained, and the indicator is not significant. Consequently, it can be concluded that the number of employees does not affect the investment flow among innovative enterprises, as influenced by other factors. Similarly, the authors have also performed analysis of turnover and has come to same results. The results prove the previously made hypothesis that the size of enterprise does not affect turnover or amount of investment to the enterprise. The authors assume that this is due to modern technologies that are used by innovative companies. The question for the further studies is what factors affect amount of investment to the company.

The last point in this analysis would be the residual values that prevent the linear function from being obtained. By looking at these indicators and looking at the resulting graph, it can be said that it is similar to the linear function, but with a positive balance in the manufacturing industry. This means that dispersion is not accidental.

It is also necessary to mention that after conducting the multidimensional analysis author has looked into the data and has come to the conclusion that comparing to EU leaders in Latvia the most people are employed in Manufacturing industries, but this sector has the biggest investment in the ICT, second turnover and venture investments, in the authors opinion which is based on theoretical and practical background this industry needs to head to downsizing of employees, or developing new ways of employing them by growing and developing, as well as improve the linkages, invest in the research system that will show the way to the companies in the sector. This could lead to development of the economy and give positive vibe to long term development. In the authors opinion such practices as foreign brain drain (in little amounts), experience exchange possibilities that will improve situation in general. As well it is worth to mention that the wholesale amount of investment is the lowest of the fields, but has the highest turnover and this trend is the same as in EU where wholesale companies do not invest, do not have venture investments, but have high turnover.

A new measurement model for Organisational measurement

Performing the analysis has proven the importance of innovation implementation in the companies in Latvia; theoretical background has shown an importance of Organisational Innovation to occur for successful implementation of technological innovation. And here the authors come to the aim of the article – to create a new measurement model for

Organisational measurement as previously made studies show drawbacks in this field.

In the past different measurement frameworks/models were developed, they show the foundation on which measurement instruments are developed that is a topic of further study. As was mentioned above, scholars proved that one element cannot properly evaluate organisational innovations, so frameworks mentioned below consist of several dimensions looking at organisational innovations through different prospective.

1. First frame for measuring organisational innovations looked at this article is the **Dominant Diamond Frame** that was proposed by Tidd, Bessant, and Pavitt (Tidd, J., Bessant, J., Pavitt, K., 2005) that is based on Porter's model named as Diamond Model (Porter, M., 1990). The measurement system of this model has 5 dimensions (Mehrizi & Packinat, 2008).

This model is used in many researches and has potential to be developed at least with one more dimension involving quantity and cost factors (inputs) (e.g. human resources, science and technological infrastructure, that will help to see whole picture of organisation innovations.

2. Second frame used in this research is called **Innovation funnel**, when lots of ideas come in the big end on the left, and a few finished ideas come out the narrow end on the right, ready to go to market, provide exceptional value, and earn substantial revenues and profits. It's a concept that certainly works in principle, but it does require considerable attention to what happens inside the funnel. (Morris, 2008).

Funnel is divided into 3 parts; (1) inputs define scope, context and character of innovation; (2) it is process of innovation that shows the way and answers the question how to innovate; (3) is a place where the whole innovation process gains economic value. An arrow shows the feedback for the organisation, it is all information gained from the innovation process with succeeded and failed activities that the company must learn of.

Scholars propose metrics of two quite different types. The "soft" metrics are qualitative, sometimes in the form of provocative questions that are intended to get people to think more deeply and effectively about the work they're doing. The "hard" metrics are quantitative, and amenable to statistical analysis (Gamal, 2011).

Despite being one of the most common this measurement model has some limitations trying to measure outputs, but it is under the question if input had only the right ideas, metrics etc. What if the aim and scope were not right in the first place? In reality it is very difficult to suspend or terminate answers. Psychological, mental, and motivational factors affect decision-making and challenge objectivity. Sometimes researcher mistakes tunnel for funnel forgetting or ignoring, the fact that after the first gate there are also several other go/kill points. (Hakkarainen, Kari, Talonen, Tapani, 2014). The authors came to conclusion that this model has more drawbacks

in research performance and it would be a challenge to improve it so far to get rid of these limitations.

3. The innovation value chain comes from idea of generic value chain as proposed by Porter (1985), he defined an organisation's value chain as a system of five linked primary activities and some support activities that lead to the creation of value for customers. Porter's (1985) idea was used as base for more expanded innovation value chain (Van Horne et al., 2006). They suggest six primary activities (need identification, applied research, innovation development, commercialization, diffusion, and adoption) and some support activities (competency management, infrastructure management, and knowledge management).

Models proposed by Roper et al. (2008) and Ganotakis and Love (2012) who research innovation from the knowledge perspective, refer to (1) knowledge sourcing, to be more precise they look at R & D, trying to find the knowledge shows the openness of the company; (2) knowledge transformation (knowledge transformed into outputs- organisational forms) and (3) knowledge exploitation (entering the market, innovations are transformed into productivity).

But first who talk about innovation value chain were Hansen and Birkinshaw (2007). The innovation value chain is derived from the findings of five large research projects on innovation. In the model by Hansen and Birkinshaw (2007) the innovation value chain is viewed as a sequential, three-phase process that involves idea generation, idea development, and the diffusion of developed concepts. Across all the phases, managers must perform six critical tasks – internal sourcing, cross-unit sourcing, external sourcing, selection, development, and companywide spread of the idea. As well there may be one or more activities that a company excels in – the firm's strongest links. Conversely, there may be one or more activities that a company struggles with – the firm's weakest links.

Innovation value chain helps to understand where, which parts of organisation are needed to look at, which of them need to be improved, which are not so important at the moment. The drawback of the model is that sometimes weakest link is neglected and organisation managers do not evaluate them at all, thus minimizing the ability of the organisation to innovate. One or argument against is that being big and having scale is not a key aspect to competitive advantage and profitability. Measuring the innovation value chain is less effective in social era as the measurement framework could miss some element that happen too fast in these conditions as there is lack of systematic information in organisational innovations.

4. Oslo Manual Innovation measurement framework is proposed by *Oslo Manual*. *Oslo Manual* proposes guidelines for collecting and interpreting innovation data that is developed by joint guidance of OECD and Eurostat.

3rd edition of *Oslo Manual* that gives insight in Organisational innovation measurement is result of work of OECD Party of National Experts on Science and Technology Indicators (NESTI) and ESTAT STI Working Group. Provided framework gives an insight based on different theories, using various approaches and views innovations as a system.

The main objects on which *Oslo Manual* is based are innovation in the organisation, in the case of this research organisational innovation. Linkages with other companies and with research institutions are measured in quantitative and qualitative way. Institutional framework in which firms operate that has many possibilities to give freedom of choices and improve the innovativeness of the company, as well as may restrict it and not to give any opportunity to perform organisational innovations. The role of demand must be looked at as there is no necessity to implement innovation policy if does not positively affect productivity of the company.

Oslo Manual is criticised much less, but the question is – does not it happen because of respect to the OECD or because it has less downsides. But still it is important to mention that subject based approach for innovation-based researches have drawbacks. First of all it has very low valid time period as the turnover of staff is fast; it is almost impossible to compare data sets as there are almost no data on the field of innovation; weak significance and representativeness of response rates as well as subjective point of view could be limitation for the using of this model.

Proposed elements for an organisational innovation measurement model

Using the previous studies, elements have been pointed out to take into account developing metrics for the measuring of organisational innovation. As organisational innovation is increasing in importance of firm strategy development, but existing are not sufficiently adaptable to the changes in the innovative world due to it fast development and apparition of new variables. Everything mentioned above has been leading to development and creation of new metrics to increase accuracy of the findings that must include:

- Measurement of organisational innovation must consist of combination of implementation of innovation and contribution it gives to the company. Certain inputs must be used for organisational innovation to occur and an exact input depends on the wished contribution from implementation of the organisational innovation, in this case inputs must be pointed out and compared with the outputs.
- The outputs in organisational innovation are unpredictable; it must be taken into account during the research and development of metrics. The inputs to innovation are easy to characterise; they will always be

resources and assets. The outputs, however, are difficult to characterise, especially before the process is complete.

The outputs are unpredictable because innovation is complex, non-linear, and risky; responds to opportunities; and inherently includes aspects of serendipity (Gamal, D., 2011). Thus it is not worthy to base research on outputs, but consider them only as side effect, especially taking into account idea that in organisational innovation output may be the input of the next stage of innovation.

- Organisational and culture analysis have to be shown as important factor for a company to perform as it is important to be considered innovative nowadays. One of the desired outputs of any innovative project (even if it failed) is that it improves the image or brand reputation of the company (Maniak, 2015). This is point at which research could see a result of organisational innovations, if the image or brand reputation of the company has been improved after the implementation of the organisational innovation.
- Measurable and non-measurable organisational innovation must be included in research. Measurable innovation has a physical embodiment and cost (tools, technologies, materials, markets, and needs in the situation at hand). But non-measurable organisational innovation more often is considered with connection of knowledge. It is even said that knowledge could be a key factor in implementation and adoption of organisational innovation. Numbers of organisational innovation processes are connected with knowledge and money is invested in that.
- The possibility to make mistakes and to fail has made learning experience in high demand and has put high value to new management style, as well is one of the points of knowledge dimension. Scholars show the examples of failures that led to successful projects. Also, larger industrial firms have produced innovative results by reusing technology from previous projects to use it in different sectors (Chapel, 1997). It is called “multi-project lineage management” (Maniak et al., 2014). Researchers as well have managed to map the knowledge used in a project and its trajectory throughout time (the Concept-Knowledge theory, Hatchuel et al., 2002). It means that it is important to show in the study how many mistakes the company has made during its way to organisational innovation.
- Financial analysis must be performed as well. Real option theory, which gives an estimated value of a company, is based on the aggregated potential output value of its innovation projects according to several scenarios. Tools like the balanced scorecard (from portfolio analysis) are designed to help firms’ management teams to improve multi-project management methods. This approach places emphasis on portfolio management tools that promotes idea sharing between units

in the company and between different types of projects (Sidhu, I., et al., 2016). The drive for innovation must include consideration of the demand side which determines the rate of investment and diffusion (take-up) of organisational innovations.

- Outsourcing has become a trend in innovation (Chesbrough, 2003), as it shows the ability of a company to find, see the perspective and to implement innovation that was developed outside its perimeter. More often it is used by SME's as they do not have R & D facilities, for large companies outsourcing is more difficult as the question rises, why best organisational innovation idea comes not from their own R & D department, do they even need to have one. So it is necessary to include the possibility and evaluation of the firm to usage the outsourcing if it is possible with the result of this activity even if it is negative.
- The role of creativity in organisation innovation field has begun to develop. More and more companies rely on creativity management to boost their "creativity capital". Methods like TRIZ or Six Thinking Hats help teams and individuals to be more creative and to use their new ideas for the benefit of the business. (Mann, 1998) Other methods can help to measure the creativity of a person, such as the Guilford Method, which is based on a person's divergent thinking ability (Guilford, 1967). These methods aim at triggering new forms of creativity and therefore, lead to a new need for measurement of creative capacities based on various factors, e.g. the number of ideas shared, their eccentricity level, or the social value of the ideas that is seen in Csikszentmihalyi's Systems Model (Csikszentmihalyi, M., 2014). It is necessary to mention that these ideas are not focused on the individuals' entrepreneurship skills and mindsets. But it would be important to look at creativity capital of the company and evaluate it using the developed metrics.

In talking about organisational innovation two main trends in research could be identified, one tries to measure implementation of organisational innovation, such as R & D intensity, the other is keener on results, such as patents and patent-related index. It is necessary to understand that the real link between these measures and organisational innovation is not proved and still very unclear. In the research the authors came to conclusion that models that are used in case of measuring organisational innovation exist, but have drawbacks, so propose for the next research paper is to develop new model using tools from existing models, but make it more precise in Latvian economic conditions.

Keeping in mind everything mentioned above the authors propose to base the new measurement tool on *Oslo Manual* developed by OECD. Including five organisational innovation dimensions: (1) Innovation ability and strategy; (2) Innovation Management ability; (3) Linkages and accessing

knowledge; (4) Organisation and culture; (5) Innovation Outputs. The aim of this model is to develop a framework which can be used to compare levels of innovation capability between different companies in one/different sectors to identify priorities for policy and strategy development as for companies as for government bodies.

Before the further development of new organisational innovation measurement tool the authors propose to look at different government developed tools around the world, to have seen the difference between research developed models and government used tool, so it would help to introduce better and more precise tool for measurement.

Conclusion

- Latvia falls behind Baltic States in being innovative, the country is below the EU average level. The main reasons for that is low innovative power, unwillingness to cooperate within the country between government, educational institutions and enterprises, that is completely different from Innovative leaders. Low level of investment in research, education, innovation, unwillingness to develop companies, middle income trap, lack of highly qualified employees and unwillingness to pay higher salaries now are the key factors for not being innovative and developed.
- Statistical analysis of innovative company working fields has shown correlation between number of employees and investment in ICT, the only factors that had any connection and were dependent one from another that has proved importance of Organisational innovation.
- Analysing the situation led to importance of precise measurement system of Organisational Innovation, previously made model have been proved to have numerous disadvantages, including lack of precise information, no enough dimensions used, high possibility of making mistakes etc.
- Using the literature review and basing on previously made studies important factors for the precise measurement of Organisational innovation have been listed that includes: input and output trends, organisational and culture analysis, possibility to make mistakes and to fail, financial analysis, outsourcing and linkages, creativity.
- Basing on OECD Oslo Manual organisational innovation a new measurement model has been proposed, including 5 dimensions: (1) Innovation ability and strategy; (2) Innovation Management ability; (3) Linkages and accessing knowledge; (4) Organisation and culture; (5) Innovation Outputs.

Proposals

- Before the further development of new organisational innovation measurement tool the authors propose to look at different government developed tools around the world, to have seen the difference between research developed models and government used tool, so it would help to introduce better and more precise tool for measurement.
- To prove the precise measurement of the model, the authors intend to perform a measurement using existing Oslo Manual model and new one to show the difference in metrics and results.

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TRENDS IN THE USE OF INFORMATION CHANNELS FOR PERSONNEL RECRUITMENT IN MEDIUM AND SMALL ENTERPRISES

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Abstract

Information channels are the main tool for attracting human resources to an organisation. Over time, these channels change depending on the behaviour of job seekers and technological developments. Nowadays, types and channels of searching for a job are different both from the point of view of the employer and the job seeker. Businesses are struggling to find and address potential candidates, as is testified by the high number of open vacancies and employee recruitment activities. The novelty of the article is characterised by the rapid development of digital environment in business, including personnel recruitment, and there is a need to develop new approaches and strategies for companies to find the necessary employees more efficiently and quickly. The goal of the article is to identify and illustrate habits of use of informative channels in medium and small enterprises in Latvia. The theoretical framework is based on world-wide research on peculiarities of use of information and communication channels in the context of personnel recruitment. The diversity of channel terminology and theoretical aspects are discussed from the point of view of digital technology development, external human resource management marketing and social media. The methods used in the research are analysis of theory and statistics, and an empirical research on the use of information channels in medium and small enterprises in Latvia. The authors of the article conducted a study on 80 medium and small enterprises of an improbable sample and established that, in Latvia, the most frequently used tools of personnel recruitment are corporate websites, internship programs, *LinkedIn*, *Facebook*. The results using the continuous rating scale indicate that enterprises are relatively little focused on intensive attraction and search for employees, which testifies that there is a lack of corporate strategy and unified policy in the context of attracting employees. The results obtained do not fully support the fact that digital recruitment resources dominate, as is the case in the theoretical research. The authors of the article conclude that digitalisation is slowly increasing in the field of recruitment, enterprises choose the most affordable and accessible information channels that require insignificant digital skills of employees, and observe a rapid development of internship vacancies and programs, and increased use of such digital channels as social media. Enterprises need to organise their recruitment activities in a planned and strategic

way, selecting the most effective channels, and to increase the use of personnel recruitment and selection tools.

Keywords: Latvia, Human Resources Management, Personnel Recruitment, Personnel Selection, Information Channels, Communication Channels

Introduction

During the last decade, medium and small businesses have been struggling in finding employees and have insufficient resources and competences to address and attract potential candidates. Scientists emphasise that, currently, there is shortage of human resources, and unique and new tools are necessary for organisations to attract new employees successfully, Friedman (2006).

The goal of the article is to identify and illustrate the habits of use of informative channels in medium and small enterprises in Latvia. The tasks include: to explore the link between information and communication terminology and the personnel selection, to illustrate theoretical aspects, to reflect the data from the practical research and their compliance or non-conformity with the theoretical framework. As a result, to reflect the main conclusions, discoveries, and to suggest proposals for further development of the topic.

In the article, the authors study theoretically the information channels for personnel attraction from the following aspects: information and communication channel aspect, external aspect of human resource management marketing, information technology and digitization aspect, social media aspect, including practical research of information and communication channels in medium and small enterprises.

The novelty of the article is characterised by the rapid development of the digital environment in business, including personnel recruitment, and there is a need to develop new approaches and strategies for companies to find the necessary employees more efficiently using the digital tools such as information channels. Novelty is the dominant position of digital information channels in personnel recruitment, which are replacing the traditional channels and create new interconnections that stimulate discussions of further research.

The problem question of the research: how do the habits of using information channels develop in medium and small enterprises and how can they solve the problems of attracting personnel? Enterprises have difficulties in attracting employees, and there is no consistent answer to the question – is there a lack of employees as such, or is it just the inability of certain companies to attract talent? To what extent will the information and communication channels become ‘robotised’ or

remain 'human'? The authors of the article reveal a versatile research of the use of informative channels in practice and in theory.

Research shows that companies require a new strategy to be able to use digital channels in human resource management in a structured manner to attract new employees. Regarding the search for employment, the emphasis is placed on peculiarities of thinking of the generations X and Y, as most of them have grown up in close connection with the media environment, the internet and virtual exchange of information, and social communication channels. Therefore, the pre-existing methods and approaches for informing, addressing and communicating with this generation from the point of view of human resources are no longer effective and are unable to reach the target audience, Prensky (2001). Researchers highlight a number of digital media that are effective in attracting employees such as *Facebook*, *Twitter*, *LinkedIn*, *Google+*, etc., which are effective in the world. The authors note the importance of not only using specific channels or media, but the strategy and approach of how these channels are used, Friedman (2006).

Theoretical Frame of the Article

The dilemmas in the formulation of the term “channels”

Information channels are the basic tool for searching and attracting new employees to an organisation. Only information channels are the way job seekers and the public learn about a company's current vacancies. 'Information channels are various ways of communicating information to existing and potential customers. Distribution channels include mail, press attachments, phone, electronic and mass media, global distribution systems, etc. Diverse use of distribution channels expands the range of customers by offering them an assortment of services and goods, as well as the terms of purchasing. See also Global distribution system', Academic Database of Terminology (2005). In the world, information channels are often referred to as communication channels used to communicate, for example, with customers, employees, potential candidates, Cambridge Academic Content Dictionary (2019). When discussing the terms from the personnel recruitment and attraction aspects, there is a difference, because information channels are the place where a job seeker finds information, and communication channels are the way how the job seeker looks for and makes contact with the potential employer. Based on different terminology, both terms are equally important, therefore communication channels are included in further research of information channels. The third term in the context of the article is external marketing of human resources management. In

German, the term is 'Personal Marketing, Personalmarketing, Personnel marketing', which translates directly as Personnel Marketing, Frahling (2015). Human resources marketing is defined as the traditional marketing, transforming the marketing ideas as marketing concepts in the context of human resources management, Beyer (1990). Personnel marketing essentially is product or sales marketing, which is used in the context of personnel management, Bieberstein (2006).

Subsequently, the authors of the article emphasise that it is equally important to use the terms information, communication channels and marketing of external human resources when it comes to information channels in a more global context of human resource management. The authors note that in different foreign languages these terms are used in a different context if they are not viewed as a single whole.

The rapid development of digitalization in human resource management E-HRM, E-Recruitment

Over time, information channels change depending on the behaviour of job seekers, their geographic location, age and technological development; as well as employers' information and communication with job seekers have changed both from the aspect of changing habits of job seekers, and changing habits of enterprises and business development trends. Researchers note that, as generations change, digital tools play an increasingly important role both from employers' and job seekers' point of view.

The use of digital technologies in recruitment not only provides a wide availability of resources, but similarly important is their ability to perform activities in a short time, reducing the time required for personnel selection. Career information pages, vacancy portals, outsourcing agency websites, various media web pages, interactive websites or on-line research platforms, E-college or educational websites, CV publishing in digital environment, blogs, selection through social networks, targeted job search in the digital environment like Job Dating and Speed Dating are named as effective information channels for personnel attraction and recruitment, Florea, Badea (2013).

Recently, E-Recruitment has become popular, a new approach to searching for employees, which also largely underpins the social media approach. It is a tool and a way of retrieving and processing information in digital environment that provides employee searching functionality, and this direction will develop rapidly in the future, Kiselicki, Josimovski, Kiselicka, Yovevski (2018). In the E-Recruitment environment, it is possible to create special tools that ensure fast and efficient exchange of information between job seekers and employers. In general, this technology is based

on Web Technologies of Semantic Networks. This technology will improve the exchange of information and communication between the employer and the job seeker in the future, Enăchescu (2016).

'The findings offer support for the view that the website's content, job-seeker knowledge of the organisation, and the job-seeker's social network influence positively perceptions of fit to the organisation and the job in meaningful ways', Eveleth, Stone, Baker-Eveleth (2018).

The development of E-HRM and E-Recruitment is an important feature for the ability of enterprises to recruit efficiently in the future. Social media and social network platforms and their use play an important role in this respect, Ramkumar (2018). A more advanced resource approach is reflected in a study on the effectiveness of using VVC (Virtual Call Center) recruitment agents in personnel recruitment. It reflects that the main emphasis is placed on the digital environment as a channel for recruitment. The authors of the research found that the use of VCC marks a high efficiency in personnel selection, Yakubovich, Lup (2006). Research shows that the internet is the most effective channel for searching for personnel, Khan, Awang, Ghouri (2013).

External Human Resource Management Marketing is an information and communication channel for personnel recruitment

Personnel selection and recruitment channels are also defined as external human resources management marketing, which includes such important information and communication channels for communication with job seekers as digital and media platforms, social media, participation in public and career exhibitions, career days, new talent programs, internship programs, and companies' publications in the media, Moser (2012).

The German authors, when studying the brand identity of the employer, created a separate term 'marketing of personnel' and a structure in which the marketing of personnel consists of the following elements: internal and external personnel marketing and personnel management research. As external personnel marketing, a marketing plan with the aim of attracting new employees the company is meant, Haubrock, Öhlschleger-Haubrock (2009).

Human resources marketing is a skill to 'sell a part of personnel', and actually it means a capability to create powerful and effective tools and methods that would help human resources managers to attract new employees to their organisations. Any organisation's strategy must have a personnel marketing policy for the implementation of the external marketing strategy that the author emphasises in his research, Rose (2007). One of the human resources marketing actualities and tasks in the coming years is the necessity to attract new talents. It will command

employers to use marketing – in order to promote the recognition of the employer's image and to advance the public relations of talent or the 'talent hunt', Fahrbach (2013).

