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Introduction

We present you with the fourteenth issue of the Scientific Journal “Contemporary Economic Issues.” The publication consists of papers prepared by authors representing numerous international academic centers and is a universal compendium of economic knowledge.

The authors of the papers contained in this issue made a lot of effort to make this stadium referred to the empirical reality and the modern economy. As a result, a study with a high level of content and a high level of the current topic was created.

Similarly to the previous volumes, this one combines the description and analysis of the problems regarding the wider processes of globalization, liberalization, and ethics in the modern economy.

To give some perspective topics tackled in the study, it was decided to keep the division of content into three parts. In the first part, the papers are placed discussing the globalization processes, including the positive and negative effects of globalization. The second part contains the articles referring to the processes of liberalization in terms of theoretical and practical aspects. The third part of the study recognizes, in turn, the issues concerning the relationship between ethics and economics.

In this part of the Journal, the authors tried to present arguments pointing to the need to initiate a broader discourse on the ethical behavior of the representatives of different economic professions and prove the existence of strong links between ethical behavior and implementation of the principles of economics.

We recommend the presented study to all interested in the contemporary problems of economics, hoping that the papers contained in the fourteenth issue of the Journal will arouse great interest.

By providing this publication into the hands of readers, we would like to express our gratitude to the authors, remaining convinced that our cooperation will continue.

Prof. dr hab. Grażyna Wolska
Dr Agnieszka Bretyn
Scientific Editors

Globalization

The Impact of Global Financial Crisis
on the level of non-performing loans
in commercial banks in Kosovo

Households migration as a significant part
of the globalization process

Globalization – the theoretical aspect

Gazmend Luboteni, Arta Hoti*

The Impact of Global Financial Crisis on the level of non-performing loans in commercial banks in Kosovo

Keywords: ROA – Return on Assets, ROE – Return on Equity, C/I – Cost to Income, performance, profit

Introduction

The banking sector in Kosovo was further consolidated during 2007 and 2008 when new banks entered the market and few other ones merged. This contributed to increased competition and development (Luboteni, 2007).

Commercial banks in Kosovo have undergone major changes since 2000. These changes are as a result of foreign banks, development in regulatory environment, new technology and increased competition. Commercial banks faced increased operating costs as a result of the financial crisis in 2008, and as a result of changes in the banking system, which may have affected banks' loan quality, income and banking liquidity.

Financial crises usually promote preliminary policy and regulation reform in the financial system, due to the fact that financial institutions are more vulnerable during a financial crisis (Bernanke, Gertler, 1989).

In the case of the global financial crisis that began in 2007/2008, the rapid spread of the crisis from individual financial institutions to the whole financial system and then to the real sector, brought an increased attention and commitment to systemic risk (Tarashev,

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2010). This crisis motivated the reformulation of previous regulatory framework (such as Basel II) and urged reforms in the way of regulation of financial institutions.

This research evaluates the performance of commercial banks in Kosovo during the period 2006–2012 through the method of analysis of financial ratios. The methodology used in the research is the statistical T-test. This is applied to analyze the impact of the recent financial crisis in the performance of commercial banks in Kosovo, focusing mainly on non-performing loans (loan quality of banks). The aim of this research is to analyze the performance of commercial banks in Kosovo, and to analyze the loan quality based mainly on growth trends in non-performing loans and the impact of the global financial crisis in the banking sector in Kosovo.

Literature Review

This section presents a review of the literature on performance of commercial banks in different countries which are taken as examples for analyzing the performance of commercial banks in the Republic of Kosovo.

There is an increasing amount of research focusing on the global financial crisis of 2008 and the bankruptcy of many well-known global financial institutions.¹ Measuring banks' performance in general and commercial banks' performance in particular is the topic of many well-established researchers. Most of the published research is based on empirical evidence. (See Oral, Yolalan, 1990; Bonin et al., 2005).

As part of the CAMELS² system, bank regulators apply financial ratios to evaluate the performance of banks. The empirical evidence concerning the application of financial ratios to evaluate the performance of banks includes research authored by Beaver (1966), Altman (1986) and Maishanu (2004).

Reviewing the literature we can conclude that there are two general approaches for measuring bank performance. The first approach is based on accounting data, respectively on main application of banks' financial ratios while the second approach is based on econometric techniques.

Kiyota (2009) undertook a two-phase research to investigate the effectiveness of profit-flow and cost of commercial banks from 29 African countries during the period 2000–2007. This research has applied a SFA approach to evaluate the effectiveness of profits and costs, as well as financial ratios and Tobit regression, in order to offer cross-country evidence on the performance and efficiency of commercial banks in Africa. The

¹ e.g. Bank of America, Bear Stearns, Merrill Lynch, Citigroup, Lehman Brodthers, etc.

² C – Capital adequacy, A – Assets, M – Managerial ability, E – Earnings, L– Liquidity, S – Sensitivity.

findings of this research suggest that foreign banks tend to have better performance compared to local banks, in terms of performance efficiency and also cost efficiency (Kiyota, 2009).

Kirkpatrick (2007) investigated the performance of 89 commercial banks in African countries during the period 1992–1999 and testified that banks on average are 67% efficient with regard to profit-flow and 80% efficient in terms of costs (Kirkpatrick, Murinde, Tefula, 2007). Another interesting study on the performance of banks was conducted by Ncube (2009), who has applied a border stochastic model to analyze the efficiency of costs and profit-flow of the 4 major banks and four smaller banks in South Africa. The results of this research indicated that South African banks have improved greatly in cost efficiency during 2005 and 2006, where banks with higher efficiency costs have been more profitable.

The banking sector in the Republic of Kosovo

In recent years, growth in international financial markets has given the banks the ability to design new products and to offer a wide array of services, but on the other hand we witness an increase in related risks. If until now the biggest banking risk has been the risk that a client or another party can fail to pay back, known as default risk, nowadays banking activity has changed and market environment has become more complex. There is a growing need to manage exposure to other operational and financial risks, because the whole banking activity is focused on analyzing and managing banking risk.

The banking sector in Kosovo consists of commercial banks' activity. During the analyzed period, the number of banks has increased gradually. In 2006 the total number of commercial banks was 6, while in 2013 the number of banks has reached 9, which are: ProCredit Bank (former MEB – Micro Enterprise Bank), Raiffeisen Bank (former American Bank of Kosovo), Bank for Business (former Private Bank for Business), Nova Ljubljanska Banka Pristina (NLB), (established with the merger of two earlier banks – Kasa Bank and New Bank of Kosovo – BRK), Commercial Bank, National Commercial Bank-Kosovo Branch (NCB), Turk Economy Bankasi (TEB), Is Bank, and a branch of Komercijalna Banka AD Belgrade that exerts its activity in Mitrovica (Northern) and Gracanica. Seven of these banks have their branches spread in an organized network of subsidiaries across Kosovo. It should be noted that only two banks in Kosovo are banks with local capital (The Bank for Business and the Economic Bank), while other banks are foreign-owned banks. This appears to be a new trend in the Kosovo market. Although commercial banks in Kosovo offer many other services, lending remains their main activity. The demand for cash in a country in transition is significantly larger than the

cash supply. For this reason the importance of lending remains very high. But it also depends on the existence or absence of a liquid financial market.

The stability and liquidity of a bank depends on, among others, extending loans, meaning loan extension should be on firm basis, in order to preserve the stability and liquidity of the whole banking system. In this sense, the completion of regulatory financial framework is of utmost importance, as well as strict supervision by the Central Bank of the Republic of Kosovo. Another characteristic of the general financial sector in Kosovo is that it is still dominated by the banking sector, which accounts for 70–75% of total assets of the financial system (RSF, 2010 – BQK).³

Main sources of financing of the banking sector in Kosovo are deposits and local borrowings, which account for 70–80% of total liabilities. This represents a great advantage for the banking sector of Kosovo, because they are not directly connected to international financial markets and this contributed towards a decreased fallout from the global financial crisis.

As a result of the financial crisis of the year 2008 and in response to it, many countries were forced to increase public spending to influence economic growth and alleviate the effects of the crisis. The global financial crisis of 2008 had a huge impact on all world economies. Many countries entered recession, while in some other countries the economic growth decreased. There were also reactions from central banks, which were obliged to apply expansionary monetary policy and also in order to fulfill their mandate. These measures had a high influence on the elimination of the impact of the crisis, compensating the decline in private sector activity while increasing public sector participation in the economy.

An analysis of the Kosovo's key economic indicators during the period 2006–2012 (as presented in Table 1) shows that there are changes in Kosovo's economy and banking sector. Due to the fact that banks in Kosovo are mostly foreign-owned, the banking systems of countries in which banking groups operated was characterized by slow growth, difficulties in securing financing and portfolio quality deterioration (RSF 2010–CBK). This has also presented the performance decrease in profitability in the banking sector.

The statistical data (Tables 1 and 2) during 2006–2012 show that the banking sector in Kosovo has been steadily increasing, mainly in loans and deposits. This increase in the banking sector was realized despite the global financial crisis and its worldwide impact.

However, this does not imply that the global financial crisis has not affected the performance and efficiency of these banks.

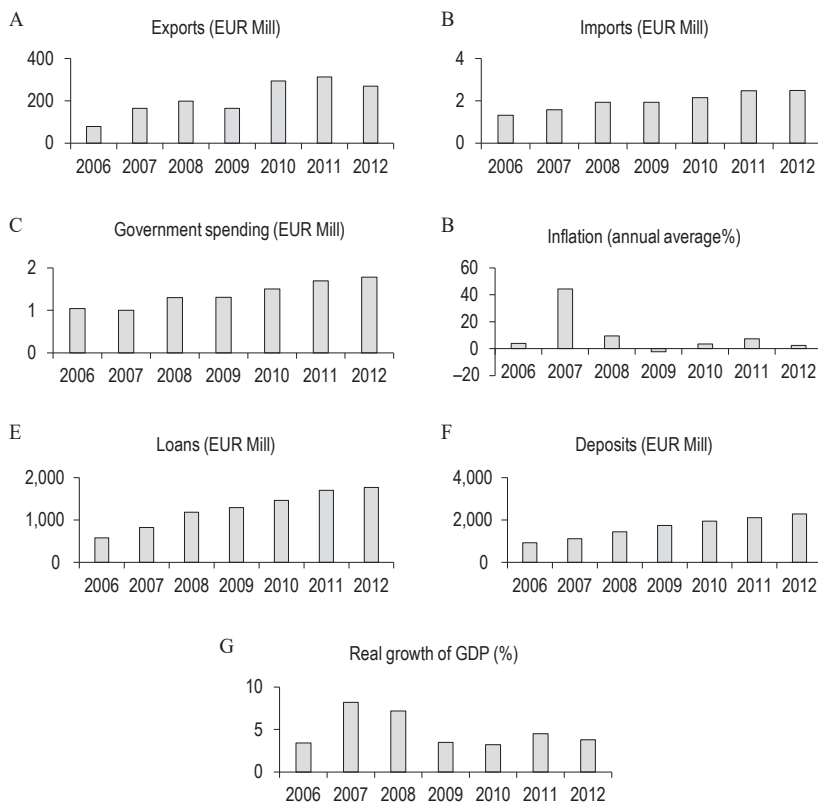
³ bqk-kos.org/repository/docs/2011/Raporti%20Vjetor%202010.PDF.

Table 1. The main indicators of the economy of Kosovo during the period 2006–2012

| Years | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Real growth of GDP (%) | 3.4 | 8.2 | 7.2 | 3.5 | 3.2 | 4.5 | 3.8 |
| Inflation (annual average %) | 3.9 | 44.4 | 9.4 | -2.4 | 3.5 | 7.3 | 2.5 |
| Loans (EUR Mill) | 577 | 820 | 1,183 | 1,289 | 1,459 | 1,698 | 1,763 |
| Deposits (EUR Mill) | 923 | 1,111 | 1,444 | 1,745 | 1,937 | 2,104 | 2,279 |
| Exports (EUR Mill) | 79 | 165 | 199 | 165 | 294 | 313 | 269 |
| Imports (EUR Mill) | 1,315 | 1,576 | 1,928 | 1,936 | 2,145 | 2,479 | 2,489 |
| Government spending (EUR Mill) | 1,043 | 1,003 | 1,301 | 1,307 | 1,504 | 1,698 | 1,783 |

Source: ASK (Economic Statistics, series 3); CBK (Financial Newsletter 8.10).

Figure 1. Trend of the main indicators of the economy of Kosovo during the period 2006–2012



Source: ASK (Economic Statistics, series 3); CBK (Financial Newsletter 8.10).

An analysis of the real growth of Gross Domestic Product (GDP/GDP) shows that Kosovo's economy has suffered economic decline, particularly after year 2007. The main factors that have contributed in slowing of economic development are: the decrease in

the level of exports, growth in imports, the decrease in Foreign Direct Investment and in remittances.

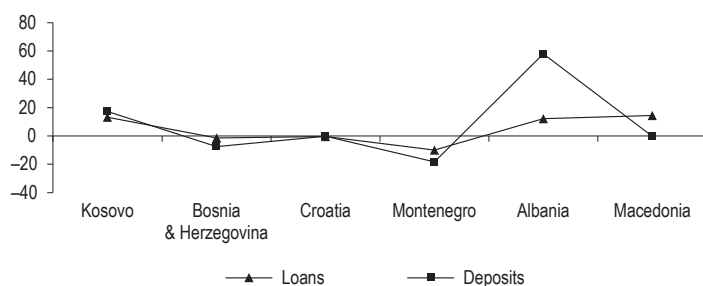
Moreover, the increase in spending and continued investments in the public sector, as Table 1 shows, have had a positive effect on economic growth for the period analyzed 2006–2012, and in decrease of the effect of the global financial crisis. Kosovo's economy is one of the few economies that managed to have a positive growth during the crisis. It should be noted that the global financial crisis has had a very low level impact on the banking sector in Kosovo. The positive rate of economic growth is expressed by the trend in Figure 1, showing that the real growth rate of GDP during 2006–2012 has been positive. This trend is also confirmed by loan and deposit growth, compared with the region, where only Kosovo and Albania, in 2009, had an increase in loans and deposits (Table 2).

Table 2. The growth rate of loans and deposits during the year 2009 (%)

| Places | Kosovo | Bosnia & Herzegovina | Croatia | Montenegro | Albania | Macedonia |
|----------|--------|----------------------|---------|------------|---------|-----------|
| Loans | 13.2 | -1.4 | -0.5 | -9.9 | 12.1 | 14.5 |
| Deposits | 17.3 | -7.6 | -0.3 | -18.3 | 58 | -0.3 |

Source: Financial Newsletter No. 10, 2010, CBK.

Figure 2. The growth rate of loans and deposits during the year 2009 (%)



Source: Financial Newsletter No. 10, 2010, CB.

During the financial crisis, banks in Kosovo were more conservative and this caused the slowdown of lending in the economy, although the trend of lending continued to be positive. The increase of government expenditure (Table 1) during this period managed to reduce, to some extent, the negative effects of the crisis on the economy.

Research methods and assumptions

This research uses applied descriptive analysis of financial ratios to explain the performance of commercial banks in the banking market of the Republic of Kosovo in a period of seven years (2006, 2007, 2008, 2009, 2010, 2011 and 2012). The data for this research are secondary data⁴ and are taken from audited annual reports of commercial banks. All data are expressed in monetary value in Euros and are taken from the website of the Central Bank of Kosovo (CBK).

Besides classical analysis of the performance of banks for seven reporting years, the author of paper also investigates whether commercial banks are affected or not by the global financial crisis of 2008, focusing mainly on the impact of global financial crisis on the level of non-performing loans. To facilitate this analysis, bank data (financial data) were split into two aggregate groups. The first group includes the period 2006–2007, before the global financial crisis, while the second group includes the period 2008–2009, during the financial crisis. To see if there is a statistically significant difference in the performance of banks during 2006–2007 (group 1) compared to 2008–2009 (group 2), this research applies the student T-test. T-test was applied to test the hypothesis that the averages of these two periods are equal for all variables applied in this research.

The hypothesis in this case is zero hypothesis and can be expressed through this equation:

$$H_0: \mu_1 = \mu_2.$$

The alternative hypothesis can be expressed through this equation:

$$H_1: \mu_1 \neq \mu_2.$$

The symbol μ_1 shows the average of all variables for the period 2006–2007, while μ_2 represents the average of all variables for the period 2008–2009. Testing the hypotheses is done by analyzing the statistical critical values, such as the value T and value P of statistical significance. The level of reliability, the ratio α applied during this test is 5%. If the value $P \leq \alpha$, then we must reject the zero hypothesis and accept the alternative hypothesis. If the value $P > \alpha$, we must accept the null hypothesis and the alternative hypothesis should be rejected. To justify the existence of the financial crisis in the banking sector in Kosovo test results must be such that the null hypothesis is rejected.

The method for the analysis of performance and credit quality applies financial ratios. Although financial ratios are applied in most of these studies, they have not been

⁴ Secondary data are considered the data obtained from audited reports and are more accurate than primary data provided through surveys, where individuals surveyed are from different professional fields.

used as methodological tools to measure the banking system in Kosovo for the period 2006–2012.

Financial ratios can identify the advantages and disadvantages of each bank, through the analysis of profitability and credit quality policies. Often accounting data can be subject to manipulation. Yet, for this research, the risk is eliminated due to the fact that all financial statements have been audited by licensed audit firms.

The research takes into account five commercial banks which have operated in the banking market during the period 2006–2012. All commercial banks operating in Kosovo were part of the sample, except those which have started functioning during or after 2008, which is considered the year of the inception of the global financial crisis. Commercial banks analyzed in this research are: ProCredit Bank (PCB), Raiffeisen Bank (RZB Group), Bank for Business (BPB), Economic Bank (EB), and Nova Ljubljanska Banka (NLB). Excluded from the sample of banks are: National Commercial Bank (NCB), Turkish Economy Bank (TEB) and İş Bank. Their inclusion would cause inconsistencies in the statistical analysis of the impact of the financial crisis in the banking sector in Kosovo.

Variables analyzed

Performance of profitability (profit-flow)

Based on the numerous works of different authors, we come to the conclusion that one of the best tools to measure the performance of commercial banks is profitability analysis. The main ratios for measuring the performance of profitability (profit-flow) are:

1. **Return on Assets ROA = net profit/total assets.** From the banking perspective this ratio indicates management's ability to attract deposits at a reasonable cost and their investment in profit-making forms. This ratio shows how much net profit is generated for every €1 of bank assets. The higher the ROA is, the more profitable the bank is. This ratio indicates how well the bank's assets are managed in order to maximize returns.
2. **Return on Equity ROE = net profit/total equity.** From the banking perspective, this ratio is the best indicator of profit-flow and potential for growth. Return on Equity represents the rate of return to shareholders of the bank, which is the percentage of profit for every 1 euro invested in the bank by shareholders.
3. **The ratio of costs to income C/I = Total cost/total revenues.** From the banking perspective, this ratio shows how much it costs to a bank to produce a unit of output (revenue, profit). The lower the C/I ratio, the higher the performance of the bank.

Loan Performance (Loan quality)

In banking, all banks in one way or another expect to have non-performing loans during the course of their credit activity. However, one of the main objectives of banks is to minimize such losses. Loan performance evaluates the risk associated with bank asset portfolios, i.e. the quality of loans. One of the main ratios for measuring loan performance is Loan Loss Provision to Gross Loans (LLPGL) – reserve for non-performing loans/gross loans.⁵ This ratio measures the quality of the bank loans. The higher this ratio, the more problematic the bank loans are.

Results of analysis

Performance Analysis

Performance of profitability (profit-flow)

According to studies conducted by audit companies, lending with high margin to high-risk clients, can increase profits (in short term), but this increases the risk of bank creditors and potential future losses.

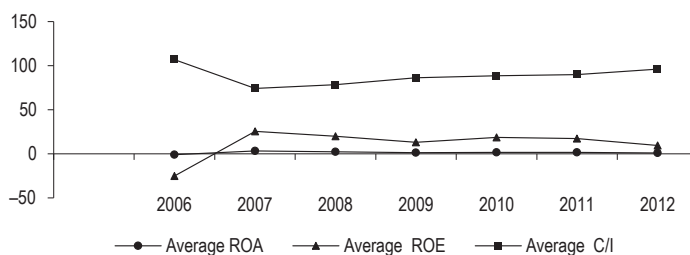
Figure 3 shows the performance of profitability (profit-flow) of the banking sector in the period 2006–2012. Profit-flow was measured with ratios ROA, ROE and Cost to Income (C/I).

Table 3. The trend of profit-flow during 2006–2012 (%)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------|-------|------|------|------|------|------|------|
| Average ROA | -1.1 | 3.4 | 2.3 | 1.4 | 1.7 | 1.6 | 1.0 |
| Average ROE | -25.3 | 25.4 | 20.1 | 13.1 | 18.6 | 17.3 | 9.6 |
| Average C/I | 106.9 | 74.4 | 78.5 | 86.2 | 88.6 | 90.0 | 96.2 |

Source: Financial Newsletter No. 10, 2010, CBK.

Figure 3. The trend of profit-flow during 2006–2012 (%)



Source: Financial Newsletter No. 10, 2010, CBK.

⁵ Loan Loss Provision to Gross Loans.

In Figure 3 we have an increase in the trend of profit-flow from 2006 to 2007. ROA increased from -1.1 to 3.3% , while during 2008–2012 continued to fall at a slower trend, reaching 1.0% in 2012. ROE increased from -25.4 to 25.5% , while during 2008–2012 continued to fall at a slower trend, reaching 9.7% in 2012. The main reason for the increase of profit-flow during the period 2006–2007 is as result of the increase in the total banking sector assets, mainly on the account of loans granted to customers. A simple increase in assets does not lead to more profit. Therefore margins have to be higher or banks provisioned less.

Analysis for period 2008–2009

There is direct reflection in the profit made by commercial banks as a result of the reduction in the lending activity of the banking sector during the period 2008–2009. Compared with 2008, the net profit of the banking sector in 2009 registered a decline of 37.7% , marking the value of 18.3 million euros. The decline in profit was mainly due to the slowdown in income levels of commercial banks. As a result of reduction of revenues, there was a reduction in banking sector profitability as expressed through the ROE indicator for 2009 which is significantly decreased compared to the previous year, marking the level of 20.2% . The main contributor to the decline of profit-flow during 2008–2009 was the slowdown in interest income. Reducing the profit of the banking sector, lower efficiency leads to lower profit. In this context, the average return on assets (ROA) of the banking sector for 2009 was reduced to 1.5% (from 2.3% in 2008) could be interpreted as lower efficiency of the banking system to realize a profit from use of available assets.

Analysis for period 2010–2012

During year 2011 we noted that there is decrease of profit-flow indicators, compared with year 2012. This resulted because the banking system reported the net profit in the amount of 14.9 million euros, which is about 13% lower than in year 2010. However, the rapid increase of costs in relation to total revenues of the banking system led to a decrease of the net profit. This can be explained by the trend of costs to income (C/I) presented in Figure 1D. Here we can notice a constant increase from 2008 to 2012. This ratio was 74% in 2008 and was 90% in year 2012.

Kosovo's banking system in year 2012 reported a profit of 10.2 million euro, which is 31.2% lower than in year 2011. Nevertheless, the fast growth of spending in relation to total revenues of the banking system led to a decrease of net profit (see the trend C/I in Figure 1C). Reduction of net profit in year 2012 was reflected in the deterioration of profitability indicators of the banking system (ROA, ROE, C/I). In year 2012, ROA declined, dropping to 1.0% compared with 1.7% in year 2011. The decline impacted the

ROE rate as well, which fell to 9.7% compared with 17.4% in year 2011. The faster growth in spending compared to revenue in the domestic banking system has resulted in deterioration of efficiency indicators for the banking system. The ratio between costs and revenues rose 96% in year 2012 from 90% in year 2011.

Credit performance

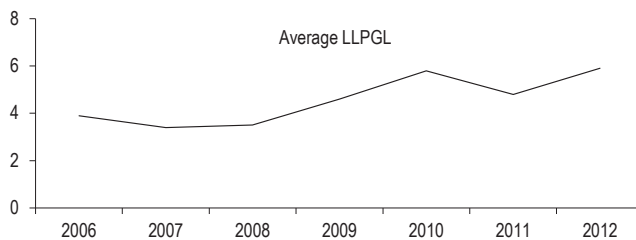
Credit performance is related with the level of risk associated with the loan portfolio of banks. The trend of provisions for losses on loans to gross loans during the examined period of years 2008–2012 is presented in Table 4.

Table 4. The trend of credit quality during period of years 2006–2012 (%)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------|------|------|------|------|------|------|------|
| Average LLPGL | 3.9 | 3.4 | 3.5 | 4.6 | 5.8 | 4.8 | 5.9 |

Source: Test results t-Student.

Figure 4. The trend of credit quality during period of years 2006–2012



Source: Test results t-Student.

Regarding Reserve loans to gross loans during the years 2006, 2007 and 2008, there was a stable trend. During year 2011 we observed improvement of the ratio that was the result of continued growth in the level of credit and declining level of non-performing loans.

Non-performing loans increased from 3.5 to 4.7% and 5.8% from 2008 to 2009 and 2010. The increase in non-performing loans could also be seen as a result of the impact of the global financial crisis and difficult environment in the Kosovo market. This happened due to the fact that banks were more exposed to increased credit risk, since loans with higher risk which were issued during years 2005–2006 began to deteriorate, as a result, the bank had to report to higher provisions for potential losses from these loans.

Banks have continuously been under pressure in 2009 and beyond, as evidenced by the increase in reserves for bad loans and declining profit-flow levels, which resulted in damage to the quality of the bank loan portfolio during years 2008–2012.

Testing the hypothesis

To examine whether the difference in the performance of banks during the 2006–2007 period (according to statistics) is different to 2008–2009 period, the Student T-test was applied to test the hypothesis of whether the ratios of these two periods are the same for the three variables discussed and analyzed above. The following table presents the results of the T-test for both periods analyzed.

Table 5. Test results t-Student (period 2006–2007 and 2008–2009)

| | Performance of Profitability | | | Credit quality performance |
|--------------------------------|------------------------------|----------|----------|----------------------------|
| Average 2006–2007 (%) | 1.11 | 17.52 | 80.77 | 3.64 |
| Average 2008–2009 (%) | 1.79 | 16.75 | 82.49 | 3.98 |
| Value P | 0.3916 | 0.5398 | 0.4704 | 0.4317 |
| Alfa | 0.05 | 0.05 | 0.05 | 0.05 |
| The decision on the hypothesis | Accepted | Accepted | Accepted | Accepted |

Source: Test results – t-Student.

Regarding profitability, ROA ratio indicates that banks have performed better during 2008–2009 than during 2006–2007, while in terms of ROE ratio and C/I banks have performed worse during the period 2008–2009 compared with the period 2006–2007. As presented in Table 5, the average of ROA for the period 2006 to 2007 was 1.11% compared with 1.79% for the period 2008–2009. ROE shows different trend, with an average of 17.52% during the period 2006–2007 compared to 16.75% during the period 2008–2009. Average of ratio C/I during the pre-crisis period was 80.77% and 82.49% during the crisis. All this shows that banks had better performance of profit-flow before the global financial crisis than during the global financial crisis (2008–2009). Value P for ratios ROA, ROE and C/I are: 0.3916, 0.5398 and 0.4704, so the difference between profit-flow performance for the periods before crisis and during crisis is not statistically significant, since values P is higher than value alpha 0,05 (confidence level). According to these values, **the null hypothesis should be accepted**, and this means that profit-flow rate is not changed and the financial crisis did not have a very important impact on the banking sector. During year 2006 ROA was negative as a result of very poor performance of one of the commercial banks in Kosovo. This ratio is presented in Annex 2.

In terms of the quality of loans, the average loan reserve to gross loans was 3.60% during the period 2006–2007 and 3.98% for years 2008–2009, which shows that quality of the portfolio deteriorated during the crisis. However, this difference is not statistically significant because P value of this ratio is 0.4317. Thus, the null hypothesis cannot be rejected.

From the results of the student T-test, one could argue that despite the financial crisis and its effects on the economies of many countries in the world, the Kosovo banking sector has not seen any difference or statistically significant difference between the period prior to the crisis in 2006–2007 and the crisis period 2008–2009.

This result could be explained by the fact that Kosovo's commercial banks had no direct exposure to sub-prime credit markets, while the branches of international banks had a very limited exposure to them.

Conclusion and discussion

The main purpose of this paper was:

1. Analyzing the performance of commercial banks in Kosovo, and analyzing credit quality mainly based on growth trends in non-performing loans in the banking sector.
2. Thus, this research measured the quality of loans and profitability of the banking sector of commercial banks in Kosovo during the period 2006–2012 and tested, statistically, the level of impact of the global financial crisis in these banks. The evidence shows that in general, profit-flow, liquidity and credit quality have improved over the years 2006 to 2008, and from 2008 began to become progressively worse.
3. In line with the survey results, we can conclude that there was no significant difference from statistical perspective in the overall performance of the banks, including the measurement of profitability and the quality of loans during the period 2006–2007 compared with 2008–2009. This might have occurred due to the fact that Kosovo faced with the global financial crisis while having a good macro-fiscal position, allowing for smaller impact.
4. We can conclude that the banking sector in Kosovo has remained stable despite the appearance of disturbances and the crises in global financial markets during 2008–2009. In terms of capital adequacy and the acceptable level of liquidity, banks have continued to meet all regulatory requirements. Also, it can be said that banks have remained in stable position and have been protected from the adverse effects of the global financial crisis, as they have benefited from limited exposure

to foreign securities and from the fact that the assets of the crisis have been minimal in balance sheets of Kosovo commercial banks.

Annex

Annex 1 –Detailed Data for Test t-Student

Test results–t: ROA

| | 2006–2007 | 2008–2009 |
|------------------------------|--------------|-----------|
| Average | 1.112% | 1.799% |
| Variance | 0.00034762 | 0.53375 |
| Observations | 5 | 5 |
| Pearson Correlation | 0.282200343 | |
| Hypothesized Mean Difference | 0 | |
| Df | 4 | |
| t Stat | –0.959394489 | |
| P (T ≤ t) two-tail | 0.391689699 | |
| t Critical two-tail | 2.776445105 | |

Test results–t: ROE

| | 2006–2007 | 2008–2009 |
|------------------------------|-------------|-----------|
| Average | 17.57% | 16.85% |
| Variance | 0.015204425 | 123.59875 |
| Observations | 5 | 5 |
| Pearson Correlation | 0.905870193 | |
| Hypothesized Mean Difference | 0 | |
| Df | 4 | |
| t Stat | 0.670240248 | |
| P (T ≤ t) two-tail | 0.539412956 | |
| t Critical two-tail | 2.776445105 | |

Test results – t: C/I

| | 2006–2007 | 2008–2009 |
|------------------------------|-------------|-------------|
| Average | 80.77% | 82.49% |
| Variance | 0.05358845 | 0.002526925 |
| Observations | 5 | 5 |
| Pearson Correlation | 0.087918649 | |
| Hypothesized Mean Difference | 0 | |
| Df | 4 | |
| t Stat | 0.796233356 | |
| P (T ≤ t) two-tail | 0.470479565 | |
| t Critical two-tail | 2.776445105 | |

Test results – t: LLPGL

| | 2006–2007 | 2008–2009 |
|------------------------------|--------------|-----------|
| Average | 3.60% | 4.04% |
| Variance | 0.89 | 1.19325 |
| Observations | 5 | 5 |
| Pearson Correlation | 0.454862942 | |
| Hypothesized Mean Difference | 0 | |
| Df | 4 | |
| t Stat | –0.793822978 | |
| P (T ≤ t) two-tail | 0.471732298 | |
| t Critical two-tail | 2.776445105 | |

Annex 2 – Data of financial ratios 2006–2012

| Ratio/Bank | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------|-------|------|------|------|------|------|------|
| a) ROA (%) | | | | | | | |
| BPB | –12.5 | 8.6 | 3.0 | 0.7 | 0.8 | –0.8 | –1.9 |
| PCB | 1.8 | 2.9 | 2.9 | 3.0 | 2.9 | 2.3 | 2.4 |
| RBKO | 2.8 | 3.4 | 2.5 | 1.1 | 1.2 | 1.8 | 1.9 |
| NLB | 1.4 | 1.3 | 1.7 | 1.3 | 1.3 | 1.1 | 1.1 |
| BE | 1.2 | 0.6 | 1.2 | 0.7 | –0.5 | 0.1 | –1.9 |
| Average | –1.1 | 3.4 | 2.3 | 1.4 | 1.1 | 0.9 | 0.3 |

| Ratio/Bank | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------|--------|------|------|------|------|------|-------|
| b) ROE (%) | | | | | | | |
| BPB | –201.8 | 50.4 | 20.8 | 5.5 | 6.4 | –8.0 | –28.4 |
| PCB | 30.8 | 39.2 | 36.9 | 34.9 | 29.2 | 21.0 | 19.5 |
| RBKO | 24.4 | 24.9 | 20.6 | 8.9 | 11.1 | 12.7 | 12.1 |
| NLB | 10.3 | 10.5 | 14.3 | 11.8 | 12.5 | 11.4 | 11.1 |
| BE | 9.5 | 2.9 | 8.5 | 5.3 | –5.4 | 1.8 | –25.6 |
| Average | –25.4 | 25.6 | 20.2 | 13.3 | 10.8 | 7.8 | –2.3 |

| Ratio/Bank | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------|-------|------|------|------|-------|-------|-------|
| c) C/I (%) | | | | | | | |
| BPB | 209.9 | 50.7 | 70.5 | 93.4 | 97.6 | 107.4 | 119.4 |
| PCB | 82.6 | 73.6 | 76.4 | 73.1 | 74.0 | 78.9 | 77.4 |
| RBKO | 72.2 | 72.0 | 78.5 | 89.4 | 83.1 | 79.5 | 79.8 |
| NLB | 82.3 | 83.1 | 82.3 | 85.1 | 84.8 | 85.6 | 84.9 |
| BE | 87.4 | 94.7 | 85.9 | 91.4 | 103.2 | 98.6 | 119.7 |
| Average | 106.9 | 74.8 | 78.7 | 86.5 | 88.5 | 90.0 | 96.2 |

| Ratio/Bank | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------|------|------|------|------|------|------|------|
| d) LLPGR (%) | | | | | | | |
| BPB | 3.1 | 3.2 | 3.2 | 6.1 | 7.1 | 6.2 | 6.2 |
| PCB | 2.4 | 2.5 | 3.7 | 3.9 | 4.2 | 5.1 | 5.6 |
| RBKO | 4.3 | 2.2 | 1.6 | 2.7 | 3.9 | 4.2 | 9.1 |
| NLB | 4.6 | 4.7 | 4.5 | 5.1 | 4.2 | 0.0 | 0.0 |
| BE | 4.5 | 4.5 | 3.8 | 5.2 | 8.6 | 8.3 | 8.2 |
| Average | 3.8 | 3.4 | 3.4 | 4.6 | 5.6 | 4.8 | 5.8 |

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Abstract

This research evaluates the performance of commercial banks in Kosovo, including the structure of non-performing loans in the Kosovo banking system. The main findings in this paper come from the three largest banks in Kosovo, indicating no significant statistical difference between them.

The other findings come from two smaller banks in Kosovo, indicating that their situation has started deteriorating after the global financial crisis.

The research is based on financial indicators of commercial banks. These indicators results are available in their financial statements published annually on banks websites from 2006 to 2012.

The loan portfolio in Kosovo commercial banks is identified as highly important – the main source of income in the sector. However, the loan portfolio is also the main source of financial risk and bank's reputation.

The paper is organized around five sections.

- Section 2 provides literature review on the performance of banks in other countries,
- Section 3 provides an analysis of the banking sector in Kosovo and the macroeconomic indicators during the period analyzed,
- Section 4 presents the results of analyzing the financial ratios,
- Section 5 presents financial analysis and provides key conclusions,
- Section 6 presents an overview of the research and provides the main conclusions.

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Households migration as a significant part of the globalization process

Keywords: globalization, households, migration

Słowa kluczowe: globalizacja, gospodarstwa domowe, migracja

Introduction

Globalization as a process closely linked to the development of the modern world has an impact on the development of national economies, companies, as well as households that can work in other countries. One of the elements of globalization is migration which is becoming increasingly important both for households and economies of individual countries. This article aims to analyze the phenomenon of households (member of a household) migration as an important part of the process of globalization, taking into account income inequality. There are few issues that raise as much controversy as migration, especially international migration. In part, this is due to the fact that it involves many other issues: economy, demographics, politics, national security, culture, language, and even religion. In addition, these links contribute to difficulties in the development of policies to maximize the benefits of migration for the countries where migrants reside, for the countries they leave, as well as for the migrants themselves.

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The process of globalization

Globalization is a universal term. Generally, it can be said that globalization is an irreversible process leading to the co-dependency and close cooperation between countries, economies, societies and cultures (Kempny, 1998). The origins of globalization go back to the great geographical discoveries taking place in the 15th century. However, it was not until the 1980s that globalization became the subject of studies (Walczak, 2006). In 1960, the concept of “global village” was introduced by Marshall McLuhan. The aim was to address the problem of the already “shrinking world” as a result of the introduction of newer and newer communication technologies (Scholte, 2003). It has been a long time since then, and hence, there have been many new definitions and approaches to this problem. The concept of globalization, as explained by various authors, is shown in Table 1.

Table 1. Globalization from a definitional perspective

| Author/source | Definition |
|----------------------|---|
| X. Yang (1995) | “Changing technical and economic conditions of competition between enterprises and countries, as well as flows of capital and goods on an international scale.” |
| R. Robertson (2001) | “Globalization as a concept refers both to the “shrinking” world as well as to the increasing level of seeing the world as a whole.” |
| B. Liberska (2002) | “Globalization is a progressive process of integration of national and regional markets into a single market for goods, services and capital.” |
| M. Wolf (2004) | “The globalised economy can be defined as one in which neither distance nor national boundaries hamper economic transactions.” |
| J.E. Stiglitz (2007) | “Globalization is a closer integration of countries and people around the world, caused by a large reduction in the cost of transport and telecommunications, and the abolition of artificial barriers to the flows of goods, services, capital, knowledge and people from country to country.” |

As is clear from the listed definitions, globalization has many of the characteristics associated with loosening the flows of goods, services and people on an international scale. In order to standardize and provide a clear explanation for the definition, the authors of the article assume that globalization is an irreversible process aimed at unification of national economies, leading to the slow disappearance of local goods, while promoting deep integration and liberation of goods and services in international trade, especially the free flow of people. Unification of national economies allows individuals (households) the transfer between particular countries, which is aimed to improve the economic situation of these people. Globalization can be considered in both a negative and positive context. On the one hand, it improves the exchange of goods and services, migration of household members between countries. On the other hand,

however, it leads to the disappearance of the sense of local identity. Globalization is also reflected in the everyday functioning of households – it influences choices and consumer decisions, as well as functioning within a given country or a decision to leave. The process of globalization is closely linked to the issue of migration – both departures and arrivals for work purposes. One of the trends associated with globalization, **globalization of migration**, stands out. It is connected with the fact that there are more and more sources of migration flows (the host countries are different in terms of society, culture and economy), and there have never been so many countries before with the phenomena of migration occurring simultaneously (Castles, Miller, 2004).

Migration of households in the process of globalization

Migration is defined as the change of permanent or temporary place of residence (Holzer, 1999). In addition, migration is presented as a movement of people between specific countries (Zolberg, 1981). Migration can be divided into: internal migration (changing the place of residence by crossing the administrative boundary of a territorial unit in order to settle temporarily or permanently in another unit within the same country), and external migration (crossing the state border). In the context of households, it is extremely important to mention the concepts of emigration and immigration, where:

- emigration is going abroad permanently or temporarily,
- immigration is coming from abroad permanently or temporarily (Górny, Kaczmarczyk, 2003).

One of the theoretical issues related to emigration and immigration that should be mentioned are the motives that push households to leave their country. Factors attracting people to a certain country and those inducing them to leave are shown in Table 2.

Table 2. Motives for migration

| Factors | Repelling | Attracting |
|--------------------------|--|--|
| Economic and demographic | Poverty, unemployment, low wages, high population growth, lack of basic medical care, deficiencies in the education system | Higher wages, improved standard of living, personal and professional development |
| Political | Conflicts, violence, danger, corruption, human rights violations | Political freedom, sense of security |
| Social and cultural | Discrimination (for ethnic, religious reasons) | Families connecting, migration to the land of ancestors, lack of discrimination |

Source: compiled on the basis of World Bank data World Bank (2006).

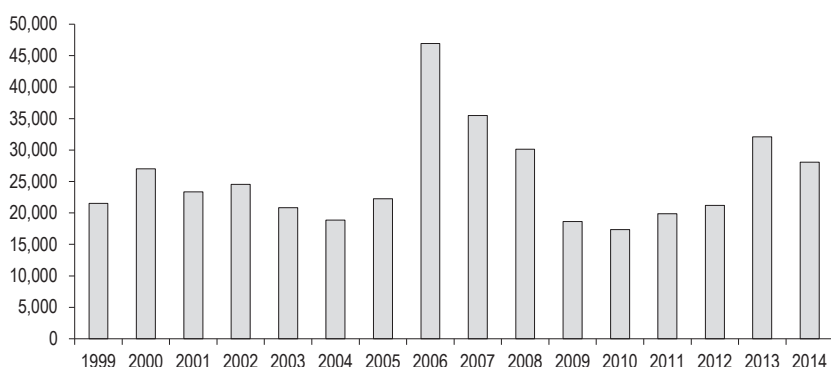
In case of Poland, the impact of globalization on households¹ can be discussed from the end of the 1980s. Since then, Poland has been in fact participating in international cooperation (in terms of economy, science, society, as well as politics and culture). Integration (mainly membership in the European Union), cooperation and international exchange have led to the increased impact of globalization on households (Wałęga, 2010). Globalization also has a direct influence on the decision to migrate – to leave the country, and then to come to another one. According to the Work Service and CEED Institute report (2015), there was a 6-point decrease in the interest in economic emigration, compared to the previous year. One out of five emigrants comes from the southern or eastern region of Poland. The potential emigrant is a young person (up to 35), coming from rural areas, and the preferred country is Germany (then, the United Kingdom and Norway). One out of three people planning to emigrate would like to leave for no longer than three months, but up to 27% of the respondents declare leaving the country permanently. Permanent emigration is much more common for men (32.7%) than women (8.2%).

Households move from the countryside to the city and from the city to the countryside, and for a couple of years now, leaving the country for permanent residence abroad has been more and more popular. Young Poles are leaving the country in search of better job and development opportunities, and to improve their living conditions. Few come back, mainly for sentimental reasons (Gwiazdowski, 2014). The number of permanent migrants leaving their country is shown in Figure 1.

As it is shown in Figure 1, the largest outflow of population took place in 2006. This can be linked to the opening up of labour markets in Finland, Portugal, Spain, Greece, Italy and Iceland. However, it is interesting that in 2004, right after the Polish accession to the European Union, which made it possible to find a job in up to 10 countries (including the United Kingdom, Ireland and Sweden), the permanent outflow of population decreased in relation to previous years. From 2006 until 2011, the number of changes in addresses decreased. Since 2011, the number of migrants has been rising again. The reasons for this could be found in the opening of the labour markets for the Poles in Germany, Austria and Switzerland. It should also be mentioned that Poland has been seen as a traditional emigration country for centuries. From the 19th century until the period of transformation, Poland had the highest net emigration rate when compared

¹ According to the Central Statistical Office, household is a group of people who are or are not related, but live together or earn a living together. It can be added that if any person in this flat supports themselves (separately from the others), they are a (single) household (GUS, 2011). However, despite the attempts to define household in a clear way, it is often identified with concepts like family household, consumer household, and most often – family (Zalega, 2007). For the purposes of the article households are understood as all households as for example a family and their individual members.

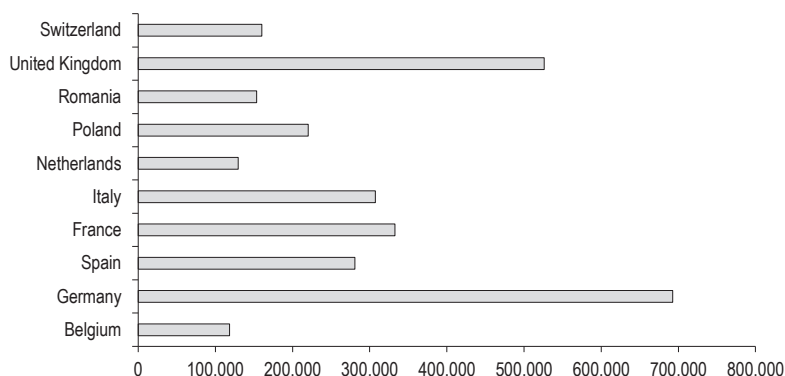
Figure 1. Permanent migration from Poland in the years 1999–2014 (amount of people)



Source: compiled on the basis of GUS data: <http://stat.gov.pl/obszary-tematyczne/ludnosc/migracje-zagraniczne-ludnosci>, (2.01.2016).

to other European countries (Kaczmarczyk, 2008). Permanent migration can be considered in two contexts – as something positive, which gives an opportunity for many, especially young people to improve their economic status. On the other hand, however, permanent economic migrations connected with draining (migration of the most skilled and talented employees) contribute to the breakdown of families, and has caused some serious losses in budgets (Brzozowski, 2010). The United Kingdom and Germany are favorite destinations not only for Poles. They are far ahead of other European countries in terms of accepting people from other countries. In Figure 2 there is presented the number of emigrants by citizenship in 2013.

Figure 2. Immigrants by citizenship (2013)



Source: compiled on the basis of Eurostat data: <http://ec.europa.eu> 2016 (27.12.2015).

Countries chosen for permanent place of residence that are next in line (behind Germany and the United Kingdom) include France, Italy and Spain. France, which is considered a multicultural country, can offer to immigrants many jobs, the shortest working week among the European countries, as well as a rich package of social benefits (Ministère de l'économie et des finances, 2012). In addition, for years, France has had a low rate of long-term unemployment, which only encourages people to migrate to the French territory. Reasons to come to Spain and Italy are quite different. Long-term unemployment rate in both countries is at a high level (in 2014, for Spain: 12.9%, for Italy: 7.8%, for Poland: 3.8%). The percentage of people coming from Western Europe is decreasing, as is the number of immigrants from the East and Arab countries (Caritas Roma, 2012). Poland has become the 10th European country with the highest number of immigrants. From the economic crisis in 2008 until 2014, in Poland there was an increase of 3,872 people who received Polish citizenship. Poland is visited mainly by Ukrainians, Belarusians, Russians and Armenians. More and more Germans receive Polish passport as well. The growing number of immigrants results in the fact that Poland worsens its position on the list of countries with MIPEX calculated² (Ośrodek..., 2015). Among 38 countries surveyed, Poland is located at 32nd place (behind Croatia and Japan, before Malta, Lithuania and Slovakia). It is a worse position compared to 2013 (Poland took 19th place). The most popular countries in terms of migration – Germany, the United Kingdom, France – took 9th, 16th, and 18th place respectively in 2014 (MIPEX, 2016).

Table 3. The Gini coefficient in European countries in 2012

| The index value | Countries |
|-----------------|--|
| 34–35.7 | Spain, Portugal, Greece, Latvia |
| 32–33.9 | Lithuania, Estonia, the United Kingdom, Romania, Bulgaria |
| 29–31.9 | Poland, France, Italy, Croatia, Ireland |
| 26–28.9 | Germany, Denmark, Belgium, Luxembourg, Austria, Hungary |
| 23.7–25.9 | Finland, Sweden, the Netherlands, Czech Republic, Slovakia, Slovenia |

Source: compiled on the basis of GUS data: stat.gov.pl/files/gfx/portalinformacyjny/pl/defaultaktualnosci/.../oz_polska_w_ue.pdf (2.01.2016).

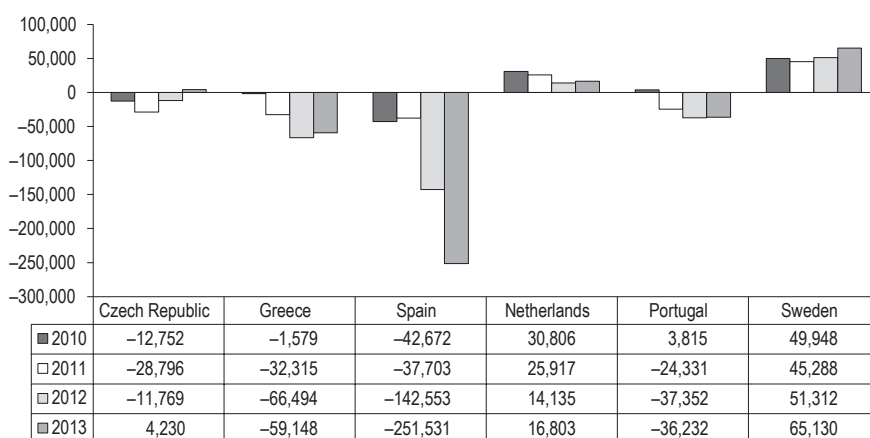
In the context of globalization and migration directly related to it, apart from the aspects mentioned that affect households, other issues discussed include the growing inequalities that are increasingly visible through this transnational process. There are a number of comparisons and lists showing the living conditions in the country. The Gini

² MIPEX (Migrant Integration Policy Index) – an index evaluating policy towards immigrants in the European Union countries and Australia, Canada, Iceland, Japan, South Korea, New Zealand, Norway, Switzerland, Turkey and the USA.

coefficient is one of those indicators, it shows the level of income inequality. The Gini coefficient, according to the definition of the Central Statistical Office (2015), is a measure which ranges from 0 to 100; it has the value of 0 when all people from the area have the same income, and the value of 100 – when all people, apart from one, have no income. The greater the difference in income, the greater the value of the Gini coefficient. This index is shown in Table 3.

In the years from 2005 to 2012 there was a reduction of income inequalities in Poland – in 2012, the Gini coefficient was 30.9% (and in 2005 it was 4.7 percentage points higher). Apart from Poland, Portugal and Lithuania registered a significant improvement. Across the European Union in the audited year, the index held steady at 30.6%; Germany, France and Croatia were below this average. Countries where income inequality was the lowest were: Slovenia, Czech Republic and Sweden (with 23.7, 24.9 and 24.8% respectively). Spain, Portugal and Greece had the highest value of the index – it fluctuated in a range between 35.7 and 34.3%. The index worsened in two countries: Denmark (up 4.2%), and in Bulgaria (up 8.6%) (GUS, 2016). Income inequalities presented using the Gini coefficient can also be referred to migration. The migration balance (the difference between immigration [arrival] and emigration [departure]), also reflects the standard of living in the country – the lower the index (no negative values – above 0), the bigger dominance of immigration in the country (compared to emigration). The migration balance is presented in Figure 3.

Figure 3. The migration balance in selected European countries in the years 2010–2013



Source: compiled on the basis of GUS data: <http://stat.gov.pl/obszary-tematyczne/ludnosc/migracje-zagraniczne-ludnosci> (2.01.2016).

In Figure 3 there are presented countries with extreme values of the Gini coefficient – the highest and the lowest. The data show that countries with the highest level of income equality (Greece, Spain, Portugal) also have the negative rate of the migration balance. This means that there are more people leaving these countries than coming to them. It may result from a desire to improve the quality of life, and more importantly, the elimination of income inequality. The situation is different in countries with one of the lowest levels of the Gini coefficient. In the Czech Republic, the Netherlands and Sweden, the migration balance has a positive value – more people come to these countries than leave. They are destinations of migrating people – they allow decent living and employment. These countries show that the higher the rate of income inequality, the bigger the number of people (households) leaving the country.

Summary

Globalization shapes the needs, influences the perception of the world, it is transnational. This process controls every economy, society, company, as well as households. On the one hand, globalization causes a loss of local identity; on the other hand, its aim is equality and improvement of standard of living (including the increase and standardization of income) in many countries. The process of globalization facilitates the movement of people from one country to another. The Poles, given the opportunity to travel abroad, are willing to attempt to work abroad. They choose countries that guarantee high social benefits and high wages. In comparison to the previous year, the trend is downward, however, the interest in emigrating is high. The Gini coefficient confirms that the bigger the inequality, the more willing people are to leave. In countries where income inequality is not significant, there are much fewer people emigrating. Globalization has an impact on the migration of households, especially the economic emigration.

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Abstract

Globalization as a process closely linked to the development of the modern world has an impact on the development of national economies, companies, as well as households that can work in other countries. One of the

elements of globalization is migration which is becoming increasingly important both for households and economies of individual countries. This article aims to analyse the phenomenon of migration of households as an important part of the process of globalization. There are few issues that raise as much controversy as migration, especially international migration. In part, this is due to the fact that it involves many other issues: economy, demographics, politics, national security, culture, language, and even religion.

Migracje gospodarstw domowych jako znaczący element procesu globalizacji

Globalizacja, jako proces, ściśle powiązany z rozwojem współczesnego świata ma wpływ na rozwój gospodarek narodowych, przedsiębiorstw, a także gospodarstw domowych, którym pozwala na podjęcie pracy w innym państwie. Jednym z elementów globalizacji stanowią migracje, które mają coraz większe znaczenie zarówno dla gospodarstw domowych, jak i gospodarek poszczególnych krajów. Celem artykułu jest analiza zjawiska migracji gospodarstw domowych jako istotnego elementu procesu globalizacji. Niewiele kwestii budzi tak wiele kontrowersji, co migracja, głównie migracja międzynarodowa. Po części wynika to z faktu, iż wiąże się ona z wieloma innymi problemami: gospodarki, demografii, polityki, bezpieczeństwa narodowego, kultury, języka, a nawet religii.

Joanna Hawlena*

Globalization – the theoretical aspect

Keywords: globalization, competition, transnational corporations
Słowa kluczowe: globalizacja, konkurencja, korporacje transnarodowe

Globalization – objective and basic functions

One of the most important processes that determine the development of modern civilization is the growing globalization, the pace of which depends on the level and scope of the implementation of innovative solutions in the fields of technology, engineering, organization and growing cooperation (KTN), resulting in the formation of increasingly powerful transnational corporations, impacting both the sphere of economic and social relations. The effects of this process are increasingly affecting almost all aspects of life, mainly the development of economic potential and condition of states, regions, social groups, as well as the level of everyone's life.

Both theory and practice show that globalization is an objective process, but due to the structural changes associated with it, that sometimes are turbulent, it is difficult to control. It is also difficult to fit it in a strictly defined framework, and even more to present an exhaustive knowledge about it. This is due to the very nature of globalization, characterized by an increase in the scope, size, structure and intensity of mutual influences forming the impacts reaching outside the territory of the countries, regions or continents. Its essence is also a constant conflict between shaping the sphere of global relationships and the desire to regulate the processes related to them by the state. In the 21st century there can be noticed an intensification of these processes, which stems from

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the increasing expansion of transnational corporations, the accelerating pace of system transformation and a dynamic improvement of the level of information technology and regional integration. The entities of the global economy involved in these processes are presented in division in Figure 1.

Figure 1. World economy entities

| WORLD ECONOMY ENTITIES | | | | |
|------------------------|------------------|--|---------------------------------|--------------------------------------|
| National enterprises | National economy | Transnational corporations Major player of globalization, dominant in the structure of the modern world economy | International integration group | International economic organizations |

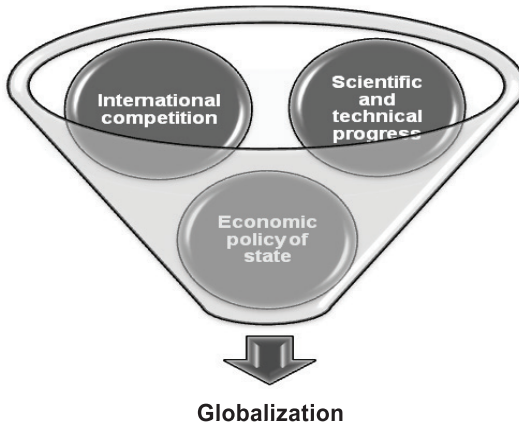
Source: Wolf (2001), p. 178.

The crucial role of transnational entities stems from the fact they possess high capital accumulation, therefore they have a possibility to impose on other entities their own market rules, thus significantly reducing the adverse effects of a potential competition. Despite significant progress in the study of globalization, contemporary results do not provide a basis to formulate clear and certain claims, or irrefutable theories on the merits of this process. The difficulty arises from the existence of multiplicity of empirical data associated with it, that cause the formation of a not always coherent and logical theory, especially because of the fact that in scientific studies too little attention is paid to the explanation of the causes in relation to the description of the effects. In consequence, there is an ambiguous interpretation of the concept of globalization and the resulting lack of its indisputable definition. This indicates that in the case of undertaking the research of this issue, one should at least make an attempt to define it.

Focusing on the main feature of globalization, which is the changes creating a new quality in the world space–time dimension, we should not forget that in some relations its nature can mean progress while in others regress, because globalization is an interdisciplinary phenomenon perceived differently, e.g. in the fields of economics, politics, culture and sociology. The predominant range of identified effects of globalization shows that it favors the development of civilization and strengthens the functions activating the growth trends in the global economy and in the social and economic processes emerging in international relations. For this reason, the players participating in the mainstream changes are the strongest transnational regional and global organizations and the states with the greatest economic potential. In the international arena we observe the dynamic growth of their influence and the accelerated process of taking over by them

ever larger area of the world market with the use of the main stimulators shown in Figure 2.

Figure 2. Basic stimulators of globalization



Source: own work.

The key importance of globalization is emphasized by almost all the representatives of social and economic sciences, seeing in its development one of the main sources of multilateral changes that shapes the reality of a global market in the 21st century. It means that the process of globalization currently taking place is progressing simultaneously on several closely related areas mainly in economics, politics and culture. However, as an economic process, it is distinguished by a special interest from both theorists and practitioners. Although its importance for the freedom of movement of goods, services, capital and labor in the world scale has already been extensively and clearly defined, its role as a mechanism for solving socio-economic problems of the modern world requires further scientific analysis of issues particularly in the space–time dimension. This is indicated by the study of literature on the topic, in which it can be observed that a significant part of the founders of the theory of globalization mainly deal with its consequences, which leads to the fact that it is seen not only as a process, but also as a state. The fact that the main stimulus for effective participation in the globalization process is the size and scope of benefits generated from it, leads to increased rank of theoretical research, the results of which allow not only to take individual decisions but also to undertake appropriate development strategies, including the question whether the organization in order to be able to develop in a global scale must be subject to the rules of globalization.