Human resources marketing is an essential tool of external marketing communication, and with its help, it is possible to promote the human resources of an organisation, attract new employees, in other words, to use it as a human resources selection tool, Hunziker (1973). Personnel marketing is a tool with high added value in business that is focused on both internal communication with employees and external with customers, Eckardstein, Schnellinger, Schmitdbauer (1975). Human resources marketing is not only an advertising tool, but a body of functions that can externally motivate the current employees of an organisation, attract and motivate potential new human resources and be an extremely effective tool for organising human resources selection and attraction, Frölich (1987). In 1987, researchers included the personnel marketing term as a cultural element of a unified organisation, Meyer (1987). The further development of human resources marketing is marked by another new tendency – the development of technology and widespread use of the internet in everyday communication. Thus, the new communication style on the internet is identified by the terms: social networks and social media. From the aspect of human resource marketing, they acquire a new significance – employees can use the social media: as a communication tool, to reflect their experience by sharing it, and to perform remote job functions, Meckel, Schmid (2008).

Personnel selection and recruitment marketing, emphasizing the practical aspects of its management, covers not only the strategic importance of personnel marketing, but also reveals a detailed plan and structure. For successful organisation of the process, the following plan is needed, as well as the role of information and communication channels, such as establishment of an external and internal social network before the commencement of the selection project and establishment of a system of attracting internal and external new talents, as well as selectively actively promoting the latest vacancies using available resources and media, Syedain (2013).

The role of social media and channels in attracting labour market potential

In recent years, the role of social media in the context of personnel marketing increases. Many authors emphasise that daily communication of human resources of an organisation is not possible without social networks where employees exchange knowledge and experience. This is

noted by researchers in their research already in 1998, discussing social networks as trends of modern society and the main channels for obtaining and exchanging information, Nahapiet, Ghoshal (1998).

Social media are one of the main sources of information in personnel selection, for instance, for direct attraction of candidates, communication with potential candidates, publishing of job advertisements, as well as examination of candidates' profiles. A marketing strategy is necessary on how to use these media for selection and recruitment, Headworth (2015).

A research performed by Jobvite confirms that the most popular information channels for employee recruitment are social media, especially *LinkedIn, Facebook*, Jobvite Ltd. (2014).

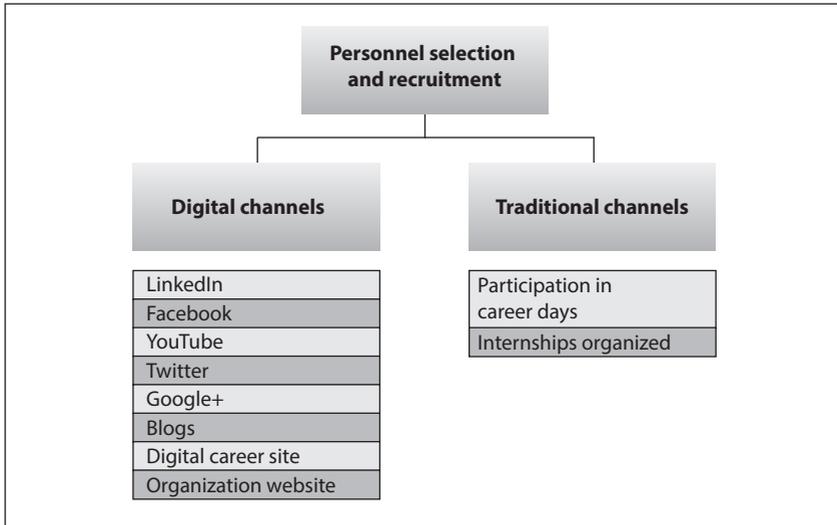
Australian researchers and research organisations through extensive research studied various aspects of human resource management, including information channels, such as media and communication channels, and concluded that the most widely used channels were social media, career and vacancies' websites. Part of the research was related to the selection of personnel, where companies involved in the study indicated that advertising directly in the field of recruitment advertising and human marketing development was the key to how they saw the development of their brand, Minchington (2010).

The approach of the Society for Human Resource Management (SHRM) reflects traditional personnel recruitment channels and resources such as employee referrals, newspaper ads, recruiting firms, college recruitment, contingent firms, job fairs, the internet, targeted minority recruiting, government employment services.

To identify the potential of the employment market, information channels and resources such as the corporate website, recruitment agencies, employee referral schemes, professional networking, commercial job boards, local newspaper advertisements, specialist journals, Jobcenter, search consultants, links with educational establishments, national newspaper advertisements, social network sites can be used, Armstrong, Taylor (2014).

Results and Discussion of the Research

The research conducted by the authors of the article was based on the criteria and constructs put forward by the research by Minchington and Moser, which have been used in surveys of the research, and the main aspects of the practical study are visually reflected in Figure 1 by the authors of the article, after which the item set 'Analysis of Information Channels in Personnel Attraction and Selection' of the research 'Development of Personnel Marketing in Latvia', conducted in 2016, was analysed.



Source: Criteria for Personnel Selection and Recruitment Research Based on Moser, Minchington

Figure 1. Distribution of personnel selection and recruitment resources, created by the authors

Methods of the research

The research is based on study and analysis of theory and research in the world. The empirical research is based on a survey conducted in 2016. The data collection method is analysis of the set of items 'Use of Information Channels in Recruiting New Employees' from the survey conducted in 2016, 'The Study of Human Resources Management Marketing', using the analysis of the Central trend indicators.

The research limitations are related to the fact that the data obtained in the study are not fully representative because the research was performed on improbable sample. Thus, the results obtained can only partially reflect the results and partly complement the findings.

The study sample consists of 80 medium and small enterprises in Latvia, with the set of 449 respondents. The study selection criteria: the organization has a website; the organization publishes job offers; the organization has personnel management functions and external activities, which was identified using the data of the Central Statistical Bureau of Latvia, Lursoft and Eurostat on 2016 topical information. Based on these criteria on a random basis, a probable sample should be 218 respondents with a limiting error 5%, Boitman (2016).

Results of the research

The authors of the article have inspected the topic from the theoretical aspects, performed the analysis of secondary data or statistics, as well as analysed the empirical research performed on improbable sample. In general, the results of the study are related to theory and research.

In Figure 2, the data obtained in the survey are shown, where information channels for personnel selection and recruitment in small and medium-sized enterprises have been elicited.

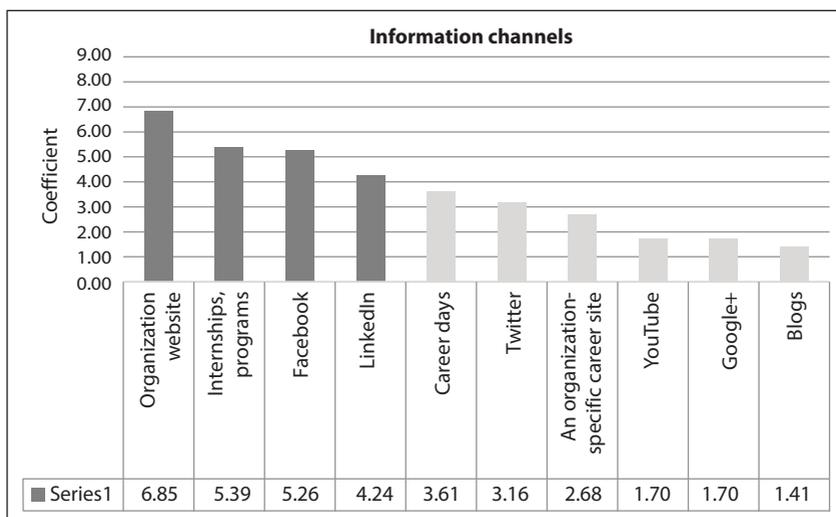


Figure 2. Information channels for recruitment and selection at medium and small businesses.

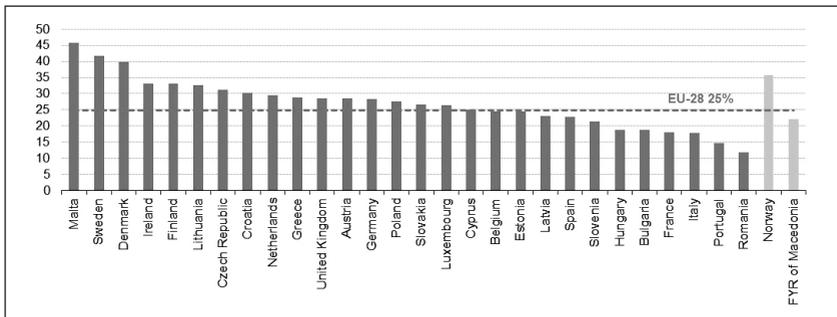
In Figure 2, the usage patterns of information and communication channels in small and medium enterprises in Latvia are reflected. This shows that companies extensively use their corporate websites as a resource to search for employees. There is a high proportion of using social networks, e. g. *LinkedIn* and *Facebook*, as well as a high result for the traditional way of attracting employees by organising internships in companies, thus attracting new talents. The results show that the use of digital information channels have gained a higher proportion, which corresponds to the theoretical aspects of the article. However, under discussion is the fact that, alongside the digital media, which is the internet and social media, there are traditional approaches based on direct physical contact with the participants of the employment market. This calls for a new research question that the digital environment will not be able to

fully replace the physical contact needed by the employer to establish contact with a potential job seeker. The results shown in the figure testify that companies generally do not make full use of information channels and resources for personnel selection and recruitment, since the arithmetic mean of the possible rating 9 is 3.6, the maximum value is 6.85, indicating a low score. Indicators of the Central trend show that the mean is 3.6, which can be seen from the indicators of the Descriptive Statistics, Table 1.

Table 1. Descriptive Statistics 'Information channels for recruitment and selection at medium and small businesses.

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Information channels	10	1.41	6.85	36.00	3.6000	1.82538
Valid N (listwise)	10					

In accordance with the practical research, the authors looked at the available statistical data, which reveal more about the phenomenon of the research. Figure 3 reflects the data from Eurostat.



Source: Eurostat Research Dates, 2016

Figure 3. Enterprises advertising on the internet, 2016 (% of enterprises) Eurostat (2016)

Figure 3 shows the research data from 2016 Eurostat study on the companies' use of the internet, which is also related to the topic of the article. Research data show that in Latvia the percentage of internet usage is 24%, while in Malta 45% of companies use the internet for advertising purposes, meanwhile the lowest rate is in Romania, where only 13% of companies use the internet. Overall, it outlines that medium and small enterprises in Latvia use the internet environment for advertising purposes

relatively little, it is also closely related to advertising in the context of human resources and recruitment, Eurostat (2016a). Another Eurostat study more precisely outlines the use of the internet among medium and small businesses, as opposed to large companies, where the capacity of medium and small businesses in various forms of on-line advertising activity is at least 20% lower than for large companies, Eurostat (2016b). The above-mentioned data confirm the correlation between the results of the empirical research, that in Latvia medium and small enterprises use the internet in insufficient amount and capacity.

Conclusions and Proposals

According to the theoretical framework and the data obtained in the research, the authors conclude that small and medium enterprises use information channels insufficiently to attract and select personnel. Businesses choose the information channels that are the cheapest, most affordable, and require insignificant digital competencies. Medium and small businesses mainly use digital resources rather than traditional resources for information placement and advertising to attract the workforce, and corporate website, and great emphasis is put on using social media for personnel selection and recruitment. This can be substantiated by the low costs of these resources and relatively simple technical solution that does not require users to have a high level of digital competence. The results of the research show that the implementation of internship programs is very popular in order for medium and small companies to attract new employees and talents, which was a discovery for the authors during the research. This result was not anticipated and may trigger further research.

The limitation of the article's author's research is that the obtained data are not representative, therefore a study on a representative sample is needed to unambiguously interpret the results of the study.

The authors of the article encourage discussions and suggest that companies need to organise the recruitment measures in a planned and strategic way, creating a strategy, a marketing plan that would allow more extensive use of informative resources in attracting employees. In order to use digital media, it is necessary to increase the digital competencies of the human resources departments, as the available statistical data and research data indicate that there is a low use of digital technologies. In addition, medium and small enterprises need innovations and faster deployment of new technologies in human resource management, including personnel selection.

The findings of the research about the development of internship programs encourage discussion that these results have not been predicted and require an in-depth study of this phenomenon on the development

of internships in companies and subsequent succession. In addition, the research should include a study of job search channels for X, Y and Z generations of job seekers.

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LATVIAN-POLISH ECONOMIC RELATIONS 1918–1939¹

Viesturs Pauls Karnups

Dr. oec.

Abstract

This article provides an overview of Latvian-Polish economic relations in the interwar period. Polish-Latvian relations date back as far as the 16th century when the last Grand Master of the Livonian Order and the archbishop of Riga requested the assistance of King Sigismund August of Poland to face a possible invasion by the Muscovite tsar. In the interwar period, economic relations between Latvia and Poland were mainly confined to foreign trade, although there were some investments in Latvia from Poland as well. Although Latvia declared its independence in 1918 (at the same time as the rebirth of Poland), trade with Poland did not commence until 1921 after the end of the Latvian War of Independence. It ended with the outbreak of WWII in 1939. Latvia's foreign trade in relation to Poland was more or less regulated by the 1927 Provisional Commercial Agreement, the 1929 Commercial and Navigation treaty, as well as the 1938 Protocol of Tariff with Signature Protocol. Latvia's main imports from Poland in the interwar period were coal and coke, textiles and textile products, metals and metal products, cereals (barley and rye), and flax seeds, whilst Latvia's main exports to Poland were rubber products, paper and paper products, linoleum, fish and fish products, paint and paint products. In general, trade and thus economic relations were of marginal significance to both countries in the interwar period. On the other hand, Latvia had fairly intensive relations with Poland in the political, social and cultural spheres. This was mainly due to the fact of geographic propinquity, the large Polish minority in Latvia and differences over border regions.

Keywords: Latvia, Poland, economic relations, interwar period

Introduction

Polish-Latvian relations date back as far as the 16th century when the last Grand Master of the Livonian Order and the archbishop of Riga requested the assistance of King Sigismund August of Poland to face a possible invasion by the Muscovite tsar.² In the final stages of Latvia's War of Independence, a military alliance between Latvia and Poland against

¹ A version of this article was presented at the 13th Conference on Baltic Studies in Europe 2019: Baltic Solidarity, 26–29 June 2019, Gdansk, Poland.

² Ē. Jekabsons (2018), p. 1.

the Red army in Latvia's eastern region of Latgale was concluded from 1919 to 1920. Poland recognised the independence of Latvia on 27 January 1921 (the Polish note on the recognition of Latvia *de iure* is dated 31 December 1920 but was submitted to the Latvian Ministry of Foreign Affairs on 27 January 1921). In the interwar period, economic relations between Latvia and Poland were mainly confined to foreign trade, although there were some investments in Latvia from Poland as well. Although Latvia declared its independence in 1918 (at the same time as the rebirth of Poland), trade with Poland did not commence until 1921 after the end of the Latvian War of Independence. It ended with the outbreak of WWII in 1939. Latvia's foreign trade in relation to Poland was more or less regulated by the 1927 Provisional Commercial Agreement, the 1929 Commercial and Navigation treaty, as well as the 1938 Protocol of Tariff with Signature Protocol.

A number of political and social factors complicated Latvia's relations with Poland in the interwar period:

- Poland's invasion in 1920 and later annexation in 1922 of the Lithuanian territory of Vilnius and surrounding district. Lithuania was in a state of war with Poland until 1938. This put paid to any hope of future political or economic alliances between the Baltic States and Poland in the interwar period.
- Latvia's land reform of the 1920's, which included the expropriation of large estates, also included estates owned by now Polish citizens (especially in the Latgale region). The original law did not allow for compensation for the expropriated land, only that the former owners could retain 50 ha. However, on 12 February 1929, in a confidential addendum to the 1929 Commercial and Navigation treaty, Latvia agreed to pay 5.4 million gold lats compensation to former landowners – Polish citizens.³
- Poland's borders with Latvia.⁴ Latvia and Poland shared a 105 km long border, although until 1929 Poland claimed the Latvian town of Grīva and six adjoining parishes. In 1929, the Polish government recognised the existing border as legal and a joint border commission for demarcating the border on the ground was established. It completed its work in 1938.
- Polish minority in Latvia.⁵ The Polish minority in Latvia was the fourth largest and was located mainly in eastern Latvia in the Latgale region. The Polish minority constituted approximately 3 per cent of Latvia's population, most of whom (some 64%) lived in

³ 20. gadsimta Latvijas vēsture. II: Neatkarīgā valsts. 1918–1940 (2003), p. 395.

⁴ For a detailed study of Latvian-Polish border issues, see Jēkabsons, Ē. (2003).

⁵ For a detailed study of Poles in Latvia, see Jēkabsons, Ē. (1996).

the cities.⁶ Up until 1929 there much agitation against the Latvian government by the Polish minority in Latgale in relation to both the border and land compensation issues.

The above-mentioned political and social issues impinged to a greater or lesser extent on Latvia's economic relations with Poland, particularly the Lithuanian issue as will be seen later.

Table 1. Selected Economic Indicators for Latvia and Poland in the Interwar Period

	Latvia	Poland
Population (millions)	2 (1939)	34.9 (1938)
Share of urban population (%)	34.6 (1935)	30 (1938)
Share of agriculture in the labour force (%)	67.8 (1935)	64.9 (1931)
National Income (millions Ls)	1256 (1938)	15 400 (1938)*
National Income per capita (Ls)	628 (1938)	441 (1938)
Share of Agriculture in NI (%)	39.2 (1938)	32.4 (1937)
Share of Manufacturing in NI (%)	20.5 (1938)	27.9 (1937)

*Conversion of 1938 Polish zloty to Latvian lats (1 zloty ~ 1 lats)

Sources: Darbiņš, A. & Vītiņš, V. (1947); *Economists* (1934); Lethbridge, E. (1985); Crampton, R. and B. (1996); *National Income Statistics 1938–1948* (1950); *Economists* (1938); *The Population of Poland* (1975).

As can be seen from Table 1, despite the enormous difference in population Latvia's share of urban population in the interwar period was slightly higher than in Poland; the share of agriculture in the labour force was also slightly higher. National Income per capita was half as much again than that of Poland although the share of agriculture in NI was higher. Latvia's share of manufacturing in NI was slightly lower. Essentially, Latvia's economic structure per se was similar to that of Poland. However, there was an enormous difference in natural endowments. Poland had substantial mineral resources. It had large proven reserves of hard and brown coal, in addition to deposits of copper, sulphur, zinc, lead, silver, magnesium, and rock salt. There were also petroleum and gas deposits. Latvia, on the other hand, had only gypsum deposits, as well as extensive deposits of peat.⁷

⁶ 20. gadsimta Latvijas vēsture. II: Neatkarīgā valsts. 1918–1940 (2003), p. 301.

⁷ For a detailed study of the peat industry in Latvia in the interwar period, see Karnups, V. P. (2016).

Latvian-Polish Economic Relations 1921–1939

Some Polish and Latvian trade had already been in existence prior to the formal signing of a trade agreement. In 1921, Latvia imported petroleum and petroleum products, textiles and metals and metal products from Poland whilst exporting rags and waste cloth, paper and paper products, fish and fish conserves to Poland. Similarly, in 1922, Latvia imported the same products, as well as agricultural and industrial machinery, and exported the same products as well as linoleum. By 1923, both imports from and exports to Poland were a regular feature of Latvian foreign trade.⁸

Latvia's foreign trade in the 1920s was based in large measure on a system of commercial and trade treaties. By 1929, Latvia had concluded commercial treaties with all important European states (except Spain), including a Commercial and Navigation treaty between Latvia and Poland in 1929. They provided the regulatory framework within which were stated the obligations undertaken by Latvia in its foreign trade relations with its trading partners up to 1931. Latvian trade treaties at this time provided generally for Most Favoured Nation (MFN) treatment for both parties and included the Baltic and Russian clause.⁹

Although Latvia had concluded a trade agreement in 1922 with Czechoslovakia, and a year later with Great Britain, it was not until 1925 that talks began with Poland in respect of concluding a trade agreement. This was due mainly to financial instability in Poland and it was not until the financial reforms of Władysław Grabski and the introduction of the new national currency – the zloty – that the first steps could be taken in respect of trade agreement between Latvia and Poland. The first draft agreement was presented by Poland to Latvia at the beginning of 1925. Discussions regarding the trade agreement lasted four years.

The main obstacle to signing an agreement turned out to be not of an economic, but of a political nature. The Polish side objected to including Lithuania and the USSR as in the Baltic and Russian clause. It would appear that Poles objected to including Lithuania mainly to allow Poland some freedom of action in relation to Lithuania (the original proposal included reserving for Poland the possibility to accord Lithuania preferential treatment from which Latvia would be debarred¹⁰), whilst

⁸ In Latvian trade statistics, Polish imports and exports are grouped together with imports to and exports from Danzig – based on the assumption that most of the goods were of Polish origin.

⁹ The Baltic and Russian clause was in the nature of a geographical and regional restriction of the MFN principle and provided that the MFN principle does not apply to rights, preferences and privileges, which Latvia reserves or may reserve to Estonia, Finland, Lithuania and the Soviet Union.

¹⁰ Munter, W. N. (1928), p. 147.

objections to the inclusion of the USSR was based on fears of Soviet economic penetration of Latvia, which would in turn harm Polish interests in Latvia.¹¹ The Latvian side categorically dismissed these objections and insisted on the full inclusion of the Baltic and Russian clause.

In the meantime, the Poles were able to take advantage of the 1926 British coal miners' strike to find lucrative markets in the Baltic States and were able to substantially increase Latvian imports of coal from Poland (from some 12% in 1925 to 54% in 1926 of all coal imports). In November 1927, Latvia's trade agreement with the USSR, based upon the Baltic and Russian clause, came into force and thus Polish objections to the inclusion of USSR became superfluous if Poland wanted to conclude a trade agreement with Latvia. Therefore, from an economic point of view it was in Poland's interest to conclude a trade agreement. On 22 December 1927, a Provisional Commercial Agreement was signed. The issue of Lithuania was left open to be decided when the final trade agreement was agreed to.

Discussions regarding a final agreement continued through 1928 and 1929. Poland, after the failure of trade talks with Lithuania where the Lithuanians categorically refused to sign a trade agreement with Poland, finally decided that the objections to the inclusion of Lithuania made no practical sense.¹² This enabled the trade talks with Latvia to end successfully and on 2 December 1929, the Treaty of Commerce and Navigation between Latvia and Poland was signed.