A wide range of effects resulting from this process, including the very important spectrum of relations shaping the nature of the markets, the behavior of entities, motivating to take up competition and expansion and creating advantages and partnership agreements, becomes an important stimulus to enable the search for the most effective ways of reducing the level of the imperfections of the market mechanism in certain sectors. Such wide impact of globalization produces significant social consequences, profound economic changes within entities and market processes, as well as macro-environment, stimulating the dynamics of expansion and growth of economic efficiency in the operations. It is influenced also by a firmly anchored philosophy of a specific market understanding, according to which the inevitable process of the development of civilization is a systematic change in the transition from “era of the wealth of nations to the era of the wealth of the world” (Kłosiński, Masłowski, 2005). This process is shaped by certain factors that determine the diverse dynamics of the development of this process in the context of specific sectors and in individual markets.

Taking over by transnational corporations an increasingly larger share in the international economic space becomes an economically rational action, since it provides disproportionately higher benefits from co-participation in the global market rather than in the local one (Piasecki, 2003). The global socio-economic development resulting from it makes more and more firms to operate in this scale. Ability to act in the global marketplace becomes increasingly available to a growing number of entities of all countries, although there are still some restrictions due to which not all national companies have free access to it (Marciszewska, 2001). Globalization of the world shaping the system of significant relationships between market participants is also a stimulus to create worldwide supranational institutions for coordination and activation of positive trends in the process of the civilization development of societies.

The theory of globalization in the definitions of selected authors

The analysis of definitions of globalization presented by a substantial group of scientists allows not only to objectively identify its theoretical essence but also the level of the complexity of this concept. In terms of temporal nature, globalization is subject to constant evolution. In changing conditions affecting the market environment, the globalization of business activities becomes of key importance, and it results from the process of harmonizing the structure of sales markets in different countries. The process of template standardization of market services, first described by Levitt, was considered a major strength of globalization, and activities across a wide space offering unified products were described as the globalization of a company (Levitt, 1983). After the first period of functioning of the global services system understood in such a way, its essence

started to be verified. There was a noticeable trend towards market diversification taking into account the local conditions, which changed the way of understanding the meaning of the term. In contrast to the early concepts of the process (unifying nature of the entities and processes of the market activity), modern methods lead to diffusion and interaction between different entities, an active reconstruction of forms and processes of business, creating a structure defined as hybrid system of multitude linkages between global corporations. Effective use of these relationships requires an adjustment in structure, organization and style of functioning of enterprises aiming to operate on the global market. The need to choose new solutions results also from the considerations of Govindarajana and Gupta, who describe globalization of the company as a multi-dimensional phenomenon (Govindarajan, Gupta, 2000). According to global characteristics of an enterprise, they include the participation in all major markets of the world and centralization of purchases by the criterion of low cost or the largest range of benefits that can be achieved in a given country. Besides that, the management needs to be capable of carrying out activities related to the effective integration of diverse economic, organizational and cultural trends in a uniform process conducive to generating the highest benefits on a global scale.

According to Stiglitz, "(...) globalization reduced the sense of isolation felt in many developing countries and provided to many of their citizens an access to knowledge which a century ago was beyond the reach even in the richest countries" (Stiglitz, 2005). An important aspect of the globalized world, apart from the increased access to new markets, products and services, is foreign aid which for many millions of people is the basis of survival. Financial programs of the World Bank and the UN enable the creation of jobs in many countries, access to knowledge and culture, elimination of illiteracy, healthcare, development of the Internet, protection against terrorism, as well as the resignation of enforcement or debt relief to the poorest countries. Such actions help to improve the standard of living of a population, an increase in the abundance and mobility of societies, thus leading to activation of the processes for the development of globalization. In an increasing scope, they cover a broad spectrum of behaviors of providers, consumers and development trends affecting the economic, social and political changes, the most visible effect of which on a global scale is the reduction in the spatial and national limitations, associated with protectionism. The primary function of this process is the increasing interdependence of market development, free movement of capital and technology, creation of economically strong corporations by combining independent national service companies, e.g. by building alliances, mergers and acquisitions in the global supranational structures. The dynamic expansion of the most powerful transnational corporations means that businesses located outside the sphere of global operations function in a less favorable market conditions and may be marginalized. This

situation means they do not face the decision whether to take part in this process, but when to start it, because the delayed actions significantly reduce the effectiveness of joining in this trend of changes, or even make this task impossible.

Internal markets undergo systematic changes as well.

Businesses in developed countries encounter growing intra-national competition, therefore the efforts to exploit any opportunities for access to new sale markets are not surprising. The overall development of civilization means that firms now have the resources, knowledge and skills enabling them the management on a global scale (Gwiazda, 2000).

The dynamic process of improvement means that the development of globalization can no longer be stopped, and the companies which want to achieve economic success in today's market must operate in its context.

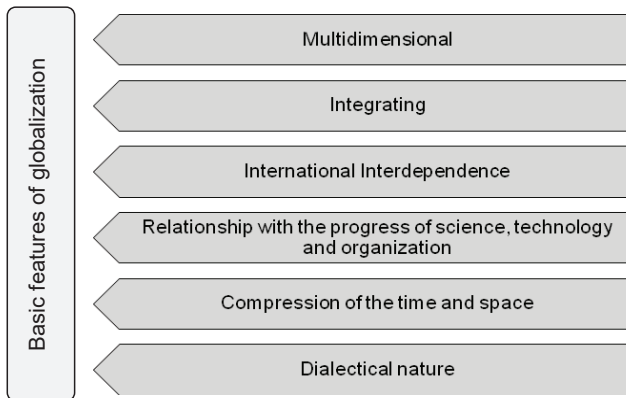
Globalization prompted a reassessment in understanding of the boundaries of the business operations. Having a significant impact on improving effectiveness in terms of engineering, technology and organization, it has created a transnational social and economic space. As a result of unfettered possibility of its use, traditional notions of borders, distance and place of business lose their meaning. The increasing convergence of information technology and telecommunications creates an unprecedented interdependence between the development of globalization and the knowledge-based economy and progress. However, the dynamics of changes in the global market depends not only on the resources capital and intellectual capital of management teams, but above all, their ability to create unique and profitable solutions based on these values. Transnational corporations fighting to gain advantage in the areas of their influence use these factors in the quest to be the leader, which gradually leads to an increase in the intensity of competition and the effectiveness and efficiency of innovative solutions with a global scope of impact (Szymański, 2004).

The concept of globalization due to the high level of complexity and dynamic changes is difficult to define, but its essence can be approximated by a wider identification of its basic features and functions defined with different rate of precision by many authors. The most important of them are presented in Figure 3.

The range of specified characteristics indicates that globalization as a scientific concept and economic process covers a broad spectrum of complex relationships, which with significant dynamics of its development and the changing functions of market impacts makes it difficult to clearly diagnose it at the moment. The analysis of the available scientific sources shows that so far there has not yet been developed a uniform, precise and universally accepted definition of the term, although many authors attempted to define it. According to Pierścioneck, "globalization is generally speaking highly advanced, comprehensive internationalization, which consists on the one hand on

expansion into global sale markets, and on the other hand on making full use of global factors of production” (Pierścioneek, 2006). This approach means the use of resources of effective sales services that may be related to the use of both global and local level strategy, and in some cases a multilocal one.

Figure 3. Basic features of globalization



Source: Zorska (2002), p. 15.

The classic expert on this issue, Yip, does not give a precise definition of globalization either. Instead of defining this concept, he focused his main attention on a broad description of the elements of the market environment on the assumption that the comprehensive knowledge of the conditions existing in the environment is the source of the information necessary to define the characteristics and essence of globalization. We find such an approach in many works, both theoretical and practical, that demonstrate that space to fulfill international agreements on a sector or group of companies producing goods of similar purpose is an area in which as a result of the properly constructed development strategy, a company can obtain a satisfactory position in the global hierarchy. This indicates that the search for advantage in the global market requires designing the development process taking into account the implementation of an optimal concept and instruments more effective than those used by competitors operating in the same market (Das, 2004). Locating the competitive strategy at the centre of global economic activity testifies to the fact that it has a significant impact on the level and stability of the resulting competitive advantage, assuming that other factors affecting the level of benefits from participation in this process will be characterized by similar parameters. According to Yip, intending to join the global market, a company must find answers to two basic

questions: “(...) how global is the nature of their business field, and how global nature should their business strategy have” (Yip, 2004).

Obtaining a full and unequivocal answer to these questions is very difficult, but necessary to the required extent. Companies operating on the international market, which have already gained some experience in the processes of analyzing relations with external partners, have an easier task. Their international cooperation, regardless of the current level, ultimately aims to participate in the global market, and therefore they still participate in the activities leading to this process. Even informal contacts with global corporation are important in this case, as its action scheme can be used as a model. This approach increases the activity in order to enhance business in international markets mostly driven by market leaders, in order to increase the intensity and scope of the competition.

To get to know the essence of globalization, it is useful to know Zorska's definition, according to which

globalization of economic activity is a long-term process of integrating a growing number of national economies across borders, thanks to the expansion and intensification of inter-connections (investments, production, trade, cooperation), appearing in the world, which in result create a global economic system with high interdependence and significant repercussions of the activities undertaken/ongoing even in distant countries (Zorska, 2002).

It is one of the broader definitions, which includes several important elements of this process: integration, interdependence of connections and system-based concept.

Corporations in the conditions of global micro- and macroeconomics

Uniting national economies consists in the integration of economic processes, which in addition to trade exchange also includes investment and production under conditions of intense expansion of complementary trade, investment and cooperation links. This conception is pursued primarily by transnational corporations in the international sphere (KTN). The intensification of international connections increases the interdependence of national economies and their gradual integration into the global system of the integrated business, although participation by organizations in the system of global relationships can lead to some extent to reduced sovereignty, understood in the traditional sense. Contemporary economic sovereignty is the level of the country's economic potential, stability and strength of international links and the ability to effectively use the changing conditions of the broad environment. In the context of such a participation in global processes, the management of a company must make a choice, whether it should at all costs defend the traditional independence, resigning itself to the “outsider” position, or

benefit from the effects of participation in the dynamic system of global economic development and the benefits that come from it (Zorska, 2002, pp. 20–21).

There is no doubt that organizations actively participating in the global development of the world gain greater benefit. This follows from the considerations of Gierszewska and Wawrzyniak's stating that

(...) globalization is a consequence of appearance in the last quarter of the last century of several processes that have changed the perspective of understanding of principles and rules of conduct, events, behaviours, activities, recognized values – from national to global ones (Gierszewska, Wawrzyniak, 2001).

Both the results of the research and practice show that the chances offered by globalization are uneven, because the possibility of their use is conditioned by the possessed level of competitiveness within the specified time (it was of particular importance in the early stages of this process). This circumstance has revealed asymmetry of possibilities, because corporations of highly developed countries already back then had at their disposal significant financial and intellectual capital, so they immediately found themselves at the forefront of the beneficiaries of this process and became promoters of the transformations of globalization. Staniszkis drew attention to the ways of forcing upon the less developed countries a premature opening of their economies and institutions to the compatibility of the developed economies (Staniszkis, 2003). The potential of the held capital and experience of the corporations operating in developed countries meant that they have become the main drivers of economic development in the hierarchy of market players, creating rules and directions providing them with maximum benefits deriving from the development of this process.

Right from the essence of transnational corporations stems their specific vision of the global space as a single market, visible for instance in Rymarczyk's definition, which states that

(...) globalization is the higher stage of internationalization which comprises in treating the world as a single market, which is associated with a remarkable increment in the size and intensity of ties between the countries of the world, based on the flows of capital, technology, goods, services and people (Rymarczyk, 2004).

Other criteria are found in Szymanski's deliberations on globalization, according to which globalization is characterized by specific macroeconomic convention, in which elements that are already a system become subsystems. The economic boundaries of countries become diffused, as well as the differences in the nature of activities associated with the internal and external environment, but as an economic-social process, globali-

zation is a phenomenon to a decisive extent external to the state. Despite a long period of development of this process

(...) there has not been established any convincing concept of creating an entity of the global macroeconomics and its basic guidelines, but also the microeconomic nature of globalization has created a natural environment for the renaissance of the neoclassical approach to the economy (Szymański, 2004, p. 184).

Certainly in the process of globalization the macro-economic demands cannot be ignored, however a waning interest in their realization may be observed, because this approach requires solutions that by activating the global economy are likely to achieve benefits for all players, which obviously is not the same as the objectives of global transnational organizations that base their development on building their own competitive advantages.

In the opinion of W. Szymański, globalization has a strong legitimacy in the microeconomics, because in his view "everything important takes place at the company level. What serves the company serves the general public" (Szymański, 2004, p. 69). The dominance of the market economy and the need to comply with the microeconomic requirements forces a certain system of dynamics that allows enforcing particular behaviors of entities. This creates conditions in which

(...) transnational corporations are not only entities that best exploit the new conditions posed by the globalization process, but at the same time they are catalysts for this process. The interests of transnational corporations and the forces behind those interests are factors deepening the microeconomic nature of globalization, and also the factor of accelerating the whole process of globalization (Szymański, 2004, p. 73).

The substantive scope of the presented definition and discussion shows that globalization covers a broad spectrum of business activities and is a dynamically developing process in which the most important elements of production, distribution, market expansion, cooperative partnership, promotion and other elements of marketing activities operate and evolve. It is thus a complex system of activities of companies and institutions, constructing global market and undergoing constant changes (Wensveen, 2007).

The economic literature also presents definitions that are consistent as to the substantive understanding of the meaning of globalization, but reflect a different approach to this issue. Stonehouse, Hamill, Campbell, Purdie introduce a different terminology, saying that

(...) we define globalization of markets with a measure, according to which a market is characterized by generally similar needs of customers, global customers and global market

segments. The globalization of the sector means the extent to which activities of the members of a given sector are configured and coordinated globally in order to achieve added value (Stonehouse et al., 2001).

This group may also include the considerations of Liberska, who notes that globalization means “(...) reduction of (physical, technological, political, economic) barriers between countries and strengthening closer economic, political and social links” (Liberska, 2002), while A. Giddens points out that “(...) globalization is changing the notion of time and space in our lives, which is a consequence of the intensification of interpersonal contacts, which link communities distant from each other and give local events a supra-local importance” (Giddens, 1990).

Among the characteristic approaches, a noteworthy one is Ruciński’s definition including the latest aspects of globalization. The author states that “(...) globalization is a socio-economic process and affects national economies, markets, cultural and social phenomena, and even criminal offences including terrorism” (Ruciński, 2009).

Economic literature points out the decisive strength of the effects of certain components of globalization. These include, among others: the free movement of capital and technology, standardization, competition and specialized management methods. These elements are found in the definition presented by the International Monetary Fund analysts who understand globalization as a

(...) growing interdependence between countries around the world due to increasing size and multiplicity of transactions involving the exchange of goods and services and movement of capital, as well as quick and wide diffusion of technology. Technology has made globalization visible and liberalization has contributed to its deepening” (Liberska, 2003).

From the evaluation of most definitions found in the literature results that they identify a wide range of characteristics that determine the substantive meaning of the term globalization, but few of them come close to a comprehensive understanding of its essence. Part of the definitions only recognize the narrow scope of the essential elements of the process, including M. Strużycki’s view that “(...) globalization is combined with the universal - standard behaviour of companies wishing to expand to specific markets and transfer their experience and ideas on selected economic spaces” (Strużycki, 1996).

According to Nowakowski, globalization and global governance are “(...) combined with the geocentric approach, that is the one in which world markets rather than the domestic market is the priority field of business activity” (Nowakowski, 1999). In contrast, Porter describing the general sense of globalization emphasizes its sectoral importance, stating that “(...) a global sector is one in which the strategic situation of competitors on the core regional markets depends largely on their general situation in the world scale” (Porter, 2006).

A review nature of the quoted definitions of globalization allows making attempts to verify them. The analysis of their substantive value indicates that due to the continuity of the development of this concept it is necessary to focus on the recognition of the widest possible range of factors that are its essence, based on the criterion of substantive news in the new market conditions. This creates a need to clarify the broad spectrum of components, varying range of priorities and degrees of strength of articulation of the core values, both from the position of science and practical applications. The diversity of the approaches to the issue is therefore an important value because it determines the scope and significance of the impact of globalization; it also allows analyzing the evolutionary process of changes at different stages of its development.

Globalization being in such a dynamic stage of development causes a continuous re-evaluation of some of the functions and the strength and extent of the impact of its components, and the changing environment forces the need for new clarifications of the term. Evaluation of the current market conditions in conjunction with the analysis of the contents included in the presented definitions inspires to articulate the necessary determinants that by complementing the existing ones, create the possibility of clarifying the substance and nature of globalization in the dimension of the contemporary conditions and its impact on global markets. The following aspects should be included in such a definition:

- the purpose of globalization,
- the process of its formation and development,
- relationship between business entities and societies, and optimal sharing of benefits,
- universalization of market offers and activities in the global space,
- making available the use of most efficient pro-development values,
- the effectiveness of global competition,
- the security of companies and societies in a broad sense.

Covering such a wide range of issues in a single definition turns out to be an extremely difficult task and despite the attempt to merge these elements, it probably will not meet expectations related to the exploration of a clear, precise and fully acceptable definition of the concept of globalization. But we cannot refrain from trying to describe it in its updated nature and relevance, and clarifying the contemporary meaning of the term. With such an approach, globalization should be understood as:

1. Building a single integrated world market enabling the production, supply and distribution of goods and services on a large scale, along with their specialization. Deepening international relations in the economic, social, cultural spheres, by reducing barriers that obstruct the expansion. Conversion of the activities, expectations and mentality of economic management teams and societies from

national (local) on transnational ones. Maintaining a balance between universal global standardization of supply and local distinctiveness in the field of consumers' needs. Creating a free global system of mutual flow of knowledge, information, technology, engineering, capital, systems, organizations and experience. Simplification of the process of implementing modern, efficient and competitive scientific, technical, technological and organizational solutions in international space. Building a global security system, protection of economies and societies against the effects of terrorism, armed conflicts and hunger, ensuring equitable share of the societies in the benefits arising from the development of this process (Hawlena, 2012).

2. An attempt to define this concept in a particular moment of time is definitely difficult, because it is a living process in the phase of dynamic development and undergoing constant changes. It is visible, among others, in new conditions for changes in corporate social responsibility for collective security and the need for equitable sharing of benefits. One should also take into account the concerns raised by anti-globalization actionists, suggesting that this process may begin to evolve in the opposite direction. Many authors, such as Grew and Lewis, are inclined to accept the definition of globalization based on multi-criteria relationships and feedbacks between entities creating the world system (McGrew, Lewis, 1992). This process is characterized by changes in the spatial dimension, intensifying the horizontal interactions between economic operators and countries, constituting the world community. In the current conditions, there ceases to exist the problem of choosing to stand for or against globalization, but the increasing importance is given to shaping this process in such a way that its undisputed effects were beneficial for both rich and poor societies.

Conclusion

The vast majority of the definitions of the concept of globalization include relationships arising in the process of using multiple instruments for competition and market expansion. Due to their variability in time, the cause of the phenomena and effects of this process are evolving. However, it may be concluded that none of the presented definitions excludes any other, but rather they are mutually complementary. The scope and substantial contents covered by them reflect the complexity of the concept and with a different precision define the individual elements constituting the substance of the issue.

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Abstract

The aim of the examination conducted in the article is to analyze the theory relating to the process of globalization. By providing a wide range of definitions, an attempt was made to diagnose the opinion of a large part of theorists and opinion-making institutions, which shows that globalization is the most fundamental process of adjusting to the contemporary world, the effects of which cause the greatest range of changes in the development of civilization, economic and social relations. Globalization is identified by a number of definitions, but none of them is generally accepted because it is extremely difficult to determine the nature of the process contained in a continuous, dynamic development.

Globalizacja – aspekt teoretyczny

Celem rozważań przeprowadzonych w artykule jest dokonanie analizy teorii dotyczącej procesu globalizacji. Poprzez przedstawienie szerokiego spektrum definicji, podjęto próbę zdiagnozowania opinii znacznej części teoretyków oraz instytucji opiniotwórczych, w których wykazuje się, że globalizacja jest najbardziej fundamentalnym procesem dokonującym się we współczesnym świecie, którego skutki powodują największy zakres przemian w rozwoju cywilizacji, gospodarki i stosunków społecznych. Globalizacja jest identyfikowana poprzez liczne definicje, jednak żadna z nich nie jest powszechnie akceptowana, ponieważ niezwykle trudno określić istotę procesu znajdującego się w ciągłym, dynamicznym rozwoju.

Liberalization

Why interpersonal communication is important in public administration?

Comparative research of dominant leadership styles in large enterprises in the Republic of Croatia

Comparative analysis of Fiber-to-the-Home market liberalization in the EU: The case of Denmark, Sweden and the Netherlands

International response to Russian aggression against Ukraine

Economical aspects of reorganization of rail transport in Poland

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Why interpersonal communication is important in public administration?

Keywords: interpersonal communication, public administration

Introduction

The famous English writer and the most creative **author of capitalism**, Charles Dickens, once notable, said that electronic communication will never be a good substitute for the face of someone who with his soul encourages another person to be brave and true. According to the dean of management thought, Peter Drucker, the management is seen as civilization's advantage which will continue its dominant feature as long as the human civilization exists. Management is a universal process that supports and directs the variety of political, social, cultural and business objectives to final and ultimate achievement. The universal character of management stems from the fact that there is no institution without management, and there is no management without institution presence. In this sense, besides the management covering various aspects of enterprises, its branch known as Public Management covers the aspects and dimensions of institutions that are part of the public sector.

Public management, and management in general, as one of the basic organizational phenomena that constitute its core and marrow, outlines the processes of communication

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in organization, and particularly the flow of interpersonal communication, both within and outside the institution. The need to properly set communication rules, in terms of effective information exchange, has a priority role for the management success and for the successful functioning of the organization, whether it applies to private sector, which includes micro, small, medium and large enterprises, or the public sector, which includes public institutions. Interpersonal communication is becoming one of the most important factors for development and establishing of the public sector institutions, and the development of society in all of its segments. It is universally recognized value that works and can be used as an indicator for measuring of success and quality of public services, through the lens and the eyes of their users.

In the words of Ichak Adizes, management is a process of making and implementing of decisions, which largely includes institutional changes. Many proposed models can be a good basis for drafting, implementation and monitoring of strategies for improving the quality of administration and its interpersonal communication to a higher level. Strategies should be based on analysis of what is to be achieved through communication and how to achieve it. Furthermore, these studies should be focused on how to gain commitment and trust by citizens in established communication relations. In this way, servants will better understand the contribution of communication at the work, and thus to institutional success.

Importantly, human resources form the creative spark in any organization. It is obvious that without productive, enthusiastic and energetic people, it is not possible for organization to communicate and achieve its goals. Communication can be defined as exchange and sharing of information between two or more parties (individuals or groups) in order to achieve mutual and purposeful understanding. A very important aspect of this statement is that irrespective of whether and how much is electronic-based, the communication represents a deeply human effort and includes individuals and groups who naturally prefer communicating **face to face**. In other words, they wanted to feel emotions and feelings of other people. Therefore, the communication is strongly connected with the human empathy.

Similarly, effective interpersonal communication in public sector focuses on open and direct relationship between employees and citizens, thereby results in improving their commitment, productivity and organizational performances. It contains a permanent force that brings together all organizational members and guides them in a direction towards achieving the goals. Only institutions that succeed in establishing principles of effective communication have the privilege to play the role of successful organizations in today's social conditions of change and dynamism. From scientific perspective, it is necessary for organizations to create their own capacity to develop together with technology and changes related to communication. Thus, they will be ready to apply and

respond positively to the new principles, channels and modes of communication that will contribute to the set requirements and expected achievements of the organizations.

There is no doubt that interpersonal communication is a constitutional element in all institutional roles and arrangements. The relationship between interpersonal communication and institutional success has always been the point that pervades research in areas where it stretches, from seeking for the roots of interpersonal communication in organizational terms, until its practical contribution to the quality of services the institution provides. Essential wisdom that can be drawn is that all surveys have a common denominator, which suggests that interpersonal communication and the organization are related to different levels and in many ways.

The results and benefits of effective interpersonal communication are evident on a daily basis. Hence, all organizations must observe and evaluate how their members communicate with the clients, because it is very likely that the development of institutions depends on the ability of employees to share a sensitive information with citizens.

In line with these reasons and motives, we have tried to give a clearer view on the institutional communication of public servants in relation to citizens, but solely through its interpersonal context. The work is composed of several parts, through which the various ideas of general interpersonal communication are transmitted in a very accurate way, represented at theoretical, economic - legal and practical level. Thus, the first part of the paper explicates the theoretical tenets of interpersonal communication, and communication in general, referring to its definition, process, elements and potential barriers. This part is mostly based on the studies from USA and UK, as countries with top publications and researches about communication. Further, special attention is given to the economic, but also the legal framework for interpersonal communication in the Republic of Macedonia, determined by numerous laws, bylaws and developed by numerous reforms. The most significant of which are also presented in this paper.

Defining the communication and its interpersonal dimensions

Obviously, communication is one of those human activities that everyone can recognize, but only few can define satisfactorily. As the author Lee Thayer points out, **communication is a good example of everything that is more talk than actual course** (Rogers, Rogers, 1976).

The literature that treats communication encounters different interpretations and definitions of this term. Simply, communication could be understood as a concept or condition for exchange of information between entities. Some authors believe that communication is a necessary prerequisite to the **person-person** relationship, others believe that it is a result of it. Otherwise, communication can be seen as a mechanism of

mutual relations which establishes contacts, as well as set of all means and methods for transferring information in order to influence the behavior of people. It can also be defined as a two-way process that consists of sequential elements. Understanding this process allows the analysis of communication examples and designing communication programs which are suitable to the organizational needs.

Dozens of different definitions explain the communication structure. Yet, there is almost general consensus that communication occurs at four levels, such as intrapersonal, interpersonal, organizational and macro-social (Hargie et al., 1999). Each of these levels has a special place and a different position in the daily people interactions, starting from different situations and differences in the context in which they take place. At the level of interpersonal communication, the focus of the study of communicative relationships is narrowed and fixed between two persons or in frame of a very small group. This level includes analysis of the relationship development, maintenance and potential termination, acquisition of communicative abilities and skills, communication dysfunction, as well as professional communication, which represents an area of particular interest in the paper.

Interpersonal communication is considered to be effective at the moment when it achieves the desired reaction and response from the recipient. There are considerations and circumstances under which it is suggested that for communication to occur mutuality of opinion should be established. However, the establishment of mutuality of opinion is not always as easy as it seems. Consequently, many efforts to communicate are watched or unsuccessful. Nevertheless, if good coordination and communication is established, that creates a basis for setting up a system in which everyone performs their task to their personal satisfaction and thus contributes to achieving the organizational goals. Good communication is no longer an alternative, but a **conditio sine qua non** for public organizations. It is a cornerstone of any successful institutional strategy and an essential component of how the people who use public services can assess and how well these services are being delivered.

The need for transparency and accountability in the public sector has never been greater. Accordingly, raising the voice and increasing the user's choice of public services means that an open, honest and two-way communication is the only sustainable way for organizations who want to build their reputation and strengthen ties with their communities. Communication in the public sector should no longer be considered and practiced as a linear activity. In general, communication should not start with creation of the message and end with its transmission. Effective communication is a circular process which means to listen, to learn and to share the learned knowledge with other people. And once it is done, it should be done again. Organizations in the public sector must learn to listen; to listen to their stakeholders, and especially to their users. What are their needs? How they want their needs to be met? But it is not just about listening. Public

institutions **must also learn to learn**; to learn from their users and their experiences. This does not end here. Public institutions should share the results of their learning and show the beneficiaries of their services, how they respond to their needs, and in the context of improving the products coming from the public administration (<http://www.publicsectorpr.co.uk/good-communication.php>).

Although the pressures and priorities of the public sector constantly undergo remodeling and changes, there caused and affect a significant changes in the expectations and demands of the entities. Therefore, it is essential to retain the required level of listening, learning and sharing of knowledge. This circular approach to communication is far more efficient and more effective than the linear approach, because it begets trust between the organization and clients. Trust is important because it is the basis from which everyone draws and builds a long-term and successful relationship. With trust comes credibility. So, if credibility and trust are important for organizations, then for these organizations the two-way communication is also important (<http://www.publicsectorpr.co.uk/good-communication.php>).

Designing the communication process

The organizational communication in its infancy was associated with business information and early mass communication, presented in various publications published predominantly in the period from the 30s to 50s of the last century (Berger, 2008). Until then, organizational communication, as a discipline, has been covered only in the lectures of a few professors who had a special interest in business speaking and writing. Nowadays, this area is established with its own theories and empirical researches, substantially different than other communication subfields and approaches to organizational relations. Several seminal publications stand out as works that expand the scope and recognize the importance of organizational process and begin to use the term **organizational communication**. Namely, Nobel laureate, Herbert Simon, has paid special attention in his publications to the so-called **systems of organizational communication**, emphasizing that communication is **absolutely essential for organizations** (Simon, 1947).

Hence, and in order to facilitate the design of the communication process in the institutions, it can be defined as the transfer of information and their meaning from one individual or group to another individual or group. Key element in this definition is the **meaning**. Communication has the transfer of meaning as a main objective. The process of communication is successful only and solely when the recipient understands the basic idea as the sender intended. Both parties must agree not only for the transmitted information and message, but also for the importance of that information. How does the

transferring of an idea from one person to another function? Although this can be seen in some futuristic science - fiction movies and books, we cannot only look hard at another person and transfer the meaning directly from ours to their mind. This is done by including in the sensitive process of communication (read more in Guffey, Loewy, 2011).

Potential communication barriers

If anything can go wrong, it will. The famous Murphy's Law can explain one aspect of organizational communication, and that is its possible failure. Although knowledge of the communication process and the skill of its implementation are the basis for efficient and effective communication, they do not guarantee success. The sender must also minimize or eliminate barriers that could impede and impair the effectiveness and efficiency of the process. Communication obstacle or barrier is any factor that affects the success of the communication process per se. These barriers can occur between any two steps in the communication process or can influence all steps in a given process. The most crucial barriers, barriers of essential significance are the following (Hamilton, 2008; Krizan et al., 2008):

The selection of words that are too heavy, too technical or too easy for the recipient, can pose a serious communication barrier. If the words are too heavy or too technically complex, the recipient cannot understand them. On the other hand, if the words are too simple, the reader may become bored or insulted. The sender must be careful when choosing the right words for their messages. Misuse of a word (e.g. continuous, rather than constantly) can disrupt the communication process, which will reflect badly on the writer or speaker. The wording should also be carefully selected during communication with people with different mother tongue. These recipients may not be familiar with the colloquial language or the informal way in which the language is used, and the idioms which it contains.

Grammar, sentence structure, punctuation and spelling. Incorrect grammar and poor sentence structures could hinder understanding of the spoken or written messages by the recipient. Punctuation and spelling errors can create a barrier to understanding the written message. As the number of errors increases, readers often stop reading or following the content. These errors indicate that the person who sent the message either does not know the basics of the language we use or is too irresponsible to fix the problem. As a result, the sender may lose credibility.

Physical form of the message. The appearance of the message affects its readability and influences the acceptance of its contents. Clumsy adjustments, weak or too strong light on writings, messy paper and poor handwriting, can distract the reader and become a serious barrier to effective communication. Using emoticons and writing the whole text

in capital letters, can be a special barrier to the use of electronic mail. The sender should check every document before sending in order to ensure that their views are not intertwined with one's potential for success.

Personal appearance of the sender. The credibility of the oral message can be reduced if the sender looks unattractive or unacceptable to the recipient. In addition, unintended nonverbal signals can distract the recipient and it can affect the way the oral message was received. For example, if you laugh when you say a bad news, your motives and reasons may be questionable and can cause dilemmas to the whole process. If the credibility of the message is brought into question, the quality of the recipient's understanding, acceptance and response will also suffer severe consequences and declines. For success in verbal communication, the sender should be sure that their clothing, cleanliness, face and body movements are appropriate to the professional status, reputation and current situations they are facing. For example, a man dressed in a tuxedo at a party or at a beach is as inadequate as an individual who is wearing a bathing suit in the office.

Environmental factors. Environment, in which communication occurs, can significantly associate with the success of the message. Noisy machines in an area where a supervisor is trying to talk to an employee may be an important limiting factor. Similar is the situation with a supervisor whom the table separates from the employee during the meeting, which can intimidate the worker and limit his or her ability to give a proper response to the message. Other examples of an environment that may become barrier to efficient and effective communication include ambient temperature, odor, light color and distance. The sender has a responsibility to eliminate the factors of environment that have the potential to become a communication barrier. For instance, if the room in which the oral presentation should take place is too hot, the sender should try to adjust the temperature or to keep the windows open. If the recipient cannot read the message because of poor light, the sender should ensure the provision of better lighting. The barriers which are located in the external and internal environment should be eliminated or reduced before the start of communication.

Ability of the recipient. If the recipient has certain disabilities which may generate further communication barriers, the sender can remove or offset the barrier by a careful choice of the message form and by providing appropriate mechanisms to ensure feedback. Most solutions are clear choices. The increased volume, printed text or sign language interpreter can help overcome potential barriers associated with hearing. When vision impairment threatens and attacks the success of the written message, the text message can be increased or it can be transmitted verbally. Effective communication is focused on the ability of recipients and deals with it in order to guarantee the communication success.

Ineffective listening skills. Indeed, the failure to listen is a common barrier to successful verbal communication. Diogenes Laertius once famously stated that **we have two ears and one tongue so that we would listen more and talk less**. To listen effectively and efficiently is not easy at all. One of the reasons why listening becomes a challenge is that most people speak 150 to 200 words per minute, but they are capable of listening 400 to 500 words per minute. This difference allows listeners, or their minds, to wander on different issues than the topic contained in the message. Additionally, listeners can begin to think about how they will respond to the message. Listening is a skill that can and must be learned. Senders can use several methods to overcome the barrier by the recipient, as represented by poor skill of listening. The inclusion of phrases such as **consider the following point, it is particularly important**, signals to the recipients to listen carefully. Asking questions periodically will help determine the listener's level of understanding. In some circumstances, the audience can be encouraged to improve her or his ability to listen. One of the most effective ways to possibly **remove** the bad hearing as a communication barrier is to improve the message's quality and the way it is transmitted. A thorough analysis of the audience before designing and sending the message will help senders to better plan, design, organize and send appropriate oral messages.

Other communication barriers. Several of the most commonly mentioned and detected communication barriers and ways to remedy them were listed in the previous paragraphs. In an effort to improve communication efficiency, we may also face other barriers that must be removed. For example, some practices related to communication barriers include lack of interest, lack of knowledge, different cultural perceptions, linguistic difficulties, biases and partiality. The sender must do everything possible to remove these inputs of inefficient communication, related to communication barriers.

Finally, realizing the obstacles one may have doubts that effective organizational communication is an attainable goal. Of course, all potential obstacles to effective communication cannot be anticipated. However, if it is to be successful, one must work hard to master the skills required in this complex process. Any additional effort would be considered a valuable and important step in improving organizational communication and performances.

Focus on interpersonal communication and behavioral aspects

Although no one can fully claim that lack of communication is the sole cause of organizational problems, yet it is often one of the root causes. Communication may figuratively be treated as bloodstream within organization, its oxygen, brain, central nervous system, arteries, highway through a moving institution, adhesive strength that

connects the parts in a whole or gas which drives the vehicle (Hargie et al., 1999). At this point, perhaps, the importance of communication in an organization, especially interpersonal, can be compared with a very simple sense of what is love – that **cannot be quantified, but it can feel like the need for living**.

The interpersonal communication, or **face to face** communicating, is a medium that is highest in the wealth of information, which shows the amount of information that the communication providers can implement and the extent to which the medium allows the sender and receiver to reach a mutual understanding. When individuals communicate **face to face**, they not only realize the advantages of verbal communication, but can also interpret each other's signals such as facial expressions and body language. Interpersonal communication also delivers instant feedback and solves the moments of confusion, ambiguity or misunderstanding. **Management by walking around** or **management of wandering around** is one of the techniques of interpersonal communication. This concept has a tremendous efficiency for many managers at all levels, because with its help numerous formal meetings with subordinates can be avoided. In other words, informal conversations with employees can be practiced. The application of this technique, despite significant interpersonal abilities and skills, requires a high level of interpersonal and emotional intelligence, which in turn is directly related to the successful implementation of this kind of informal communication (Jones, George, 2016).

Interpersonal intelligence refers to the ability to read, sympathize and understand others. Individuals with interpersonal intelligence are good with people and achieve significant improvement and progress toward social interaction. Instead of considering that some are born with it and others are not, interpersonal intelligence can be improved by broadening the scope of understanding of human behavior, motivation and exercise of certain types of relations in interpersonal interaction. The knowledge from the field of sociology and psychology are particularly useful for understanding human needs and providing mechanisms that will help in giving a precise answer as to provide for efficient and effective communication at the workplace.

In this sense, the psychologist Abraham Maslow developed the concept of a **hierarchy of needs**, which shows how people are progressing. In our society, most people show reasonable satisfaction of their two lower levels of needs: 1) physiological needs (food and other basic subsistence needs) and 2) their safety and protection (shelter and protection from the elements of physical danger). Beyond these two basic levels of needs, people progress to meet the other three higher levels in the hierarchy of needs; 3) social needs for love, acceptance and belonging; 4) ego or esteem, a need to be heard, valued and loved; 5) self-fulfillment, including the need to achieve the fullest potential and result through professional, philanthropic, political, educational and artistic channels.

As people meet the needs of one level, they move to the next. Effective communicators are able to identify and anticipate the needs of different levels for individuals or groups. For instance, advertising is designed to meet the needs of different levels. Luxury car and dream vacation are advertisements to satisfy ego needs, while teeth whitening and anti-aging products respond to social needs and identity. Advertisements for health and fitness, and environmental advertisements carry messages that are targeted to the needs for safety and security. The effort to help employees meet their needs is essential because the satisfied worker is generally more productive than the dissatisfied worker. In communication activities, the sender more than likely appeals to the recipient if they have correctly identified their need (Lehman, DuFrene, 2011).

Generally, people engage in communication with others in the hope that the outcome can lead to mutual trust, mutual satisfaction and psychological well-being. Communication is the agent for exchange of information about things, ideas, tasks and themselves. Each communication interaction, whether informal or formal, provides emotional and brain effects that can have either a positive or a negative impact on the emotions that we carry for ourselves and others. Tapping on the back by a supervisor, receiving congratulations via phone call or text message, and hearing by another person, are examples of everyday positive signals. Negative signals may include obtaining a malicious comment, avoidance or switching off the conversation and receive rebuke from a superior. Paying attention to the importance of movement, managers can greatly improve communication and people's feelings about their work.

Further, as relationships develop, the people involved in communication continue to get to know each other as well as themselves. This precisely captures the essence and the essential wisdom of surface elements that make up the Johari Window. Area I from Johari Window shows free or open space and represents what we know about ourselves and what others know about us. Area II is blind area which indicates those things that others know about us, and we do not know for ourselves. For example, this space represents the fact that we are the only ones who cannot physically see ourselves, as we really are. Things we know about ourselves, but others do not know about us represent hidden or secret region III. Area IV includes outfield, things that we do not know about ourselves and that others do not know about us, as is our ability to work with problems in emergency situations if we have never, until then, faced them (Lehman, DuFrene, 2011).

Each area of the window may vary in size and the extent to which we learn about ourselves and are ready to discover things for ourselves and for others. Reciprocal exchange occurs at the moment when humans develop trust between each other. When there is confidentiality, proves that he or she can trust each other and trust is strengthened and could lead to an expansion of the open area of the Johari Window. Usually, we are

ready to tell people things which are not entirely personal. But we also share personal thoughts, ambitions and inner feelings only with selected and special people, those who we believe and can trust. Relationships which exist between supervisor and employee, physician and patient, and lawyer and client are relationships of trust, but only in specific areas. In the most intimate relationship with the extensive use of jargon, brothers, sisters and parents express deeply personal feelings and confide in each other (Lehman, DuFrene, 2011). All in all, Johari Window is regarded as a pretty good model for resolving the perceptual processes that are performed in interpersonal relationships, which are essential for communication between two people (Griffin, 2006).

The idea that trust and openness can lead to better communication between the two parties, also applies to groups. Managers involved in the organizational development deal with designing of successful organizations and build effective, small, and even self-groups. They believe that small groups more effectively develop a high level of mutual trust between group members. The aim is to achieve emotional communication and a relationship-oriented task. To achieve this goal, the groups often engage in sessions by trying to increase the open area of Johari Window (Galpin, 1995).

In fact, interpersonal communication uses different verbal and non-verbal messages that communicate different ideas. More specifically, verbal means using words in written or spoken form, whereas non-verbal means without using words. Even though the central stage in communication is directed to the verbal messages, empirical studies show that non-verbal elements can represent more than 90% of the significance of the messages (Mehrabian, 1971). Moreover, non-verbal behavior and communication is complex, subtle and involves using multiple channels (Furnham, Petrova, 2010). Concretely, it includes the meta communication and kinetic messages.

The meta communication is a message that, despite not being expressed in words, accompanies the message which is expressed in words. For instance, “do not be late for work” communicates caution, but the sentence could imply (but not express in words) such additional ideas: “you are often late and I am warning you”, or “I doubt your excuses”. “Your solution is perfect”, can also be transmitted as the meta communication “you are efficient”, or “definitely I like your work”. Whether spoken or written, it can certainly be argued that those who receive the message will be more sensitive, not by the messages expressed in words, but to the additional messages which are presented and **hidden** in interpersonal communication, and are not expressed by words (Lehman, Du Frene, 2011).

On another subject, people also constantly send different meanings through kinetic communication. In other words, recipients receive additional meaning to what they see and hear in the vocal and visual sense (Lehman, DuFrene, 2011): 1) **kinesthetic visual communication** – gestures, winking, smiles, sighs, clothing, hairstyle and all kinds of

body movements; 2) **kinesthetic vocal communication** – intonation, projection and resonance of the voice. Meta communication and kinesthetic messages have characteristics that all successful and skillful communicators should consider (Lehman, DuFrene, 2011): 1) non-verbal messages cannot be avoided. Both written and spoken words carry ideas, in addition to the ideas contained in the words that are used; all activities and even the lack of action have certain significance for those who observe; 2) non-verbal messages can have different meanings for different people. If a team member smiles after giving a statement, one member may conclude that the speaker is trying to be funny, while others may conclude that the speaker was pleased that they made such a great contribution, and still others can see the smile as a sign of sociability; 3) non-verbal messages vary between and within different cultures. Not only non-verbal messages carry meanings that are different from culture to culture, but also men and women of the same culture usually show different body language. By some rule, American men are practicing less physical contact with other men than women with other women. The acceptable male body language may include a handshake or tapping on the back, while women show more flexibility in physical contact with each other; 4) non-verbal messages can be intentional or unintentional. “You are right about it” means “I agree with you” or “you are right on this, but it would be proper to get everybody else to discuss it”; 5) non-verbal messages can contradict the accompanying verbal messages and influence whether the message is understood or not. The proverb **deeds speak louder than words** reveals a lot about how people view the messages. For example, the image of a man who says “I am happy to be here”, but also looking at the floor, talking with a weak and shaky voice and holding hands shyly in front of his body is a striking example of inconsistency and distorted mirroring messages. Since his verbal and non-verbal messages are contradictory, the audience cannot believe his words. Similarly, you can consider the negative effect of a sloppy personal appearance of a job candidate; 6) non-verbal messages can attract more attention vis-à-vis verbal messages. If a supervisor constantly looks at their mobile phone or rhythmically beats with the pen while composing statement, words cannot be registered within the mind of the employee; 7) non-verbal messages give clues about the sender’s background and their motives. For example, excessive use of big words could suggest that the person reads a lot or has an above-average education, but also might suggest a need for social recognition or the insecurity of his/her social background; 8) non-verbal messages are strongly influenced by the communication circumstances. Let us suppose that two men, Ganesh and Jacob, are friends from work. When they work together, Ganesh sometimes puts his hand on Jacob’s shoulder. This act may mean to Jacob no more than “we are close friends”. But, suppose that Ganesh is a member of the committee that denies or derogates promotion of Jacob. Then, this same act may mean “we are still friends”, but it can also cause resentment. Because of the circumstances, the same act

now could mean something as “look, the hand that caresses you, also can stab you”; 9) non-verbal messages can be useful, but also damaging. Words or actions may be accompanied by a non-verbal message that can help or hurt, breaking the sender’s goal. Meta communication and kinesthetic messages can carry something like “I am efficient in my work and attentive to others”, or vice versa. They cannot be removed, but you can make it work for us instead of against us.

Despite the fact that many professionals mistakenly believe that business communication is a presentation skill, not interaction, most managers spent most of their day listening and talking to others. To listen to superiors, employees, clients and colleagues usually consumes more time than reading, writing and speaking in a joint combination. Listening is an interpersonal skill as critical as the skill of speaking. The CEO of BestBuy, Brad Anderson, explains that effective listening is central to the work culture of his young vendors that have grown in the digital era and expect, prefer two-way conversation in **peer-to-peer** style, rather than just a way of teaching. Anderson points out that if an employee is found to be a poor listener, they will be degraded from the CEO position immediately (Tapscott, 2008).

Benefits of effective listening habits manifest themselves in several ways: 1) good listeners are liked by others because they meet the basic human needs to be heard and loved; 2) people who listen have the skills to separate facts from fictions, effectively deal with false beliefs and prevent the situation when others use them for personal gain and benefit; 3) effective listening leads to sensitivity, tolerance and to key individuals who are essential for organizational success (e.g. employees, clients and suppliers); 4) effective listeners are engaged in continuous learning, permanent knowledge acquisition and skills that lead to greater creativity, worker’s efficiency, advancement and pleasure; 5) job satisfaction increases when people learn what happens when they are being listened to, and when they participate in mutual trust that develops and comes from a good interpersonal communication. Listening depends on the ability to receive and decode the verbal and non-verbal messages. Even the most regulated and most sophisticated communication systems will not work properly and truly if people across the voicemails do not hear. Senders of voice messages must ensure that listeners will hear, as the senders of written messages must ensure that recipients are able and will read the messages. Individuals, through listening, can satisfy different needs and goals, such as social interaction, receiving information, problem solving and sharing feelings with others. Each activity can occur and refers to a different style or a full range of styles of listening (Lehman, DuFrene, 2011):

Ordinary listening. Listening for pleasure, recreation, entertainment and relaxation is the most usual kind of listening. Some people listen to music all day in order to relax the brain and mask unwanted sounds during daily routines, work periods and daily

duties. Aspects of ordinary listening are: 1) it provides relaxing breaks of more serious tasks and supports our emotional health; 2) it shows that people are selective listeners; they hear what they want to hear; in a crowded room in which it seems that everyone talks, all the noise can be blocked and the individual can engage in conversation with someone; 3) it requires a small emotional or physical effort.

Listening for information. Listening for information includes searching data or materials. At school, for example, the professor usually has a strategy to guide the class towards the desired objectives. The professor will probably highlight several large, main points and would use evidence to prove and strengthen them. It is also very similar to some experienced negotiator or facilitator.

Intensive listening. When one listens in order to obtain information, solve problems, or persuade or dissuade (the argument), then it is intensive listening. Intensive listening involves greater use of analytical skills, necessary to proceed through the steps for problem resolving. In intensive listening, one becomes a good evaluator and magnet for ideas, development of the discussion can be followed, and there starts the analysis.

Empathic listening. Empathy occurs when a person is trying to share feelings or emotions with others. Counselors try to use empathic listening in dealing with their clients. Good friends also listen to each other empathically. Without any doubt, empathy is a valuable feature, developed by people who are skilled in human relations. In empathic listening: 1) preoccupation with one's own problems should be avoided. By talking too much, strong non-verbal signals of exhaustion are sent, while the others' desire to speak can be destroyed; 2) full empathy can never be reached, simply because there are no two people who are identical. The more similar our experiences are, however, the better we are able to put ourselves in the shoes of the other person. Listening with empathy involves real tact, combined with other good listening habits.

In sum, the practical experience shows that in certain situations a need may arise for a combination of the intense and empathic listening. Interviews to assess results, disciplinary conferences and other sensitive discussions between servants and clients require intensive listening for accurate understanding of messages and empathic listening to properly recognize the emotions.

Economic-legal framework for interpersonal communication in public sector: Case of Macedonia?

For a quality conduct of interpersonal communication of public servants in the Republic of Macedonia, it is necessary to clearly determine the position and role of public sector in carrying out economic and social functions, as well as to present the

current favorable legal framework, which draws the scope of activities of this vital social apparatus.

The significance of the public sector is paramount. From birth to demise, our lives in countless ways are affected by the activities of the public sector (Stiglitz, Rosengard, 2015): 1) we are born in hospitals that receive public subsidies, unless they are privately owned; then our birth is recorded in public registers (our birth certificate), thus acquiring a range of privileges and responsibilities as a citizen; 2) most of us (almost 90%) attend public funded schools; 3) almost every one of us, at some time in life, receives money from the government through various budget programs, such as student loans, social transfers due to unemployment or certain disabilities, programs to combat poverty, social security, health care and protection; 4) each of us pays taxes to the government, e.g. consumer taxes on special items and excise goods such as gasoline, alcohol, phone, using services of air travel, perfume and tires, property tax, custom's tariffs, income tax and taxes on social insurance (earned income tax); 5) a large part of the workforce is engaged in public sector, while for the rest, the government has a considerable impact in terms of employment conditions; 6) in many areas of production, regardless of whether it comes to cars, shoes or computers, profits and employment opportunities are significantly influenced by the fact whether the government allows competing companies to sell goods in the US without adequate tariffs and quotas for them; 7) governmental agencies are regulating what we eat and drink, and more, take an action and regulation activities in the housing market (houses where we live); 8) we travel on public roads and publicly subsidized railways. In most of our municipal and local communities, government and public agencies collect waste and clean the drains; 9) in some local self-governments, even the water we drink is provided by public utilities; 10) our legal system provides judicial structure and legal framework under which individuals and companies can enter into agreements with each other. In case of a dispute between two individuals, they may turn to the competent court, which should decide the present dispute; 11) without the existence of environmental regulation, many of our cities would suffocate of pollution, the water in our lakes and rivers would become unhealthy for drinking and we could never swim or use the fish from them; 12) without existence of regulations on road traffic safety, such as provisions for compulsory wearing of seat belts in cars, the number of victims and accidents on highways would be significantly higher.

All these activities which are exercised through interaction of citizens and legal entities within the public institutions in the US apply to us, too. Governmental institutions in their everyday work often make contact and serve people outside the organization, regardless of whether they call them users or citizens. Today, the government and public sector must increasingly be directed towards citizens, using positive examples from the private sector. Customer orientation plays a key role in the provision of public services.

This requires a variety of skills related to the servant's conduct, such as communication skills and those skills that relate to the treatment of citizens with respect and understanding (Ministry of Information Society and Administration, 2011). Yet, before we move to the new campus of reforms that the Ministry of Information Society and Administration has undertaken in order to provide better interpersonal communication, it is necessary to define and determine what the legislation means under the category of administrative and public servants.

Importantly, legislation which treats this matter has suffered numerous essential amendments and decisions on annulment of certain provisions by the Constitutional Court. Thus implies institutional instability and inability to find a stable legal solution that will in the right way respond to the needs and wishes of the legislature and beneficiaries of public sector services. However, by the different texts, as well as the consolidated text of the laws, the categories entering these sectors can be clearly discerned. These laws have been modernized and follow the most sophisticated nomotechnic form.

Specifically, an administrative servant, in the sense of law, is considered a person employed in some governmental service, who performs professional, normative-legal, executive, statistical, administrative, supervisory, planning, IT, material-financial, accounting, informative, and other jobs within the competence of the body (Article 2, Paragraph 1 of the Law on administrative servants, Official Gazette of the Republic of Macedonia, No. 27/2014, 199/2014, 48/2015, 154/2015 and 5/2016). On another side, in the administrative classification, depending on the type of education, work experience, responsibility and complexity of the tasks, there are 17 titles set out, organized into four groups: I – secretaries, II – management, III – professional and administrative, and IV – assisting – professional administrative servants (Article 22, 23, 24, 25 and 26 of the Law on administrative servants, Official Gazette of the Republic of Macedonia, No. 27/2014, 199/2014, 48/2015, 154/2015 and 5/2016).

Secretary titles are: State Secretary; Secretary General; Secretary of the City of Skopje, Municipality Secretary (based in city) and Municipality Secretary (based in village).

Managerial titles are: Administrative Head (I level), Administrative Head (II level), Administrative Head (III level) and Administrative Head (IV level). Administrative Head (I level), with at least 240 ECTS credits and at least six years of professional experience from which two years at the managerial position in the public sector, or at least ten years of professional experience from which three years at the managerial position in the private sector; Administrative Head (II level), with at least 240 ECTS credits and at least five years of professional experience from which two years at the managerial position in the public sector, or at least eight years of professional experience

from which three years at the managerial position in the private sector; Administrative Head (III level) and Administrative Head (IV level), with at least 240 ECTS credits and at least four years of professional experience from which one year in the public sector, or at least six years of professional experience from which two years at the managerial position in the private sector. People from this level should have an adequate core and special competences. Namely, Administrative Head (I level) and Administrative Head (II level) should possess a certificate for knowledge about administrative computer programs, administrative management as well as satisfactory language proficiency of one of the three most widespread languages in the European Union (proved by the relevant international certificate).

Professional and Administrative positions are: Professional Administrative Servant (I level), Professional Administrative Servant (II level), Professional Administrative Servant (III level) and Professional Administrative Servant (IV level). Professional Administrative Servant (I level), with at least 240 ECTS credits and three years of professional experience; Professional Administrative Servant (II level), with at least 180 ECTS credits and two years of professional experience; Professional Administrative Servant (III level), with at least 180 ECTS credits and a year of professional experience; Professional Administrative Servant (IV level), with at least 180 ECTS credits and no work experience. People from this level should have an adequate core and special competences. Usually, they should possess a certificate for knowledge about administrative computer programs as well as satisfactory language proficiency of one of the three most widespread languages in the European Union (proved by the relevant international certificate).

Assisting – Professional Administrative positions are: Assisting – Professional Administrative Servant (I level); Assisting – Professional Administrative Servant (II level); Assisting – Professional Administrative Servant (III level); Assisting – Professional Administrative Servant (IV level). Assisting – Professional Administrative Servant (I level), with at least successfully finished secondary school, and three years of professional experience; Assisting – Professional Administrative Servant (II level), with at least successfully finished secondary school, and two years of professional experience; Assisting – Professional Administrative Servant (III level), with at least successfully finished secondary school, and one year of professional experience; Assisting – Professional Administrative Servant (IV level), with at least successfully finished secondary school, and with or without adequate professional experience. People from this level should have adequate general and specific competences. Usually, they should possess a certificate for knowledge about administrative computer programs as well as satisfactory language proficiency of one of the three most widespread languages in the European Union (proved by the relevant international certificate).

Public administration can be marked as a special segment, which as an area of significant interest and importance is regulated by a separate legal instrument in the form of law. Thus, public servant is considered a person who performs various tasks within the state and local governments, and other state authorities established in accordance with the Constitution and laws and who works in the institutions from the field of education, science, health, culture, labor, social welfare and child protection, sports, and other activities of public interest determined by law and organized as agencies, funds, public institutions and state-owned enterprises established by the Republic of Macedonia or the municipalities, the city of Skopje and the municipalities in Skopje (Article 2 and 3 of the Law on administrative servants, Official Gazette of the Republic of Macedonia, No. 27/2014, 199/2014, 48/2015, 154/2015 and 5/2016).

Legal solutions which regulate the activity of administrative and public sector also prescribe some principles of accountability, professional conduct, ethics, reliability and protection of the means of work. Servants should follow and respect several principles: equal conditions, equal access to employment, appropriate and fair representation; professionalism and competence; performance management; service – orientation; professional ethics, impartiality and objectivity; transparency and confidentiality; duties and responsibilities; preventing of the conflict of interest; and economical use of resources (Book II of the Law for employees of the public sector, Official Gazette of the Republic of Macedonia, No. 27/2014, 199/2014 and 27/2016).

There is also a very detailed classification of the positions in the public sector institutions. Hence, there are many titles set out, organized into four groups: 1) administrative servants or persons employed in the public sector institutions who are responsible for performing activities of administrative nature; 2) job positions with special authority or persons employed in the public sector institutions in the field of security, defense and intelligence who possess a special authority; 3) public servants who provide public services, i.e. persons employed in the public sector institutions to perform activities related to public interest in accordance with the law, but not of administrative nature; 4) assisting-technical persons or persons employed in the public sector institutions who are responsible for maintenance, transport security, and other assisting and technical activities which ensure the smooth functioning of institutions (Article 14, Paragraph 1 of the Law for employees of the public sector, Official Gazette of the Republic of Macedonia, No. 27/2014, 199/2014 and 27/2016).

The employment principles are identical in both administrative and public sector. So, the recruitment procedure begins with the publishing of a public announcement, and in a transparent, fair and competitive selection procedure the assessment committee would offer a position to the best candidate (Article 30, Paragraph 2 of the Law on

administrative servants, Official Gazette of the Republic of Macedonia, No. 27/2014, 199/2014, 48/2015, 154/2015 and 5/2016).