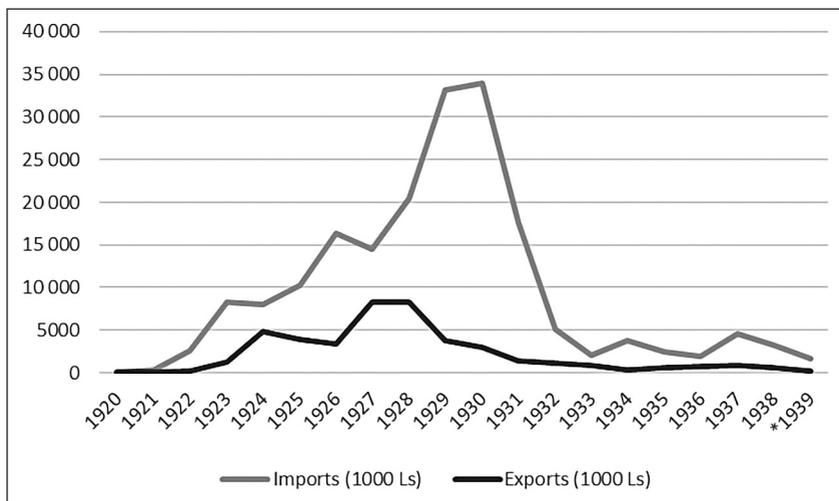
The treaty came into force 17 April 1931 and terminated the 1927 agreement. The general structure of the treaty was similar to all the other bilateral trade agreements concluded by Latvia. This included (Article 20) the Baltic and Russian clause and from the Polish side it contains a special clause relating to the conditions obtaining between the Polish and the German sections of Upper Silesia, which are considered beyond the scope the MFN principle. It also included two tariff lists (Article 8) – List A, which pertained to lowered customs tariffs for goods from Latvia to Poland and List B, which pertained to lowered customs tariffs for goods from Poland to Latvia. In 1938, List A was amended and the 1938 Protocol of Tariff with Signature Protocol was signed. The Signature Protocol refers the Latvian Chamber of Commerce and Industry at Riga being authorised to certify the invoices required for porcelain wares originating in and coming from Latvia, on the basis of most-favoured-nation treatment.

¹¹ *Ekonomists* (1929), p. 330.

¹² *Ibid.*, p. 331.

Latvian-Polish Trade 1920–1939

Latvian-Polish trade in the interwar period fluctuated at very low levels. Latvia's trade balance with Poland throughout the interwar period was passive with imports far exceeding exports. The value of Latvian imports from and exports to Poland can be seen in the Figure 1.



* The data for 1939 is for eight months only – to 31 August 1939.

Sources: Latvijas Statistika Gada Grāmata 1920–23 [Latvian Statistical Year Book 1920–23] Rīga: Valsts Statistiskā Pārvalde; Latvijas ārējā tirdzniecība un transits – 1924–1939. [Latvian Foreign Trade and Transit. 1924–1939.] Rīga: Valsts Statistiskā Pārvalde; and Mēneša Biļetens Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1057

Figure 1. Latvia-Poland Imports and Exports 1920–1939

Latvia's exports to Poland were low and reached their peak in 1926 at just over 8 million lats. The signing of the trade agreement in 1929 failed to stimulate Latvian exporters to the Polish market. The onset of the Great Depression further reduced Latvia's exports to Poland, as most of these were manufactures. The tariff agreement of 1938 also failed to stimulate exports. Latvia's imports from Poland, on the other hand, were much higher and reached their peak in 1930 at nearly 34 million lats. Thereafter, they dropped to very low levels, which continued until the beginning of WWII.

Latvian Exports to Poland

Latvia's main exports to Poland were Fish and fish conserves (including "Šprotes"¹³), Rags and waste cloth, Paper and paper products, Linoleum, Paints, inks and paint compounds, and Seeds (flax and clover) (See Table 2). On examination of Table 2, it would seem that whilst there was no formal trade agreement, Latvian exports to Poland remained steady and slowly increased. After the coming into force of the trade agreement, Latvian exports fell dramatically and, coupled with the effects of the Great Depression, tapered off to minimal levels. This was also due in part to large fluctuations in Polish customs tariff policies during this period.

Linoleum was an important export to Poland in the 1920s. Linoleum in Latvia was produced by the Liepāja branch of the Swedish entrepreneurial family firm of Wicander (Linoleum Aktiebolaget Forshaga), the "Liepāja Cork and Linoleum Factory", which before the First World War had produced linoleum for the Russian market. After the war the factory renewed production, but already in 1922 was subject to the control of an international linoleum cartel based in Britain. However, in 1927, the Wicander firm sold its Liepāja branch to another cartel, which was based in Germany. The factory completely ceased production in 1930 and linoleum disappeared from the foreign trade of Latvia and from exports to Poland.

Rags, waste cloth, and Paints, inks, and paint compounds enjoyed a small, but steady market in Poland throughout the interwar period. Fish and fish conserves (including "Šprotes"), and Seeds (flax and clover) fluctuated over the period, sometimes disappearing completely from exports to Poland. Paper and paper products was the only export product, which grew over time, particularly in the 1930s reaching its peak in 1936 at 4.7 million lats.

Latvia also exported small quantities of rubber goods, particularly rubber goshes; superphosphate, cellulose, hides and furs.

Latvian Imports from Poland

Latvia's main imports from Poland were Industrial and agricultural machinery, Coal, coke and briquettes, Cement, Metals and metal products (iron and steel sheets, pipes, tin, etc.), Petroleum and petroleum products and, surprisingly, Timber and timber products (including round timber, logs, plywood, etc.). The amounts and value of Latvia's main imports imported from Poland in the interwar period are shown in Table 3.

¹³ "Šprotes" or sprats are close relatives of anchovies, sardines and herrings. The Latvian style is to smoke and/or preserve them in oil.

Table 2. Latvia's Main Exports to Poland

Year	Fish and fish conserves (including "Sprotes")		Rags and waste cloth		Paper and paper products		Linoleum		Paints, inks and paint compounds		Seeds (flax and clover)	
	tonnes	Value (1000 Ls)	tonnes	Value (1000Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000Ls)	tonnes	Value (1000Ls)	tonnes	Value (1000 Ls)
1923	140	43	1146	193	57	20	34	50	0	0	10	5
1924	740	244	810	136	0	0	333	436	1	3	0	0
1925	550	159	98	7	0	0	191	290	77	74	626	319
1926	279	65	667	85	13	504	123	200	218	243	1775	503
1927	508	114	741	146	10	131	489	802	341	370	1998	562
1928	887	202	702	126	15	159	496	785	426	403	23	12
1929	967	271	364	51	11	100	578	732	566	599	41	25
1930	683	205	136	18	7	63	398	517	486	540	440	139
1931	0	0	101	15	46	24	0	0	515	521	326	61
1932	0	0	272	136	179	65	0	0	242	203	252	41
1933	0	0	105	5	1228	278	0	0	214	204	23	5
1934	58	23	155	11	712	153	0	0	134	115	40	12
1935	41	14	130	12	1784	374	0	0	95	88	0	0
1936	39	21	187	53	1979	470	0	0	74	80	3	1
1937	191	77	261	156	779	312	0	0	80	102	97	60
1938	178	103	221	104	398	165	0	0	150	157	0	0
1939*	72	35	169	69	0	0	0	0	74	88	0	0

* The data for 1939 is for eight months only – to 31 August 1939.

Sources: Latvijas ārējā tirdzniecība un transits – 1924–1939. [Latvian Foreign Trade and Transit. 1924–1939.] Rīga: Valsts Statistiskā Pārvalde; and Mēneša Biļetens Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1057

Table 3. Latvia's Main Imports from Poland

Year	Coal, coke and briquettes		Machinery (industrial and agricultural)		Cement		Metals and metal products (iron and steel sheets, pipes, tin, etc.)		Timber and timber products (including round timber; logs, plywood, etc.)		Petroleum and Petroleum products (including kerosene, petrol, distillates, lubricants, etc.	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1923	6876	209	1302	1115	15	1	103	29	3040	120	330	77
1924	1586	61	127	167	16	1	90	21	2526	174	175	30
1925	61 805	1443	159	102	0	0	86	32	21 722	600	424	111
1926	236 786	5518	300	200	1604	63	2401	386	19 941	538	2529	382
1927	334 729	8270	238	273	8036	322	2688	454	2340	93	957	166
1928	394 028	7687	173	104	4362	171	2425	443	6182	137	1193	185
1929	479 534	10 704	160	127	12 000	534	2470	557	3340	105	7465	874
1930	520 777	11 897	114	135	5957	258	1265	478	7359	274	4770	546
1931	447 372	8246	16	23	0	0	1146	350	6551	298	3790	341
1932	107 905	1780	90	106	0	0	140	42	212	43	1836	113
1933	82 856	1136	83	99	0	0	254	48	85	34	5742	318
1934	11 629	156	767	907	0	0	10 037	1504	6536	359	1957	126
1935	44 685	583	7	8	0	0	7861	1139	7199	424	1370	78
1936	52 356	871	0	0	0	0	0	0	12 509	783	723	71
1937	122 763	3869	4	10	1765	61	88	29	3370	332	166	14
1938	81 471	2580	1	5	1737	72	64	30	2023	114	0	0
1939*	39 699	1152	0	0	674	20	0	0	3751	188	0	0

* The data for 1939 is for eight months only – to 31 August 1939.

Sources: Latvijas ārējā tirdzniecība un transīts – 1924–1939. [Latvian Foreign Trade and Transit, 1924–1939.] Rīga: Valsts Statistiskā Pārvalde; and Mēneša Biļetens Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1057

There was a large increase in coal imports from 1926 due to the British coal miners' strike as mentioned previously. This continued until the onset of the Great Depression when it steadily declined. The continued fall in coal imports from Poland was mainly due to the restrictions embodied in the 1934 Commercial Agreement between the Government of Latvia and His Majesty's Government in the United Kingdom, which had fixed quotas on goods to be imported and contained stipulations relating to the import of iron, steel, coal, agricultural machinery, salt, creosote, etc. For example, Latvia had to import 70% of her coal from Britain. Thus, Polish coal imports fell from a high of 95.7% of all imported coal in 1931 to 4.7% in 1935.¹⁴

Industrial and agricultural machinery imports from Poland were important in the 1920s, but became less so as Latvia's own industries started to produce similar goods, as well as in the 1930s due to the Clearing agreement arrangement with Germany where Latvia exchanged agricultural and timber products for industrial and agricultural machinery.

Metals and metal products (iron and steel sheets, pipes, tin, etc.) were also important imports from Poland, and reached their peak in 1934 at 1.5 million lats. Thereafter, they tapered off dramatically as Poland required these materials for herself in preparation for war.

Poland was a source of petroleum products, especially kerosene, for Latvia throughout the interwar period. The importation of cement fluctuated throughout the period and disappeared from imports from Poland during and after the Great Depression. Cement imports reappeared in the late 1930s.

Most surprising was the level of Timber and timber products (including round timber, logs, plywood, etc.) imports. Latvia herself was a major exporter of timber and timber products – in 1936, 37.3% of all exports were timber and timber products.¹⁵ Most of the imported timber was later re-exported.

During the interwar period Latvia imported a whole range of Polish goods in small quantities including salt, books, caustic soda, hides and furs, textiles, and food products.

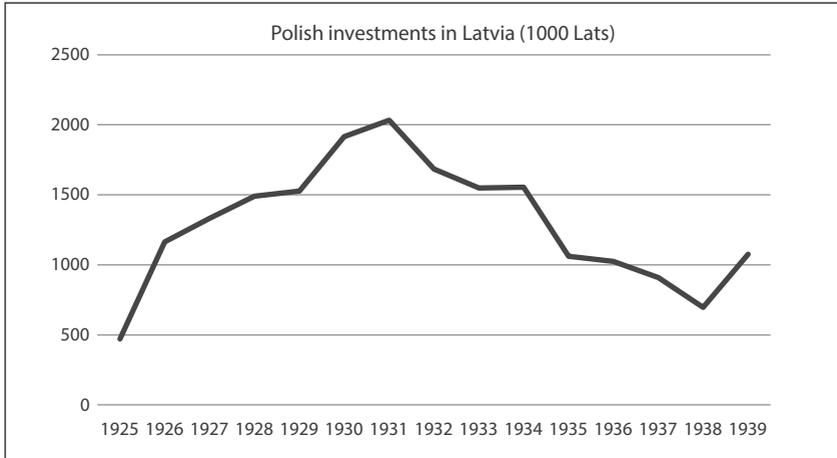
Polish investments in Latvia 1925–1939

Foreign capital in Latvia was mainly invested in banking, industry, transport and trade. By 1927, over 60% of the equity capital of all Latvian

¹⁴ *Latvijas ārējā tirdzniecība un transits* (1935), p. XXVIII.

¹⁵ *The Baltic States* (1938), p. 161.

joint-stock banks¹⁶ was foreign owned, while foreign capital comprised 27.8% of aggregate capital in insurance, 33.9% in trade (commerce), 63.1% in transport and about 50% in industry.¹⁷ Many investors hoped that from Latvia they would be able to expand in the huge Russian market. Figure 2 provides an overview of Polish investments in the interwar period.



Sources: Latvijas Statistiskā gada grāmata. 1929, 1939 [Latvian Statistical Yearbooks 1929, 1939] – Rīga: Valsts Statistiskā Pārvalde; Statistiskas tabulas [Statistical Tables] – Rīga: Latvijas PSR Tautsaimniecības Statistikas pārvalde, 1940

Figure 2. Polish investments in the Company Capital of Latvian Undertakings (as at 1 January). 1925–1939

The peak year for Polish investments was 1931, when investments totalled 2 032 000 lats. Polish investments were mainly in the chemical industry sector (29% of total Polish investments in 1931), closely followed by the food processing industry (25%), then by ceramic industry (19%), trade (12%), real estate (8%), textile industry (6%) and some other minor investments.

The onset of the Great Depression steadily reduced the value of Polish investments in Latvia. From the peak in 1931 Polish investments were reduced to 1 555 000 lats in 1934. The decrease accelerated after 1934, when the nationalistic Ulmanis regime began to systematically reduce the amount of the foreign investment stock. Foreign investment

¹⁶ For a brief overview of banking in Latvia in the interwar period see Hiden (2000), pp. 133–149.

¹⁷ The Latvian Economist (1928), p. 24.

stock in the company capital of Latvian undertakings overall was reduced from 50.4% in 1934 to 25.4% in 1939 of which the reduction in industry was from 52.4% in 1934 to 31.9% in 1939, in commerce from 35.9% to 28.2% and in finance and banking from 62.4% to 9.7%.¹⁸ As can be seen in Figure 2, Polish investments had been reduced from the peak in 1931 to a mere 696 000 lats by 1938. The slight upturn in 1939 can probably be attributed to capital flight from Poland as the clouds of war gathered.

Polish Agricultural Guestworkers

A particular feature of Latvia's economic relations with Poland was the employment of Polish guestworkers in agriculture. The growth of industry in Latvia in the interwar period meant there was an exodus of workers from the rural areas to the cities, especially Riga. Mainly because rural wages were much lower than industry wages and the fact that farm labouring was very hard work with long hours in season. This created a chronic shortage of agricultural workers in the countryside. As Latvia was still essentially an agricultural product producing country, this impacted directly on the Latvian economy as a whole.

Foreign agricultural guestworkers in Latvia were to fill the gap.¹⁹ If in 1933 there 12 404 registered foreign agricultural guestworkers in Latvia (of which 4678 were from Poland), by 1938, there were 27 532 registered foreign agricultural guestworkers in Latvia, of which 21 267 were from Poland.²⁰ The shortage of agricultural workers in Latvia led to the signing of an agreement in 1938 between Latvia and Poland in respect of seasonal Polish agricultural workers, as well as a number of subsidiary agreements regarding specific issues thereto.²¹ Most Polish agricultural workers returned home at the end of the season. When the USSR and Germany overran Poland, the guestworkers were allowed to stay in Latvia if they wished.

Conclusion

In the interwar years, Latvian and Polish economic relations was mainly confined to foreign trade and investment although other forms of economic relations such as transit and tourism were also important. Nevertheless, despite geographical proximity and the advantage of shorter sea routes

¹⁸ Finanču un kredīta statistika (1939), p. 172.

¹⁹ For an overview of this problem in the 1930s, see Stranga, A. (2017).

²⁰ Latvju Enciklopēdija (1950), p. 132.

²¹ Brīvā Zeme (1938), p. 21.

than to Britain or Germany, the fact of similar export products made significant inter-regional trade between Latvia and Poland unprofitable. Latvia always had a negative trade balance in relation to Poland.

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Poland made up 1.38% of total Latvian exports, and Polish imports made up 9.16% of total Latvian imports. However, in 1937, when Latvian foreign trade reached its post-Depression peak, exports to Poland were only 0.3% of total Latvian exports, and imports from Poland were only 2.0% of total Latvian imports. One suspects that the figures from the point of view of Poland would be significantly less. In other words, trade and thus economic relations were of marginal significance to both countries in the interwar period.

It is interesting to note that in 2018, Latvian exports to Poland totalled 591.5 million EUR or 3.4% of total Latvian exports (mainly metals and metal products, machinery, food industry products, timber and timber products). Whilst imports from Poland totalled 1486.3 million EUR or 8.1% of total Latvian imports (mainly machinery, chemical industry products, plastics and rubber industry products, food industry products, and metals and metal products).²² As in the interwar period, Latvia still has a negative trade balance with Poland.

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²² Data from the Central Statistical Bureau of Latvia.

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SOCIAL BENEFITS AGAINST POVERTY OF SINGLE PARENT FOR SOCIAL INVESTMENT¹

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PhD

Abstract

Compensatory welfare is less sensible for “new” social risks including single parenthood nowadays. Thus, social investment policy seeks to combine work and family responsibilities for single parents to enable them to avoid poverty. On the other hand, social investment can be perceived as the other pillar together with compensatory social protection, which is important for single parent families as a tool protecting against poverty. Among the three welfare sources, i.e. family, market and state, the state should support the single parents (Christopher, 2002; Nieuwenhuis and Maldonado (2016)). The aim of this research is to analyse the impact of social benefits on the poverty reduction of single parents in the Baltic States with a focus on social investment. The following objectives are set up for the implementation of the aim: to review discourse about social investment, its relation with traditional social protection and life course perspective; to analyse the income and the poverty, as well as to analyse the impact of social benefits on poverty reduction. The empirical data of the research are obtained from the EU-SILC microdata of the period of 2007–2015 aiming to evaluate the prevailing trend. The analysis of the impact of social benefits on poverty reduction was made using a sequential approach, when the impact on poverty reduction of each type of social benefit is measured separately step by step. The impact of social benefits on poverty reduction among single parents was evaluated over the life course because social investment is a life course policy. The findings of the research revealed that social benefits have quite a small impact on poverty reduction in single parent families. The poverty after social benefits among single parents remains high and stable during 2007–2015. Additionally, the poverty of single parents in Baltic States is feminized.

Keywords: single parents, social benefits, social investment, life course, Baltic States, income, poverty

Introduction

A relatively high rate of divorce is typical of the Baltic States: during the period of 2014–2015 more than 40% families got divorced in Lithuania.

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This indicator equalled about 50% in Estonia and 50–58% in Latvia. Thus, households of single parents have become a reality of society life. Households of single parents are perceived as a “new” social risk due to a wider spread of poverty and need for employment combining it with children’s care (Esping-Andersen, 2002; Bonoli 2006). However, compensatory social policy (social insurance) has become less sensitive to new social risks (Esping-Andersen, 2002, Hemerijck, 2013). Social investment policy, as supplementing compensatory welfare, could contribute to reduction of poverty among single parents creating favourable conditions for their employment. Despite that, the compensatory welfare remains important and social investment is not a substitute for it. Compensatory welfare and social investment are rather two pillars of welfare (Hemerijck, 2013).

The aim of this research and contribution of this research is to add the knowledge about the impact of social benefits on the poverty reduction of single parents in the Baltic States with a focus on social investment.

The article consists of the following parts: the review of discourse about social investment, its relation with the traditional social protection and life course perspective. It also presents the analysis of the income and the poverty, as well as the analysis of impact of social benefits on the poverty reduction. The empirical data of the article are obtained from the EU-SILC microdata of the period of 2007–2015. The impact of social benefits on poverty reduction among single parents was evaluated over the life course, because social investment is a life course policy. The analysis of the impact of social benefits on poverty reduction was made using the sequential approach, when the impact on poverty reduction of each type of social benefit was measured separately step by step. The calculation was made during the research project “Income smoothing over the life course from social investment perspective in the Baltic States” in 2018. An attempt was made to compare the data of 2007 and 2015 in order to identify the prevailing trend in data.

Social investment and compensatory welfare over the life course

The social investment paradigm focuses on enhancement of human capital in order to ensure participation in the labour market (Esping-Andersen, 2002; Bonoli, 2006; 2013; Hemerijck, 2017). According to Cooke and Gazso (2009), the main idea of social investment is the shift from passive social protection to active welfare programmes. Activation refers to any policy that enhances the capabilities of citizens, as proposed by Esping-Andersen (2002). Esping-Andersen (2002) contends that activation encourages one to seek a job more actively, and activation begins in early childhood. Thus, early childhood learning is of primary importance (see Jenson and Saint-Martin, 2005; Jenson, 2010; Bonoli, 2013;

Hemerijck, 2017). Hemerijck (2017) defines social investment as serving the “stock”, “flow” and “buffer” functions. The “stock” function of social investment strengthens people’s skills and capacities. The “flow” function helps to bridge critical life course transitions from schooling to the first job, etc., while income protection serves as a “buffer” function of social investment; the “buffer” helps to compensate and mitigate social inequity at the micro level and provides the necessary financial security for people to develop their human capital.

The same ideas were expressed by Nolan (2013), Pintelon et al. (2013), Kvist (2014) and Kuitto (2016). According to them, although recently there has been a lot of focus on the development of human capital over the life course, analysis of social investment should include welfare programmes which ensure consumption. Following the words of Esping-Andersen (2002), adequate income maintenance is the first precondition for preventive or remedial strategies. And according to Nolan (2013), investment cannot be understood without current consumption because investment primarily relates to the health of the future labour force. Farrington and Slater (2006) state that cash transfers have not only a consumption effect, but also an effect on the demand for food, investment in health and education. Indeed, social investment as a new welfare policy should combine greater labour market participation and adequate social protection (Pintelon et al., 2013). Kuitto (2016) notes that compensation and social investment policies should be complementary because social protection benefits increase household income, which results in investments in nutrition, health and education. Thus, social protection benefits, in this way, contribute positively to human capital investment and to development, as stated by Midgley (2018, ed. Deeming and Smyth, 2018). Kozek and Kubisa (2016) claim that welfare institutions only need to mitigate deficits in certain stages of the lives of individuals and families (ed. Halvorsen and Hvidinden, 2016). Therefore, according to Fitzpatrick (2004), institutional supports offer bridges through sensitive periods.

Single parenthood as a new social risk

Single parenthood was called a “new” social risk group, where poverty rate is high (Bonoli, 2006; Busemeyer and Neimanns, 2017). Following Bonoli (2007), it relates to socioeconomic transformations, which shifted the target of social policies away from the male breadwinner and towards women and younger, often low-skilled people. Therefore, the reconciliation of work and family life would be the solution avoiding the poverty for single parents. For that aim it is necessary to combine subsidised day care with income guarantees as emphasised by Esping-Andersen (2002). According to Esping-Andersen (2002), lone mothers will usually need

additional income support in order to escape poverty. The findings of Nieuwenhuis and Maldonado (2016) proved the positive effect of social protection benefits on poverty reduction of single parents. They found that parental leave facilitated employment among single parent families, in turn reducing their poverty. The transfers of family allowances were associated with a substantial reduction in poverty, particularly among single-parent families (Nieuwenhuis and Maldonado (2016).