Further, for advancing the field of communication with citizens, the Law on Free Access to Public Information, requires the institutions of government and public sector to provide the citizens access to all information that are not treated as classified information. Yet, the greatest pain in the implementation of laws is the so-called **administrative silence**, although in most cases it is about requests, i.e. information which persons in charge of mediating in the institutions should provide without major problems. This rule, which is anticipated in the Law on free access to public information (Official Gazette of the Republic of Macedonia, No. 13/2006, 86/2008, 6/2010, 42/2014 and 148/2015) as **lexspecialis**, and partly by the Law on general administrative procedure (Official Gazette of the Republic of Macedonia, No. 124/2015), should put pressure on servants to answer appropriately to the requests that arrive from the citizens, within the time limit determined for providing response. The legislator, by introducing this rule, has stipulated that in any case when the public institutions will not formally respond to a request from the citizens, after 15 days it will be considered as approved. In this way, public servants should devote more time and attention to the request and cases of citizens, which directly affects the communication between these two or three groups.

In this regard, before some time Macedonian authorities launched an important initiative which has been adopted, introducing the Citizen's Charter as a response to the request to address the problems faced by citizens in their daily interaction with the public institutions. The concept of Citizen's Charter fosters trust between those who provide services and the beneficiaries. It aims to present measurable standards of service obtained through consultations between servants and users. The Charter is a declaration that the authorities publicly commit in terms of service's standard, simultaneously allow citizens access to services which personally concern them, and an opportunity to evaluate the services provided, which is a tool for measurement of the success in each individual case (Government of the Republic of Macedonia, 2006). Performance assessment of servants, not only by their immediate supervisors, but also with special legislation, has been stipulating setting up of traffic lights through which citizens can give their judgment and can share their experience when using public services. This is particularly important for interpersonal communication which is established between servants and citizens, and where subject of assessment is often the communication itself.

One of the last in the series of reforms undertaken in public administration is the project entitled **There is no wrong door**. Due to the complex organization of numerous governmental institutions, many people are not able to determine which institution is responsible for their need, and thus meet difficulties in communication with the administration. So they can feel rejected and frustrated in the search for a solution to

their request. Citizens have high expectations of public institutions in the execution of public services. They want fast, efficient and quality service administration, regardless of time and place, which will be completed with courtesy, transparency and accountability by the servants. **There is no wrong door** concept is a new administrative approach that arises from the contemporary requirement which prescribe that the government should offer a service that will be citizen-oriented and will enable a better cooperation and coordination in the execution. This new **modus operandi** is innovative and has alternative approach in respect to the current work of the employees. By the means of it citizens will be obligatorily served, irrespective whether they have addressed the right office in the institution. This means abandoning the current practice of servants to work only within the individual jurisdictions, without giving any assistance or guidance to citizens how to access to the services provided by other competent authorities. It is important to note that this approach is currently practiced by numerous institutions, but the main idea is for it to become a habitual and purposeful behavior of every employee in the administration. For users of the administrative services, this means that the difficulties in communication with governmental institutions will reduce, thus leading to saving of resources and shortening the time to respond to their needs. The approach **services to citizens** is expected to improve the quality, but it will also eliminate the negative image of the public administration as unresponsive, atrophied, inefficient and indifferent to the needs and requests of citizens, in an easily accessible and citizen-oriented, with which the satisfaction with services will increase as well as the trust in public institutions (Ministry of Information Society and Administration, 2011).

Finally, raising the quality of public services, including interpersonal communication which takes place between servants and citizens, is one of the strategic goals contained in the Strategy for Public Administration Reform in the medium term and the Action plan for implementing this Strategy, Regulatory guillotine, one-stop-shop system, interoperability, electronic services, but also the Code of Ethics laid down by the Minister, which should ensure ethical, professional and responsible work. Therefore, it can be concluded that the actual reforms, and particularly their implementation in the public administration are still to come. The interpersonal communication between servants and service applicants will remain a top priority for all current and future creators of economic and communication policies in this sphere of social interest and social importance.

Concluding remarks

Finally, **the most important thing in communication is hearing what is not said**, wrote Peter F. Drucker. In today's world, the **Holy Grail** for the survival and development

of the institutions may seek in the communication of their employees, particularly in the communication nexus with their clients. Namely, organizations are seriously suffering when interpersonal communication is ineffective. Therefore, errors that cause a lack of interpersonal communication, or irregular communication, contribute to increased communication costs, expressed through money, time and quality, which directly affects the performance component. This applies especially to relations with the outside world, because it leaves serious consequences for public relations, reputation and external communication. Successful organizations simply should not allow such things.

Effective interpersonal communication and information exchange will remove all doubts among citizens – beneficiaries of public services, something that is always present when there is a lack of information. Indeed, this does not affect the essential expression of public servants and the use of **redundancy** in the statements, a special feature of the ancient Romans, but it concerns the deficit of necessary and important information transmitted by interpersonal communication. Today, it can be freely said that information is the most powerful tool in modern society and in this sense it is a fundamental premise for successful, efficient and effective public management, emphasizing efficiency as its primary objective.

For the high or low quality of interpersonal communication in the public sector, assessments are multidirectional and can be obtained from different sources. The manifestations of the dimension of interpersonal communication appear as a determining factor in the successful service implementation within public sector. This confirms the outgoing considerations and interpretations of providing public services, as a process of interpersonal communication between entities, as well as the importance that there is communication within the process of their implementation.

Policymakers have a little misleading picture of interpersonal communication in their institutions or assume that it is on a higher level than the factual. In this regard, it is from a huge importance to increase the public awareness for identifying the level of interpersonal communication, detection of problems in communication needs and considering the possibilities for improvement through constant training of all organizational members. Despite all this, the process should always end with grading, remuneration and selection of the people and public institutions who in the past period achieved a remarkable progress and results to effective interpersonal communication between servant–citizen, much as it does the UK Public Sector. Concretely, the UK Public Sector each year gives the national award for outstanding communication strategies, campaigns and projects of local and national governmental and non-profit organizations in the UK, known as the Public Sector Communications Award.

In order to improve the interpersonal communication within public sector in the Republic of Macedonia, we propose various reforms, such as introducing training

courses, establishing of communication offices, highlighting employees of the month who are best evaluated by citizens and superiors, as well as development and implementation of various comprehensive strategies, programs, policies and projects which significantly reduce the space for disqualifications, fighting words and hate speech (subject to restrictions under the Criminal Law). These steps would definitely improve the entire quality of interpersonal communication between servants and citizens.

The future of interpersonal communication is complex and ever-challenging. As a result, organizations are faced with numerous challenges, such as ethics and other rapid changes which are taking place in the institutional and social life. Accordingly, as the need and demand for knowledge continues to rise and intensify, the communication is placed in the focus on examination of organizational behavior and operations. Furthermore, the rapid progress of technology creates increased challenges and requirements to the organizational members. Interpersonal communication should be considered as a strategic issue and should be planned, developed, organized and controlled. Moreover, the paper shows that there is nothing mystical or vague about effective organizational communication. The main elements of communication are known and susceptible to measurement and evaluation.

At last, this extensive explication, though it identifies the root cause of the accidents and difficulties in interpersonal communication, it also shows our intention to point out to the importance of public servants, the place of citizens and their codes for organizations in which they work and act. Institutional communication as a controversial issue will continue to pose a challenge to the public administration in Macedonia, but we hope that the current negative practices would constitute an exception rather than a rule.

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Comparative research of dominant leadership styles in large enterprises in the Republic of Croatia**

Keywords: dominant leadership style, large enterprises, the Republic of Croatia

Introduction

The numerous leadership theories have been developed at the end of the last century and the beginning of the 21st century trying to give a “universal” response on question “what makes good leadership?” from their angle. Therefore, every new theory was a reaction to the current ones and their main goal was to avoid the disadvantages of the previous theories. In search of the answer, important leadership theories arose – from the personality theory, through behaviorist and contingency theories, to the theory of transformational and transactional leadership. Through years numerous definitions of leadership have appeared:

- leadership may be considered as the process (act) of influencing the activities of an organized group in its efforts toward goal setting and goal achievement (Stogdill, 1950, p. 3),
- leadership is the behavior of an individual when they are directing the activities of a group toward a shared goal (Hemphill, Coons, 1957, p. 7),

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- leadership is interpersonal influence, exercised in a situation, and directed through the communication process toward the attainment of a specified goal or goals (Tannenbaum et al., 1961, p. 24)
- leadership is the initiation and maintenance of structure in expectation and interaction (Stogdill, 1974, p. 411),
- leadership is a process of influence between a leader and those who are followers (Hollander, 1978, p. 1),
- leadership is the influential increment over and above mechanical compliance with the routine directives of the organization (Katz, Kahn, 1978, p. 528),
- leadership is the process of influencing the activities of an organized group toward goal achievement (Rauch, Behling, 1984, p. 46),
- leadership is an attempt at influencing the activities of followers through the communication process and toward the attainment of some goal or goals (Donnelly et al., 1985, p. 362),
- leadership is the process of influencing the activities of an individual or a group in efforts toward goal achievement in a given situation (Hersey, Blanchard, 1988, p. 86),
- leadership is an interaction between two or more members of a group that often involves a structuring or restructuring of the situation and the perceptions and expectations of members; leadership occurs when one group member modifies the motivation or competencies of others in the group; any member of the group can exhibit some amount of leadership (Bass, 1990, pp. 19–20),
- leadership is the art of influencing others to their maximum performance to accomplish any task, objective or project (Cohen, 1990, p. 9),
- leaders are individuals who establish direction for a working group of individuals who gain commitment from this group of members to this direction and who then motivate these members to achieve the direction's outcomes (Conger, 1992, p. 18),
- leadership requires using power to influence the thoughts and actions of other people (Zalenik, 1992),
- leadership is the art of mobilizing others to want to struggle for the shared aspirations (Kouzes, Posner, 1995, p. 30).

Taking these definitions, it becomes clear that most of the leadership definitions assume that “leadership is a process whereby intentional influence is exerted by one person over others in order to guide, structure and facilitate organizational activities and relationships” (Yukl, 2002, p. 7).

Without quality leadership and initiation of the members' activities, stimulation of high motivation and engagement of people, there is neither successful organization nor successful enterprise. Experience has shown that managerial efficiency differs depending

on the managers' leadership style. This has stimulated numerous research that have tried to answer the question which leadership style is the best. Scientific research, up to now, of which most significant are the works of McGregor, Argyris, Likert, Blake and Mouton, Fiedler, House, towards the more current research of Taffinder, Crosby and Daft, have shown that leadership styles influence the efficiency of the enterprise on one hand, and performance and satisfaction of the subordinates on the other. Although there still is no uniform answer to the question of which leadership style is the most efficient, the research so far has shown that the leadership style is the cause, and not the consequence of the enterprise performance, and that there are significant differences in leadership, monitoring, interpersonal relationships, application of methods, communication and other management components between successful and unsuccessful managers, that is between organizational units of which they are at the head (Skansi, 2000, pp. 51–52).

In this paper the style approach has been chosen to investigate dominant leadership style. The style approach emphasizes the behavior of a leader and focuses exclusively on what leaders do and how they act. The style approach expanded the study of leadership to include the action of leaders towards subordinates in various contexts. Likert's model for analysis of organizations and leadership styles is used in the paper (Likert, 1961). Likert believed that the key to good leadership is to establish a climate and system of management that creates an effective organization. He examined different types of organizations and leadership styles, and he asserted that to achieve maximum profitability, good labor relations and high productivity, every organization must make optimum use of their human assets. Likert identified four main styles of leadership, in particular around decision-making and the degree to which people are involved in the decision (Vrdoljak Raguz, 2010):

1. Exploitive authoritative – system 1 (in this style, the leader has a low concern for people and uses such methods as threats and other fear-based methods to achieve conformance. Communication is almost entirely downwards and the psychologically distant concerns of people are ignored);
2. Benevolent authoritative – system 2 (when the leader adds concern for people to an authoritative position, a “benevolent dictatorship” is formed. The leader now uses rewards to encourage appropriate performance and listens more to concerns lower down the organization, although what they hear is often rose-tinted, being limited to what their subordinates think that the boss wants to hear. Although there may be some delegation of decisions, almost all major decisions are still made centrally);
3. Consultative – system 3 (the upward flow of information here is still cautious and rose-tinted to some degree, although the leader is making genuine efforts to listen carefully to ideas. Nevertheless, major decisions are still largely centrally made);

4. Participative – system 4 (at this level, the leader makes maximum use of participative methods, engaging people lower down the organization in decision-making. People across the organization are psychologically closer together and work well together at all levels).

In this paper based on a survey research of large Croatian enterprises two main responses on two queries will be carried out:

1. What are the main specifics of top level managers' leadership style in large Croatian enterprises in 2008 and in 2015?
2. What leadership style is dominant by the size of the enterprise in large Croatian enterprises in 2008 and in 2015?

Data analysis and research methodology

Empirical research has been conducted on a population of large Croatian enterprises that have been perceived as a generator of development of economy although the privatisation and restructuring of some large Croatian enterprises is still present.

Survey research has been conducted in this empirical research. Survey has been sent to top managers of the large Croatian enterprises. In 2008 314 survey questionnaires were sent and 81 questionnaires were returned, which represents population of 25.8%. In 2015 350 survey questionnaires were sent and 94 questionnaires were returned. The questionnaire had 56 questions formulated to the Likert analytical method for analysis of organization and identification of dominant leadership style.

Likert's model has been used which is a satisfactory framework for the creation of scientific models for empirical research. Let us remember that in his research, Likert has two main starting points: there are significant differences in leadership, monitoring, interpersonal relations and other components of management between successful and unsuccessful managers, that is between organizational units which they are headed by, and management style which is the cause, not the consequence of organizational efficiency. Likert sees a successful manager as a person strongly oriented towards the subordinates, who relies on communication in maintaining a harmonious functioning of all parts. All group members, including the manager or a leader, adopt a supportive attitude whereby they participate in the common values, aspirations, goals and expectations. He stresses that a participational leadership system is the most efficient, a system which is based on high goals and requirements which activate individuals, develop their abilities through joint decision-making, decentralization of decision-making upon those levels at which there is more knowledge and information for quality decisions, and thus the greatest interest for decision-making.

In the paper the diagnostic model is based on Likert's model. Managers have given the answers to the six variables that enactive the leadership styles and are included in the survey:

1. Leadership as a first variable of leadership style is measured with: reliability of the leader to the subordinates, freedom of subordinates in communication with the leader.
2. Motivation is measured with flow of information, types and formats of motives, responsibility for achieving goals and team work.
3. Communication in the enterprise is measured with these variables: flow of information, acceptance of information from employees, accuracy of information.
4. Decision making is measured with variables like levels of decision making, participation of employees in decision making and motivation of employees.
5. Goals are measured with the way of setting the goals and with resistance on settled goals.
6. Control is measured with the holder of control function, resistance of roles and purpose of control data.

The answers on these variables are from 1 to 4, and every answer corresponds to one of Likert's four leadership styles: System 1, System 2, System 3 and System 4.

Survey research was created to determinate top level manager's leadership style based on the six variables of leadership styles and average value of leadership styles.

Empirical results show that in 2008 – 66.67% and in 2015 – 72.35% of top level managers show reliability and trust to subordinates with a large liberty of communication with managers. Managers often accept ideas of subordinates (in 2008 70.37% and in 2015 – 75.35%). The average scale is from 2.90 to 3.04 for both analyzed years so it can be interpreted as a consultative leadership style.

The second key variable for determination of leadership style is motivation that is closely connected with leadership. The survey results shown that managers use reward as a main form of motivation, 43.21% in 2008 and 45.25% in 2015. with the average scale of leadership style between style 2 and style 3. Form of motivation varies from economic and social to compliment and appreciation. The majority of managers holds both top and middle level managers important when is about achievement of goals. Team work is present in the whole organization.

The third variable is communication and its development in organizations. The usual way for receiving and giving information is in all directions. More than a half of surveyed managers think that information is mainly correct (77.78% in 2008 and 75.24% in 2015). From this data it can be seen that subordinates are free to communicate with their managers. The average scale is between style 2 and style 3.

Decision making is the fourth variable of leadership style. Data for this variable have shown that managers in large Croatian enterprises are not autocratic leaders because 41.98% of managers delegate decisions on middle level management, so average scale of 2.54 has been expected in 2008 and 38.45% and style 2.35 in 2015. Half of managers usually consultate their subordinates and when it comes to decentralization in organization, the data show that decentralization is present in 54.32% of enterprises in 2008 and 57.25% in 2015.

The fifth key variable are the organizational goals. Consultative leadership style practices more than a half of managers in 2008 and 2015 when it comes to settlement of goals. Majority of managers analyze the business data on a monthly basis. This fact is very important because it implicates close connection between planning and controlling as two main managers' functions.

The sixth variable is control function. Data analysis shows that majority of surveyed managers think that managers at all management levels are responsible for control function (both in 2008 and 2015).

All this data have helped in determination and analysis of a dominant leadership style regarding the enterprise size.

Research findings

The findings of the research and the statistical results of the data gathered are presented below. The consultative leadership style is dominant in three categories regarding the enterprise size (250–500 employees, 501–750 employees and more than 3,001 employees). In all other categories leadership style is between paternalist and consultative leadership style. Managers that are working in large enterprises usually prefer rigid leadership style because of two main characteristics of leadership in large organizations: many employees and numerous management levels, while in small enterprises leadership styles are usually liberal ones with expressed delegation and involvement of employees in the decision making processes. It is interesting that there is no big difference between analysis of data in 2008 and 2015 (Table 1).

Table 1. Dominant leadership style regarding to enterprise size

| | Large Croatian enterprises to the enterprise size | | | | | | |
|---|---|---------|-----------|-------------|-------------|-------------|--------|
| | 250–500 | 501–750 | 751–1,000 | 1,001–1,250 | 1,251–1,500 | 1,501–3,000 | 3,001– |
| Average dominant leadership style in 2008 | 3.02 | 2.88 | 2.80 | 2.89 | 2.67 | 2.59 | 2.76 |
| Average dominant leadership style in 2015 | 3.05 | 2.96 | 2.56 | 2.90 | 3.05 | 2.76 | 2.88 |

Source: research results.

Leadership style of top managers in large Croatian enterprises has shown different manifestation. Leadership style in large Croatian enterprises is closest to the system 4 in three situations, when it comes to motivation, acceptance of information from subordinates and frequency of requirements and realised goals analysis. Surveyed managers are closest to the system 1 when it comes to responsibility for realization of goals. Majority of managers think that top and middle managers are primarily responsible for setting the goals in the enterprise. The similar situation is with decision-making, where the majority of decision is in the top management. Other answers have shown that the dominant management style of surveyed managers is between system 2 and system 3, but mostly system 3.

Discussion

This paper aimed to find out what leadership style is the dominant leadership style in large Croatian enterprises. Results have shown that majority of managers in large enterprises prefer benevolent-authoritative and consultative leadership style. That can be explained with the fact that in large enterprises numerous experts work and problems that can appear are team work and its effort to achieve enterprise's goals. Other important factors are business environment, privatisation and transition processes. Some research have shown that small enterprises are more successful when is about organizational effectiveness.

Although the theory explains that leadership styles in large enterprises are more rigid than in other enterprises research results from this survey research have shown the opposite situation that can be explained with the fact that Croatian top managers are working in a large Croatian enterprise which is privatised and no longer in transition process (more than 90% of enterprises from the sample have private proprietary).

Conclusion

Diagnosis of leadership style is a very complex assignment, and because of this during the years a lot of models have been developed for the diagnosis of leadership style.

Analysis of variables of leadership style has shown that organizational behavior and praxis of leadership style of surveyed top managers in large Croatian enterprises is combination of benevolent-authoritative (system 2) and consultative leadership style (system 3) in both analyzed years in 2008 and 2015. It is obvious that top managers have to change some aspects of their leadership style from time to time, because there is no

universal leadership style for all business situations. Top managers should evaluate and appreciate autocratic management style as well as democratic leadership style. Managers should turn to the employment, human potentials and establishment of “composite management” where there is an exceeding presence of women in management, because of their ethical approach to the colleagues and subordinates and when there is a strong tendency to paying attention to the organizational goals and organizational development.

The results of this research may serve as a motivation and an argument for application of the most efficient leadership style, so that the human potential would be used best by activating and developing the capabilities of every individual, to increase the flexibility and adaptive capabilities of an organization.

This paper can be considered as the foundation of furthered studies. It is believed that the identification of top level manager's leadership style has importance for organizations. Furthered studies will be understood better involving different dimensions and variables in the study.

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Abstract

The main goal of this paper is to present comparative analysis of dominant leadership styles in large Croatian enterprises. The research framework which examines leadership styles in large Croatian enterprises is based on the Likert analysis of organization and leadership styles. Survey research was conducted in 2008 and 2015. The result of the research reveals that the dominant leadership style in large Croatian enterprises regarding the enterprise size has not changed a lot in these seven years and that it is still between benevolent-authoritative and consultative leadership style. Details of the results, implications of the findings and conclusions are presented and discussed in this paper.

Idongesit Williams*

Comparative analysis of Fiber-to-the-Home market liberalization in the EU: The case of Denmark, Sweden and the Netherlands

Keywords: FTTH, liberalization, broadband market, Internet infrastructure, Internet regulation

Introduction

This is a conceptual paper that presents a comparative analysis of three Fibre-to-the-Home (FTTH) markets in the EU. These markets are namely Denmark, Sweden and the Netherlands. The study had a dual aim. The first aim was to understand the challenges in the FTTH markets in these countries. The second aim was to identify solution(s) that may support the liberalization of the FTTH market in the EU. The emphasis of this paper is on the FTTH market, though the Fiber-to-the Building (FTTB) is mentioned when discussing the problems in the FTTH market. Different technologies have been adopted to achieve the EU vision 2020 agenda. This is a digital agenda for attaining Universal Access of Next Generation Access (NGA) of at least 30 MBs by 2020. These NGA technologies include FTTH, cable networks (DOCSIS 3.x), Very-high-bit-rate Digital Subscriber Line (VDSL) among others (see Marcus et al., 2009; Falch et al., 2016). Though these NGAs can be used to achieve the EU 2020 agenda, FTTH is the technology that has the capacity to deliver greater bandwidth and data rates – compared to the others. Yet the deployment of this technology is capital intensive.

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The EU promotes the adoption of competitive markets to deliver telecommunication infrastructure. To facilitate such competition, EU member countries have liberalized their telecommunication market. The liberalization of the market has resulted in encouragement of innovation in the delivery of Internet networks and services in the EU (Pelkams, Renda, 2011). However, from 2008 till now, the deployment of FTTH in the EU has been slow. The countries with the highest penetration of FTTH and FTTB in the EU are Lithuania and Sweden. However, their national FTTH and FTTB penetration are below 40%. In 2015 Lithuania and Sweden recorded 34% and 33% FTTB connections respectively, while Norway and Portugal recorded 23% and 18.5% FTTH connections respectively (FttH Council Europe, 2015).

To aid the development of FTTH infrastructure, Public-Private Partnerships (PPPs) has also been utilized to deal with the capital intensive nature of deploying FTTH (EPEC, 2012; Bourreau et al., 2012). However in markets where PPPs are adopted, the adoption by end-subscribers of FTTH is slow. This can also be seen in cases where supply outstrips demand. The low penetration and slow adoption of FTTH presents a dilemma that is worth investigating – hence the aim of this paper.

To conduct this research, an exploratory research approach was adopted. Data on the rate of penetration of FTTH from EU member countries and the challenges identified in the FTTH market were gathered from secondary data sources. These sources include documentation from the EU Commission, documentation from telecom regulatory bodies of Denmark, Sweden and Netherlands and previous research into the FTTH markets in Denmark, Sweden and the Netherlands. There were follow up interviews with Danish telecom experts to verify the findings. The concept of the Obligatory Passage Point (OPP) from the Actor Network Theory was used to identify what national policy makers expected from their FTTH market actors. This becomes a yardstick to verify, if some of the market actors fulfilled their roles and what was the market outcome. The OPPs in this papers are proposed policies and initiatives. The SWOT analysis is used to put the identified outcome in perspective in order to compare the three markets.

The outline of the paper is as follows. Section 2 explains the rationale for choosing the case. Section 3 presents the literature review on liberalization and FTTH infrastructure development in the EU. Section 4 presents the theoretical approach adopted in the paper. Section 5 outlines the methodology used in the paper. Section 6 outlines the findings and presents the analysis of the findings. This is followed by the discussion section in section 7 and the conclusions in section 8.

Rationale for choosing the three countries

Sweden: Sweden was chosen because it has the second highest FTTB penetration in the EU – even though the FTTH connectivity is lower than the FTTB connectivity as mentioned earlier. Sweden was also worth studying because of the impact of regulatory initiatives that did influence the emergence of a competitive market and a positive outcome towards FTTB penetration (Godlovitch et al., 2015).

Denmark: Denmark was chosen because it is one of the most liberalized markets in the EU. The paradox however, FTTH penetration is low. Its FTTH and FTTB penetration in 2015 were 14% and 15% respectively (FttH Council Europe, 2015). However, other Fixed-Broadband markets seem to be thriving in Denmark. Fixed-Broadband penetration in Denmark, as an example, is reported to be 90% (EU, 2015). This anomalous outcome for FTTH produced curiosity towards understanding how the liberalization policy in Denmark actually affects the FTTH market.

Netherlands: The Netherlands was chosen because its approach to facilitating FTTH is almost similar to the Swedish approach – as will be seen in the report. The Dutch, just like the Danes, have one of the highest Broadband penetration rates in the world (De Bijl, 2011). But their FTTH penetration was a little above 11% in 2015 (FttH Council Europe, 2015). If they adopt the Swedish approach, why do they not have the same results? Or do they have similar problems to Denmark? These made the case of the Netherlands worth investigating in light with the overall research question of this paper.

Some markets where FTTH is adopted in the EU have similar characteristics. Hence the scenarios presented by these three cases present the possibility of identifying some of the challenges affecting the low penetration of FTTH in the EU. The challenges identified here may lead to pointers that could enable the recommendation of policy solutions that could lead to a greater penetration of FTTH in the EU.

Liberalization and the facilitation of FTTH in the EU

Telecom market liberalization in the EU has been shaped by different EU green papers, directives, recommendations and legislations (OECD, 1998; Cave, 2009; Hultkrantz, 2002). These initiatives were – among others – aimed at:

1. The facilitation of regionally converged telecommunications market (Kaiser, 2001).
2. The facilitation of market competition aimed at achieving Universal service of basic services (Mayer-Schonberger, Strasser, 1999).
3. Preventing the emergence of network operators with market power in each member state (ITU, 2002; Cave, 2009).

In the EU and globally, competitive markets have been facilitated via the reduction of market entry barriers, the imposition of Universal Service Obligations (USO), the control of the retail and access prices, and structural separation of P&Ts (Blackman, Srivastava, 2011; Cave, 2009; Christopoulos et al., 2009). The intervention in retail prices was necessary to ensure the affordability of the service for the subscriber. The intervention in access prices was to ensure transparency and non-discriminatory practices with respect to interconnection and Service Level Agreements (SLA) between the players in the wholesale and retail markets.

The decision to liberalize the telecommunication markets in the EU differs from country to country. How and which part of the market was liberalized differed as well. For example, before the EU legislation of 1998, certain member states had liberalized the terminal equipments market. The Netherlands did liberalize their terminal equipment and value added services market in 1998 (OECD, 1998). The Swedish and Danish governments liberalized similar markets in the early 1980s (Hultkrantz, 2002; ITU, 2002). Other EU countries adopted different approaches at different times. Though the approach of these member states towards telecom market liberalization differed, the basic idea of removing market restrictions to enhance competition in various spheres of the telecoms market was the same.

The early results of the EU legislation of 1998 were:

1. The attainment of some form of regulatory convergence aimed at facilitating open markets in the EU (Kaiser, 2001). Member states used the EU legislation as inspiration towards developing their telecommunication markets. However, the differences in regulation in each member state was evident the regulation of competition at the local access networks (Kaiser, 2001; De Bijl, 2011).
2. The success in transforming hitherto monopolistic markets into competitive markets. This is a success attributed to the early stages of telecom market liberalization in the EU that promoted facility based competition (Mayer-Schonberger, Strasser, 1999). From the European Commission's (EC) perspective, this success was as a result of a meticulously designed inter-institutional processes (EC, 2001; Mayer-Schonberger, Strasser, 1999).
3. Tariff and price reduction, delivery of new services and technology (Pelkams, Renda, 2011).

Based on these successes among others, the EU has extended the liberalization policy to the facilitation of NGA networks (Marcus et al., 2009). Competition in the FTTH market – in EU member states – is being facilitated by regulating access or unbundling. These forms of unbundling are facilitated at the active and retail layers using different open access initiatives (See Sadowski et al., 2009; Forzati, 2015; Van Gorp, Middleton, 2010). Such initiatives are prevalent in the UK, Sweden and in the Netherlands (Godlovitch

et al., 2015). Competition at the passive layer is facilitated via infrastructure sharing frameworks, in-building wiring sharing and access to ducts (Godlovitch et al., 2015). These initiatives can be found in France among others. These access regulation initiatives have produced a competitive FTTH market at the passive, active and retail levels. One can therefore say that the regulation of competition has played a significant role in the development of the FTTH market in the EU. Such competition can be found the case of Denmark and many other EU member states (Falch et al., 2016).

The limitation of promoting a competitive market is the challenge of attaining Universal Access for a telecom or Internet technologies within a jurisdiction. This is because rural areas are not commercially viable, hence market players have no incentive to invest there. Bearing in mind the capital intensive nature of developing NGA networks, it is logical to assume that a competitive market will not result in the Universal Access of NGA networks. This presents a challenge towards the attainment of the EU's digital agenda by 2020. Therefore the EU has adopted means of facilitating markets in commercially unviable areas. This is by providing the opportunity for public sector interventions in areas where there are market failures (Marcus et al., 2009). However, the caveat for this developmental approach by the EU is that such interventions should be aimed at facilitating the market (Williams, 2015).

Different EU member states have adopted different approaches to facilitate the market in such areas. This includes the provision of subsidy by the public sector to aid the development of the passive and active FTTH infrastructure. Examples of such initiatives can be seen in Sweden (Williams, 2015). This is contrary to another approach adopted in the Netherlands, where the passive infrastructure is provided by the private sector (Van Gorp, Middleton, 2010). In other cases, EU subsidies, sometimes coupled with subsidies from municipalities, are provided to FTTH market players to facilitate competition at the active and passive layer (Sadowski et al., 2009).

There are other cases where complex arrangements are forged to finance FTTH infrastructure and service delivery in the EU. In such cases regions and municipalities in EU member states engage in Public Private Partnership (PPP) frameworks aimed at facilitating the FTTH infrastructure. The role of the regional and municipal entities could either be coordinating, infrastructure ownership or in providing financial capital to PPP arrangements. The regions and municipal entities facilitate the market by providing either the passive and/or active FTTH infrastructure. In some cases, they procure the services to be delivered via the infrastructure (Williams, 2015). An example of public intervention via PPP is the MetroWeb project in Milan, Italy (EPEC, 2012). This project was necessary because of the lack of incumbent (Telecom Italia) activity in the Area (EPEC, 2012). Hence there was a market failure. According to EPEC (2012), in 1998, a utility company A2A* went into partnership with a telecoms company e.Biscom

to facilitate a 2,700 km Metropolitan Access Network in the Milan municipality. They collaborated with the municipality to develop a passive fiber infrastructure. This infrastructure was then leased to players at the active network layer. The municipality had no financial obligations in the partnership. Their interest in the project was to coordinate it and provide an enabling environment to enable the project's success – as they were partners in the project. However, in the cases studied in this paper, the municipality had financial obligations to the PPP.

Despite the effort of the EU and EU member countries to liberalize the telecommunications market, as mentioned earlier, some markets have enjoyed more coverage than others. In the EU's FTTH market there is greater competition at the retail than the wholesale market. This is because there are greater efforts to regulate competition in the retail than the wholesale market. If there are many players in the wholesale market, then there is greater competition at the wholesale market. If there is lesser competition at the wholesale market, then active layer network operators have fewer options to peer with. This will affect the price the end user has to pay for the service. And these are services that other NGA networks and 4G networks can now deliver. The position of this paper based on the findings is that there should be greater effort in further liberalizing the wholesale market. This may enable FTTH to become attractive and competitive to other NGA networks and Broadband networks – thereby encouraging the greater penetration of FTTH in the EU.

Actor Network Theory

This was a theory popularized by Bruno Latour, Michael Callon, and John Law among others (Latour, 1996; Callon, 1986; Law, 1992). It is a sociological theory. The actor network or the sociology of translation is a theory that explains the process of the emergence and activities identified in socio-technical phenomena (Crawford, 2004). It is a descriptive as well as an explanatory theory. Actor networks are heterogeneous. Its structure evolves continuously as the interest and power relations between the actors evolve. The network in the context of the theory implies a network of actors (Latour, 1996). The theory does not possess a universal framework and it is anti-epistemological. Despite this disadvantage, proponents of the theory, such as Michael Callon, John Law and Bruno Latour have adopted various descriptive techniques towards analyzing actor networks (Callon, 1986; Law, 1992; Latour, 2005).

In this paper, the Actor Network theory is not operationalized as a whole. This is because the purpose of the paper is not to make a socio-technical analysis. Rather a concept of the actor network theory presents an avenue by which the markets in the EU countries can be studied. This concept is called the Obligatory Passage Point (OPP). This

is a concept promoted by Micheal Callon (Callon, 1986). The OPP is the pathway developed by the focal actor on how to solve a problem, the actors needed to solve the problem and the role of each actor towards solving the problem. This concept is part of what Callon calls problematization. In his study of the domestication of scallops and fishermen at the Saint-Brieuc Bay, he identified four events that result in the formation of actor networks (Callon, 1986). These events include problematization, interessement, enrolment and mobilization. At the problematization stage, the focal actor defines the problem and develops a solution to the problem in a way that will be of interest to other actors. The second phase is the Interessement phase. This involves the focal actor negotiating with the supporting actors to accept their role in the network. The third phase is the enrolment stage. This involves the focal actor negotiating partnerships and synergies in the network to enable the proposed solution identified in the problematization phase to take effect. The final stage is the mobilization stage. Here the focal actor forges alliances with allied representatives of the network.

However, tracing these events is not of relevance to the paper, even though it can be applied. But the OPP is relevant. The OPP provides an insight into the vision of the focal actor. In this paper this is the vision of the public sector for the FTTH market. Such visions and action plans are enshrined in national policies or outlined in the development of initiatives – such as PPPs – identified in Sweden, Denmark and the Netherlands. Armed with these OPPs, it is possible to identify the action plan, identify the course of action and examine them alongside with the outcome of the FTTH. Here, one can identify the challenges in facilitating the action plan. One can also compare the market outcomes of each action plan (OPPs) using the SWOT analysis.

Michael Callon's sociology of translation has been used in the study of Internet policies and markets. It has been used to explain the political economy of convergence (Shin, Venkatesh, 2008). It has also been used to analyze the development of 4th generation mobile network in China (Shin, 2015). It has also been used to analyze PPP frameworks suitable for developing rural Broadband networks (Williams, 2015). The use of the OPP as a means of evaluating a market outcome may be a novelty.

Methodology

The philosophical approach adopted in this paper is Interpretivism. Interpretivism helps the researcher to present their view on the development of FTTH market from a regulatory and development point of view. The study is qualitative. It is a multi-case study and an exploratory research. Three cases are chosen for the exploration. These are the Danish, Swedish and Dutch FTTH markets. Most data used for this sources is from secondary sources. These sources include EC, OECD, ITU, the national Regulator of

each country, Google scholar portals and previous empirical research conducted by the researcher. The search involved, searching for various liberalization policies, the telecom regulatory history of each country, market penetration and subscription figures and professional and academic insights into how the FTTH market was shaped. Primary data sources include interviews with Danish telecom experts. These interviews were used to verify data from secondary sources. That is why it is not included in this paper. Based on data gathered on the liberalization of the FTTH market in each of the countries, the penetration and subscription outcomes, a Strength, Weakness, Opportunity and Threat analysis of the OPPs was conducted. Thematic coding and narrative analyses were used as a support to identify themes that make up the SWOT analysis. The wordings used in the SWOT analysis are not the themes but explanation of the themes. The narrative analysis was used to piece together the stories about each country's FTTH market.

Findings/Analysis

The Netherlands' FTTH market

In the Netherlands, FTTH development began about 2008 (De Bijl, 2011). The national regulator OPTA enforced access regulation at the service layer while competition was regulated at the passive and access layer (Sadowski et al., 2006). This was done by ensuring local access (unbundling) via the open access principle (Sadowski et al., 2006; Godlovitch et al., 2015). To ensure the adoption of the open access principle, price caps for local access were enforced by the regulator OPTA (Van Gorp, Middleton, 2010). Reggefiber is the major wholesale supplier of wholesale Broadband in the Netherlands (Van Gorp, Middleton, 2010).

The open access policy served as an overarching OPP towards facilitating FTTH in the Netherlands. It outlined the procedure for providing the provision of access by an existing operator to a competing operator that has no infrastructure in the area. Based on this OPP, collaborations between the municipality, region, private sector, utility companies and cooperatives were designed to facilitate infrastructure development using the open access principle. However, the incentive for infrastructure owners to adopt open access principles is higher if they can earn substantial revenue from the practice. In a situation where open access is not beneficial to the infrastructure owner, the incentive to provide open access is lower. In this scenario, infrastructure providers are more inclined to adopt discriminatory pricing regimes to earn return on investment (RoI). They are also inclined to deny access to competing infrastructure providers based on their own discretion. The adoption of open access policies solves this problems. However, it is important to note that non-discrimination policies have always been a feature in regulating competition in the Netherlands (see OECD, 1998). Based on these measures to

ensure transparency and non-discrimination to the access infrastructure, players that were not previous actors in the market can now participate in facilitating FTTH.

In order to encourage open access and facilitate competition in the access and retail layer in areas that are not commercially viable, the regions and municipalities engage in co-investment activities with housing companies, cooperatives and private network operators towards developing the infrastructure. The co-investments from the public sector include subsidy to the private sector for the project (Sadowski et al., 2009; Kramer et al., 2006). This way, the network operator does not bear the cost of facilitating the infrastructure by themselves. This act increases the desire for the network operator to open access to other players to deploy at the service layer. Various initiatives depicting the aforementioned collaborations are represented in the table below.

Table 1. PPP Frameworks in the Netherlands

| | Municipality/ Region | Initiator | Initiated/ Started | PPP Model | Network and service provision | | |
|-----|-------------------------|--------------------------|-----------------------|----------------------------|--------------------------------------|---------------------------|------------------------------|
| | | | | | network owner | network provision | service provision |
| 1. | Almere | municipality | 2001 (2003) | Coordination | Municipality via AlmereFiber Company | First Mile Ventures | UNet (Until 2008) |
| 2. | Amersfoort | municipality | 2005 (2006) | Coordination | BreedNet Amersfoort | BreedNet Amersfoort | Casema |
| 3. | Amsterdam | Municipality, PC (GNA) | 2003 (2006) | Coordination | Glasvezelnet Amsterdam C.V | BBned | Variety of service providers |
| 4. | Arnhem | SHC (Portaal)/ PC (GNEM) | 2006 (2007) | Social Housing Corporation | GNEM | GNEM | XMS |
| 5. | Deventer | SHC (Rentree) | 2004 (2006) | Social Housing Corporation | SHC Rentree Via Y3-net | SHC Rentree Via Y3-net | SHC Rentree Via Y3-net |
| 6. | Deventer | PC (Reggefiber) | 2007 (2007) | Coordination | NEM Deventer | NEM Deventer | NEM Deventer |
| 7. | Eindhoven | COOP (Onsnet Eindhoven) | 2001 (2005) | Cooperative | OnsNet Eindhoven via NEM | OnsNet Eindhoven via NEM | Edutel |
| 8. | Enschede | SHC (Woonplats&Domijin) | 2003 (2005) | Social Housing Corporation | Initially SHC via Casanet | Initially SHC via Casanet | KPN-Casanet |
| 9. | Helmond | Municipality | 2005 (2006) | Franchise | BBNed | BBNed | BBNed |
| 10. | Naaldwijk | PC (CaiW) | 2004 (2004) | Franchise | CaiW | CaiW | CaiW |
| 11. | Nuenen | COOP (OnsnetNuenen) | 2001 (2005) | Cooperative | OnsNet Eindhoven via NEM | OnsNet Eindhoven via NEM | EDUTEL |
| 12. | Nijmegen – Hazenkamp | COOP (GlazenKamp) | 2005 (2006) | Cooperative | GlazenKamp | GlazenKamp | UCI-KUN (university) |
| 13. | Rotterdam | Municipality | 2002 (2006) | Coordination | Glasvezel Rotterdam via Bbned | Bbned | Bbned |
| 14. | Utrecht | COOP (Lombboxnet) | 2002 (2004) | Cooperative | Lombboxnet | Lombboxnet | Lombboxnet |
| 15. | Utrecht – Leidsche Rijn | COOP (Kersentuin) | 2003 (2004) | Cooperative | Xs4all | Xs4all | Xs4all |

PC – private company, COOP – cooperative, SHC – social housing corporation.

Source: adapted from Sadowski et al. (2009); original investigation by Stedenlink 2007, Stratix 2007.

These co-investments arrangements are in the form of PPPs. The design of the PPPs, specifying the actors needed, the responsibilities of the actors and the incentives for the actors is another OPP. This OPP is not overarching as the open access policy. It is more specialized and localized to individual projects. The PPPs are aimed at providing financial and operational capacity to these hitherto disfranchised players in the FTTH market to become players in the market. As part of the co-investment initiatives, the municipality and regions provide subsidies to the cooperatives to help them facilitate the infrastructure (Van Gorp, Middleton, 2010). The financial burden is handled jointly by the municipalities, cooperatives and the private company.

Different PPP arrangements and business models have been crafted out of these collaborations as seen in the table above. Each row represents independent PPPs. The OPP for each PPP is represented in each row. The actors in each PPP and their roles and responsibilities are represented in each OPP. Here one can identify the dynamic roles of the municipalities and other government agencies. Their roles include owning the network outright. In other cases they own the network and lease it as a franchise. In other cases they coordinate the activities of the PPP. Another interesting player with a similar dynamic role are the housing corporations and cooperatives. One would say that they do not possess the financial might, the technical or managerial know how to facilitate FTTH infrastructure. However, they are players that cannot be ignored. This is because they are the demand stakeholders of these projects. Having them on board as active participants in the project enables them to know why they need the FTTH services. Being part of the deployment helps them understand that they can be a part of the retail infrastructure. On the other hand, the network provider either owns, manages or operates the infrastructure based on the design of the PPP.

Despite this effort in extending FTTH to areas where there is market failure, the FTTH subscription in the Netherlands in 2015 was a little above 11% (FTTH Council Europe, 2015). It is not clear what impact the coop had on the overall penetration of FTTH in the Netherlands. Even though the cases mentioned here are not exhaustive.

SWOT analysis on the market outcome from OPPs adopted in the Netherlands

Strengths: Some strengths can be identified in adoption the open access policy and PPPs by the Dutch government. In the Netherlands, the FTTH market is competitive at the service layer. There are also dynamic public, private and civil society collaborations towards delivering the FTTH infrastructure. Here different demand and supply stakeholders collaborate to facilitate FTTH delivery using PPPs. There is no discrimination of non-traditional network operators. Rather, they are empowered to aid the push in the delivery of FTTH. Though Reggefiber has been credited with the idea of involving

housing cooperation (Van Gorp, Middleton, 2010). This is because the company is owned by a real estate company, Reggeborgh. It owns 59% of Reggefiber (Indesteege, 2010). The company is involved in building and operating the passive infrastructure and operating the providing wholesale Broadband services as an active operator.

Another strength is that Government agencies have not shied away from becoming actively involved and even investing in the PPPs. They have also made sure that PPPs are involved in facilitating open access at the service layer. The only difference between the open access principle in the Netherlands and in Sweden is that the access to the active and retail infrastructure is not on equal terms. In the Netherlands, a price cap is placed to avoid the broadband wholesaler from overcharging the retailer. This enables more operators to join the retail market to deliver the retail infrastructure.

Weaknesses: The only clear weakness with the Dutch FTTH market is that there are few players in the wholesale market compared to the retail market. This is not a problem necessarily, but the most visible active player in the wholesale market is Reggefiber, a subsidiary of KPN. Reggefiber is seen as a dominant operator in the FTTH market (Marcus et al., 2009). This presents a scenario of a near monopoly at the wholesale market.

Opportunities: This weakness creates room for further liberalizing the wholesale market. Facilitating more competition in the delivery of the passive and active infrastructure may change the dynamics of the market. This will hasten the penetration of FTTH, as there would be competition in business models, deployment scenarios and retail possibilities. Though the introduction of price caps is a good way of regulating prices, looking for ways of further liberalizing the wholesale market can also serve as a means of regulating prices. In addition to what other researchers may identify as the problem, identifying ways of attracting other major players to compete at the wholesale market should be considered by the Dutch government.

Threats: Though the OPPs have led to the emergence of a competitive FTTH market, there are other alternatives. These include mobile and fixed-Broadband and NGA networks. In the Netherlands LTE coverage in 2016, as an example, is more than 80% (Morris, 2016). Taking into consideration that LTE was rolled out long after FTTH was rolled out in the Netherlands. As mobile telephony evolves, end subscribers will wonder why they need FTTH anyway. But with respect to the market structure, the threat lies with the sustainability of initiatives managed by the housing cooperatives. It also lies with the potential of Reggefiber in the near future becoming a monopoly at the whole sale market. Probably more OPPs to facilitate competition is needed.

Denmark's FTTH market

The Danish case is different from that of the Netherlands. This is because Denmark adopts the regulatory approach towards FTTH development. In the political framework of 1999, the government agreed that the “best and cheapest” means to promoting universal service was to promote competition (ITU, 2002). However, public intervention was frowned upon. But, in January 2016, the government of Denmark did set up a Broadband fund of 300 million DKK for the course of 4 years to promote rural broadband coverage (Falch et al., 2016). One is yet to see what influence this initiative will have on the development of FTTH in rural areas in Denmark.

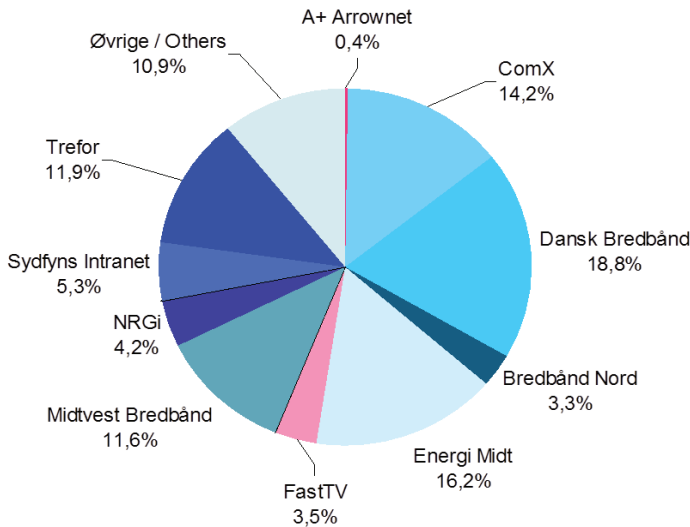
As this facilitation initiative is new, the focus on the analysis in this section will be on the previous competition regulation regime – which still exists. This competition regime serves as the overarching OPP of the Danish government towards the development of FTTH. It is important to note that Denmark is technology neutral and doing very well with regards to Broadband development. However, the focus of this paper is on the FTTH market, which incidentally is not doing so well.

Due to the competition policy in Denmark, there are no restrictions as to who can compete in the Danish telecoms market. As a result, the first entrants into the FTTH market in Denmark were utility (electricity) companies. The advantage the electricity companies had was the possibility of delivering FTTH using their powerline infrastructure (Falch et al., 2016). One of the first market entrants in 2002 was an electricity company called NVE (Pedersen, Riaz, 2009). In the same year, Dansk Bredband, an FTTH company began investing in Denmark. They were later sold to Wao!, a network provider in 2010, due to financial losses (Berlingske Business, 2012).

In 2009, some electricity companies began offloading their FTTH operations to become sole electricity providers (Pedersen, Riaz, 2009). It is important to note that some Danish utility companies are owned by their consumers and others are owned by municipalities. Later, the municipality owned utility companies had to be fully privatized. This is because the Danish government does not permit public intervention in the delivery of telecommunication infrastructure and services (Williams, 2015).

By 2009 utility companies such as Dong energy, EnergiMidt, TRE-For, sydEnergi and other were major players in the market (FTTH Council Europe, 2009). Dong energy only leased its active layer capacity to other market players to provide their Broadband Services. Dong had massive passive layer infrastructure providing coverage to the capital region of Denmark (Falch et al., 2016). By 2009, the activity of the actors under the guidance of the overarching OPP (competitive market) increased. The market share of the then active and retail players – existent then – is represented in Figure 1.

Figure 1. FTTH market share in 2009



Source: National..., 2009.

Within this period (by 2009), the utility companies had invested 5.5 billion DKK in the provision of FTTH infrastructure (National..., 2009). Based on the report from FTTH council Europe, in a research carried out by IDATE, 143,700 subscribers were registered between 2002 and 2009 (FTTH Council Europe, 2009). From 2009 onwards, market consolidations became evident. A market with multiple players was gradually consolidating via horizontal integrations. The biggest consolidation was that of Wao! and the smallest consolidation was that of Stofa.

Before Wao! emerged, there was an initial horizontal integration in Juteland. That was the consolidation of Bredbånd Nord. Bredbånd Nord underwent its own consolidation to gain competitive advantage before joining the Wao! Consortium. Bredbånd Nord's story begins with the horizontal integration of three local energy companies – ESV, ENV and Nyfors – to form Bredbånd Nord. Later, a fiber optic development company HEF Fibernet merged with Bredbånd Nord in 2013 to aid the expansion of its service in Northern Jutland (Bredbånd Nord, 2016).

In 2010 Bredbånd Nord merged with 12 of Denmark's largest companies to form Wao! (FTTH Council Europe, 2011). These companies were: Sydfyns El, Energimidt, Tre-for, Nyfors, SydEnergi, SEA-NVE, Østjysk Energy, Verdo, NRGi, Energi Fyn, HEF Broadband, Galten Elværk, Northern Energy and Bredbåndnord. Dansk Bredbånd was acquired later. This horizontal integration was branded as a marketing and product house for these energy companies (FTTH Council Europe, 2011). Hence they become not only an active market players but also service (retail) providers. This move was seen by

watchers of the market as means towards creating competition for TDC – a passive, active and retail provider – who bought Dong energy's North and eastern Jutland Fiber network in the previous year (BreInstrup, 2012). Today these two companies dominate the Danish FTTH market. But TDC has greater edge based on the extent of its fiber optic backbone infrastructure in the country.

The competition policy as an OPP enabled different actors to align based on interest to fulfill the government's desire (universal service of Broadband). But the downside of the OPP was that it produced an environment that depicts the survival of the fittest. This strategy has not harmed the market per-se as it rather encourages innovation. However, it does not lead to a perfect competition. Neither is it leading towards the Universal Access of FTTH in the next three years. This is based on the market outlook based on the penetration of FTTH in the country. In 2015 the penetration of FTTH in Denmark was almost 15% and the FTTH subscription was 14.5% (FTTH Council Europe, 2015).

SWOT analysis on the market outcome from OPPs adopted in Denmark

Strength: The adoption of the competition policy in the Danish FTTH market has its strengths. TDC and Wao! are able to harness economics of scale to develop the FTTH infrastructure in areas they operate. Though TDC has a much greater coverage than Wao! they are also able to harness the economics of scope in the delivery of their services in areas they operate. The competition policy is not stifling. Just as in the Netherlands, competition is greater in the active and service layer than at the passive layer. This has resulted in innovation in service delivery and competitive pricing of the service (FTTH Council Europe, 2011). Another strength is the entrance of non-traditional network operators into the market. Here utility companies and coops are major players in this market. One would say that cooperatives are also indirect but inconsequential decision-making players, as they own some of the small utility companies.

Opportunities: The opportunity for FTTH lies in the lowering of the market entry barriers at the active layer by encouraging the open access model. Infrastructure sharing at the passive layer coupled with open access policy at the active layer may encourage more competition as seen in Sweden and the Netherlands. This lesson may be useful to other EU countries as well, based on regulatory experiences from Sweden, France the Netherlands and the UK (See Godlovitch et al., 2015). Though the Danish state is joining the foray of providing financial incentives for Broadband development, adopting more innovative ways of liberalizing the FTTH access network delivery would aid the useful utilization of the financial incentives.

Weaknesses: The greatest weakness of the Danish market is also at the wholesale market. It is difficult to declare that competition exists here, when TDC controls this market. Other players in the Wao! consortium are small and serve localized or smaller

areas compared to TDC. TDC does not have the incentive to expand its infrastructure (See Kildebogaard, 2012). The same is applicable to Dong. TDC is a conglomerate that also supplies other NGAs such as cable and vDSL. Dong energy is focused on its core activity of delivering energy. Therefore, the growth of FTTH in Denmark is not as rapid as the growth of other Broadband networks. One would say that the competition policy as an OPP is not an advantage to the FTTH market in Denmark. Though there were attempts to consolidate in order to deliver the infrastructure at the wholesale market, Wao! in some cases needs to interconnect with TDC in some part of the country to extend their infrastructure and deliver their services. And there is the problem of connecting some rural areas.

Threat: The threat with the OPP is competition from substitute NGA's, LTE and 5G development. Operators of FTTH have diversified their operations and the shift is towards the competition at the service layer. This occurs in urban areas and areas where housing cooperation could facilitate connectivity to boost the value of their houses. In rural areas, where there is no incentive to deploy the infrastructure and service, FTTH providers rarely provide their services there. There is the need for a review in the competition policy to facilitate ways and means (New OPPs) on how to make FTTH attractive in the presence of competing technologies in both urban and rural areas.

Sweden's FTTH Market

Sweden was one of the first countries to deploy FTTH in Europe (FTTH Council Europe, 2015). In 1998, 138 municipalities owned fiber optic networks in Sweden (Orbion, 2016). This may explain why FTTH penetration is greater than the FTTH penetration as mentioned in the introduction. The Swedish approach to FTTH facilitation is similar to that of the Netherlands as they also regulate competition of FTTH at service level (Godlovitch et al., 2015). But it is different from the Netherlands because the Swedes regulate access via infrastructure sharing at the access level. At the passive layer, the national infrastructure is operator neutral (Orbion, 2016). So it is safe to say that the Swedish OPP is also that of the open access "On equal terms" policy. The difference between the Swedish approach and the Dutch approach is the conscious effort to ensure that the open access model goes high up to the passive level. There is also the difference between the two countries with respect to granting open access on equal terms.

Competition is regulated at the access level by granting open access on equal terms to service providers to compete both in infrastructure and service delivery (Ahl, 2013). This public initiative promotes competition at the service level by lowering the market entry barrier and doing away with discriminatory practices by the infrastructure owner. This enables more FTTH infrastructure suppliers to deliver their infrastructure in areas

that are not served. As a result different FTTH infrastructure and service providers supply Broadband Internet infrastructure and services in different areas of Sweden. An example of the adoption of the open access model is the case of Stokab AB. They provide FTTH in Stockholm. 100 network and service providers operate on their network (Forzati, Mattsson, 2015). The advantage of the Open access on equal terms is that the policy also enabled Broadband service providers the opportunity to access a wider market than just the urban market.

Though the open access model is promoted at the access level, the policy of adopting shared access has been of great benefit at the wholesale and retail markets in Sweden (EC, 2010). This has resulted in lowering the market entry barrier at the wholesale market. It has resulted in the promotion of competition in the delivery of the fiber optic infrastructure at the National and municipal level. However, the horizontal and vertical integration as evident in Denmark is also evident in Sweden but at city or municipal levels (Forzati, Mattsson, 2015). For example, in Stockholm the remaining major FTTH wholesale infrastructure providers are Stokab and TeliaSonera.

To enable the competition at these wholesale and retail levels, the Swedish Government adopted market incentive mechanisms to facilitate FTTH delivery. National subsidies were provided for the building of national fiber optic backbones and Municipal Area Networks (Lindskog, Johansson, 2005). These incentives provides the possibility for municipalities to encourage local communities – and in some cases old church parishes to – build their networks by forming cooperatives (Williams, 2015). In the urban areas, the municipalities mobilized housing companies and other cooperatives to facilitate FTTH (Forzati, Mattsson, 2015). Some of these municipality initiatives are PPPs, just as in the case of the Netherlands (Williams, 2015). They are also similar to that of the Netherlands in their PPP arrangements. Hence one would say that in some cases project specific PPPs acted as OPPs for the delivery of FTTH. In some of these PPP arrangements, public sector financing via subsidies to the coops and housing cooperatives are provided via EU funding channelled via the regional council and from the municipalities (Lindskog, Johansson, 2005; Williams, 2015). Coops are encouraged to facilitate, own and maintain service infrastructure, while the private sector competes in the delivery of services. The municipality either outsources the building of the infrastructure to the private sector or owns access infrastructure. The PPP arrangements differ as municipalities are permitted to design the PPP as well as design the infrastructure (Williams, 2015).

Hence one would say that there is a great deal of similarity between the Dutch and Swedish approach. But the Swedish approach has resulted in greater results with 35.2% FTTH penetration with greater rural coverage among the three cases (FTTH Council, 2016).

SWOT analysis on the market outcome from OPPs adopted in Denmark

Strength: The adoption of the open access model as an OPP has produced some strengths in the market. The Swedish market is very competitive both in the delivery of passive, active and retail services. This is as a result of the conducive environment created via access regulation as well as providing developmental incentives for the operators. The regulatory incentives include, open access on equal terms (unbundled local access). This regulatory move removes access discrimination in the SLU agreements between the infrastructure owner and the competing access operators. The developmental incentive includes the provision of subsidies at the regional, national and regional levels, to FTTH. This has led to the lowering of market entry barriers at the access level, aiding the expansion of the FTTH infrastructure to homes.

However, as a complementary action to the existing competition, the Swedish Government has adopted PPPs and other interventions for areas that are not commercially viable. Here they have encouraged non-traditional network operators to join and compete in the market as infrastructure owners. The design of PPPs has been a way of not just providing the FTTH infrastructure and services but also establishing and training non-traditional operators. This created demand opportunities for FTTH penetration into rural areas (Orbion, 2016).