The importance of social benefits during critical life events is significant for single parent households. In the family, individuals are usually supported by income from a spouse or partner or another family member (Christopher, 2002). In the case of single parenthood this support is not always ensured and a single person lives with children from the income of one person. Thus, among the three welfare sources, i.e. family, market and state, the state should support the single parents (Christopher, 2002; Nieuwenhuis and Maldonado, 2016). Another reason for the poverty among single parents was observed by Nieuwenhuis and Maldonado (2016). They point out that single parenthood is strongly gendered. Single mothers are more likely to face economic disadvantage as compared to single fathers. On average, women have lower earnings than men due to the gender wage gap and occupation segregation by gender, which is stronger among mothers. The majority of women graduate in humanities, which typically have lower earnings potential than graduates from the science (Nieuwenhuis and Maldonado, 2016).

As observed by Nieuwenhuis and Maldonado (2016), the child benefits targeted specifically towards single parents are more effective in reducing their poverty than universal policies for all. Another significant factor to reduce in-work poverty for single parent families is child support.

Nieuwenhuis and Maldonado (2016) doubted employment being an instrument against poverty, especially if the employment was of low quality: jobs with inadequate wages, of a temporary nature, high instability and with few opportunities for promotion. This concern has been raised particularly for those already in weaker socio-economic positions, such as single parents.

Data and methods

EU-SILC microdata of the period of 2007–2015 were used for the implementation of the set aim and objectives. Single parents were selected on the basis of household. The impact of social benefits on poverty reduction among single parents was evaluated over the life course because social investment is a life course policy. For the evaluation of the impact of social benefits on poverty reduction the sequential approach was used. Firstly, at-risk-of-poverty rate and gap were calculated for income from

the market and after that each social benefit was added to the income package and again at-risk-of-poverty rate was calculated and compared with the previous one.

For the calculation of at-risk-of-poverty and poverty gap the standard measurements were applied. The OECD equivalence scale was also used.

The income of single parents was compared with the income of couples with children and the average income of the country. The data of Eurostat were used for the analysis of poverty rate of groups of social benefit receivers.

Social benefits against poverty for single parenthood in Baltic States

Single parenthood in the Baltic States, as observed by Nieuwenhuis and Maldonado (2018) in their research, is strongly feminised. 73.5% of single parents were women in Lithuania and 77.9% in Latvia, 77.4% in Estonia in 2015.

Income and poverty

The income situation of single parents is characterised comparing it with another close group: income of couples and the average income in the country. Income of single parents was about one third lower compared with that of couples with children in Lithuania and about one fourth lower in Estonia and Latvia. In comparison with the average income in a country the income of single parents was yet lower: more than one third in Lithuania, about one third in Estonia and Latvia in 2015 (see: Table 1). Income of single parents was lower in 2007 in Estonia compared with that in 2015, while in Lithuania and Latvia the income of single parents in 2007 was higher compared with that in 2015.

Table 1. Average income of single parents compared with income of other groups in 2007–2015, %

State	With income of couples with children		With the average income in the country	
	2007	2015	2007	2015
LT	78.11	70.60	74.60	67.48
LV	81.05	76.42	81.47	73.66
EE	66.63	74.92	66.24	70.49

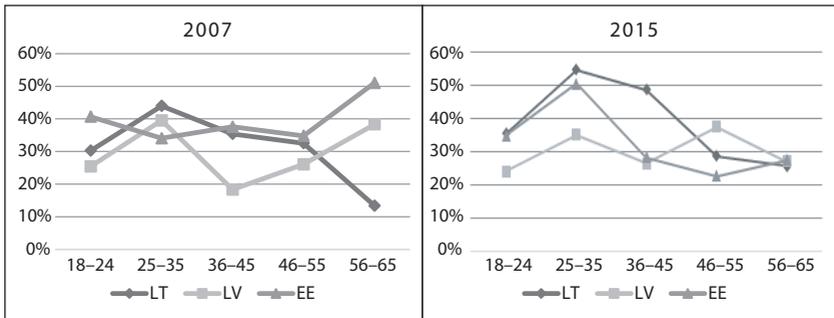
Source: Author's calculations

The low income of single parents is related to a high poverty rate of such groups. Looking at the life course, high poverty rates after retirement can also be observed (see: Figure 1).

The at-risk-of-poverty rate was one third higher in the group of youngest people (18–24 years old) in Lithuania and Estonia and it was about one fourth higher in Latvia in 2015. Comparing the poverty rate in 2015 with the data of 2007 in the age group of 18–24 years, a decrease in the poverty rate in Estonia can be observed. However, this indicator increased in Lithuania.

The poverty rate during the working career and the period of children growing (25–45 years old) is extremely high: about half in Lithuania and Estonia (25–35 years old), more than one third in Latvia in 2015. A similar trend was identified in 2007 as well. Despite that, the at-risk-of-poverty rate among single parents in the age group of 25–35 years increased in 2015 in all the three Baltic States compared with 2007. The at-risk-of-poverty rate in the group of single parents aged 36–45 years increased in Lithuania and Latvia in 2015 compared with the same age group of single parents in 2007, whereas this indicator was lower in Estonia (see: Figure 1).

Slightly less than one third of single parents lived in poverty in Latvia and Estonia (36–45 years old) and about half in Lithuania in 2015. For the oldest group of single parents, the at-risk-of-poverty rate decreased in 2015 compared with 2007.



Source: Author's calculations

Figure 1. The at-risk-of-poverty rate of single parents over the life course, 2007–2015

The lower income in the Baltic States and persistently high poverty during eight years among single parents is not an adequate “buffer” for children growing in such households. The importance of adequate income

for human capital development as a “buffer” was emphasised by Esping-Andersen (2002) and Hemerijck (2017). Yet more insufficient income and poverty over the life course transfers into the poverty after retirement, as the social insurance retirement schemes depend on the previous earnings. This is predetermined by the fact that the social insurance old age pension is the main income source in the income package of retirees in the Baltic States.

As single parenthood is a particular type of household, which certainly not always, but rather frequently lacks financial support from the spouse in the family. So, welfare state benefits and income from the labour market have to be adequate in order to avoid the poverty within this group. As stated by Esping-Andersen (2002) the following welfare benefits, such as family cash benefits, maintenance advances and social assistance are ineffective tools in the case of lone mothers. This finding was tested in the Baltic States using separate types of social benefits, including old age pensions.

Generally, the social benefits reduced the at-risk-of-poverty rate of single parents about 10 percent points in all the Baltic States in 2007–2015. However, it remained high after the social transfers in all the Baltic States in 2007–2015 (see: Table 2). The poverty rate after social benefits was lower only in Estonia in 2015 compared with 2007, whereas it increased in Latvia and Lithuania.

Analysing the impact of separate types of social benefits on the poverty reduction, it can be stated that child/family and survivor/orphan benefits had the relatively highest impact. The impact of child benefit on poverty reduction decreased in 2015 in Lithuania and Estonia compared with 2007. The impact of unemployment and social exclusion benefits on poverty reduction was insignificant in all the Baltic States in the period of 2007–2015 (see: Table 2).

To sum up, the present research confirms the finding of Esping-Andersen (2002), who stated that a child benefit is insufficient for the abolishment of poverty in families. The tax concessions and other complementary social policy means combined with employment could help single parents to avoid poverty. On other hand, the employment should ensure adequate pay jobs for single parents, because low paid jobs do not solve the problem of poverty. About 10% of single parents in LT and 7% – in LV and 9% – in EE were unemployed in 2015. About 30% of single parents in all the Baltic States were low skilled (0–2 ISCED level) in 2015. It can be related to the data of in-work poverty of single parents. In-work poverty of single parent equalled 25.2% in EE; 26.3% – in LV and 32.1% – in LT.

Therefore, these data allow stating that the support of welfare state is the most important source for single parents in the Baltic States.

The overlap of single parenthood with low education is another risk for reduced income from the market (insecure, low pay work). On other hand, the contextual particularities of the Baltic States, where wages are low, increase the importance of welfare state benefits. If in Western countries the main concern is how to combine child care and work (Nieuwenhuis and Maldonado (2018), in the Baltic States additional issue how to ensure sustainable and adequate paid employment is observed.

Table 2. Single parents at risk of poverty after types of social benefits in the Baltic States in 2007–2015

	2007			2015		
	LT	LV	EE	LT	LV	EE
Poverty rate before social benefits,%	46.9	38.2	49.3	50.7	43.0	44.2
Reduction of poverty rate by social benefits:						
Old age pension	-1.7	-1.0	-0.2	-0.5	-0.4	-0.9
Unemployment benefits	-0.2	-1.1	0.0	-0.4	0.0	-1.0
Survivor / orphan benefits	-2.5	-2.2	-2.2	-4.8	-1.7	-0.4
Sickness benefits	-0.5	-0.5	0.0	-0.4	-1.4	-0.1
Disability benefits	-1.6	-0.4	-1.3	-0.3	-2.3	-3.2
Child/family benefits	-4.2	-4.1	-4.9	-1.5	-6.4	-3.1
Soc. exclusion benefits	0.0	-1.4	0.0	-0.5	-0.5	0.0
Poverty rate after social benefits,%	36.1	27.4	40.7	42.3	30.3	35.5
The scope of poverty reduction,%	-10.7	-10.8	-8.6	-8.4	-12.7	-8.7

Source: Author's calculations

The analysis of the poverty gap before social benefits of single parents in the Baltic States shows that income of that group is more than 50% lower than the poverty line. In all the three Baltic States disability and child/family benefits had a relatively significant impact on the poverty gap. This can be related to the size of such benefits: for example, a disability benefit is usually calculated as old age pension and its amount depends on the level of incapacity, whereas the child/family benefits include parental leave benefit, which is quite generous in the Baltic States. In the period of 2007–2015 social exclusion benefits had a relatively considerable influence on the poverty gap in Lithuania as well as old age pension because a part of the persons in the group 56–65 year were retirees. Old age pension is one of the most generous social benefits compared with others. A rather low impact of social benefits on the reduction of poverty gap in the Baltic States is related to low generosity of benefits. The funding of social security expenditure was lower in the Baltic States almost twice the EU average in 2015 (source: Eurostat).

Table 3. Poverty gap of single parents after types of social benefits in Baltic States in 2015

	2007			2015		
	LT	LV	EE	LT	LV	EE
Poverty gap before social benefits,%	57	55	55	59	52	53
Reduction of poverty gap by social benefits:						
Old age pension	-5	-4	-7	0	-4	-2
Unemployment benefits	-1	0	0	-2	-2	-1
Survivor / orphan benefits	-1	-2	-1	1	0	0
Sickness benefits	0	0	0	-1	0	-1
Disability benefits	-9	-3	-6	-5	-3	-7
Child/family benefits	-4	-11	-7	-7	-3	-6
Soc. exclusion benefits	-3	1	0	-5	-1	0
Poverty gap after social benefits,%	34	37	34	40	39	36
The scope of the reduction of poverty gap,%	-23	-18	-20	-20	-13	-17

Source: Author's calculation

Elaborating on the inefficiency of traditional welfare benefit for abolishment the poverty of single parents, Esping-Andersen (2002) mentioned that other social policy tools, such as direct family cash transfers, can help single parents in poverty. Looking at the family policy tools for single parents in the Baltic States, it can be observed that only Estonia has a supplement to the general child allowance, Lithuania only offers reduced payment in pre-school institutions, whereas no supplements have been identified in Latvia (source MISSOC, 01/01/2015). The right to other benefits is not distinguished for single parent families separately.

Concluding remarks

Social investment is a policy focusing on a human capital development over the life course. Adequate income maintenance is required for successful social investment.

Single parenthood in the Baltic States can be characterised as a new risk group with a high poverty rate over the life course, especially during the children growth period. As the income formation is based on the following three sources: the market, the family and the welfare state, single parenthood in the Baltic States cannot be adequately supplied from any of those three. Low education overlapping with single parenthood cannot ensure good work and, as a consequence, results in high work poverty among single parents. Moreover, social benefits are focused on a traditional

family in the Baltic States. Thus, the social benefits have quite a small impact on poverty reduction among single parent families, especially in Lithuania. And family child benefits are insufficient for avoiding poverty in the Baltic States, as stated by Esping-Andersen (2002). Poverty after social benefits among single parents is high and stable in the Baltic States. That means cumulative disadvantages of children growing up in such families in the Baltic States. The social protection for single parents requires revision in all the three states.

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HOW DEMOCRATIC ARE THE CONSTITUTIONS OF POST-COMMUNIST COUNTRIES? COMPARATIVE ANALYSIS OF THE CONSTITUTIONS OF HUNGARY, LATVIA AND UKRAINE¹

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PhD

Abstract

This article is a comparative analysis of the Constitutions of three post-communist countries – Hungary, Latvia, and Ukraine – in the field of democracy and its values. These countries were chosen on the basis of their different status: Hungary is a post-communist country, Latvia is a post-soviet country, but now it is a member of EU, Ukraine is a post-soviet country with possibility to become a member of EU in the future. In the article the following directions were investigated: the main democratic principles of the Constitutions of Hungary, Latvia and Ukraine; possibilities for citizens to recall the elected officials and remove the president from office; comparative analysis of two Hungarian constitutions – 1949 and 2011.

Keywords: Hungary, Latvia, Ukraine, democracy, democratic values, constitutional democracy, post-communist countries, post-soviet countries

Introduction

After the collapse of Soviet Union all post-soviet and post-communist countries received an impetus for their own way in their functioning and development. Most of these countries have chosen the democratic path of their development, but the successes in this direction have been different for all countries. Countries were creating their democratic legislative norms, principles of functioning of the state and its institutions, the forms of cooperation between authorities and citizens, etc. The most important direction in this field was a creation of effective Fundamental Law, which would support all transformational process in the country and functioning of all its institutions and population.

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This article intends to analyse the Constitutions of three post-communist countries – Hungary, Latvia, and Ukraine – in the field of democracy and its values. These countries were chosen on the basis of their different status: Hungary is a post-communist country, Latvia is a post-soviet country, but now it is a member of EU, Ukraine is a post-soviet country with possibility to become a member of EU in the future.

The goal of this article is to make an analysis of the mentioned Fundamental Laws and 1) define the most democratic constitution which gives wide possibilities for public participation and development of democracy; 2) define the less democratic constitution and points which do not support democratic transformations.

The question is: What are the main directions for development and reinforcement of democracy which should be reflected in any democratic constitution?

The main democratic principles of the Constitutions of Hungary, Latvia and Ukraine

A constitution is the legal basis of functioning of a country. In many countries it is called the fundamental law. As it was noted by G. Jacobsohn (2010, p. 47), constitutions may be viewed as instruments through which a nation goes about defining itself. This is often attempted in preambles – but in other parts as well – wherein all manner of noble intentions is detailed in lofty and inspiring prose.

According to P. Nikolic (1989), existence of a constitution traditionally has been regarded as a hallmark of democratic polity, that is, the constitutionalism or the concept of limitation on the governmental power and rule of law. The existence of a constitution is an unquestionable characteristic of a vast majority of contemporary democratic countries. He noted that the historical practice of the modern states shows that in democratic countries there is deep rooted determination toward the existence of constitution as the basis of legal order and of entire state organisation.

A constitution lays the foundation for functioning of institutions within the state, their interaction, a clear distribution of powers of the authorities, the fundamental rights and freedoms of the individual in society. R. Tripathee and S. Parajuli (2009, p. 13) claim that creating a constitution is an act of institutionalisation of a democracy, securing fundamental democratic, political and social relations. That is, the desirability of a principle of constitutionality. Constitutionality consists in limiting the power and is subject in all the state organs and other holders of the functions of power to the constitution, with a view to making impossible the arbitrariness and self-will, as well as in securing and protecting, and not only giving formal guarantee of the rights and freedoms of man and the citizen,

then a conclusion that constitutionality and democracy are deeply interpenetrated forces itself on the population.

Researchers of constitutional processes have determined the important directions and aspects that must be inherent in any democratic constitution.

Sotirios A. Barber (2010) argues that any successful constitution has to have a possibility for citizens to change it, a possibility for constitutional reform as a whole. He notes that a good constitution preserves doubt about its own success even as it works (with arguable success) to approximate its ends and maintain the capacity for constitutional reform. He defined that the “capacity for constitutional reform” is the active and self-regarding virtue of a community. In the author’s opinion, in any event, a constitution that leaves its people incapable of constitutional reform is at best a failure in progress (p. 27).

James E. Fleming supports Barber’s views (2010) on a successful constitution and emphasises that a constitution or constitutional order might fail with respect to change or reform. He distinguishes two types of such failure. One, a people might lose the very capacity to change or reform. He suggests here that for a people committed to constitutional self-government, this clearly would be a form of failure. Two, a constitution or constitutional order might breach the limits of legitimate constitutional change (p. 39–40). Further on, he adds that his constitution-perfecting theory of securing constitutional democracy presupposes a conception of constitutional success and of the preconditions of constitutional success. As he notes, he develops “a guiding framework with two fundamental themes: first, securing the basic liberties that are preconditions for *deliberative democracy* to enable citizens to apply their capacity for a conception of justice to deliberating about and judging the justice of basic institutions and social policies, as well as the common good; and, second, securing the basic liberties that are preconditions for *deliberative autonomy* to enable citizens to apply their capacity for a conception of the good to deliberating about and deciding how to live their own lives” (p. 40). The author concludes that together, these themes afford everyone the status of free and equal citizenship in a morally pluralistic constitutional democracy.

According to Rewati Raj Tripathee and Surya Prasad Parajuli (2009, p. 12), it is important that ‘constitutionalism means not only that there are rules creating legislative, executive and judicial powers, but that these rules impose limits on those powers. Often these limitations are in the form of individual or group rights against government, rights such as freedom of expression, association, equality and due process of law’.

At first sight, the constitutions of Hungary, Latvia and Ukraine are very similar. They proclaim the principles of democracy, human rights and freedoms, and the rule of law, but this is only at first glance. A deeper analysis shows significant differences.

The Constitution of Latvia defines the main directions of the country's development, and supports the main human rights and freedoms. This Constitution was adopted in 15 February 1922.

As it is defined at the beginning of the Constitution, "the people of Latvia, in a freely elected Constitutional Assembly, have adopted the following State Constitution:

The State of Latvia, proclaimed on 18 November 1918, has been established by uniting historical Latvian lands and on the basis of the unwavering will of the Latvian nation to have its own State and its inalienable right of self-determination in order to guarantee the existence and development of the Latvian nation, its language and culture throughout the centuries, to ensure freedom and promote welfare of the people of Latvia and each individual".

The Chapter I of Latvian Constitution defines that "Latvia is an independent democratic republic. The sovereign power of the State of Latvia is vested in the people of Latvia".

According to Latvian Constitution, citizens of Latvia can initiate a national referendum, even in the issue of recalling the Parliament (*Saeima*).

The State shall recognise and protect fundamental human rights in accordance with this Constitution, laws and international agreements binding upon Latvia (Chapter VIII, art. 89). According to Article 100, everyone has the right to freedom of expression, which includes the right to freely receive, keep and distribute information and to express his or her views. Censorship is prohibited; according to Article 101, every citizen of Latvia has the right, as provided for by law, to participate in the work of the State and of local government, and to hold a position in the civil service. Local governments shall be elected by Latvian citizens and citizens of the European Union who permanently reside in Latvia. Every citizen of the European Union who permanently resides in Latvia has the right, as provided by law, to participate in the work of local governments. The working language of local governments is the Latvian language. The next Articles – 102 and 103 define that everyone has the right to form and join associations, political parties and other public organisations; the State shall protect the freedom of previously announced peaceful meetings, street processions, and pickets.

Thus, in Latvian constitution all necessary democratic directions are taken into consideration and clearly defined.

The Constitution of Ukraine (28 June, 1996) defines the same: "Ukraine is a sovereign and independent, democratic, social, law-based state" (Chapter I, art. 1); "Human rights and freedoms and their guarantees determine the essence and orientation of the activity of the State. The State is answerable and responsible to the individual for its activity. To

affirm and ensure human rights and freedoms is the main duty of the State (Chapter I, art. 3); ‘Ukraine is a republic. The people are the bearers of sovereignty and the only one source of power in Ukraine. The people exercise power directly and through bodies of state power and bodies of local self-government’ (Chapter I, art. 5). According to Article 34, everyone is guaranteed the right to freedom of thought and speech, and to the free expression of his or her views and beliefs, and by Article 36, citizens of Ukraine have the right to freedom of association in political parties and public organisations for the exercise and protection of their rights and freedoms and for the satisfaction of their political, economic, social, cultural and other interests.

The New Constitution of Hungary (was adopted by Parliament on 18 April 2011 and entered into force on 1 January 2012) proclaims the same principles (Article B): ‘1. Hungary shall be an independent, democratic state governed by the rule of law. 2. Hungary’s form of government shall be that of a republic. 3. The source of public power shall be the people. 4. The people shall exercise its power through its elected representatives or, in exceptional cases, in a direct manner’. The last point is quite controversial. Why shall people exercise its power in a direct manner “in exceptional cases”? Usually, in any democratic state, citizens can implement their right to participate in power action by two main means – directly as elected officials and through election. These are two basic and equal forms. However, by new Hungarian constitution, citizens can exercise their power in a direct manner “in exceptional cases”! At a time when the processes of the empowerment of direct democracy are going around the world, in the new Hungarian constitution it is allowed for citizens only “in exceptional cases”.

According to Sotirios A. Barber, James E. Fleming (2010) and some others, a significant element of any democratic constitution is a possibility to change it. With regard to the order of amendments to the constitution, the Constitutions are divided into hard and flexible.

In accordance with the procedure for amending the *Constitution of Ukraine*, it is close to strict constitutions, which is confirmed by the following factors:

- 1) The Constitution of Ukraine cannot be changed if the changes envisage the abolition or restriction of human and civil rights and freedoms or if they are aimed at eliminating independence or violating the territorial integrity of Ukraine (Part 1, Article 157 of the Constitution of Ukraine);
- 2) The Constitution of Ukraine cannot be changed in conditions of martial law and state of emergency (Part 2 of Article 157 of the Constitution of Ukraine); and

- 3) the bill on amendments to the Constitution of Ukraine cannot be considered by the Verkhovna Rada of Ukraine without the opinion of the Constitutional Court of Ukraine on the compliance of the draft law with the requirements of Articles 157 and 158 of the Constitution of Ukraine (Article 159 of the Constitution of Ukraine), etc.

In the *Hungarian Constitution*, there are clear mechanisms of adoption of the Constitution and making changes to it. By Article S, a proposal for the adoption of a Fundamental Law or for the amendment of the Fundamental Law may be submitted by the President of the Republic, the Government, any parliamentary committee or any Member of the National Assembly. For the adoption of a Fundamental Law or for the amendment of the Fundamental Law, the votes of two thirds of the Members of the National Assembly shall be required. The Speaker of the National Assembly shall sign the adopted Fundamental Law or the adopted amendment of the Fundamental Law within five days and shall send it to the President of the Republic.

In the *Latvian Constitution*, articles 76 and 77 are dedicated to amendments of the Constitution. By Article 76 (Amendment of the Constitution), the Parliament may amend the Constitution in sittings at which at least two-thirds of the members of the Parliament participate. The amendments shall be passed in three readings by a majority of not less than two-thirds of the members present. By Article 77 (Referendum about Amendment), if the Parliament has amended Articles 1, 2, 3, 4, 6, or 77 of the Constitution, such amendments, in order to come into force as law, shall be submitted to a national referendum.

In general, in the Latvian Constitution citizens have very wide possibilities to have an impact on power and on the process of decision-making in the country. A significant role belongs to a national referendum. Article 79 (Referendum after Popular Initiative) defines that an amendment to the Constitution submitted for national referendum shall be deemed adopted if at least half of the electorate has voted in favour. A draft law submitted for national referendum shall be deemed adopted if the number of voters is at least half of the number of electors as participated in the previous Parliament election and if the majority has voted in favour of the draft law. Article 80 (Right to Vote in Referendum) defines that all citizens of Latvia who have the right to vote in elections of the Parliament may participate in national referendums. Citizens of Latvia have the right to legislate. According to Article 64 (Right to Legislation), the Parliament, and also the people, have the right to legislate, in accordance with the procedures, and to the extent, provided for by this Constitution.

Possibilities for citizens to recall the elected officials and remove the president from office in the Constitutions of Hungary, Latvia and Ukraine

Clear and precise possibilities for citizens to change the power between elections – to recall the elected officials, to remove the president from office must be reflected in any democratic constitution. Nobody can be defended from people in politics who want to receive power for personal purpose and use it for solution of personal tasks and personal enrichment. And a very important task of legislation in this context is to make this activity impossible.

For instance, in Ukraine one can observe some very precarious tendencies – each new Ukrainian power before receiving it, in the period of elections, is making a lot of promises to develop the country in the direction of democracy and to build the system of public administration on the basis of democracy. However, after receiving the power, political leaders, in most cases, do not conduct a really effective policy in this direction.

This situation has taken place in Ukraine several times:

- *In the period after “orange revolution”. Presidency of Victor Ushchenko.*

The “Orange revolution” in 2004 was a display of citizens’ readiness to make the changes in the country and their desire to live in democratic country. This revolution has proved that citizens are very active and they are ready to take active part in the life of their country, that civil society in Ukraine is not only formed, but active functioning – it can assert personal rights, interests and even form power and its structures. And the much important indicator of it – Ukrainian citizens want to live in a democratic country and want to base it on the democratic principles.

After the “Orange revolution”, the citizens of Ukraine believed that they will take an active part in the life of their country; that they will be really involved in the process of decision-making, and were waiting for the promised reform. However, a short period later, it was a big level of disappointment of Ukrainians by activity of the leaders of “Orange revolution”. There were not any of the expected reforms in the country, as well as any concrete steps of political leaders to execute their pre-elected promises, particularly in the direction of public consultation and real public participation in the process of decision-making.

The election of the President of Ukraine in 2010 has shown the great disappoint of Ukrainians by the leaders of “Orange revolution”. As a result, political power was received by their opponent.

- *Presidency of Victor Yanukovich.*

Ukrainians thought that maybe so strong totalitarian person as V. Yanukovich will be better than a weak and inactive V. Ushchenko. Another motivation to vote for this person was his promises to develop

the country in democratic direction and achieve real and effective European integration of Ukraine as well. However, from the first days of his presidency the situation was quite different. Ukrainians start to understand that this leader is strong, but not democratic and all promises to develop the country in democratic direction were only pre-election promises. The events from November 2013 on the Maidan in Ukraine, new democratic revolution was a citizens' reaction to it.

- *Presidency of Petro Poroshenko.*

5 years after of the presidency of Petro Poroshenko, it was not possible to say that the forms and methods of public participation, particularly public consultations were improved, that he really consulted with the citizens which were the main requirements of the Maidan. This President of Ukraine repeated the main mistake of their predecessors – ignoring his own promises to consult with citizens, to involve them into the process of decision-making, to take the decision on the basis of public opinion, interests and desires.

Ukrainians were waiting from their president Petro Poroshenko the following main things: reforms, fight against corruption, and wide public participation. 5 years later there was no real public participation in the process of decision-making, real public control of the governmental activity, as before there was a significant gap between power and citizens, activity of all branches of power was not transparent and open for public, there were not any concrete and effective reforms.

In the opinion of the author, all the above-mentioned was possible, because in the Ukrainian Constitution any legal possibilities for citizens to recall elected officials, to remove the President of the country from office are absent. All representatives of power at all levels feel themselves free from any responsibility before society. Ukraine has a situation in which elected officials can work not for themselves, but for the country and population only if they want it. If they do not want to, they can do whatever they want without any control and responsibilities before people and country.

However, now Ukrainians hope that the situation will be changes significantly. The new President of Ukraine, Volodymyr Zelenskiy, shows very positive and effective activity and results. In a very short period of time (less than 3 months), many necessary transformations were carried out in the form of dissolution of the parliament, and as a result, the adoption, by the new parliament, many very important for the country laws, which old parliament refused to accept for many years: The law on illegal enrichment, the law on impeachment of the president, the law on reducing the number of members of parliament from 450 to 300, and most importantly, the law on the removal of immunity from members of parliament. Ukrainian society was waiting these legal acts from the first year of Ukrainian independence after collapse of the Soviet Union – more than 28 years.

Let's return to the consideration of constitutions and their main directions in the field of democracy.

According to the *Ukrainian Constitution*, citizens cannot have the rights of legislative initiative. Concerning the President of Ukraine, "the President of Ukraine enjoys the right of immunity during the term of authority. Persons guilty of offending the honour and dignity of the President of Ukraine are brought to responsibility on the basis of the law. The title of President of Ukraine is protected by law and is reserved for the President for life, unless the President of Ukraine has been removed from office by the procedure of impeachment (Chapter V, art. 105). As it is noted here, the President of Ukraine can be removed from office by the procedure of impeachment. In the art. 108 p.3 there is again a reference to impeachment:

The powers of the President of Ukraine terminate prior to the expiration of term in cases of:

- 1) resignation;
- 2) inability to exercise his or her powers for reasons of health;
- 3) removal from office by the procedure of impeachment; and
- 4) death (Chapter V, art. 108).

There are two references to impeachment of the President of Ukraine in the Constitution of Ukraine. However, there is no any reference on the mechanism of it, as well as on the procedure, e.g. who will vote, how, and who will be the initiator of this process, etc. In Ukrainian society there are active discussions on how to remove the president from office by impeachment. There is an opinion that this is impossible, since there is no law in the country about the impeachment of the president. However, there is some definition of this procedure in the Regulations of the Supreme Council of Ukraine. Chapter 30 of these Regulations has the name: "Procedure for extraordinary termination of the responsibilities of the President of Ukraine in connection with the inability to implement their duties due to health conditions, and in the event of the impeachment of the President from office". By this Regulations only members of the Parliament (people's deputies) – Supreme Council of Ukraine (Verkhovna Rada) can remove the President from office (Chapter 30, art. 171):

1. The Verkhovna Rada may remove the President of Ukraine from office in the order of impeachment only in case of committing state betrayal or other crime;
2. The consideration in the Verkhovna Rada of the question of the removal of the President of Ukraine from office in accordance with the procedure of impeachment is carried out in accordance with Articles 85, 111 of the Constitution of Ukraine, the law on interim investigation commissions, a special temporary investigation commission and temporary ad hoc commissions of the Verkhovna Rada of Ukraine and this Regulation; and

3. The reason for initiating the issue of removal of the President of Ukraine from office in the procedure of impeachment and the formation of a special temporary investigation commission is a written submission on this, signed by a majority of people's deputies from the constitutional composition of the Verkhovna Rada, whose signature is not withdrawn.

Article 172 defines the procedure of the impeachment of the President from office: The Verkhovna Rada, by a majority of the people's deputies from its constitutional composition, decides to initiate the issue of removing the President of Ukraine from office in the order of impeachment and including it in the agenda of the Verkhovna Rada session as urgent. The Chairman of the Verkhovna Rada of Ukraine immediately informs the President of Ukraine about the adoption of such decision (Chapter 30, art.172).

So, in Ukraine there is a possibility to remove the President from the office by the impeachment. However, only people's deputies can do it. Citizens of Ukraine can only vote and elect the President, but they do not have any possibility to remove he/she from office. Thus, the people do not have any significant impact on the President who was elected by these people. And the procedure of impeachment by the Verkhovna Rada is also complicated. Due to the Regulations, the people's deputies should be against the President of Ukraine to remove he/she from office, but it is really very difficult to achieve, because the situation in Verkhovna Rada is a little complicated. The deputies practically solve nothing. They should just sit and press the button at the right moment and should vote as the party leader says. Otherwise, the deputy expelled from the party. Deputies are very dependent on party leaders who decide everything. In the period of Yanukovich, the 1st deputy of the leader of his party M. Chechetov stood at all meetings of the Supreme Council and showed by hand how to vote! Which democratic parliament is this possible in?

Another important problem: it is needed to prove that the President has committed a crime against the state. For this, it is necessary to create special temporary investigation commission, temporary ad hoc commissions, etc. It is very complicated and therefore is very difficult to implement. There were several attempts to remove the Presidents of Ukraine from their posts, but all these attempts were not successful. In 2010, 2011, 2013, 2014 there were the attempts to remove V. Yanukovich from office. Special drafts of laws were prepared by the people's deputies and directed for consideration at the Verkhovna Rada. For example, by the people's deputy Grigoriy Omelchenko even in 2010 was registered "the Draft Resolution on the Establishment of a Special Interim Investigation Commission of the Verkhovna Rada of Ukraine on the Investigation of action of the President of Ukraine Viktor Yanukovich,

which contains signs of crimes and consideration of the question of his removal from office of the President of Ukraine in the procedure of impeachment”. This draft Resolution was registered and sent to the special Committee for consideration. It was the end of the review of this draft. If it would have been adopted, and Yanukovich was dismissed from the position of the President of the country, this would have helped to avoid many problems in the aftermath, save many people’s lives, and perhaps escape the war.

In the country, until the new President of Ukraine V. Zelenskiy, was a great necessity to create and adopt the law “On impeachment of the President of Ukraine” where had to clearly define the possibilities for citizens to remove the President and the precise and easy procedures of it. In Ukraine there were the several attempts to make it by people’s deputies, as well as to propose other acts in this direction. The fate of these bills was the same as the mentioned above draft Regulation of impeachment of V. Yanukovich. They did not go further than the committees’ consideration. Only with the new President of Ukraine Volodymyr Selenskiy, it became possible to adopt this law.

Here is the table of all registered in Verkhovna Rada people’s deputies’ proposals on impeachment of the President of Ukraine with the dates:

Table 1. All registered in Verkhovna Rada of Ukraine people’s deputies’ proposals on the impeachment of the President of Ukraine with the dates

Registration number	Date	Name
1577	14.01.1998	Draft Law on the Procedure of Dismissal from the Office of the President of Ukraine by the Impeachment
2041	31.08.1998	Draft Law on the Procedure of Dismissal from the Office of the President of Ukraine by the Impeachment
2041-1	26.01.2001	Draft Law on the Procedure for Dismissal from the Office of the President of Ukraine (impeachment)
6052	31.01.2002	Draft Resolution on the initiation of the question of the removal of the President of Ukraine Kuchma L. D. from office in the order of impeachment and the creation of a special temporary investigative commission
1177	10.06.2002	Draft Decree on the initiation of removal of Kuchma L. D. from the post of the President of Ukraine in the procedure of impeachment and the formation of a Special Interim Investigation Commission
1327	16.07.2002	Draft Law on the Procedure of Removal from the Office of the President of Ukraine by the Impeachment
1327-1	06.08.2002	Draft Law on the Procedure of Removal from the Office of the President of Ukraine by the Impeachment

2215	20.09.2002	Draft Decree on the initiation of removal of Kuchma L. D. from the post of the President of Ukraine in the procedure of impeachment and the formation of a Special Interim Investigation Commission
1327/II	22.09.2003	Draft Resolution on the rejection of draft laws of Ukraine "On the procedure for removal from office of the President of Ukraine (impeachment)" and "On the procedure for removal of the President of Ukraine from office in the order of impeachment"
4070	11.03.2004	Draft Resolution on initiating a procedure for the removal of Leonid Kuchma from the post of President of Ukraine in the procedure of impeachment and the formation of the Special Temporary Investigation Commission of the Verkhovna Rada of Ukraine
3495	26.04.2007	Draft Resolution on ensuring the prevention of anti-constitutional actions and attempts to usurp state power and initiating a procedure for the removal of Victor Yushchenko from the post of President of Ukraine by impeachment
3691	02.02.2009	Draft Law on Amendments to the Law of Ukraine "On the Constitutional Court of Ukraine" (regarding the simplified procedure of impeachment of the President of Ukraine)
3691/II	10.06.2009	Draft Resolution on the rejection of the draft Law of Ukraine on amendments to the Law of Ukraine "On the Constitutional Court of Ukraine" (regarding the simplified procedure of impeachment of the President of Ukraine)
6366	30.04.2010	Draft Resolution on the Establishment of a Special Interim Investigation Commission of the Verkhovna Rada of Ukraine on the Investigation of Action of the President of Ukraine Viktor Yanukovich, which contains signs of crimes and consideration of the question of his removal from office of the President of Ukraine in the procedure of impeachment
9066	23.08.2011	Draft Law on the Procedure of Impeachment of the President of Ukraine
2220	07.02.2013	Draft Law on the Procedure of Impeachment of the President of Ukraine
2220/II	03.04.2013	Draft Resolution on the rejection of the draft Law of Ukraine on the procedure for the impeachment of the President of Ukraine
4171	21.02.2014	Draft Law on Impeachment of the President of Ukraine
1097	28.11.2014	Draft Law on the Procedure of Impeachment of the President of Ukraine
2278	03.03.2015	Draft Law on a Special Interim Investigation Commission of the Verkhovna Rada of Ukraine to Investigate the Case of Removal of the President of Ukraine from office by Procedure of Impeachment
7381	07.12.2017	Draft Law on Amendments to Certain Legislative Acts of Ukraine on Ensuring the Possibility of Removing the President of Ukraine from office in the Procedure of Impeachment

8003	06.02.2018	Draft Law on Amendments to the Law of Ukraine “On the Judiciary and Status of Judges” (on improving the procedure for impeachment of the President of Ukraine)
8014	07.02.2018	Draft Law on a Special Interim Investigation Commission of the Verkhovna Rada of Ukraine on the Impeachment of Senior Officials of Ukraine

As can be seen, there were really many attempts of people’s deputies of Ukraine to create the drafts of laws on impeachment of the President, but none of them were adopted by Verkhovna Rada of Ukraine. In the author’s opinion it has taken place, because MPs were highly dependent on party leaders, and party leaders, in turn, were very dependent on the President. This unhealthy situation led to the fact that laws, which really necessary for the country and society were not only not adopted, but their drafts did not even reach consideration at the session of the Supreme Council, but remained in the committees. For the achievement of real democratic power in Ukraine it was extremely important to break this system of circular dependence of politicians from each other, and first of all from the President (not *de jure* but *de facto*). It was made only when Ukraine has received a new President of the country in spring 2019.

Chapter IV of Ukrainian Constitution is dedicated to the Supreme Council of Ukraine – Verkhovna Rada. On 10 pages there are definitions of the procedures of election, composition of this body, the main directions of activity and the spheres of it, the mechanisms of functioning, etc. However, in this Article there is not the most important thing – possibilities for citizens to recall the Verkhovna Rada and its elected members. There is not any point of what to do in the case if a member of Supreme Council does not fulfil his/her obligations to voters.

Unlike the Ukrainian Constitution, the *Constitution of Latvia* clear defines this possibility and the mechanisms for it: “Not less than one tenth of electors has the right to initiate a national referendum regarding recalling of the *Saeima*. If the majority of voters and at least two thirds of the number of the voters who participated in the last elections of the *Saeima* vote in the national referendum regarding recalling of the *Saeima*, then the *Saeima* shall be deemed recalled” (Chapter II, par.14).

The same situation is with the power and responsibilities of the Presidents of the countries. Unlike Latvia, where “the *Saeima* shall elect the President for a term of four years” (Chapter III, art. 35), in Ukraine “the President of Ukraine is elected by the citizens of Ukraine for a five-year term, on the basis of universal, equal and direct suffrage, by secret ballot” (Chapter V, art. 103). If in Latvia the President is elected by the *Saeima*, there is precise mechanism for removing the President from office and not only by the *Saeima*, but by the voters as well: “If in the referendum more

than half of the votes are cast against the dissolution of the *Saeima*, then the President shall be deemed to be removed from office, and the *Saeima* shall elect a new President to serve for the remaining term of office of the President so removed. Upon the proposal of not less than half of all of the members of the *Saeima*, the *Saeima* may decide, in closed session and with a majority vote of not less than two-thirds of all of its members, to remove the President from office” (Chapter III, art. 50–51). And a very important point is that “the President may be subject to criminal liability if the *Saeima* consents thereto by a majority vote of not less than two-thirds” (Chapter III, par. 54). So, as one can see, in the Latvian Constitution there is a clear balance between power and responsibility, nobody can act without control and scot-free. In general, the Ukrainian Constitution in the official English translation has 49 pages, but Latvian only 13. And on these 13 pages it was possible to precisely define the duties and responsibilities of all branches of power, citizens’ power and freedoms. Unlike the Ukrainian Constitution, the Constitution of Latvia not only clearly defines the election mechanisms, but also the opportunity for citizens to remove elected officials from their posts.

The *Constitution of Hungary* is very similar to the constitution of Ukraine. It has even the same number of pages, but there is not any possibility for citizens to recall elected officials such as members of the parliament or mayors, as well as to remove the president from office. According to the Hungarian Constitution, the Parliament of Hungary has significant power. It can elect the President of the Republic, the members and President of the Constitutional Court, the President of the Curia, the Supreme Prosecutor, the Commissioner for Fundamental Rights and his or her deputies, the President of the State Audit Office, elect the Prime Minister and decide on any matter of confidence related to the Government, dissolve any representative body which operates in violation of the Fundamental Law, adopt the State Budget and approve its implementation, etc. At the same time, after election, citizens do not have any impact on these elected persons. Only President of the country can dissolve Parliament when the Government’s mandate ends, if Parliament fails to elect the person proposed by the President of the Republic to serve as Prime Minister within forty days of presentation of the first nomination, or Parliament fails to adopt the State Budget for the current year by 31 March (Art. 3, p. 3 of the Constitution).

The President of the country, in turn, is elected by parliament (Art. 10) as the President of Latvia, but if in Latvia there is clear mechanism of citizens’ impact on this person, in Hungary citizens do not have this possibility. The mandate of the President of the Republic, according to Article 12 of the Constitution, shall be terminated:

- by the expiry of his or her term,
- upon his or her death,
- by his or her inability to perform his or her responsibilities for over ninety days, if the conditions for his or her election no longer exist,
- by the declaration of his or her incompatibility,
- by resignation or
- by removal from office as the President of the Republic.

So, the last point is a possibility to remove the President from office, but it can only be possible to realise by the Parliament. According Article 13, “if the President of the Republic wilfully violates the Fundamental Law or any Act while in office, or if he or she commits a wilful offence, one-fifth of the Members of Parliament may propose his or her removal from office. The impeachment procedure shall require a two-thirds majority of the votes of the Members of Parliament. Voting shall be held by secret ballot”. So, Hungarian citizens do not have any power to have an impact on these processes. If they are not satisfied with the activities of the President or Parliament, they will have to wait only for new elections. However, the President of this country does not have significant power and responsibilities.

The more powerful person is Prime-Minister. By this new Constitution, the responsibilities of Government and therefore of the Prime-Minister are not defined in general. As it is defined in Article 15: “The Government shall be the general body of executive power, and its responsibilities and competences shall include all matters not expressly delegated by the Fundamental Law or other legislation to the responsibilities and competences of another body. The Government shall be answerable to Parliament”. That is, all activities, all its directions, which are not designated in the constitution for other bodies, are in the sphere of government! In this context there is only one question: How it was possible in XXI century to develop new constitution for a democratic country without concrete responsibilities of the Prime-Minister? Now, whole democratic world goes in the direction of clear definitions of power and responsibilities of all branches of power, for all even civil servants, but Hungary goes by another way – strengthening the power and its separation from the people.

Thus, here is the table which represents possibilities for citizens of Hungary, Ukraine and Latvia to change the elected officials in the period between elections:

Table 2. Constitutional possibilities for citizens of Latvia, Hungary, and Ukraine to remove the President from office and to recall the parliament

Country	Possibilities for citizens to recall the Parliament	Possibilities for citizens to remove the President from office
Ukraine	_____	_____
Hungary	_____	_____
Latvia	Not less than one tenth of electors has the right to initiate a national referendum regarding recalling of the <i>Saeima</i> . If the majority of voters and at least two thirds of the number of the voters who participated in the last elections of the <i>Saeima</i> vote in the national referendum regarding recalling of the <i>Saeima</i> , then the <i>Saeima</i> shall be deemed recalled” (Chapter II, art. 14).	If in the referendum more than half of the votes are cast against the dissolution of the <i>Saeima</i> , then the President shall be deemed to be removed from office, and the <i>Saeima</i> shall elect a new President to serve for the remaining term of office of the President so removed. Upon the proposal of not less than half of all of the members of the <i>Saeima</i> , the <i>Saeima</i> may decide, in closed session and with a majority vote of not less than two-thirds of all of its members, to remove the President from office (Chapter III, art. 50–51).

New Hungarian Constitution: Pros and Cons. Comparative Analysis of Both Two Constitutions – 1949 and 2011.

Active discussions among researchers and practitioners are about the new Hungarian constitution, which was developed and adopted relatively recently – in 2011. There is a lot of criticism of the new constitution.

Bálint Magyar notes that overall, the balance of the assessments of the new constitution in the legal literature has been extremely disapproving. Critics suggest that instead of effecting amendments necessary for a consolidation, the new constitution, building on a romantic construction of the past, is ill-adapted to set limits to the state’s power – a crucial function of any constitution. In reality, the Fundamental Law’s real purpose was to cement the power of the Fidesz. (*party of V. Orbán* – auth.) – p. 114. Magyar defines the main disadvantages of the new constitution. They are the following: The new Fundamental Law:

- limited the possibility of turning to the Constitutional Court. The jurisdiction of the Constitutional Court over budget and tax laws ceased. Whenever the Constitutional Court, with its powers curtailed, would qualify a law as anti-constitutional, it would simply be added to the constitution;
- terminated the Supreme Court, and removed its president from office;

- gave the Fiscal Council the right to veto the annual budget accepted by parliament at its discretion; meanwhile the President of the Republic now has the right to dissolve the parliament even shortly after the elections, if the budget is pending;
- abolished the independence of municipal governments from the row of fundamental rights, and following from this of course, their right to property: which de facto ends municipal autonomy and prepares any and all of its segments for nationalization; and
- eliminated citizens' right to social security, which enabled the systematic dismantling of the established structure of normative social entitlements and support. – p.115

According to András Bozóki, Orbán replaced the constitution with what was called the Fundamental Law, which essentially states that the citizens are ready to adjust to a new order, as he named the “System of National Cooperation”. In 2011 a coup directed from above took place in Hungary. A liberal constitutional concept on the neutrality of the state was replaced by a confrontational notion of the state built on the dichotomy of “good” versus “bad” and “friend” versus “enemy”. The key words of the new system are “work”, “home”, “order”, “nation”, and “family”. – p. 460–461.

Taking into account the significant criticism of the Hungarian new constitution by Hungarian scientists, it is important, within the framework of this article, to analyse the two constitutions – 1949 and 2011.