For the private sector service infrastructure participants involved, the market exit cost is low, as they can decide to halt delivery of their services in one location and provide it at another location at the retail level. In a highly competitive market this fluidity in shifting operations to areas that are profitable is necessary. This is because another operator will fill the vacuum created by the former operator. And the former operator may find an opportunity to invest in virgin areas with similar OPPs operating there.

The overall strength in this approach is the political will and the active involvement of the Swedish Government to develop FTTH. Though they promote a competitive market, they have adopted a proactive measure by also becoming market players to extend the open access initiative to areas where there were market failures.

Weakness: Though the Swedish case seems successful, there is a mismatch between the actual number of connections and subscriptions. The reasons include the connections to:

1. Summer houses, whose access to connectivity is permanent but service subscriptions are temporal.
2. Connectivity to housing companies. Here there are possibilities of providing connectivity to buildings whose tenants may not subscribe to FTTH.

Another weakness is the horizontal integration of providers providing municipality fiber networks. In Stockholm, as mentioned earlier, the vertical integration has resulted in a duopoly (Forzati, Mattsson, 2015). Though competitive open access agreements will

ensure competition, the possibility of duopolies or oligopolies becoming prevalent is eminent if not checked. The duopolies are not widespread.

Opportunities: The Swedish approach to the facilitation of FTTH provides the opportunity for competition in service tariff, and competition in the nature of FTTH services delivered. Currently there are service platforms in Sweden that provide bundled services to end users. Here end users can decide to do away with a subscription they are not satisfied with. But there is room for more innovations in service delivery.

Threats: The threat to the Swedish FTTH market is the sustenance of the infrastructure in rural areas in the face of low demand. Sweden is a high income earning nation, but keeping the demand for the service alive in rural areas is beyond the ability to pay for the service. It also relies on the usefulness of the service to the user (Williams, 2015). The next threat may be the operational cost by housing corporations in paying access fees for unoccupied houses. Though this is less likely to happen in most urban areas of Sweden due to the high demand for housing, it is a threat that may occur at any point in time.

Discussion

The Netherlands, Denmark and Sweden are at the forefront of FTTH development in the EU. The challenge identified in Sweden is low demand for FTTH in rural areas. In the Netherlands and in Denmark the challenge is on the limited competition at the wholesale market. Assuming there were more Reggefibers in the Netherlands, it is likely that there will be a greater FTTH penetration than there is at the moment. In Denmark, the absence of regulatory measures to ensure the Universal Access of FTTH has resulted in fewer players in the wholesale market.

However, based on the comparisons made in the previous section, one can identify that the Swedish FTTH market is competitive at the passive, active and retail level. The Swedish Government has provided policy incentives to aid the facilitation of each NGA market. Therefore, unlike in the Danish case, FTTH is not identified as “one of the technologies that will provide 30 Mbps to the end user”. Investments are also made by the Swedish Government to promote competition by adopting regulatory and development measures that will aid in the liberalization of the FTTH market at the wholesale and retail markets. Room is also created for a plethora of demand and supply stakeholders to participate in the facilitation of the market. Market participants in Sweden include coops, housing cooperation, municipalities, utility companies and infrastructure specialists (Godlovitch et al., 2015; Falch et al., 2016). These are possible reasons why Sweden is ahead in the delivery of FTTH in Europe, lagging only behind Latvia and Lithuania.

The Dutch market is the next most competitive FTTH market among the cases studied in this paper. The competition at the wholesale market is less than that of Sweden. This is because there are fewer players in this market. The Netherlands telecom markets is highly competitive, with the presence of local and international brands. However, few players in the telecoms market are active players in the FTTH wholesale market in the Netherlands. The adoption of conscious regulatory efforts of promoting open access via infrastructure sharing at the passive layer may be the way to go. This will of course be rejected by the owners of the passive network. But if promoting public good is of paramount interest to the public sector, then such an initiative would not be a bad idea. However, in the situation where the public sector has the financial capacity to facilitate their own passive network to promote such infrastructure sharing arrangements, which could also be a solution.

At the retail market, the situation is different. There is competition in the Dutch FTTH retail market as efforts have been made to lower market entry barriers via access regulation. What also makes the Dutch approach worthy of note are the PPPs involving housing cooperation and the Reggefiber business model. Though the Netherlands is a small country, it is a heavily populated one with respect to its landsize. Extending such PPPs coupled with an infrastructure sharing policy will facilitate a more liberalized wholesale market. This may have a positive impact on the service tariffs provided to the subscribers on the long run.

The Danish FTTH market is less competitive of the three due to vertical and horizontal integrations as explained earlier. But it is a market that has a variety of actors as mentioned earlier. What Denmark needs is a dedicated attention to the FTTH market. Here there is the need to provide incentives for market players that are dedicated to facilitating FTTH. This will require the lowering of market entry barriers to the few areas where there is lack of infrastructure. In areas where there is an existing passive network, TDC and Dong energy should be mandated to share their infrastructure with competitors who are willing to deliver wholesale services to an area that is not served. This is cheaper than having new entrants set up their infrastructure. At the moment, TDC does not have that incentive to do so, hence some regulation is needed. If Denmark were to adopt access regulations to enable competition at the wholesale market, it is likely that it would be one of the fastest growing FTTH markets in the EU.

Based on the comparisons made for the three FTTH markets, facilitating competition at the wholesale market may be one of the solutions to a much more rapid development of the FTTH market in the EU. However, despite the challenges identified in these markets, there are lessons from these markets. There are four in number. There could be more. These lessons were extracted from strengths identified in the SWOT analysis. The four lessons are as follows:

1. Their political agenda: The governments of the three cases studied had clear political agendas towards facilitating high speed Broadband Infrastructure. The Swedes and the Dutch had a more focused agenda towards FTTH, while the Denmark's towards NGAs is technology neutral. However, the commonality in their agenda was the promotion of competition in their respective markets. For the Danes competition was a means of attaining Universal Access. In order to achieve this, their idea as mentioned earlier was to "find the cheapest means" of facilitating the telecom network (ITU, 2002). In Sweden, facilitating e-government and building an information society was their vision. Their idea has been to develop an infrastructure that will support governance and societal development (Regeringskansliet, 2014). In the Netherlands facilitating competition via liberalization was originally aimed at prohibiting cartels (OECD, 1998). These ideologies did affect the various approaches towards the liberalization of their FTTH markets. It also affects how the governments feel the market should be regulated.
2. Technology preferences for achieving the EU 2020 digital agenda: The uptake of 30 Mbps of NGA networks by 2020 is a target that can be achieved by different NGA networks, such as VDSL and DOCSIS 3.0. On the other hand, these NGA networks are cheaper to deploy than FTTH. Hence in Denmark technology neutrality is adopted towards meeting this target. However, in Sweden and in the Netherlands, more effort is made to facilitate the FTTH market. This is because FTTH deliver much more data rates than other NGA networks. It serves as a onetime investment without having to upgrade it as technology changes. This brings up the question of what would one regard as the basic service and which NGA should be given priority to deliver such basic services – with respect to Universal Service policies?
3. Expected Service delivery to the end user: Aside Denmark, the Netherlands and Swedish governments are greatly concerned in the regulation of the last mile access networks. This is to ensure that citizens have the possibility towards adopting not just mobile services but FTTH services as well. Hence both countries have adopted co-investment initiatives and access regulations to achieve this goal. Denmark on the other hand prefers a competitive approach among the different technologies in the market. One would say that this is so because the services delivered by vDSL and cable are capable of providing high quality Broadband services as well. Another issue could be that Denmark prefers to move slowly, taking into consideration the rapid evolution of technology and the size of its market. This is the thought of the researcher. Hence the demand pull approach is preferred to the supply push approach in Denmark.

4. Retail and wholesale access regulation: Aside Sweden, emphasis is not made in development of the wholesale markets in Denmark and the Netherlands. Rather the emphasis is placed in the development of the last mile network. To ensure affordable broadband service delivery, the Dutch and the Swedes have adopted a regulatory and developmental approach towards delivering the last mile. While the Danes adopt a more regulatory approach.

Conclusion

The lessons learnt from each case are simultaneously complementary and diverse. These strengths have been the backbone to the current market picture of FTTH penetration in each country. In the EU and among the cases studied, solutions adopted here are practiced. Based on the research conducted to produce this paper, and as seen in the cases studied, the greater the liberalization of the backhaul market, the greater the FTTH penetration. At the service level, the market entry and exit barriers are low. But at the wholesale level, the market exit barrier is high due to the capital intensive nature of FTTH operations. In this paper, infrastructure sharing at the wholesale level has been proposed as a means of lowering the exit barrier and mitigating the extent of the risk incurred by the wholesale provider. If this occurs, there is the possibility of reduced interconnection charges for the service providers and reduced access fee for the subscriber. FTTH services may become competitive and the desire for the service might grow.

The paper also exposes the fact that FTTH is not a regulatory priority in some EU countries. This is reflected in the Danish case. This is not such a problem if the focus is on NGA networks. In such a case, why bother about FTTH. But in a situation, where it is glaring that FTTH is a more durable NGA network with respect to enhanced data rates, capacity and Quality of Service, it might be wise to consider its long term deployment. This will create the political will regulate the Universal Access for FTTH infrastructure delivery.

In conclusion, ways to accommodate more players in the market or further liberalizing the FTTH market should be considered by EU member states.

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Abstract

The penetration of Fiber-to-the-Home (FTTH) in the EU is low. This is because deploying FTTH is capital intensive. The liberalization of the FTTH market in three EU countries is studied in this paper. The aim is to identify the challenges that affect the growth of FTTH in the EU. This is a qualitative study. The Actor Network Theory is used to study the Obligatory Passage Points (OPP) in these markets. SWOT analysis is used as analytical tools to identify the strengths, weaknesses, opportunities and threats in these markets – with respect to the OPPs. Based on the outcome of the study, this paper concludes that competition at the wholesale market aspect of the FTTH market should be given more priority than competition at the retail section of the Fiber-to-the-Home market. This prioritization in regulating competition will enable greater market penetration of Fiber-to-the-Home infrastructure.

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International response to Russian aggression against Ukraine

Keywords: Ukrainian war, Russian aggression, international response, global rules

Słowa kluczowe: ukraińska wojna, rosyjska agresja, międzynarodowa odpowiedź, globalne

Introduction

Due to hard interdependency between nation-states in the contemporary world, conflict in one country can change all global alignment of forces. Global agreement was reached and international laws were signed to control the world's stability. Unfortunately, sometimes this system does not work properly, which brings chaotic tendencies to some parts of the world.

The current situation in Ukraine is a good opportunity to study fails of the modern global governance. Having signed the Budapest Memorandum on Security Assurances (*Budapest...*, 1994), Russia broke it¹ when they annexed Crimea in March 2014. By sending troops into the sovereign territory of Ukraine, Russia has violated the UN Charter and the Helsinki Final Act of the Organization for Security and Cooperation in Europe (Final..., 1975). There was a worldwide response to this but a lot of scholars agree that democratic countries were not fast and consistent enough in trying to make Russia follow the responsibilities taken before. And from the Russian official point of view, it is the West that threatens the security in Eastern Europe (Isachenkov, 2015).

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¹ Russia "broke it" according to Ukrainian side. From the Russian point of view, Crimean referendum followed the right of every nation for self-determination.

The matter is very controversial and the truth is very difficult to be found. I will try to present new elaborations as to international response into the latest conflict in Ukraine.

Ukrainian conflict and international response to it

Although the latest conflict in Ukraine is officially recognized as a war in one concrete country, international actors were crucial here. It can be stated that Russia from one side and the European Union (EU) with the USA from the other played a huge role in this resistance. Many scientists and politicians consider the ongoing war as a conflict between Western and Eastern civilizations, as do Donbass separatists. Timothy Snyder, a professor at Yale University specializing in Central and Eastern Europe, believes that modern Russian foreign policy is not directed against Ukraine alone but against the unity and stability of the EU and the Western culture as a whole (Snyder, 2014).

To understand the situation it is important to see that Russian actions in Ukraine are coming from its old policy of fighting for influence in this part of the world. As for most countries of the world, borders of Ukraine were changeable during the history. In Kievan Rus' times, modern Ukrainian and Russian territories were gathered in one state with a center in Kyiv. During some periods in the history Ukrainian lands were parts of the Russian Empire and the Polish-Lithuanian Commonwealth. Crimean peninsula was colonized by Ancient Greeks; as a Crimean Khanate it was a part of the Osman Empire for a long time (still Crimean Tatars are its indigenous people); later the peninsula was conquered by the Russian Empire and became a part of Ukraine in the Soviet times. Contradictory opinions into Ukrainian history of foreign scholars were often used and still are used to justify aggression against the country. However, everywhere in the world we can find different interpretations of history and there are many nationalities fighting for their independence nowadays, that is why we should distinguish the situation, when the sovereignty desire and searching for historical justice cross the border of international laws.²

From the Russian side its actions are justified by the NATO threat to the country. According to the official information, Vladimir Putin develops the army as a defense from NATO coming closer to Russian borders (Priblezhenie..., 2015). Economy is another aspect. During Soviet times the cooperation between Russian and Ukrainian enterprises was tremendous. Even now the rapid cessation of business relations could be tragic for both Ukraine and Russia. The bilateral Association Agreement between the EU and Ukraine was, in Putin's view, jeopardizing Russia's Eurasian Economic Union,

² Here I mean, when Crimea wants to become a part of Russia, there has to be a real referendum in accordance with the international rules in this respect, but not a fake one with 2 weeks for its preparation and Russian militants controlling the process.

in which Ukraine was expected to be one of the main economic partners. Russian Foreign Minister, Sergey Lavrov, called the EU–Ukraine Association Agreement “the apple of discord” in EU–Russia relations (Lavrov, 2014). So, the Ukrainian desire to join the EU and possibly NATO found such a big concern in Russian federation. Nevertheless, this does not justify military aggression against a sovereign country.

According to some supporters of realism theory, such as John Mearsheimer, Russian actions in Ukraine should have come as no surprise. The West had been moving into Russia’s backyard and threatening its core strategic interests. Western politicians tend to believe that the logic of realism is not relevant in the 21st century and that Europe can be preserved whole and free on the basis of liberal principles: the rule of law, economic interdependence and democracy. But the Ukrainian crisis shows that Realpolitik remains important even nowadays (Mearsheimer, 2014).

Shortly Russian intervention in Ukraine’s affairs could be described as follows. When Ukraine had chosen the European way of development, Russia, understanding the possibility of losing Ukraine from its former sphere of influence,³ started economic and political pressure on the country. In summer 2013 economic pressure turned into trade war, which was against the WTO principles. After Russian economic and political pressure, finally, on 21 November 2013, the Cabinet of Ministers of Ukraine issued a decree to suspend the preparations for the signing of the Association Agreement between Ukraine and the European Union (*Obscure...*, 2014). This led to the revolution in Ukraine and bloody attempts to strangle it. After the victory of Euro revolution and escape of the former president of Ukraine, Russia annexed Crimean peninsula by making a fake referendum. The world’s response did not go further than expressing high concern about breaking the Agreement of integrity of Ukraine’s territory signed by Russia. After that, Russian aggression turned into the war in Eastern Ukraine. The world answered with sanctions. But it is important to analyze to what extent the international response was enough and effective.

To make it clear, the main source which I take into account when talking about the international rules is United Nation Charter. The main document Ukraine bases on when proclaiming Russia to be an aggressor is Budapest Memorandum on Security Assurances signed by Ukraine, Russia, USA and Great Britain in 1994.⁴ Jacek Saryusz-Wolski, a Polish economist, politician and a member of the European Parliament, in his article “Euromaidan: time to draw conclusions” gives a very precise description how Russia

³ At that time a lot of Russian experts were stressing that losing Ukraine will be a personal defeat of the president Vladimir Putin.

⁴ Official Ukraine’s statement can be found here: Рада визнала факт військової агресії Росії проти України, UNIAN, <http://www.unian.ua/politics/1069534-rada-viznala-fakt-viyskovoji-agresiji-rosiji-proti-ukrajini.html> (24.04.2015).

was breaking concrete articles of Budapest Memorandum, bilateral agreements with Ukraine, UN Charter and the Helsinki Final Act of the Organization for Security and Cooperation in Europe. From the other side, Russia uses United Nation Charter and the right of peoples to self-determination justifying its actions.⁵

Dealing with the war in Ukraine, UN organized a couple of meetings where the Ukrainian question was crucial. UN Security Council confirmed that Russia is responsible for the violence in the Eastern Ukraine (*UN Security...*, 2014). Also United Nations General Assembly adopted the resolution affirming Ukraine's territorial integrity (*UN General...*, 2014). These did not stop Russia in any way.

A lot of foreign politicians and international organizations expressed their high concern about Russian violation of international rule, they confirmed their support to Ukraine's territorial integrity (International..., 2015). The European Union was trying its soft power policy and negotiated with Russia. The Minsk negotiations did bring some kind of peace into the Eastern Ukraine. The European Parliament in its resolution has confirmed its support for Ukraine's territorial integrity. In its Council Conclusions, the EU has acknowledged the European future of Ukraine, as have the European Parliament and the European Peoples Party (EPP) in their resolutions. The EU has made a significant financial commitment to Ukraine, aimed at facilitating and supporting the process of implementation of the Association Agreement, as well as improving Ukraine's critical economic situation.

Except financial support, the most significant world's response to Russian violation of international agreements was in form of sanctions. Such measures impacted Russia largely. But from another side, the fall in oil prices strengthen the negative effect on the country.⁶ Because of sanctions world financial markets are mostly closed for Russian businesses. Russia's finance minister estimates that the country's losses from spring 2014 till spring 2015 surpassed 140 billion USD. Russia's strategic currency reserves will probably be exhausted by the end of 2015. Moreover, the ruble lost close to 50% of its value during the beginning of 2015. But, although the sanctions clearly are starting to pressure the economy, it will be some time before a bigger amount of Russian population actually feels their impact (Inozemtsev, 2015).

⁵ Official Russian statement can be found here: Zayavlenie MID Rossii v svyazi s obvineniyami v narushenii Rossiey obyazatelstv po Budapesht skomu memorandumu ot 5 dekabrya 1994 goda, Министерство иностранных дел Российской Федерации. Retrieved from: http://www.mid.ru/bdomp/brp_4.nsf/8a15b43ae2d7c96443256999005bcbb8/e2c2fecc50fbd22944257cad0000474d!OpenDocument (24.04.2014).

⁶ Russia loses about 2 billion USD in revenues for every dollar fall in the oil price, and the World Bank has warned that Russia's economy would shrink by at least 0.7% in 2015 if oil prices do not recover.

Concluding the effects of the introduced sanctions, it should be stated that still inflation and falling ruble did not prevent Russia from continuing the war in Ukraine and giving back the Crimean peninsula. There is a mind that Western sanctions even helped Putin to gain more support from the population, while people united in fight with the foreign “aggressor”. Of course, there should be some time passed until sanctions can work properly and meet the political aims they were implemented for. Normally in a few years the effect is more visible. But when the war is going on, thousands of people are being killed and the Ukrainian economy is collapsing, destroying the life of citizens even not involved in the war directly, there is no time to wait till some measures work later. There should be some other opportunities to stop the conflict faster.

Proposals to stop Russian aggression

From one point of view, some new mechanisms should be invented to control the international peace more effectively. There are symptoms of a breakdown in global governance. Basically, there is only one international organ of hard power: the UN Security Council. If the five permanent members come to an agreement, they can impose their will on any country. But there are many sovereign states with armies and there are failed states that are unable to protect their monopoly over the use of lethal force or hard power. Being a member of the UN Security Council, Russia hampers the international attempts to stop the war in Ukraine. The president of Russia, Vladimir Putin, does not want to cooperate under the liberal democratic standards and follow global rules. He wants to install his world order (“Russian world”) and redraw the world map.⁷

Except measures implemented by the world to stop the war in Ukraine, there were a lot of other proposals that were rejected during the decision making process. For example, there was a strong discussion about switching Russia off from SWIFT system, which could really change the situation significantly, but also would be more harmful for European states than implemented sanctions (SWIFT..., 2015).

George Soros, a well-known investor and social activist, writes a lot about Ukraine in his latest articles. As a protective measure for the European Union and NATO, he proposes IMF to give Ukraine at least 20 billion USD. Some of the money would go for repairing of the coal mines in the Eastern Ukraine, another amount – for purchasing of additional gas for the country, another – replenish the currency reserves of the central bank, etc. (Soros, 2014). The businessman thinks that the successful development of the Ukrainian economy will be the best sign for Russia and separatists on the East to show that democracy can work properly. He argues that Russian troubles and Ukrainian

⁷ It was clearly stated by Vladimir Putin in his interviews.

economic success can persuade Vladimir Putin to accept his defeat in destabilizing the situation in Ukraine. The investor considers Europe to be indirectly under military attack from Russia (Soros, 2015). He adds that European leaders and citizens do not understand this and are not eager to give their money to fight Russian aggression. However, I would agree to some extent with Jacek Saryusz-Wolski, who states that in contrast to the USA or Russia, the EU does not possess military forces and it is composed of 28 member states, all with their own independent foreign policies, national interests and complex interdependencies with the Russian Federation. All of these factors required the EU to apply different instruments of pressure.

In order to remunerate the Ukrainians for their strong devotion to European values and demonstrate solidarity with the European people of Ukraine, the EU should accelerate the visa dialogue with the country. The opening of a dialogue aimed at introducing a visa free regime, which was suggested in the recent resolutions of both the European Parliament and the EPP.

From another side, Europe and the US should make it clear to Russia that by supporting the separatists it shuts itself out from future influence in Ukraine. Full territorial integrity of Ukraine free of all external military interference must be claimed as a starting point, not an outcome of the negotiations. Russian offensive must be contained with financial (instant economic support), diplomatic (political support to Ukrainian government) and strategic (reformulation of Ukraine's prospects vis-à-vis the EU) means.

Ukraine's internal divisions complicate the matter greatly, but the crisis offers the European Union and NATO a huge opportunity to rethink their reluctant stance towards its membership. The main thesis of the European Neighbourhood Policy, saying that post-Soviet countries between the EU and Russia can integrate into Europe without the prospect of future membership, caused serious problems. Time has come to support the pro-European forces in the neighborhood by reconsidering this statement (Karasek, 2014).

There is a proposal of regional cooperation for Ukraine. A regional integration scenario might prove viable for non-NATO members in the Black Sea region, such as Ukraine, Georgia and Moldova. In the Black Sea both regional NATO (particularly Turkey) and non-NATO states could provide technical and material assistance to these Black Sea states. Such an organization might deal with naval cooperation in the Black Sea and beyond. Indeed, Ukraine actually took steps in this direction. Just as the Baltic States were offered to participate in NATO peacekeeping missions without a guarantee of NATO membership, Ukraine took part in NATO's "Ocean Shield" naval operations to fight piracy in the eastern coast of Africa (Poast, Urpelainen, 2015).

Vladislav Inozemcev, a well-known Russian economist and political activist, also thinks that the West should support Ukraine more. He states that democratic Western countries should deny any Russian claim to a right to interfere in the affairs of the EU and NATO. Ukraine cannot afford itself losing Crimea and Donbas. A “new Marshall plan” should be implemented, which can transform Ukraine into a free, prosperous country that can join the EU and NATO, if it so desires. Even more important, the West should state it clear that it extends its definition of Europe not just to Russia’s borders, but across them. Russia should be acknowledged as an integral part of Europe and a country that might eventually join the EU. The main policy for the coming decades should be established on a simple idea: Though Russia can never be allowed to influence Europe from the outside, it will be welcome to gain a place of influence from within, if it accepts European democratic rules (Inozemtsev, 2015).

From another way of thinking, Adam Michnik, a political activist, dissident, and editor-in-chief of Poland’s largest newspaper *Gazeta Wyborcza* believes Russia’s only hope lies in the establishment of democracy in Ukraine. That is why the West must help Ukraine to build such a democracy (Michnik, 2015).

The ultimate goal is not to “defeat” Russia but to defend the current international system against a serious violation. The West should recall NATO’s double-track decision from 1979 which combined explicit resolve to counter the Soviet moves with an offer to negotiate the critical issues. There is no a priori reason why Russia’s economic, cultural and even political influence should be completely excluded from Ukraine, or the rest of its near abroad. However, it must conform to the established European and international standards. In other words, everything should be negotiable, but never under duress.

Conclusion

Drawing the conclusion, I would like to state that international relations are complicated and even when “the rules of the game” are stated precisely, not all countries want to obey them. The global democratic community is not always able to stop unjust wars in time, which cause great destruction to nations which appeared to be involved in them. Scientists offer new decisions how the global governance should be transformed and in what ways to finish conflicts, but their propositions mostly are not taken into account by policy makers. The article showed the latest Russian aggression against Ukraine and the world’s response to it. Of course, there were some effects from Western diplomacy and sanctions in stopping Russia. But still the war could have been ended faster if more restrictive and fast measures were implemented. I would agree with George Soros telling that the West is under indirect attack from Russia, that is why by helping Ukraine it will help itself. Some of the decisions could be bigger financial and expert

support for Ukraine, some ways of regional integration for countries of the Black Sea, new kinds of cooperation under the European Neighbourhood Policy, stronger positions of the EU and the USA in negotiations with Russia. I would also suggest Western democracies to be more consistent and decisive in protecting democratic standards and peace beyond their borders.

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Abstract

The modern world has created a certain system of rules, which was accepted officially by all states. However, violations of human rights and democratic standards happen in various parts of the globe. Some countries attack others breaking signed agreements of friendship. In such a situation the world is expected to stop the aggressor, which does not always happen. This article shows an analysis of the latest conflict in Ukraine and the world's response to it. Global community decided not to intervene militarily but to stop Russian aggression by trying to leave it without any sources to continue the war. The effectiveness of this policy and other possibilities to stop the conflict will be studied in the article. From the author's point of view, the democratic countries of the world were not fast and consistent enough trying to make Russia stop its unannounced war against Ukraine. New scientific elaborations will be used in the article to show unused proposals to solve the situation more successfully.

Międzynarodowa odpowiedź na rosyjską agresję przeciw Ukrainie

Współczesny świat stworzył system reguł, który został oficjalnie zaakceptowany przez wszystkie państwa. Niestety, naruszanie praw człowieka i demokratycznych standardów nieustannie zdarzają się w różnych częściach świata. Niektóre państwa atakują inne, łamiąc podpisane umowy o przyjaźni. W takiej sytuacji oczekuje się, że świat powstrzyma agresora. Nie zawsze jednak tak się dzieje. Ten artykuł ukazuje analizę ostatniego konfliktu na Ukrainie oraz międzynarodową odpowiedź na niego. Międzynarodowa społeczność zdecydowała nie interweniować militarnie, lecz wstrzymać rosyjską agresję próbując zostawić Rosję bez źródeł do kontynuacji wojny. Efektywność tej polityki oraz inne możliwości rozwiązania konfliktu będą pokazane w artykule. Z punktu widzenia autora, demokratyczne państwa świata nie były dość szybkie i efektywne, próbując zmusić Rosję do zakończenia swojej nieogłoszonej wojny przeciw Ukrainie. W niniejszym artykule zostaną wykorzystane nowe naukowe opracowania, aby ukazać propozycje możliwych rozwiązań tej sytuacji w sposób bardziej efektywny.

Wojciech Chrząstek*

Economical aspects of reorganization of rail transport in Poland

Keywords: railways, freight, company

Słowa kluczowe: transport kolejowy, przedsiębiorstwo

Introduction

In the article there is presented a problem of regionalization of railway passenger transport in Poland. The main topic of this article is to show problem of reorganization of former railway company – PKP and its division into independent companies. The aim of this article is to show reasons and results of public transport in Poland in connection with relations between Republic of Poland and EU and liberalization of market of transport companies in Poland. In this article there are presented advantages and disadvantages of reorganization of former PKP State Company and possible resolutions which could be implemented in the future. The main task for Polish rail transport in the following years is to finish the reorganization processes, make it profitable and attain full liberalization of market according to expectations of European Union Institutions.

Modifications in Polish railway passenger transport

PKP Company (PKP – abbreviation of Polskie Koleje Państwowe – Polish State Railways) was divided into several semi-independent companies in 2001. The main reason of these changes was joining of Poland into European Union structures. The EU

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requires that every state member of this organization should divide state company into 3 parts which manage railway infrastructure, passenger carrier and cargo carrier. All new companies at the beginning were associated in PKP Group – joint venture made on base of former PKP Company. In Poland this division was deeper, which created so many controversies. This division was criticized because of conflicts between railway companies inside PKP Group and overstaffing. All in all each of this new companies should be privatized except for PKP PLK – national manager of railway infrastructure. All companies with “PKP” in their name belong to PKP Group. PKP Group consists of: PKP Intercity – passenger operator, PKP Cargo – freight company, PKP PLK – manager of national infrastructure, PKP Informatyka – IT company, TK Telekom – telephone and Internet company and other companies not related directly to transport which belongs to PKP Group. Former members of PKP Group are: PKP, Energetyka – was bought by foreign investor, PKP Przewozy Regionalne – now this company belongs to all voivodships and ARP company (Agency of Industrial Development) (Drewnowski, 2012a). All companies which belong to PKP Group (except PKP PLK) can be sold, but conservative government which won the elections in 2015 decided to stop all processes of privatization and tried to restore state control under PKP Energetyka without results. (Statute of commercialization, reorganizing and privatization of State Company PKP).