In the Preamble of new constitution, it is defined that old Fundamental Law was a ‘communist constitution of 1949, since it was the basis for tyrannical rule; therefore, we proclaim it to be invalid’. Any constitution of any democratic state should be changed if it supports the occupation of a country or is the basis for tyrannical rules. However, even a brief analysis of old constitution shows that it has not any points, which would support or contribute to the occupation of the country. On the contrary, according to Article 2, “the Republic of Hungary is an independent, democratic constitutional state. In the Republic of Hungary supreme power is vested in the people, who exercise their sovereign rights directly and through elected representatives. No activity of any person may be directed at the forcible acquisition or exercise of public power, or at the exclusive possession of such power. Everyone has the right and obligation to resist such activities in such ways as permitted by law”. By Article 3 of old constitution, in the Republic of Hungary political parties may be established and may function freely, provided they respect the Constitution and laws established in accordance with the Constitution; by Article 4, labour unions and other representative bodies shall protect and represent the interests of employees, members

of cooperatives and entrepreneurs; by Article 5, the State of the Republic of Hungary shall defend the freedom and sovereignty of the people, the independence and territorial integrity of the country, and its national borders as established in international treaties; by Article 6, the Republic of Hungary renounces war as a means of solving disputes between nations and shall refrain from the use of force and the threat thereof against the independence or territorial integrity of other states. The Republic of Hungary shall endeavour to cooperate with all peoples and countries of the world.

Thus, an analysis of the old constitution shows that it does not contain any item that would contribute to the occupation of the country or “is the basis for tyrannical rules”. All common points of the old constitution were really democratic and supported a democratic way of development of the country. One could go further and make a comparative analysis of responsibilities of the Parliament, President and Government in both these constitutions.

In the new constitution, part of the powers of the Parliament of the country were cut or cancelled, in particular with regard to social and economic policy, and the Government’s program. Here is a table with power and responsibilities of the Parliament according to both constitutions:

Table 3. Responsibilities of the Parliament of Hungary by constitutions of 1949 and 2011

Responsibilities of the Parliament by Constitution 1949	Responsibilities of the Parliament by Constitution 2011
<p>Article 19</p> <p>(1) The Parliament is the supreme body of State power and popular representation in the Republic of Hungary.</p> <p>(2) Exercising its rights based on the sovereignty of the people, the Parliament shall ensure the constitutional order of society and define the organization, orientation and conditions of government.</p> <p>(3) Within this sphere of authority, the Parliament shall</p> <ol style="list-style-type: none"> a) adopt the Constitution of the Republic of Hungary; b) pass legislation; c) define the country’s social and economic policy; d) assess the balance of public finances, approve the State Budget and its implementation; e) decide on the Government’s program; 	<ol style="list-style-type: none"> 1. In HUNGARY the supreme body of popular representation shall be Parliament. 2. Parliament shall: <ol style="list-style-type: none"> a. enact and amend the Fundamental Law of Hungary; b. adopt Acts of Parliament, c. adopt the State Budget and approve its implementation, d. authorise recognition of the binding nature of any international agreement subject to its responsibilities and competences, e. elect the President of the Republic, the members and President of the Constitutional Court, the President of the Curia, the Supreme Prosecutor, the Commissioner for Fundamental Rights and his or her deputies, and the President of the State Audit Office,

<p>f) conclude international treaties of outstanding importance to the foreign relations of the Republic of Hungary;</p> <p>g) decide on the declaration of a state of war and on the conclusion of peace;</p> <p>h) declare a state of national crisis and establish the National Defense Council, in the case of war, or imminent danger of armed attack by a foreign power (danger of war);</p> <p>i) declare a state of emergency, in the case of armed actions aimed at overturning constitutional order or at the acquisition of exclusive control of public power, in the case of acts of violence committed by force of arms or by armed groups which gravely endanger lives and property on a mass scale, and in the event of natural or industrial disaster;</p> <p>j) with the exceptions laid down in the Constitution, rule on the use of the Hungarian Armed Forces both abroad and within the country, the deployment of foreign armed forces in Hungary or in other countries from the territory of Hungary, and the stationing of the Hungarian Armed Forces abroad or of foreign armed forces in Hungary;</p> <p>k) elect the President of the Republic, the Prime Minister, the members of the Constitutional Court, the Parliamentary Ombudsmen, the President and Vice-Presidents of the State Audit Office, the President of the Supreme Court and the General Prosecutor;</p> <p>l) upon recommendation made by the Government, which shall first be submitted to the Constitutional Court for its review, dissolve representative bodies of local government whose actions have been found unconstitutional, decide on the territory of counties, their designation and seat, as well as the declaration of cities with county level rights and the establishment of the Districts of the Capital; and</p> <p>m) exercise general amnesty, etc.</p>	<p>f. elect the Prime Minister and decide on any matter of confidence related to the Government,</p> <p>g. dissolve any representative body which operates in violation of the Fundamental Law,</p> <p>h. decide to declare a state of war and to conclude peace,</p> <p>i. make decisions on any special legal order and participation in military operations,</p> <p>j. grant pardons, and</p> <p>k. exercise other responsibilities and competences defined by the Fundamental Law and other laws.</p>
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The responsibilities of the President of Hungary after the adoption of new constitution were transformed as well. For example, such items like b), according to which the President of the Republic shall conclude international treaties in the name of the Republic of Hungary; if the subject

of the treaty falls within its legislative competence, prior ratification by the Parliament is necessary for conclusion of the treaty, have been removed from the duties of the President.

Here is the table of duties of the President of Hungary according to 2 constitutions:

Table 4. Responsibilities of the President of Hungary in constitutions of 1949 and 2011

Constitution 1949	Constitution 2011
<p>Article 30/A (1)The President of the Republic shall</p> <ul style="list-style-type: none"> a) represent the State of Hungary; b) conclude international treaties in the name of the Republic of Hungary; if the subject of the treaty falls within its legislative competence, prior ratification by the Parliament is necessary for conclusion of the treaty; c) accredit and receive ambassadors and envoys; d) announce general parliamentary and local government elections, mayoral elections as well as the dates of the European parliamentary elections and national referenda; e) have the right to participate in and speak at sittings of the Parliament and of its committees; f) have the right to petition the Parliament to take action; g) have the right to initiate national referenda; h) i) appoint and dismiss the Governor and deputy governors of the Magyar Nemzeti Bank, the President of the Pénzügyi Szervezetek Állami Felügyelete (Hungarian Financial Supervisory Authority) and university professors by recommendation of persons or organizations specified in a separate law; appoint and dismiss the university rectors; appoint and promote generals; and confirm the President of the Magyar Tudományos Akadémia (Hungarian Academy of Sciences) in his office; 	<ul style="list-style-type: none"> 3. The President of the Republic: <ul style="list-style-type: none"> a. shall represent Hungary, b. may attend and address any session of Parliament, c. may propose bills, d. may propose national referenda, e. shall set a date for the general elections of Members of Parliament, local representatives and mayors, and of members of the European Parliament, and for national referenda, f. shall make decisions on any special legal order, g. shall convene the inaugural session of Parliament, h. may dissolve Parliament, i. may send adopted Acts to the Constitutional Court to examine their conformity with the Fundamental Law, or may return them to Parliament for reconsideration, j. shall propose persons for the positions of Prime Minister, the President of the Curia, the Supreme Prosecutor and the Commissioner for Fundamental Rights, k. shall appoint professional judges and the President of the Budget Council, l. shall confirm the appointment of the President of the Hungarian Academy of Sciences, and m. shall form the organisation of his or her office. 4. The President of the Republic shall: <ul style="list-style-type: none"> a. recognise the binding nature of international agreements by authorization of Parliament, b. accredit and receive ambassadors and envoys,

<ul style="list-style-type: none"> j) confer titles, orders, awards and decorations specified by law and authorize the use thereof; k) exercise the right to grant individual pardons; l) issue rulings in cases of citizenship; m) issue rulings in all issues assigned to his sphere of authority on the basis of separate laws. 	<ul style="list-style-type: none"> c. appoint Ministers, the Governor and Deputy Governors of the National Bank of Hungary, the heads of autonomous regulatory bodies and university professors, d. appoint university rectors, e. appoint and promote generals, f. award statutory decorations, prizes and titles, and authorise the use of foreign state decorations, g. exercise the right to grant pardons to individuals, h. decide on any matter of territorial administration within his or her responsibilities and competences, and i. decide on any matter related to the acquisition and termination of citizenship, j. decide on any matter assigned to his or her competence by law.
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At the same time, one of the points of the duties of the President of the country, which was in the constitution of 1949 and preserved in the constitution of 2011, looks very strange. This is the appointment of university rectors, and as it was added in new constitution, even university professors! In many democratic countries it is the responsibility of Ministers of Education and in some democratic countries' university professors are not appointed, but elected on open election. This is exactly, for instance, the case of Ukraine. It is defined in the Law of Ukraine "On Education" and in the special Regulation of the Cabinet of Ministers of Ukraine "On Methodological Recommendations on the peculiarities of the electoral system and the procedure for electing the head of a higher educational institution". As it was noted in these Recommendations: "The head of high educational institution is elected by competition by secret ballot for a term of five years in accordance with the Law of Ukraine "On Higher Education", the charter of a higher education institution and taking into account these Methodological Recommendations. The state bodies whose sphere of management includes higher military educational institutions (higher education institutions with specific educational conditions) have the right to establish, by their acts, special requirements for candidates for positions of heads of relevant higher military educational institutions (higher education institutions with specific educational conditions) and the procedure their appointment".

If university rectors are appointed by the president of a country, this ensures state control over all educational institutions and makes them

dependent on a particular person – the one who appoints rectors. Such situation cannot take place in a democratic state.

As for the powers and responsibilities of the Hungarian Government, the Constitution of 2011 does not clearly state them at all. In contrast to this constitution, in the 1949 constitution, the powers of the Government were clearly defined, namely:

Table 5. Responsibilities of Hungarian Government by Constitutions of 1949 and 2011

Constitution 1949	Constitution 2011
<p>Article 35 (1)The Government shall</p> <ul style="list-style-type: none"> a) defend constitutional order, and defend and ensure the rights of the natural person, legal persons and unincorporated organizations; b) ensure the implementation of laws; c) direct and coordinate the work of the Ministries and other organs placed under its direct supervision; d) ensure that the legal operation of local government is monitored; e) ensure the formulation of social and economic policies and the implementation thereof; f) define State responsibilities in the development of science and culture, and ensure the necessary conditions for the implementation thereof; g) define the State system of social welfare and health care services, and ensure sufficient funds for such services; h) supervise the operation of the Hungarian Armed Forces and of the law enforcement agencies; i) take the measures necessary to limit and alleviate the consequences of natural disasters that endanger lives and property (hereinafter referred to as a state of danger) and to maintain public order and safety; j) participate in the development of foreign policy; conclude international treaties in the name of the Government of the Republic of Hungary; k) represent the Republic of Hungary in the institutions of the European Union that require government participation; l) attend to those responsibilities assigned to its sphere of authority by law. 	<p>Article 15</p> <ul style="list-style-type: none"> 1. The Government shall be the general body of executive power, and its responsibilities and competences shall include all matters not expressly delegated by the Fundamental Law or other legislation to the responsibilities and competences of another body. The Government shall be answerable to Parliament. 2. The Government shall be the supreme body of public administration and may establish public administration organs as defined by law. 3. Acting within its competence, the Government shall adopt decrees by statutory authorisation on any matter not regulated by an Act. 4. No decree of the Government shall conflict with any Act. <p>Article 18</p> <ul style="list-style-type: none"> 1. The Prime Minister shall determine the Government's general policy. 2. Ministers shall have autonomous control of the sectors of public administration and the subordinated organs within their competence in line with the Government's general policy, and shall perform the responsibilities determined by the Government or the Prime Minister. 3. Acting within their competence, government members shall adopt decrees by authority of an Act or a government decree, whether independently or in agreement with any other Minister; such decrees may not conflict with any Act, government decree or any order of the Governor of the National Bank of Hungary.

<p>m) have powers, in the event of a state of preventive defense emergency, to introduce measures by way of derogation from the acts governing the administrative system and the operation of the Hungarian Armed Forces and the law enforcement agencies; such measures shall remain in force until the Parliament's decision, not to exceed 60 days, and the Government shall continuously inform the President of the Republic and the competent parliamentary committees concerning these measures.</p> <p>(2) Within its sphere of competence, the Government shall issue decrees and pass resolutions, which may not be contradictory to any act of Parliament.</p> <p>(3) In a state of danger and in a state of preventive defense emergency the Government, if authorized to do so by Parliament, may issue decrees and pass resolutions by way of derogation from the provisions of the respective laws. A majority of two-thirds of the votes of the Members of Parliament present shall be required to pass the law establishing the regulations to be applied in a state of danger and in a state of preventive defense emergency.</p> <p>(4) With the exception of legal statutes, the Government shall annul or amend all legally irreconcilable resolutions or measures taken by any subordinate public authorities.</p>	<p>4. Government members shall be answerable to Parliament for their activities, and Ministers shall be answerable to the Prime Minister. Government members may attend and address any session of Parliament. Parliament and any parliamentary committee may oblige government members to attend any of their sessions.</p> <p>5. The detailed rules for the legal status and remuneration of government members and the substitution of Ministers shall be determined by an Act.</p>
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As one can see, there are not any concrete responsibilities for the Government. If responsibilities of Government are not defined clearly, but spheres of competence of the President and Parliament are precisely defined, it means that Prime-Minister can do whatever he/she wants outside the competences defined for the President and the Parliament. In fact, this is the usurpation of power. In all democratic countries there is now a tendency to clearly define the responsibilities and duties of all branches of power, and especially the Government. In Hungary, on the contrary, the new constitution blurred the powers of the government.

The situation in Hungary with backsliding from democracy was described by famous Hungarian scholar Prof. András Bozóki even in 2011 at the beginning of the full-scale transformation of Hungary

from democratic country into the country with an autocratic, as some researchers call it, or, as other scientists call it, a hybrid regime: “some problems notwithstanding, Hungary remained until relatively recently (until the eve of 2006), a success story of democratic consolidation. By 2011, however, Hungarian society was forced to realize that the system that had become increasingly freer over the decades had come to a standstill, and it was turning in an autocratic direction”.

Conclusions

Taking into account the aforementioned, as well as the situation with the inability of citizens to change the power in the country during the period between elections, as mentioned above, the new constitution of Hungary leaves more questions than it gives answers. In any case it is clear that new constitution does not improve democracy in the country.

Thus, taking into account all above-mentioned, one can make a conclusion that the most democratic constitution is the constitution of Latvia, and the less democratic is new Hungarian constitution. If citizens of Hungary are not satisfied with the power, they will not have any legal possibilities to change it, to recall the members of the Parliament or to remove the President from office.

In any democratic constitution should be reflected the following directions and possibilities for citizens:

- to take active part in the process of decision-making;
- to participate in the processes of making any changes to the constitution;
- to remove the president from office and to recall all elected officials.

In general, now it is a time to create common requirements for the constitutions of all democratic countries, particularly for the country-members of the European Union and the Council of Europe. These organisations is the strong mechanism of impact on the countries-members, and they should use all their resources for coordination the democratic development in these countries and do not allow to transform them from democratic to authoritarian or with hybrid regimes as in the case of Hungary and some others, like Ukraine in the period of the presidency of V. Yanukovich.

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EMPLOYEES ENGAGEMENT IN SELF DEVELOPMENT ACTIONS FOLLOWING LEADERSHIP DEVELOPMENT PROGRAMS

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Abstract

Organisational leadership development initiatives are continuously growing because many companies have understood that to be able to be competitive in this fast-changing economic environment, they have to train their workforce constantly. Today leadership development is a multi-billion-dollar industry where many institutions promise to increase knowledge and effectiveness of managers and leaders. Very often these programs are initiated by the organisation itself. Unfortunately, still, many employees have not understood that constant learning will be the main key to future success in their professional life. Of course, organisational interventions are needed, but research indicates that stimulating participants to take development actions on their own is far more promising for successful leadership development. It is the high number of leadership development initiatives with no or only limited results that have led to this research. This study aimed to investigate the influence of feedback following an organisational leadership development initiative on participants' likelihood to take personal development actions. To achieve this, a new approach to feedback was introduced analysing the reaction, as well as the perceived accuracy and usefulness of delivered feedback for participants and the potential engagement in self-development activities. This research suggests that after a leadership development program which is followed by personalised feedback, additional organisational actions can be helpful to understand how to increase the chances of a successful leadership development program where participants engage in self-development actions. Knowing how participants react and how useful and accurate they perceive feedback is helping organisations to focus on employees that need more attention than others in the process to start development actions on their own.

Keywords: Leadership development; 360-degree feedback; Self-development; Learning organisation

Introduction

The development of leadership capabilities is a prime task for organisations. Globalisation, an increasingly diverse workforce, and the millennials with different views and expectations than prior generations entering organisations makes it necessary to develop more and better leaders. To tackle the increasing tasks leaders have to fulfil many initiatives in organisations

are targeting the development of leadership capabilities through leadership development programs. Surprisingly, in comparison to leadership theory, with over a century of research, the leadership development literature is rather short. Therefore, more factors influencing the success of leadership development initiatives must be found, and their impact has to be evaluated. Considering the resources organisations put in the development of their leaders, and the fact that many leadership development programs fail, clearly indicate the need for further investigation in this research area. Many of the existing leadership development programs value and use 360-degree feedback as a cornerstone to their initiatives. This kind of feedback has shown promising results due to the possibility to give leader feedback from different angles and show him the difference in his self- and others' rating. Unfortunately, the problem is that despite great efforts, many leadership development programs fail. Brett and Atwater (2001) state that "a better understanding of the emotional and cognitive reactions is needed" if participants should benefit from the feedback process and organisations want to retrieve their investment (p. 941). Leadership development is seen to be an initiation to leaders self-development, but organisational actions can facilitate or reduce the probability that participants engage in self-development activities (Boyce, Zaccaro, & Wisecarver, 2010). In other words, it is the intrapersonal and the interpersonal processes that are central to leadership development over time (Day, Fleenor, Atwater, Sturm, & McKee, 2014). On an individual level, only limited research has been done to understand the characteristics that are associated with how individuals engage in self-development activities to develop their leadership skills (Boyce, Zaccaro, & Wisecarver, 2010).

This article aims to provide further insight on managers' reaction towards feedback especially regarding positive or negative reactions, the perceived usefulness, and accuracy of provided feedback and the implications these variables have on the likelihood to take self-development actions. Since the underlying leadership development in this study was utilising a 360-degree feedback process, it was also investigated whether the differences between self- and others affected the likelihood that self-development actions are taken.

Leadership development initiatives, with focus on both, task-oriented and relationship-oriented leadership, have shown significant impact on positive outcomes such as performance, task achievement, and commitment. Nevertheless, not all leadership development initiatives are equally successful. Studies outline the importance of feedback following leadership development initiatives arguing that the reaction towards feedback may vary due to the type and form of feedback given. Furthermore, how recipients of feedback accept it and perceive it as being useful may influence the way how they react to the feedback. Although organisations

very often provide support following a leadership development program, it is the attitude of each individual that has been shown to have an even greater influence on the final results. This study adds knowledge through empirical data on the relevance of feedback in leadership development initiatives utilising multirater (incorporating self- and others-rating) tools for developing their leaders.

Leadership theory versus leader and leadership development theories

The history of leadership theory with over a century of research is relatively long, whereas the literature on leadership development is rather short (Day et al., 2014). In contrast to leader and leadership development, leadership theory is building the foundation and basic assumptions of leadership approaches that help them to be most effective. It is a misperception to think that developing individual leaders and effective leadership processes is simply depending on choosing the right leadership theory and training people to apply those theories (Day et al., 2014). One of the critics of leadership studies is that due to a large number of different leadership theories also many forms of leadership development programs have been introduced and marketed but their effectiveness has not been tested adequately (Goethals, Sorenson, & Burns, 2004).

It is important to distinguish leadership theory from theories regarding leader (intrapersonal focus) and leadership (interpersonal focus) development. The focus of leader development is put on the development of individual leaders, whereas leadership development is focusing on development processes that primarily involve multiple individuals and the enhancement of leadership capacity. It is therefore argued that leader development is one aspect of the broader process of leadership development (Van Velsor, McCauley, & Ruderman, 2010). Leader development can be defined “as the expansion of a persons’ capacity to be effective in leadership roles and processes” (Van Velsor et al., 2010, p. 2) It focuses on increasing human capital through the development of individual knowledge, skills, and abilities, assuming that effective leadership occurs through the development of individual leaders. In contrast, leadership development is defined by Van Velsor et al. (2010) as “the expansion of a collective’s capacity to produce direction, alignment, and commitment” (p. 20). Leadership development focuses on building networked relationships among individuals in an organisation. Other authors define leadership development as “every form of growth or stage of development in the life cycle that promotes, encourages, and assists the expansion of knowledge and expertise required to optimise one’s leadership potential and performance” (Brungardt, 1997, p. 86). For this study, the theoretical

differences of the terms leadership development and leader development are acknowledged, but the term *leadership development* is used to include both perspectives and approaches.

Leadership development programs in organisations

Leadership development is a multi-billion-dollar industry and one of the most expensive activities in corporate training budgets. On a global scale, it is estimated that companies spend annually more than USD 60 billion for leadership development initiatives, USD 14 billion alone in the US market (Gurdjian, Halbeisen, & Lane, 2014). Spending on leadership development has been increased significantly in recent years and is predicted to rise further. Also in Austria on average USD 2000 – 11 000 are spent per participant to enhance their leadership competencies (Krimms, 2016). Organisations are investing heavily on the development of their leaders, especially with millennials becoming the biggest group of employees in the business environment. In a global study carried out by PwC (PricewaterhouseCoopers) 1.409 CEOs where asked what aspects of their talent strategy are being changed to have the most significant impact on attracting, retaining and engaging people to remain relevant and competitive. With 72 percent of these CEOs were concerned about the availability of talent, 49 percent said that their primary talent strategy would focus on the development of their leader pipeline (PWC, 2016). Considering these talent strategies and the massive investments of organisations and individuals in leadership development programs, it seems surprising that only limited research on the effectiveness of these programs exists (Ely et al., 2010).

An ongoing discussion in this context is, whether leaders are born or made, in other words, if leadership capabilities can be taught. Today, there seems to be consensus on the fact that although some cognitive abilities and personality traits are innate and remain stable over time, there are many human capabilities that can be developed and trained to enable individuals to perform their tasks in a better way (Van Velsor et al., 2010). Burke and Day (1986) conducted a meta-analysis that is commonly regarded as the principal empirical support for the effectiveness of managerial training and leadership development programs. Their meta-analysis included seventy published and unpublished business studies over thirty years in different industries and companies. Those studies involved managerial or supervisory personnel, where more than one training program has been evaluated and included at least one control or comparison group. Burke and Day found that managerial training was moderately effective and provided true mean effect sizes for each of the four criterion-measure categories used. Those where, subjective learning (.34), objective learning

(.38), subjective behaviour (.49), and objective results (.67). Approximately twenty years later, Collins & Holton (2004) conducted another meta-analysis, integrating eighty-three studies to determine the effectiveness of leadership development initiatives in their enhancement of performance, knowledge, and expertise at an individual, team and organisational level. They concluded that if sufficient front-end analysis is conducted to assure that the right development is offered to the right leaders, organisations should feel comfortable that their leadership development programs will produce significant results and participants can gain substantial improvements in both knowledge and skills.

Unfortunately, although the focus of research during the last century was lying on leadership theory, the development of these capabilities was getting far less attention. Leadership is an emerging interdisciplinary field, but there has been very little research on leadership development programs in general (Avolio, Avey, & Quisenberry, 2010). Day et al. (2014, p. 64) state that “we need to focus on development as much as leadership to shed light on how this process unfolds.” This is particularly important since research findings suggest that not even can managerial leadership development do not affect, but the experience that participants have can become negative. It is therefore crucial of providers of leadership development programs to understand that merely identifying and placing individuals in these programs do not ensure that they will become more effective leaders when completing the training (Kirchner & Akdere, 2014). Arnulf, Glasø, Andreassen, & Martinsen (2016) investigated the perception of leadership development program participants toward the outcome of training initiatives with the consequence that more than half of participants were negatively biased toward the field and experienced the activities as negative but harmless, and 44 percent as even negative. As the cause of negative experiences was most frequently attributed to external consultants, operating in an environment characterised by a lack of evaluation. Further, it is argued that the most likely scenario for negative effects seems to occur in companies that invest quite a lot in the development activities themselves, but not in their evaluation. In contrary companies, that either invests little and rely on internal resources or invest high sums of money for certain leadership development and therefore also monitor the effects closely achieve the most favourable outcome. Arnulf et al. (2016) argue that leadership development activities are having negative consequences if they directly reduce the person’s capacity to perform leadership roles or indirectly reduce organisational performance by wasting resources and undermining the belief in developmental efforts. Based on their research, Kirchner & Akdere (2014) argue that there is a significant probability, that if someone is participating in leadership development programs against their wishes, they will not fully engage in the themes

being discussed. Since organisations typically promote these programs based on tenure and position, this oversight appears to be particularly significant; calling for a reconsideration of design and target population in leadership development programs. Lacerenza, Reyes, Marlow, Joseph, & Salas (2017) estimated the effectiveness of leadership training across four criteria (reactions, learning, transfer, and results) performing a meta-analysis to determine which elements are associated with the most effective leadership training interventions. Overall, their research suggested that leadership development interventions are indeed useful, showing the most significant effect for transfer (i.e. utilising the abilities that were taught), followed by learning (i.e. acquiring knowledge), results (i.e. achieving organisational objectives including costs, company profits, turnover and absenteeism) and reaction (i.e. trainee attitudes toward training).

Leader self-development

Little systematic research has been reported to advance the understanding of characteristics associated with individuals who initiate self-development activities to grow leadership skills (Boyce, Zaccaro, & Wisecarver, 2010). Self-development leadership programs are a variant of leadership development where training focuses on learning experiences in which the leader takes primary responsibility for their growth in leadership capacities and where the leader essentially decides what knowledge, skills, and abilities they need to improve on and follow by choosing the most appropriate method (Kirchner & Akdere, 2014). Boyce et al. (2010) claim that work, career-growth and mastery orientation of individuals are increasing the probability of leaders' self-development due to a higher level of motivation and higher skills at performing instructional and self-regulatory processes, but also that an organisational support tool can moderate the actual performance of leader self-development activities. But there are also indications that specific organisational-level (i.e., human resources practices) and group-level (i.e., supervisor style) constructs can promote leader self-development (Reichard & Johnson, 2011). Collins & Holton (2004) also outline the importance that the right development programs for the right people are offered at the right time.

Self- and other-rating differences in leadership development initiatives utilizing 360-degree feedback measures

In the process of leadership development, 360-degree feedback has become almost ubiquitous in organisations of every type and is an important step to facilitate development (Day et al., 2014). As one possible source of feedback, 360-degree ratings allow the participant in

formulating comparisons among various rating sources, and provides the participant with a more holistic depiction of his or her areas for improvement because the results are not based on a single-source and therefore may be perceived as more reliable (Lacerenza et al., 2017). Abraham (2004), found that positive feedback delivered in an informative manner, can promote emotional honesty, self-confidence, and emotional resilience and superior performance. Today a consensus between practitioners and organisational consultants exists that solely self-ratings are not sufficient for a valid evaluation of emotional intelligence capabilities and therefore recommend the use of 360-degree feedbacks as a system to enhance self-knowledge and improve managerial behaviour (Yammarino & Atwater, 1997a; Sala, 2001; Wolff, 2005).

Yammarino and Atwater (1997) argue that the relative agreement or disagreement between self- and others rating has a potentially high impact on human resource management. It unveils information about personal characteristics, knowledge, skills, and abilities as well as training needs, performance appraisals or leadership behaviour. In the context of emotional intelligence, It is through the use of these multi-rater instruments and the discrepancies between self- and others-rating that one can get more insights into a leader interpersonal world (Brutus et al., 1999). Furthermore, the literature shows that self-perception can contribute to individual and organisational outcomes. Through the use of ratings generated by multi-rater instruments, the degree of agreement between self-perceptions and the perceptions of others can be employed to test this argument (Fleenor et al., 2010). Yammarino & Atwater (1997a), argue that the two main reasons of different outcome of self- and other rating are that there is a general lack of feedback especially for individuals in higher ranks and that they, therefore, rely on their perception of themselves, and second that individuals might have a perception disorder or general difficulties to evaluate and compare themselves to others. In the field of emotional intelligence different theoretical developments also implied different methods for measuring these concepts. The question that arises when studying the academic literature is, whether leaders who are receiving feedback from peers, subordinates or their managers that deviates from their self-rating are more likely to see a need to take actions in their development compared to leaders were self- and other-ratings are very much alike. It is critical to understand whether high or low others-ratings influence the reaction of the individual receiving the feedback (e.g., for enterprises that must establish their leadership development programs).

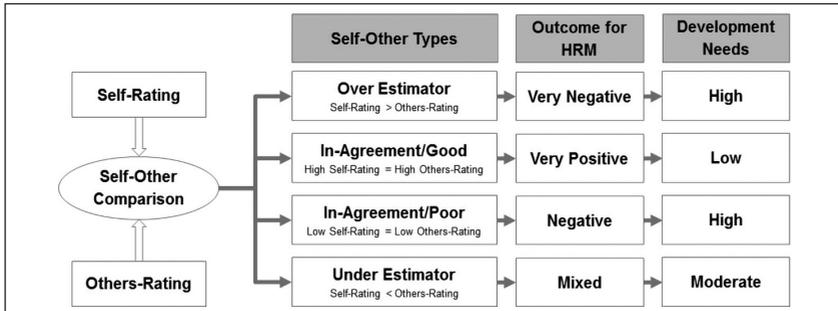
Brett & Atwater (2001) researched how discrepancies in self-other feedbacks were related to reactions and receptivity to development as well as recipients' perceptions of usefulness and accuracy of the feedback. They found that less favourable ratings were related to beliefs that feedback

was less accurate which also led to negative reactions. And because over-estimators (leaders rating themselves higher than others) believe that their level of performance is already high, they may ignore developmental feedback and fail to improve their performance (Fleenor et al., 2010). It is agreed that emotional intelligent behaviour can be learned by those who are willing to learn and that continuous feedback from subordinates helps leaders to further develop their capabilities (Zakariasen & Zakariasen-Victoroff, 2012). It is the influence of a leaders' reactions to 360-degree feedback, that is determining whether they take actions to improve their performance or not, determining and showing their willingness to learn. For actual learning to occur, an individual must be motivated to learn and trainee reactions may serve as an indicator of motivation. Participants reactions reflect the attitudinal component of the effectiveness of leadership development programs and consist of trainee attitudes toward the training. They argue that given the popularity and importance of trainee reactions, it is critical to evaluate whether leadership training elicits positive changes in employee reactions (Lacerenza et al., 2017). Also, other scholars state that the reaction on others' feedback is influencing actions, but that this is a research field that has been neglected and deserves more research attention (Faction et al., 1998). Brett and Atwater (2001) argue that if organisations want to retrieve their investment in leadership development programs "a better understanding of the emotional and cognitive reactions is needed" (p. 941). Therefore, organisations are confronted with the question, whether they have to take into account the fact that different outcomes of self- and others-rating affect the way their employees will react on their received feedback and additional intervention and support from the organisation will be needed. Since it is the primary goal of leadership development initiatives to change leaders' behaviours when performing their day-to-day tasks, it is essential to know what participants will actually do, after they received training and how they will utilise the skills and abilities that have been taught. The question, to what extent the different self-other rating groups influence these behavioural changes, arises.

Atwater and Yammarino (1992) introduced the idea to use rating agreement categories to analyse self and others' agreement data. This approach requires computing difference scores between self- and others' ratings and calculating the mean and standard deviation of the difference scores. Individuals are classified based on the extent of their self-others' difference (i.e., the standard deviation from the mean self-others difference). Initially recommending three rating agreement categories Yammarino and Atwater (1997) extended their model to four categories.

Figure 1 shows the proposed categorisation into (a) Over Estimator (where the self-rating is higher as the others-rating), (b) In-Agreement/Good (with a high self- and others-rating) (c) In-Agreement/Poor (a low

self- and others-rating) and (d) Under Estimators (the self-rating is smaller than the others-rating).



Source: Figure compiled by the author based on Yammarino and Atwater (1997) Do managers see themselves as others see them?

Figure 1: Differences in self- and others-rating

The case for positive development, after feedback has been given to participants, could be confirmed (Sala, 1999). But since it is not very resourceful to treat every individual the same, it is essential for organisations to know what differences in self-others ratings exist between the participants of leadership development programs. Studies support the fact that it is the kind of feedback that seems to influence how individuals are receiving feedback will react to the information provided (Facteau, 1998; Brett & Atwater, 2001). In one study, Facteau et al. (1998) investigated factors that influence the perception of leaders when receiving 360-degree (i.e., multilevel) feedback. They found that managers’ acceptance of subordinate feedback increased with increased favourableness of the feedback. Managers also tended to value the feedback as more useful, the higher their overall score according to their subordinates’ ratings was.

Methods

The question to answer is whether participants of leadership development programs evaluated through 360-degree feedback see the value in this feedback to the extent that they are more likely to engage in developing their leadership capabilities. For actual learning to occur, an individual must be motivated to learn and trainee reactions may serve as an indicator of motivation (Lacerenza et al., 2017).

The underlying leadership development program in this study focussed on analysing managers emotional intelligence competencies, increasing their awareness on this topic and giving them an overview of how they rate

themselves and how others rated them. To investigate, what the managers' approach to the feedback is, a questionnaire has been developed. This questionnaire has been sent to the managers a week after they received feedback about their self and other ratings of following the leadership development initiative. Fleenor et al. (2010) recommends to use simple indices such as comparisons of self-ratings to the mean ratings across rater groups, when giving 360-degree feedback to leaders and that in these situations, an overall index of rating agreement would be a useful indicator of whether an individual has a general tendency, for example, to under- or overestimate his or her performance.

It has been shown, that while there is an overlap between the acceptance and the perceived usefulness of others-feedback, these variables are not entirely redundant and therefore must be treated as separate dependent measures (Facteau et al., 1998). According to Fowler (1995), who defined characteristics for questions in questionnaires, it is important that all participants understand what the questions mean, that the questions are consistently administered and communicated to the respondents and that it is consistently communicated to all respondents what kind of answer is wanted. Further, it is necessary to make sure that all respondents had access to the information needed to answer the question and finally, respondents need to be willing to provide the answer demanded in the question. The developed questionnaire measures four components, (1) accuracy; (2) usefulness; (3) reaction to the feedback provided to the managers and (4) the likelihood to take development actions because of the feedback.

Accuracy measures the level to which managers feel that the received feedback truly reflects their competencies. The aim is to evaluate if recipients of feedback see the feedback as too positive or too negative. Facteau et al. (1998) for example used the term acceptance instead of accuracy to measure the "extent to which leaders believed that the feedback they received was an accurate representation of their performance" (p. 437). One example of a question measuring this part is: "*I think that the feedback of my raters is very accurate regarding my competencies.*"

Usefulness as the second component of the model is examining the level to which the managers see the feedback to be useful for their development. Questions like "*Due to the feedback I found areas that I can improve on*" have been defined to measure this area.

The third area, *likelihood to take personal development actions*, is measuring the probability that managers that found development possibilities are taking steps to improve. This section is being evaluated with questions like "*Due to the feedback, I think that I will work on areas where I can improve.*"

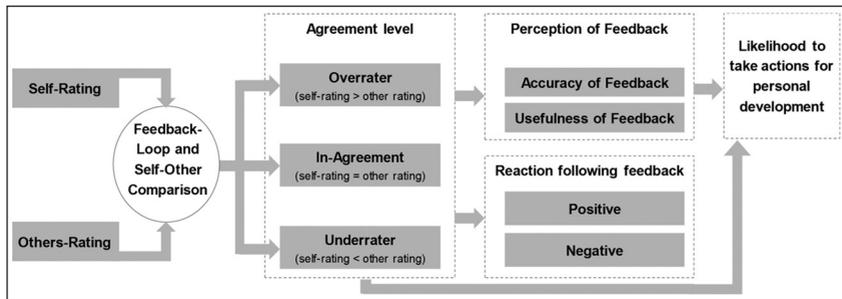
The questionnaire uses a 5-point Likert scale that ranges from 1 (very inaccurate) to 5 (very accurate) for the components "accuracy," "usefulness" and "likelihood to take personal development actions."

How the managers react after receiving feedback is evaluated through the selection of a predefined mood. Positive (inspired, encouraged, informed, aware, pleased, motivated, enlightened), and negative (angry, judged, confused, examined, criticised, discouraged) emotions have been previously defined by Brett and Atwater (2001) and will be applied in the questionnaire. Scherer (2005) argued that individuals who have to describe their feelings often have problems to come up with appropriate labels and that difficulties can arise because of different vocabulary. He further states that participants might want to answer with a term or category that is not provided and therefore should take the next best alternative or a residual category like "other" and hence the accuracy of the data suffers (pp. 712). This is considered and thus the developed questionnaire will distinguish between positive and negative feelings but will also provide an open category for the participants where they can add describe other feelings. These feelings are then allocated to the rather positive or rather negative category. To ensure the understandability and to test the formulations, the questionnaire has been pre-tested. It has been given to managers in the human resource department and the questions have been discussed afterward. This led to certain changes in the formulation although the general understandability and unambiguity were confirmed.

The model for this research has been subsumed in Figure 2. The three components, type of reaction (being positive or negative), perceived accuracy of the feedback, and perceived usefulness of the feedback are the independent variables, the likelihood to take personal development actions is the dependent variable in the developed model. To analyse the research question and to test the hypothesis a survey has been created which has been delivered to managers immediately after they received feedback about their competencies which was evaluated through a 360-degree feedback process in a leadership development program. The increasing use of 360-degree feedback in organisations additionally led to the question, what influence differences in self- and other feedback have on the perceived accuracy and usefulness as well as on the likelihood that recipients of feedback take development actions on their own.

After conducting the preliminary literature review, it has been decided that quantitative, non-experimental, correlational design will be applied to answer the research question. This has been argued to be the best approach for the investigated problem because it enables the researcher to describe and measure the association or relationship between two or more variables or sets of scores using correlational statistics (Creswell, 2014). Also, Weathington, Cunningham, and Pittenger (2012) argue that correlational research is used to study the relationship between two or more variables and that it can be used to make predictions about the dependent variable using the independent variable. It is the method

of “collecting information by asking a set of pre-formulated questions in a predetermined sequence in a structured questionnaire to a sample of individuals drawn to be representative of a defined population” that is known as survey research (Sreejesh et al., 2014, p. 58).



Source: Created by the author

Figure 2: Influence of rating differences on perceived usefulness, accuracy and likelihood to take personal development actions

Scholars argue that there is a significant probability, that if someone is participating in leadership development programs against their wishes, they will not fully engage in the themes being discussed (Kirchner & Akdere, 2014). Therefore, together with the corporations' human resource department, every potential participant received information up-front and was personally asked to join the research study. It was explained, that every participant would receive personalised feedback regarding their emotional intelligence competencies, especially about the differences between their self-rating and the rating of others. Following, the data collection process was started.

The human resource department of the selected organisation was sending out an email to 95 managers that were all registered in their companies' internal leadership development program. There the intended study and the concept of emotional intelligence and the 360-degree feedback was explained. To be able to participate, managers had to be in their current position for a minimum of one year and had to have responsibility for at least three subordinates. The participants of the leadership development initiative were asked to self-rate their competencies and to name a minimum of two peers and two subordinates to provide feedback to them. In total, the managers nominated 204 raters. The questionnaire was completed by 28 managers (87.5%) and 154 raters (75.5%). All managers that had valid self- and others rating in received personalised feedback regarding their competencies with a clear differentiation between self- and other ratings.

Two weeks after the feedback a link to a follow-up questionnaire was sent to those managers via e-mail. A total of 26 managers (93%) responded with valid data providing data about their perception of the feedback and the likelihood that they will take personal development actions. These managers were grouped according to the level of agreement between their self- and other rating and their reaction, the perceived accuracy and usefulness as well as the likelihood to take individual development actions were analysed.

Results and Discussion

To investigate whether differences between the self-rating of managers and the rating they received from others exist, the mean average others-rating from peers and subordinates was compared to the self-ratings utilising the paired sample t-test for parametric independent variables. Spearman's rho was computed to find whether the parameters of perceived accuracy, usefulness and likelihood to take self-development actions, correlate. Following it was tested, utilizing the Kruskal-Wallis Test, whether the difference between self- and other ratings, shown in the three groups of overraters, underraters, and in agreement, also explain differences in the perceived accuracy of feedback, its usefulness and the likelihood that managers take future development actions on their own.

Following the recommendations of Shanock, Baran, Gentry, Pattison, & Heggstad (2010) descriptive information about the occurrence of congruence and incongruence between self and others' ratings have been calculated to achieve a clearer initial understanding of the data. This has been done by standardising the score for self and other ratings. Leaders with a standardised score on the self-rating half a standard deviation above others' score were categorised as an over-estimator, whereas any leader with a standardised score for self-rating, half a standard deviation below others' score was categorised as an under-estimator. Leaders within these limits were categorised as in-agreement with others. As illustrated in Table 1, all three of the categories were well represented in the sample, which, according to Shanock et al. (2010), constituted a sound basis for the subsequent self-other analyses.

Table 1: Classification of groups according to rating differences

	N	Mean Self-Rating	Mean Other Rating
In-Agreement	9	3,91	3,90
Overrater	9	4,06	3,79
Underrater	8	3,75	4,12

Note. N = 26.

Source: Created by the author, using own empirical data

In Table 2 the descriptive statistics for the perceived accuracy and usefulness, as well as for the likelihood of managers to take individual development actions are shown. In the underlying questionnaire a 5 level Likert scale (ranging from 1–5) has been employed. The minimum and maximum values for accuracy range between 3 and 5, for usefulness and likelihood to take development actions between 2 and 5. Due to the data, it can be stated that the participants perceived the development program particularly useful with a mean value of 4.04. Although the mean values are lower for accuracy and likelihood for development, the mean values are still above average.

Table 2: Descriptive Statistics for accuracy and usefulness of feedback and the likelihood to take development actions

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Accuracy	26	3,00	5,00	3,9038	,40048	,160
Usefulness	26	2,00	5,00	4,0423	,84719	,718
Likelihood for development	26	2,00	5,00	3,6346	,79445	,631
Valid N (listwise)	26					

Source: Created by the author, using own empirical data

Table 3 shows the Min, Max, Mean, Standard deviation and Variance of data for the self-other rating differences. The minimum and maximum are ranging from -.83 to .59 indicating the minimum and maximum values of the difference between self and other ratings. Negative values in this sample are occurring when the self-rating of managers is lower than the others rating (underraters). The standard deviation is .30 which is also used helping to distinguish the groups of managers being underraters, overraters or inagreement with their raters.

Table 3: Descriptive Statistics for self- and other rating differences

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Diff_Self_Other_Rating	26	-,83	,59	-,0135	,30299	,092
Valid N (listwise)	26					

Source: Created by the author, using own empirical data

After showing the descriptive statistics for the data of perceived accuracy, usefulness of feedback and the likelihood to take development actions, the three values were correlated to answer the research question. In Table 4 the three variables of perceived accuracy and usefulness, as well as likelihood to take development actions have been correlated

using Spearman's rho. It can be noted that the perceived accuracy of the feedback that participants of leadership development programs get is also correlated with the perceived usefulness of this feedback ($p = .05$). Furthermore, it is possible to see that perceived usefulness is statistically significantly correlated with individuals' likelihood to take development actions in the future on their own.

Table 4: Correlation between perceived accuracy, usefulness and likelihood to take development actions

			Accuracy	Usefulness	Likelihood for development
Spearman's rho	Accuracy	Correlation Coefficient	1,000	,422*	,224
		Sig. (2-tailed)	.	,032	,272
		N	26	26	26
	Usefulness	Correlation Coefficient	,422*	1,000	,547**
		Sig. (2-tailed)	,032	.	,004
		N	26	26	26
	Likelihood for development	Correlation Coefficient	,224	,547**	1,000
		Sig. (2-tailed)	,272	,004	.
		N	26	26	26

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Created by the author, using own empirical data

Influence of rating group difference on the perceived accuracy and usefulness of feedback and the likelihood to take development actions

Through the literature research it was possible to understand that despite the vast amount and effort that is put on leadership development, many of these development programs fail. Research suggests that the lack of feedback plays an essential part in this phenomenon. The 360-degree feedback is one of the most prominent ways to get leadership development program participants own view and the view of others about the person's capabilities. But what research also shows, is that after the feedback has been provided to the participant, in many cases the participant is left alone with the outcome. This part of the study aims to give insight on how individuals react on feedback and whether differences in rating outcome between the self and other ratings can influence the participants' initiatives for their development. In Table 5 the mean ranks for the groups of overraters, underraters and in agreement participants for accuracy, usefulness and the likelihood for development actions are displayed. Further, the Kruskal Wallis Test is shown.

Table 5: Influence of self- and other rating differences on perceived accuracy, usefulness, and likelihood for development actions

	Over_Under_InAgreement	N	Mean Rank
Accuracy	1	9	14,06
	2	9	13,28
	3	8	13,13
	Total	26	
Usefulness	1	9	13,33
	2	9	17,22
	3	8	9,50
	Total	26	
Likelihood for development	1	9	16,22
	2	9	13,89
	3	8	10,00
	Total	26	

	Accuracy	Usefulness	Likelihood for development
Chi-Square	,094	4,441	3,037
df	2	2	2
Asymp. Sig.	,954	,109	,219
Exact Sig.	,958	,108	,222
Point Probability	,005	,000	,001

a. Kruskal Wallis Test

b. Grouping Variable: Over_Under_InAgreement

Source: Created by the author, using own empirical data

Reviewing the results, it can be stated that with a significance level of .954 for accuracy, .109 for usefulness and .219 for the likelihood to take development actions the three groups of self-other rating comparison (Overrater, Underrater, InAgreement) do not differ significantly which indicates that rating group differences have no effect on the three dependent variables.

Conclusion and Discussion

Several studies support the statement that there is a significant difference between self and other ratings in leadership development programs that use 360-degree feedback. The empirical data in this study confirmed this statement, showing the difference between managers self and other ratings. Contrary, there was no evidence that those differences between self- and other-ratings influence the likelihood for participants to

take self-development actions. Additionally, the difference did not influence how accurate or useful participants perceived the feedback to be.

The statement that the perceived accuracy and usefulness of feedback also leads to an increased likelihood to take personal development actions was partly supported. On the one side, perceived accuracy of the feedback did not correlate with the likelihood to take development actions, on the other side, the more useful participants perceived the feedback, the more likely participants were about to engage in further personal development actions. Investing in leadership development programs can pay off. Research has shown that organisational interventions in leadership development are less successful than stimulating individuals to take their development into their own hands. Nevertheless, still, many corporations do not encourage employees to increase their leadership capabilities. Data gathered in this study suggest that it is essential for individuals to see the leadership development programs as being useful for them to further engage in their self-development following an initiative that was introduced by their company. Only this will secure a sustainable and continuous improvement of the management and leadership force. Often participants are left alone with their feedback results and there is a need for a specific strategy following 360-degree feedback taking into consideration that employees react differently on feedback and that some need more encouragement than others to develop their skills further. As research was showing, the perceived usefulness is correlating with the likelihood to take personal development actions, initiators of leadership development programs have to make sure that they explain how participants can benefit from the training, possibly also providing examples from workplace situations where participants can understand the value of the planned leadership development initiative.

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MAIN PROBLEMS CUSTOMERS FACE WHEN SHOPPING ONLINE: FINDINGS BY RECENT SURVEY¹

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Abstract

The recent increase of online stores increases consumer desire to buy a product without stepping out of the house. Although shopping online in Latvia is not as popular as elsewhere in Europe and the world – only 55% of Internet users in Latvia shop online – local internet stores face a lot of problems, from which delivery is the main one and it affects both – customers and companies. Delivery is important factor in creating trust to particular online store for customers and there are lot of external factors that influence delivery from company viewpoint. The aim of the research is to find the main problems customers face when shopping online, how delivery affects consumers' online store choice, and make comparisons with results in other countries. Research methods used: scientific publications studies, studies of statistics on internet shopping development, survey realised in Latvia at the end of 2017 and beginning of 2018 on internet shopping in co-operation with company *iMarketing*, University of Latvia and Chamber of Trade and Commerce of Latvia. For many aspects in the evaluation of opinion of respondents was used an evaluation scale 1–10, where 1 – do not agree with the statement; 10 – fully agree with statement. For data analysis there were used indicators of descriptive statistics, cross-tabulations, statistical tests of hypotheses and correlation analysis. Main results and findings of the study, theoretical and practical implications of the work: response rate of respondents was very high in comparison with other surveys, respondents have expressed also their suggestions for delivery from online stores. Main conclusions: people in Latvia mainly do not use internet for shopping, but if they do, they face several problems; delivery is one of them. Customers in Latvia are not willing to pay for delivery at all, even in the case if there is a possibility to receive the product on the day of the purchase. Also, the main factor that would

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deter shopping at a particular online store is long product delivery time which means that companies in Latvia should be aware that customers do not want to pay for delivery and want to receive ordered goods quickly and in time.

Keywords: Latvia, delivery, internet marketing, shopping on internet, survey

Introduction

Recent research is devoted to internet marketing in the context of the biggest problems' customers face when shopping online. With the increase of online stores, online shoppers are also increasing, and companies face more and more challenges. The aim of the research is to find main problems customers face when shopping online, how delivery affects consumers' online store choice, and compare results with other countries. The tasks are: 1) analysis of scientific publications and previously conducted research results; 2) analysis of survey realised in Latvia at the end of 2017 and beginning of 2018 on internet shopping in co-operation with company *iMarketing*, University of Latvia and Chamber of Trade and Commerce of Latvia to determine how delivery affects online store choice and what are the main problems customers face when shopping online. Research methods: analysis of scientific publications and previously conducted research results; analysis of survey realised in Latvia at the end of 2017 and beginning of 2018 on internet shopping in co-operation with company *iMarketing*, University of Latvia and Chamber of Trade and Commerce of Latvia. For many aspects in evaluation of opinion of respondents it was used evaluation scale 1–10, where 1 – do not agree with the statement; 10 – fully agree with statement. For data analysis there were used indicators of descriptive statistics, cross – tabulations, statistical tests of hypotheses and correlation analysis.

Contextual and theoretical background

Although shopping online is becoming more popular, there are a lot of people who do not shop online, because this industry still faces a lot of challenges. The quality of internet shops and provided services is a key factor influencing consumer confidence and internet's store's choice. E-service quality has various definitions, Santos (Santos, 2003) suggest that it can be defined "as the consumers overall evaluation and judgment of the excellence and quality of e-service offerings in the virtual marketplace." The most commonly used definition of e-service quality is "the extent to which a website facilitates efficient and effective shopping, purchasing, and delivery of products and services" (Zeithaml, Parasuraman, Malhotra, 2002).

Many scientific researches have shown that delivery is very important factor to customers when shopping online. Potential online shopping customers in Switzerland think that waiting delivery at home and the possibility of having to return purchased good is inconvenient (Rudolph, Rosenbloom, Wagner, 2004). But a study in Malaysia suggest that one of the main factors that influence customer who are new to online shopping is delivery service. Goods that are purchased for special occasions or perishable goods that are easily spoilt need to be delivered in time, so it is very important for online stores to have delivery track system so customers can be informed on the delivery status (Harn, Khatibi, Ismail, 2011). Another study revealed that the most influential online shopping attributes are the convenience of a delivery service, flexible shopping hours and a chance to make better deals, but the most impeding factors are the missing touch-and-feel experience and the fear of losing track while shopping. Interesting that delivery scheduling problems had not have any negative effect on adoption behaviour from traditional shopping to online shopping (Pechtl, 2003). Customers in Thailand do not perceive online shopping more convenient than shopping in traditional physical store therefore companies need to find a solution how to encourage customers to shop online (Changchit et al., 2019). A study in South Africa (Hung-Joubert, Erdis, 2019) has revealed that low or no extra delivery or shipping charges are one of the main factors which influence South Africans' decision to shop online. But from the company view point one the most common problems in e-commerce is failed delivery attempts (Florio, 2018). A study of German fashion online stores revealed that delivery time and payment is one of the weakest elements of today's online fashion companies. Other factors analysed were payment, check-out, deliverability, information on delivery, quality of delivery, quality of pictures, papers, return handling and packaging from which check-out process and quality of delivery got the highest rating (Strähle, 2013).

Companies should pay attention also to other important factors which vary in different countries. It is crucial to provide cash-on-delivery option in countries where safe and secure payment system is a challenge, because then online shoppers do not need to leave their personal information and banking details (Hung-Joubert, Endis, 2019). Another important factor that influence the decision whether or not shop online is data protection. A study in Germany discovered that insecure data transfer and computer fraud do not substantially affect online shopping (Pechtl, 2003). But in South Africa secure and convenient payment facilities is one of the main influencing factors.

A study in China (Ho, Awan, 2019) found out that Chinese female consumers reluctantly use online shopping payment methods and they are

more sensitive to perceived risk what means that if a female consumer will perceive high risk from online shopping, her motivation will be reduced to shop online. Samuel, Balaji and Wei point out that it is critical to develop and provide positive and nice online shopping experience to develop trust and purchase intention (Samuel, Balaji and Wei, 2015).

Hung-Joubert and Endis has revealed that in South Africa the price of the product or service is also very important factor that affects decision whether or not to shop online (Hung-Joubert, Erdis, 2019). A study in India (Khare, 2016) has revealed that quality conscious and brand conscious shoppers do not shop online, and they are not interested in discounts and special offers, but the ones who are interested in promotional offers are impulsive and fashion-conscious shoppers. Khare considers that customer support and online assistance should be available without any conditions. Also, customer support can decrease fears of data confidentiality, it can be as a solution overcoming fears of leaving personal information such as banking details online. Akhter revealed that those customers who feel more comfortable using internet for personal and social activities and understand the technical side of computers they are more likely to shop online and make transactions with bigger amount of money (Akhter, 2015).

As a lot of studies has been focused on a specific industry it has been proven that fashion shopping is more emotionally driven, than based on practical reasons, therefore companies need to improve pictures, videos, recommendations and descriptions, but website design must be change to more consumer orientated approach (Strähle, 2013).

The E-commerce industry has made a lot of opportunities to other sectors, for example, shopping online had caused booming effect on demand of delivery companies in China (Shi, Vos, Yang, Witlox, 2019) which have been distributed densely from cities to villages. These companies offer high quality fast delivery and relatively low price which have led to retail development in China. Before that those who lived in the city received their purchased goods at the same day of the purchase or next day, but those who lived in villages received their purchases within seven days. Now the situation has changed, and these high-quality delivery services have attracted people to adopt shopping online. As the issue about environment is becoming more important, Thailand (Koiwanit, 2018) has indicated that drones as a delivery service can replace road deliveries and overcome infrastructure challenges, also drones consume less fuel and have a smaller impact to environment. Drones are more environmentally friendly than other delivery systems, because emissions using drones are mainly from parts production. At the end it was

discovered that drones are more suitable for short trips with light-weight items while ground vehicles are suitable for carrying heavier products in long distances. The fact if customer own a car is also affecting shopping online (Shi, Vos, Yang, Witlox, 2019), because those people who do not own a car are more likely to substitute online shopping for shopping trips than those who have a car, which means that shopping online can reduce demand for public transportation.

Empirical research results and discussion

The survey was realised in Latvia at the end of 2017 and beginning of 2018 on internet shopping in co-operation with company *iMarketing*, University of Latvia and Chamber of Trade and Commerce of Latvia. The survey was located on one of the most popular internet platforms in Latvia and randomly selected possible respondents were invited to answer questions included in the survey. It was ensured that each respondent can fill in the survey form only once. All survey data were obtained in SPSS to ensure deep data analysis and find out important aspects could be found by use of several statistical analysis methods including methods of multivariate statistical analysis. Gathered survey data processing was conducted using cross-tabulations, using indicators of descriptive statistics: indicators of central tendency or location (arithmetic mean, mode, median), indicators of variability (variance, standard deviation, standard error of mean, range), testing of statistical hypotheses and correlation analysis.

The sample of the study consists 2513 responses from which were excluded those who have not been shopping in the internet more than six months and those who do not remember when the last time was when they were shopping online. Table 1 presents in detail the demographics of the sample.

The majority or 62.9% of the respondents were women, but 37.1% were man. The most represented age group ranged from 35 to 44 years (26.2%), but almost equally represented were age groups from 25 to 34 (25.3%) and from 45 to 54 years (23%). The least represented age groups were under 18 years old (1.8%) and over 65 years old (2.9%), but interestingly that over 65 years old respondents were more than under 18 years old, because usually digital skills are better in the younger generation. Regarding to the region, almost half of the respondents live in Riga or Riga region (48%), but 15.8% live in Kurzeme region, 15.2% live in Vidzeme region, but only 10.5% live in Latgale region and 10.4% live in Zemgale region. The demographic factors of the survey sample coincide with the statistics of internet users in Latvia in 2017 (CSB, 2017).

Table 1. Demographic characteristics of the respondents in survey on internet shopping in Latvia in 2018

		N	Percent
Gender	Female	878	62.9
	Male	518	37.1
Age	Under 18	26	1.8
	18–24	135	9.6
	25–34	357	25.3
	35–44	369	26.2
	45–54	324	23.0
	55–64	157	11.1
	65+	41	2.9
Region	Riga and the region of Riga	676	48.0
	Kurzeme region	222	15.8
	Latgale region	148	10.5
	Vidzeme region	214	15.2
	Zemgale region	147	10.4
The last time of purchase or order of a product or service online	Over the last 30 days	1343	63.4
	Two months ago	281	13.3
	Three months ago	108	5.1
	Six months ago	113	5.3
	I do not remember	273	12.9

Source: Authors calculations based on survey in 2018, $n = 2513$

The majority of respondents or 63.4% had been shopping online over the last 30 days, 13.3% had been shopping two months ago, but 5.1% of respondents three months ago. Those who had been shopping in the internet six months ago and those who do not remember the last time shopping online were excluded from the further analysis. In further data analysis author analysed 2127 responses from 2513 total responses to provide more accurate data.

In order to find out what role shopping online plays on the daily basis of customers, it was asked about the purpose of using the internet. The main indicators of descriptive statistics on evaluations of respondents on use of internet are included in the table 2.

Table 2. Main statistical indicators on respondent's evaluations on use of Internet in Latvia at the end of 2018

Statistical indicators	Work	Shopping	Use of Social Networks	Communication with friends, relatives	Read News	Search Information	Check e-mail	Watch Video	Manage payments
N Valid	2166	2166	2166	2166	2166	2166	2166	2166	2166
Missing	0	0	0	0	0	0	0	0	0
Mean	7.16	6.86	8.47	7.91	7.76	8.83	8.76	7.70	8.62
Std. Error of Mean	0.069	0.059	0.053	0.056	0.055	0.043	0.049	0.056	0.056
Median	8	7	10	9	9	10	10	9	10
Mode	10	10	10	10	10	10	10	10	10
Std. Deviation	3.210	2.739	2.449	2.597	2.547	1.996	2.285	2.590	2.619
Variance	10.302	7.503	5.997	6.746	6.485	3.984	5.220	6.707	6.857
Range	9	9	9	9	9	9	9	9	9
Minimum	1	1	1	1	1	1	1	1	1
Maximum	10	10	10	10	10	10	10	10	10

Source: made by authors, based on a recent research "Online Consumer Shopping Habits in Latvia in 2017", evaluation scale 1–10, where 1 – do not agree; 10 – agree in full extent

The results of survey analysis revealed that respondents mainly use internet for searching for information (arithmetic mean was 8.83 and median 10 – it means that half of respondents gave evaluation 10 and half of respondents evaluated lower, mode 10 – most often used evaluation of respondents), evaluations of respondents had the smallest variability of evaluations (smallest standard deviation), checking e-mail (arithmetic mean was 8.76) and managing payments (arithmetic mean was 8.62), but the least preferable option is shopping online – arithmetic mean was 6.86; mode of evaluations was 10, but half of the respondents gave evaluation 7 or less, but the other half 7 or more (characterised by the median). It means that shopping online in Latvia is still in the beginning phase and customer do not choose to spend their time on the internet for shopping, mostly they use internet for practical activities, such as searching for information, managing payments and checking e-mail, not for entertaining activities which is shopping online, but still there are big differences in using internet for work – there was the biggest standard deviation of evaluations.

There are a lot of reasons why customers choose one particular online store they would like to shop in. Therefore, data included in Figure 1 shows

what are the main reasons why respondents would prefer to purchase a product at a particular internet shop.



Source: made by authors, based on a recent research “Online Consumer Shopping Habits in Latvia in 2017”, evaluation scale 1–10, where 1 – not important; 10 – very important

Figure 1. Average evaluations by respondents on main reasons to purchase a product at a particular online store in 2017

The survey revealed that the biggest reason why respondents would prefer a particular online store is that the store provides free shipping with the arithmetic mean of evaluations 8.91, but the second most common reason would be low price with arithmetic mean of evaluations 8.78. As the delivery is also related with the price it means that customers in Latvia do not want to pay for delivery and they choose a specific online store based on free shipping and/or lower price. As other factors influencing the selection of online stores are mentioned that product is in stock and immediately available, there are detailed product descriptions and the online store is popular and reliable etc. Factors – responsive and knowledgeable customer support as well as aspect on possible delivery on the day of purchase and there are leasing/credit options offered – are not significant when choosing a particular online store.

Often there are situation when specific product target audience is female or male customers therefore researchers in many countries but especially marketing specialists are interested in purchasing habits and

factors which affects genders. Table 3 shows how offering free delivery affects female and male customers.

Table 3. Statistical Indicators on Female and Male Respondent's Evaluations on Factor of Online Store Offers Free Delivery

Gender	N	Mean	Std. Deviation	Std. Error Mean
Female	757	9.11	1.654	0.060
Male	442	8.60	2.213	0.105

Source: made by authors, based on a recent research "Online Consumer Shopping Habits in Latvia in 2017", evaluation scale 1–10, where 1 – not important; 10 – very important, $n = 1199$

As Table 3 indicates it is more important for female customers that online shop offers free delivery, than for male customers (characterised by arithmetic mean). The reason to this could be the fact, that also female customers shop online more often than male customers.

It is important to investigate – does those differences are statistically significant – the hypothesis on similarity of mean evaluations by female and male is checked by t–test. Main results are included in Table 4.

Table 4. Hypothesis Testing on Arithmetic Means of Evaluations by Female and Male Respondent's on Factor of Online Store Offers Free Delivery

	Levene's Test for Equality of Variances		t-test for Equality of Means				
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Equal variances assumed	44.687	0.000	4.490	1197	0.000	0.505	0.113
Equal variances not assumed			4.167	730.267	0.000	0.505	0.121

Source: made by authors, based on a recent research "Online Consumer Shopping Habits in Latvia in 2017", evaluation scale 1–10, where 1 – not important; 10 – very important, $n = 1199$

As the data of Table 4 indicate – the evaluations of male and female respondents on importance of free delivery differ statistically significant with level of significance 0.000.

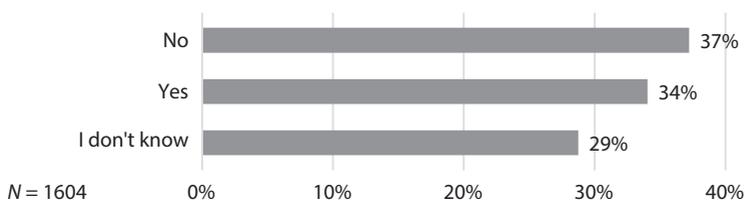
Results of analysis on similarities or differences in evaluations by respondents on *Factor if Online Store Offers Free Delivery* by age group using analysis of variance (ANOVA) indicate that there are no significant differences by age groups (with significance level 0.129) – analysis of ANOVA are presented in Table 5.

Table 5. Hypothesis Testing on Arithmetic Means of Evaluations by Respondent's Age Groups on Factor of Online Store Offers Free Delivery

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	35.616	6	5.936	1.653	0.129
Within Groups	4316.609	1202	3.591		
Total	4352.225	1208			

Source: made by authors, based on a recent research "Online Consumer Shopping Habits in Latvia in 2017", evaluation scale 1–10, where 1 – not important; 10 – very important, $n = 1199$

Figure 2 shows whether or not respondents would be willing to pay to receive the product on the day of the purchase.

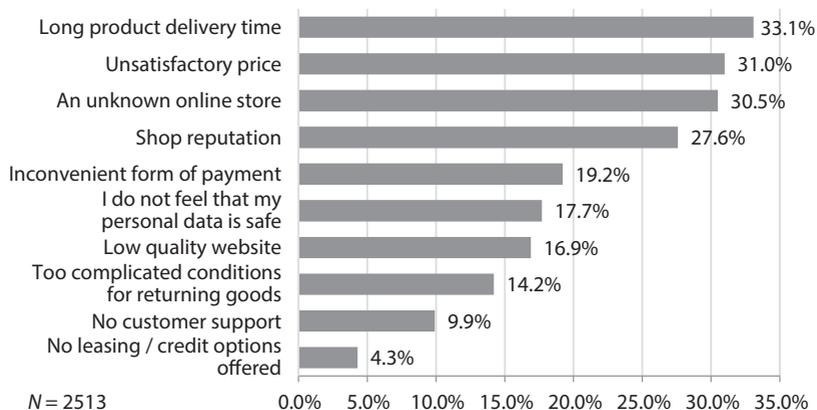


Source: made by authors, based on a recent research "Online Consumer Shopping Habits in Latvia in 2017"

Figure 2. Distribution of responses by respondents on statement "Willingness to pay for the product delivery on the day of the purchase"

One third of respondents do not know if they would be willing to pay to get a product on the day of the purchase, the majority (37%) of respondents would not pay, but 34% would pay to receive the product on the day of the purchase. As the results are very close there could be possibility that if the purchase is needed urgently, respondents would pay for delivery to receive the product on the day of the purchase.

Very often digital marketing specialists and other industry professionals want to know the factors that deter people from buying something in a particular online store to improve their service and boost demand. Main factors which deter respondents shopping at a particular online store are included in Figure 3.



Source: made by authors, based on a recent research "Online Consumer Shopping Habits in Latvia in 2017"

Figure 3. Deterring factors to shop at a particular online store – shares of evaluations (in%) by respondents

The main factor that would deter respondents shopping at a particular online store is long product delivery time. 33.1% of respondents do not want to wait for the product, which shows that people in Latvia not only do not want to pay for delivery, but they also want to receive ordered product quickly.

To check the relationship strength on respondent evaluations on long delivery time and respondent's gender, it was used correlation analysis – results are included in Table 6.

Table 6. Results of Correlation Analysis on Evaluation of Long Product Delivery Time and Gender in Latvia at the end of 2018

		Long product delivery time	Gender
Long product delivery time	Pearson Correlation	1	0.082**
	Sig. (2-tailed)		0.003
	N	2127	1321
Gender	Pearson Correlation	0.082**	1
	Sig. (2-tailed)	0.003	
	N	1321	1321

** Correlation is significant at the 0.01 level (2-tailed).

Source: made by author, based on a recent research "Online Consumer Shopping Habits in Latvia in 2017"

Data of table 6 indicate that there is statistically significant correlation between long product delivery time and gender. Pearson correlation coefficient is statistically significant ($p < .001$ for a two-tailed test), based on 1321 complete observations.

As indicated by the statistical indicators, the main activities respondents do in the Internet in Latvia is checking e-mail, searching for information and doing payments, but the least frequent answer was shopping online. However, every respondent of the survey has tried shopping online in the last six months. Online shoppers in Latvia are sensitive to price, because the main reasons why respondents would prefer to purchase a product at a particular internet shop is free delivery and low price. Also, the majority of respondents (37%) are not willing to pay for delivery to receive the product on the day of the purchase. The main factors that could detect customers from shopping in one particular online store is long product delivery time and unsatisfactory price, which reveals that customers in Latvia not only do not want to pay for delivery, but, also, they do not want to wait too long to receive the product. As independent samples t-test and correlation analysis indicated – there is statistically significant correlation between long product delivery time and gender.

Conclusions

1. Many researches have been made in terms of quality factors that influence customers shopping online, but mainly these researches are on specified industry. Although there could be some differences in specified field of study, authors believe that also there are basic functions and attributes that every internet shop should have, for example, knowledgeable customer support, qualitative delivery, detailed product descriptions, easy and comfortable navigation, data protection, easy product returning and different payment options.
2. Customers in Latvia mainly do not use internet for shopping, the main activities internet is used for is searching for information, checking e-mail and managing payments.
3. The main reasons why customers of internet shops would prefer a particular online store are that the store provides free shipping (with the arithmetic mean 8.91 – in evaluation scale 1–10) and online store offers a low price (with the arithmetic mean 8.78 – in evaluation scale 1–10), but the factors – possible delivery on the day of purchase and there are leasing/credit options – are not significant when choosing a particular online store;
4. The majority of customers of internet shops represented by survey respondents (37%) are not ready to pay for the product delivery to receive the product on the day of the purchase;

5. People in Latvia not only do not want to pay for delivery, but they also want to receive ordered product quickly, because the main factor that would discourage shopping at a particular online store is long product delivery time (33%).
6. There is statistically significant correlation between long product delivery time and gender which was indicated using independent samples t-test and correlation analysis.
7. Although, delivery is still very challenging service for online stores, the rapid increase of online stores is developing many other businesses, for example, supply companies increase in China and new ways of delivering goods quickly and efficiently, such as drones, are being introduced in Thailand.

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