The debt of PKP Group is still lessening, but the Group still needs to be reorganized. Some activities go in a good way, but others are widely criticized. The selling of PKP Energetyka – energy supplier for PKP – was widely criticized. Some experts are afraid that privatization will lead the government to lose control of supply of energy for rail. Other experts say that privatization is not needed because of military significance of rail infrastructure and will have negative implications for defense services. Also widely discussed is sense of this privatization. The company was profitable and it has key meaning for PKP Group, and moreover this is one of the first case in Europe when a company of infrastructure was sold. Some also advise that the company should be part of PKP PLK. Selling PKP PLK is forbidden. **Shares of PKP PLK, which belongs to PKP or State Treasure, cannot be sold.** (Statute of commercialization, reorganizing and privatization of State Company PKP).

In 2009 PKP Przewozy Regionalne rebranded into Przewozy Regionalne. That movement was associated with the change of the owner of this company. But this division is much deeper. Some bigger voivodships decided not to cooperate with Przewozy Regionalne and decided to create their own companies. Until now Mazovian, Silesian, Greater Poland, Lesser Poland and Lower Silesian decided to create their own companies. These new companies compete with Przewozy Regionalne in regional markets. Also other voivodships plan to create their own companies. In Łódź Voivodship a local company – ŁKA which started as operator of public transport within Łódź City – now

develops its routes and competes with Przewozy Regionalne in local routes around Łódź. The future of public transport in Poland is deepening division of public companies. In other countries this division is not so deep. Strong division within PKP Group has caused many financial problems. Ineffective management, conflicts between similar companies and overstaffing pushed these companies into financial problems. Their debt multiplied every year. Moreover PKP Przewozy Regionalne – the largest company – was forced to compete with PKP Intercity in the market of fast trains. At the beginning all Express trains belonged to PKP Intercity, and the rest (fast and regional trains) belonged to PKP Przewozy Regionalne. Oddział Przewozów Międzywojewódzkich in PKP Przewozy Regionalne (Department of interregional trains) has been taken from PKP Przewozy Regionalne into PKP Intercity. It caused a conflict. PKP Przewozy Regionalne lost one of the most profitable branches of their business activity. PKP Przewozy Regionalne, which wanted to compete with PKP Intercity, created their new category of fast trains – InterREGIO. The name of new brand is associated with brand REGIO – basic activity of PKP Przewozy Regionalne – which operates regional trains. InterREGIO brand was deleted in 2015, because of reorganization in regional company. The operator decided to quit its commercial activity and decided to focus on its basic activity which it was created to do – operating regional trains of REGIO brand (Rabikowski, 2015).

Local government is able to have higher level of control under its own company. But this kind of solution works properly only in cases of big voivodships. The main reason is that great voivodships have a lot of different lines on their territory. Smaller voivodships like Świętokrzyskie (Holy Cross) or Lubusz Voivodship are too small to create their own companies. These voivodships have to cooperate with state-owned Przewozy Regionalne. Przewozy Regionalne company had to cancel its own fast-train brand InterRegio. Cancelling of InterREGIO trains has also bad consequences. InterREGIO was a strong brand of fast trains which was able to compete with TLK and InterCity brand which was operated by PKP Intercity. InterREGIO proved that it is possible to compete with as strong company as PKP Intercity and further liberalization of train market is possible. It also showed that fast trains could be operated without any subventions. TLK and InterCity trains receive donation from central government. Some experts also say that the government also tries to protect its own company – PKP Intercity – and tries not to liberalize fast train market. In some opinions the central government supported its own company in conflicts with InterREGIO trains. To sum up full liberalization in Poland now is difficult, because the government is willing to protect its own state company – PKP Intercity – and local governments try to protect Przewozy Regionalne and smaller companies, which belong to voivodships.

On the other hand full liberalization and privatization of train market could lead to some unexpected situations. Private companies, independent from state administration,

will be not interested in operating in local lines, the prices of tickets will be higher. The main fear is that private companies, running their activity only in financial aspects, will abandon public interests and the traffic in some lines will be cancelled, but on the others it will be harsh competition. Moreover, in some opinions, free market is not the best regulator of train services. It could lead to some unexpected situations, and governmental intervention is desired there.

Deepening problems of PKP Przewozy Regionalne (present name Przewozy Regionalne) pushed some local governments to create their own companies. Kuyavian-Pomeranian Voivodship also decided to contract out transport services into Arriva RP – first private railway transport company in Poland which operates on passenger transport. Arriva RP belongs to DB Company – national operator of German Railways. It is only one non-state owned passenger railway company in Poland. Now in Poland operates one company which services interregional routes – PKP Intercity, several regional operators – Przewozy Regionalne, Koleje Śląskie (Silesian Railways), Koleje Wielkopolskie (Greater Poland Railways), Koleje Małopolskie (Lesser Poland Railways), Koleje Mazowieckie (Mazovian Railways), Koleje Dolnośląskie (Lower Silesian Railways), Arriva RP (first company which is not associated with state administration) and several city transport operators (WKD and SKM in Warsaw, ŁKA in Łódź and PKP SKM in Gdańsk agglomeration – they cooperate with local transport authorities) (Rydzynski, 2015). The assets of local companies are lower prices and ticket integration with city transport (bus, trams, underground train) many concerns within Polish operators (mostly associated with public administration). Polish operators are afraid that competition with foreign operators (especially from Germany) will build their dominant position and Polish operators will lose their position.

Many regional railway lines were cut off and many small and middle towns were cut out of efficient public transport. The access to passenger railway transport in Poland is on the lowest level in comparison with other neighboring countries. In Czech Republic the biggest town without railway passenger transport has about 15,000 inhabitants. In Poland the biggest city without railway transport has about 90,000 inhabitants. This is the city of Jastrzębie Zdrój. Last passenger train in Jastrzębie Zdrój was seen in 2002 (Zajac, 2015).

Another problem of Polish rail transport is the advanced age of vehicles. The average age of Polish trains is about 30 years and many vehicles need to be exchanged. Nowadays vehicles are modernized and also new vehicles are bought. Modernization and new purchases are co-financed by the European Union. The most popular train Poland has is electric multiple unit – EN57. Most of passenger regional companies are the owners of the vehicles of this brand. Nowadays all trains of this brand are modernized. Funds for repairs come from the European Union, budgets of voivodships and commercial credits.

Credits are the most difficult way of raising funds, because of indebtedness of companies created by division of PKP. Przewozy Regionalne are now modernizing their EN57 units inherited after PKP (Szymajda, 2015b), and Koleje Mazowieckie are buying new push-pull trains. Even though good movements are undertaken by operators, railway transport in Poland is still not as popular as in other EU members. The main problem now is low technical speed of trains. The main reason is low quality of railway infrastructure. It is all caused by many years of underinvestment. In recent years the main investment was installation of system ERTMS in CMK (Central Main Railway). CMK is one of the most important rail lines in Poland used by passenger trains. Nowadays it is rebuilt for trains running faster than 160 km/h. In these fast trains, like Pendolino, signals have to be put directly into engine driver. Using light railway signals is impossible because of the high speed (Drewnowski, 2012b).

Also some small companies have some innovations implemented. Koleje Dolnośląskie and Koleje Śląskie reactivated some lines that had to be cancelled according to Przewozy Regionalne. But, in many opinions, the biggest innovation is starting a train “Słoneczny” (in Polish it means “Sunny”) by Koleje Mazowieckie. “Słoneczny” connects Warsaw with Ustka – Baltic health resort. It is the first commercial train operated by a local company. It operates only in summer season. In many opinions it is lauded, but the biggest disadvantage of this trains is lack of reservation of seats (Szymajda, 2015a).

Modifications in Polish cargo railway transport

PKP Cargo is a Polish cargo operator which was created in 2001, as a successor of former state company – PKP. PKP Cargo has a dominant position in Polish freight market. It competes with CTL, DB Schenker and some other foreign companies, as well as Polish private companies like Kolej Bałtycka (Baltic Rail), Lotos Kolej and other. In 2015, PKP Cargo has about 48% share in this market and this indicator is lessening. The main reason for this phenomenon is full liberalization in this market. Growing competition forces operator to reduce their cargo fees. According to all operators the main problem in Poland are high fees for access to infrastructure. The main way to reduce these fees is stronger cooperation with central administration.

According to PKP PLK and freight operators, infrastructure needs more funds for modernization. In some local lines rails have not been repaired for 30 years and more. The main reason for this situation is lack of funds and stronger co-financing in road transport. Strong impact of EU institutions forces Poland to upgrade its railway transport services. The best way to reactivate railway transport for Poland is to promote intermodal transport. Intermodal transport consists of two branches: railway and road transport which cooperate together. The longest distance is operated by train, and the beginning

and the end of the road are operated by trucks. The main advantage of this transport is that it is less harmful to environment, it helps to save fuel, but unfortunately, because of small speed of cargo trains, it is not fit to compete with road transport. The main problem is that intermodal transport has to be co-financed by public sources, because of its low profitability. In some Alpine states like south Germany, Austria and Switzerland, trucks are forbidden to travel through mountains and they are forced to use intermodal trains. On the other hand this kind of transport is co-financed by state. These states belong to the wealthiest group of states in Europe. Poland is not wealthy enough to participate in this kind of innovation. The main task for forthcoming years is to repair railways, railway sidings, cargo stations and other elements of infrastructure. It is possible to confirm that good conditions to develop public transport exist in Poland, especially in demand side (Wronka, 2001). In some lines railways had to be closed because of devastation of infrastructure. Another reason for collapsing of train transport was the closing of heavy industry in the 90s. Train transport is used mainly to transport heavy loads like coal and other materials used in heavy industry. Nowadays, in times of development of sector of services and industry of high technologies which produces other kind of loads, utility of this branch of transport is lessening. Self-contradictory, all these changes are associated with joining of Poland into developed countries. Nowadays the main task is to promote sustainability, which requires balancing between environment and economy interests and to include interests of future generations. Promoting sustainability should help to decrease congestion on roads.

Plans for the future

In the forthcoming years full liberalization of railway transport within the EU is expected (Fiszer, 2015).

Interesting part of reorganization is renationalization of Przewozy Regionalne. Until 2015 this regional operator belonged to 15 voivodships. Mazovian Voivodship had their own company – Koleje Mazowieckie. Now 51% shares of this company belongs to ARP. ARP has paid over 770 million PLN for this action (Szymajda, 2015b). Extra funds delivered by ARP let Przewozy Regionalne pay old debts, fight with overstaffing and buy new vehicles. Przewozy Regionalne's debt has been lessening since 2009 and in 2016 this company is expected to be profitable. Renationalization also gave a stronger impact for central administration in organization of public transport. Nowadays government can have a stronger impact on transport politics. It helps avoiding conflicts between several voivodships. Management ruled by one owner – ARP – is expected to be more effective than powdered structure of 15 local governments with opposite ideas. There are many different reasons for this positive situation. Voivodships sign up long-term

deals with this company for organization of public transport, co-financing of public transport by public administration is growing, and company started with overstaffing.

Summary

The reorganization of Polish rail transport is still in realization. All aspects of these changes are not fully implemented. Even though there are still some aspects, which are needed to be implemented, the main task – separation of freight, passenger and infrastructure sector – was fully implemented. Other things, which need to be realized in the future are: full financial independence of PKP Group, full separation of rail companies and, the most controversial, privatization of rail sector in Poland. Some of the tasks were not fully implemented, but it is expected that full liberalization of rail transport within the European Union in 2019 will accelerate these changes. Moreover, competition with foreign operators can bring higher level of customer service.

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Abstract

The article presents the problem of regionalization of railway passenger transport in Poland. The main topic of this paper is to show the problem of the reorganization of the former railway company - PKP and its division into independent companies. There are presented advantages and disadvantages of reorganization of former PKP State Company and possible resolutions which could be implemented in the future. The main task of Polish rail transport in the coming years is to complete reorganization processes, achieve profits and achieve full market liberalization in line with the expectations of EU institutions.

Ekonomiczne aspekty reorganizacji transportu kolejowego w Polsce

W artykule przedstawiono problematykę regionalizacji pasażerskiego transportu kolejowego w Polsce. Głównym tematem tego artykułu jest pokazanie problemu reorganizacji byłej spółki kolejowej – PKP i jej podział na niezależne firmy. Głównym zadaniem polskiego transportu kolejowego w kolejnych latach jest zakończenie procesów reorganizacyjnych, osiągnięcie zysków i osiągnięcie pełnej liberalizacji rynku zgodnie z oczekiwaniami instytucji Unii Europejskiej.

Ethics

Information ethics in the perspective
of the knowledge-based economy

Schwerpunkte und Unterschiede
bei CSR-Regelwerken.

Eine Analyse bekannter Leitlinien
zu nichtfinanziellen Leistungsindikatoren

Anna Waligórska-Kotfas*

Information ethics in the perspective of the knowledge-based economy

Keywords: knowledge-based economy, information ethics, information services
Słowa kluczowe: gospodarka oparta na wiedzy, etyka informacji, usługi informacyjne

Introduction

The revolution in information and communication technologies (ICTs) has implied the revaluation of the classical paradigm of the industrial economy towards knowledge-based economy (KBE), where the informational mode, in which information processing together with knowledge generation and diffusion by means of multimodal, flexible, and networked communication, is the main source of productivity and competitive advantage (Castells, 2013). However, both the economic development correlative and the social transformation towards the information society (IS) create the new prerequisites for the workforce and result in the changes of the social stratification model. Simultaneously, information is seen frequently as the most valuable asset providing a competitive advantage and its acquisition, retrieval and distribution can inflict some ethical challenges to be faced.

The reflections on the topic of this paper are focused on ethical dilemmas interdependent on information generation, acquisition and processing in the KBE environment. The article begins with a brief description of the ethical implications the KBE brings in socio-economic terms, including a shift in the social stratification system. Subsequently, the KBE's SWOT analysis in the moral perspective is presented.

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Furthermore, information ethics is outlined, both in the micro and macro approach. Finally, some deontological obligations of the information professionals who are recognized as the KBE beneficiaries are discussed. In conclusion, the information professionals' responsibility towards society in the KBE realms is underlined. The paper is based on English and Polish literature studies and research, available both in print and online, concerning the KBE, information ethics and the codes of professional conduct.

The Promise and Peril of the KBE

The KBE is a set of interrelated production and consumption activities determined by: digitalization and virtualization of the processes; flexibility, decentralization and integration, both in micro and macro level; innovation and creativity, also in terms of presumption; immediacy due to the global and multimodal communication (Castells, 2003, 2013; Comor, 2010). The vital factor of the KBE is the combination of the ICTs application and the reliance on intellectual and mental capabilities of the workforce, which in turn implies a transition in economic and social relationships.

In the realms of KBE, the key aspect is human capital and its competence. M. Castells (2003, pp. 106–107) states that

the e-economy cannot function without workers able to navigate, both technically and in terms of content, this deep sea of information, organizing it, focusing it, and transforming it into specific knowledge, appropriate for the task and purpose of the work process.

Digital wisdom, defined as being informed, inspired and supported by digital enhancements (Prensky, 2009), becomes the crucial feature of **homo sapiens digital**. The workforce that is self-programmable, creative, adaptable, mobile and able to manage constant uncertainty is to substitute generic (manual) workers with no particular abilities or qualifications, who in turn become redundant and will eventually be replaced by robots (Castells, 2013). Simultaneously, since the content of labor becomes mental, the productivity becomes imprecise as the ratio of time to quantity of value produced is difficult to establish. Additionally, the work which is dependent on the information and knowledge elaboration tends to be highly specialized and non-transferable, although from the ergonomic point of view it appears indistinguishable. As a consequence, digital labor is considered to be particularly personalized and *per se* becomes the foremost and singularized part of the worker's life (Berardi, 2005).

The KBE's informational paradigm together with the workforce prerequisites translate into the transformation of the social stratification system in the IS, in which the following social classes are highlighted: **lumpenproletariat** (TV watchers, computer-

game players, passive ICTs users); **cognitariat** (active and conscious ICTs users, yet not able to alter, let alone create, the content); **digitariat** (fluent ICTs users constructing the information systems and processing information in order to develop knowledge).¹ The contemporary social divide is embedded in meritocracy together with information literacy and digital skills (Castells, 2013; Dijk, 2005; Fiut, Habryń, 2001; Jemielniak 2012; Webster, 2014).

Table 1. The SWOT analysis of the KBE's aspects in the ethical perspective

| KBE | Description |
|---------------|---|
| Strengths | <ul style="list-style-type: none"> – Increases opportunities for the individual development and the disclosure of the talents and the interests of individuals. – Creates a more enlightened and rational society. – Dynamizes the economic and civilization growth, which brings positive consequences in terms of reduced poverty and pathology. – Generates an increase in innovation and leads to the new products and services, including the intangible ones, which can serve the spiritual development of a human being. – Allows better understanding and thorough use of the civilization achievements, which in turn positively influence the quality of life and ethical attitudes. |
| Weaknesses | <ul style="list-style-type: none"> – Requires significant investments in education, science, R&D, and the related infrastructure, which can be difficult to finance in poorer societies and can happen at the expense of meeting other social needs. – Is attractive to that part of society that has more intellectual and creative potential, excluding those with fewer opportunities and abilities in this regard. – Reinforces existing social segmentation between white collars and red necks. |
| Opportunities | <ul style="list-style-type: none"> – Increases the level of social sensitivity and knowledge by providing the wider access to information and communication. – Can protect the society against dictatorship and oppression by reclaiming the electorate from the populist, demagogic politicians. – Allows the effective opposition to various pathologies, which were previously tolerated or considered to be impossible to eradicate (bullying, nepotism, corruption). – Gives a chance of accelerated civilizational advance for the laggard countries and regions. |
| Threats | <ul style="list-style-type: none"> – May imply the emergence of the new extremities of wealth and poverty. – Can determine the dichotomous division of the society into winners and losers. – May unwittingly create winners' pride and arrogance, their disregard and contempt for people who are less educated, less resourceful and lost in the new surroundings. – May result in a negative job balance. |

Source: own elaboration based on Kietliński (2009).

The KBE's SWOT analysis with regard to its ethical dimensions was conducted by K. Kietliński between 2008 and 2009. The research sample of 316 respondents was selected by a purposive sampling method and the results obtained from the conducted survey were scrutinized by implementing a factor analysis together with the Kendall

¹ The literature discourse is not consistent in defining terms **cognitariat** and **ditigariatand**; they are interchanged (Materska, 2007; Sienkiewicz, Nowak, 2008).

rank correlation coefficient and the Pearson product-moment correlation coefficient. The findings of the study positively verified the following hypothesis: although the KBE brings both the promise and peril, in the ethical perspective the advantages outweigh the disadvantages (Kietliński, 2009).

His study K. Kietliński (2009, p. 268) summarizes by stating:

A human being is (...) the cause and the purpose of all creative activity. Claiming his predominant role in the economic processes requires the recognition of freedom, dignity, and a certain moral order as the factors constituting the process of production, exchange, division and dissemination of all goods, including products of the KBE, which therefore should always serve the genuine good.

Nonetheless, the awareness of the potential and authentic KBE's weaknesses and threats should be food for thought in terms of the workforce stratification, the social exclusion, and the digital divide.

The Information Ethics and its Micro and Macro Conceptualization

At the end of the 20th century information ethics (IE) evolved from that of traditionally identified with library activities to the issues correlated with media, cyberspace, bio-information, cybernetics, ICTs business. The common point of this interdisciplinary discourse is the contemporary concern over free access to information, freedom of speech and respect for the principles of democracy while preserving the right to privacy and copyright together with security, confidentiality and integrity of services provided in global, multimodal and virtual environment.

Among the IE research areas, there are three fields of ethical dilemmas corresponding to the production of information, its classification and finally the access and dissemination of information (ICIE, 2015). Effortless information multiplication in the digital age implies the ethical issues associated with finding a balance between the concept of copyright protection and the concept of universal access to information and the possibility of its recombination. Yet another matter lies in personal data protection in the face of mass-scale information sharing in social networks. Ethical questions regarding the information classification can be reduced to information control and censorship. This applies equally to the traditional classification systems as well as search engines intentionally or unintentionally selecting and proceeding the search results (Sherman, Price, 2001). The third aspect of the IE pertains to the access to information and its dissemination. Information as a product has an economic value that should be protected. Ethical problems here are interrelated to keeping the balance between the universal

human right to information and communication and the issue of confidentiality, the access to strategic information and its unauthorized disclosure or misinformation, particularly in view of Big Data analysis (Waligórska-Kotfas, 2015).

The micro perspective of IE considers information as:

- a resource (input) – moral issues arising from **the triple A: availability, accessibility, accuracy** of informational resources, independently of their format and physical representation; additionally, from the information consumer's point of view the questions concerning reliability, trustworthiness and relevance of information sources need to be raised here,
- a product (output) – ethical problems regarding pragmatic rules of communication such as: accountability, liability, libel, plagiarism, advertising, propaganda, misinformation,
- a target (environment) – the dilemmas over information security, its vandalism, piracy and hacking, intellectual property rights, freedom of expression and censorship, filtering and contents control; the social dimension includes the digital divide and the ICTs illiteracy (Floridi, 2006).

The IE model in the macro scale combines the elements given above with the overall information cycle including the information creation, elaboration, storage, protection, usage, and distribution to analyze the actions and interactions of informational entities within the info-environment. According to L. Floridi (2006, p. 32) IE determines what is morally right or wrong by means of four basic moral laws:

- entropy ought not to be caused in the infosphere (null law),
- entropy ought to be prevented in the infosphere,
- entropy ought to be removed from the infosphere,
- the flourishing of informational entities as well as of the whole infosphere ought to be promoted by preserving, cultivating and enriching their properties.

The ethical agent in the ICTs era is **homo poieticus**, who is a demiurge, an active constructor of the info-world, improving its nature and shaping its development, performing **creative stewardship**, generating info-artefacts and knowledge, together with creating concepts (Floridi, Sanders, 2003; Russo, 2012).

Generalizing, the contemporary IE focuses on various aspects of communication via the ICTs and attempts to adjust the general moral standards to the specific conditions created by digital, multimodal e-nvironment.

Deontological Obligations for Information Professionals in the KBE Conditions

The occupations interrelated with information have always been present within the society and the labor market. However, the KBE emergence adds some new

professions (an information architect, an information broker, a knowledge management specialist, a webpage content manager) to the ones traditionally associated with information and its processing (a librarian, an information scientist). Simultaneously, the professional conduct corresponding the obligations towards the IE is equally required.

Theoretical issues discussed above in practice oblige an information professional to: the precise delineation of the information needs; the thorough assessment of information sources on account of their legality, transparency, accessibility, accuracy, relevance and validity; the verification of the obtained information to the level of detail, timeliness, reliability, usability and compatibility with respect to the information needs; the diligence and objectivity in the information selection and processing, which excludes manipulation, disinformation, contingency, and personal partiality. An information professional must be aware that information, particularly economic and business information, which is ambiguous, unsubstantiated, incorrect, incomplete, distorted or manipulated, results in inaccurate strategic decisions affecting the competitive advantage or the financial position.

In the era of globalization and liberalization the straightforward formulation of deontological standards of a profession is a priority. The professional code, regarded as a systematized, consistent, and applicable guideline to mediating the conflicts that can occur both between the individuals, as well as the professionals as a group and the society, can be a significant support in overcoming morally vague circumstances (Martin, 2000).

Code of Ethical Business Practice, Code of Ethics for CI Professionals, and IFLA Code of Ethics for Librarians and other Information Workers (AIIP, 2015; IFLA, 2015, SCIP, 2015) exemplify the concise and declarative code of conduct for information professionals and define the following accountability points: the IE issues in terms of information as a resource, a product and a target in the e-nvironment; the necessity of the compliance with the legal regulations including intellectual property rights; the concern regarding privacy, confidentiality, honesty, competence and impartiality; the constant work for the information literacy promotion and the digital divide elimination; the continuous strive to uphold the highest standards of the profession leading to its recognition and respect. Unfortunately, apart from Librarians Profession Code of Ethics (PLA, 2005), there is no attempt to codify and guide Polish information professionals when facing the professional and ethical dilemmas in the digital era.

Conclusion

The present paradigm shift towards the KBE results in multi-faceted socio-economic transformations that lead to ethical considerations. Creating knowledge fosters innovation and dynamic economic growth and contributes to the progress of civilization.

Concurrently, it might condition the new social stratification based on either technology or intellectual exclusion and might be a menace in socio-ethical terms.

The KBE depends on information since the multimodal, networked, free and global access to information, together with its acquisition, processing, retrieval and distribution, enhance the diffusion of knowledge. Parallely, it contributes to information overload and chaos, lack of personal data protection, the violation of intellectual property rights, and the disclosure of strategically valuable information. As a result the ethical dilemmas correlated with handling information in the morally right manner appear.

The conclusion conducts to the thought that an information professional in the KBE environment might be recognized as a personification of **homo poieticus** given that they arrange, unscramble and shape infosphere by sorting out the e-nvironment according to the users' informational needs. Additionally, their conduct in accordance with deontological obligations of the profession contributes to the information entropy decline. However, as the KBE beneficiary associated with **digitariat**, an information professional should be aware of their privileged position and remember about their obligations towards society in terms of preventing the social and digital divide.

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Abstract

The transformation of the modern economy paradigm towards the knowledge-based economy (KBE) has led to the creation and expansion of new products and services. Simultaneously, the socio-economic shift interdependent on the information processing and knowledge diffusion results in ethical dilemmas. The reflections on the topic of this paper are firstly focused on the SWOT analysis of the socio-economic issues corresponding with the emergence of the KBE. Furthermore, information ethics in macro as well as micro perspectives discussed. Finally, some ethical responsibilities of the KBE's beneficiaries are considered.

Etyka informacji w gospodarce opartej na wiedzy

Implikowana przemianami w zakresie technologii informacyjno-komunikacyjnych transformacja paradygmatu współczesnej gospodarki w kierunku gospodarki opartej na wiedzy indukuje kreatywność i innowacyjność w tworzeniu i ekspansji nowych produktów i usług. Jednocześnie zachodzące zmiany społeczno-ekonomiczne związane z generowaniem, przetwarzaniem i wykorzystaniem wiedzy bazującej na informacji prowadzą do refleksji natury etycznej. W pierwszej części artykułu dokonano analizy SWOT gospodarki opartej na wiedzy oraz nakreślono zagadnienia etyczne z nią współzależne. Następnie przedyskutowano kwestie etyki informacji na poziomie mikro i makro. Ostatnia część publikacji koncentruje się na deontologicznych powinnościach beneficjentów gospodarki opartej na wiedzy.

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Schwerpunkte und Unterschiede bei CSR-Regelwerken

Eine Analyse bekannter Leitlinien zu nichtfinanziellen Leistungsindikatoren

Keywords: Ethics, Corporate Social Responsibility (CSR), Globalization, Accounting, non-financial performance indicators

Słowa kluczowe: etyka, CSR, globalizacja, rachunkowość

Einleitung

Um einen umfassenden Einblick in die nachhaltige wirtschaftliche Lage eines Unternehmens zu erhalten, sind neben finanziellen Kennzahlen auch sogenannte nichtfinanzielle Leistungsindikatoren eines Unternehmens erforderlich. Unter diesem Begriff werden hierbei entscheidungsrelevante Informationen hinsichtlich des ökologischen, ökonomischen und sozialen Handelns eines Unternehmens verstanden (Arbeitskreis Externer Unternehmensrechnung der Schmalenbach-Gesellschaft für Betriebswirtschaft e.V., 2015).

Vermehrt fordern sowohl Investoren, Regulatoren, andere Stakeholder als auch Unternehmens-Organen die Ermittlung von und die Berichterstattung über nichtfinanzielle Leistungsindikatoren. Sowohl die strategische Positionierung als auch die Regulierung steigern folglich die Notwendigkeit zur Erstellung solcher Daten. So hat die Europäische

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Union Unternehmen von öffentlichem Interesse per Richtlinie 2014/95/EU dazu verpflichtet, entsprechende Angaben über nichtfinanzielle Informationen zukünftig zu veröffentlichen (Europäische Union, 2014). Die bislang freiwillige Angabe dieser Informationen anhand entsprechender Leitlinien wird zukünftig zur Pflicht. Die ersten Berichte müssen für das Geschäftsjahr 2017 veröffentlicht werden. Die Mitgliedsstaaten hatten für die Umsetzung der Richtlinie in nationales Recht zwei Jahre Zeit. Ein Referentenentwurf des deutschen Bundesministeriums der Justiz und für Verbraucherschutz wurde jüngst unter dem Titel „Entwurf eines Gesetzes zur Stärkung der nichtfinanziellen Berichterstattung der Unternehmen in ihren Lage- und Konzernlageberichten“ am 03. März 2016 veröffentlicht.

Vielfach besteht von Seiten der Unternehmen Unsicherheit über den Aufwand der Berichterstattung sowie darüber, ob sie die gesetzlichen Anforderungen erfüllen (Rat für Nachhaltige Entwicklung, 2016). Die EU-Richtlinie gibt vor, dass sich Unternehmen, die der Richtlinie unterliegen, auf nationale Rahmenwerke, unionsbasierte Rahmenwerke, oder auf international anerkannte Rahmenwerke stützen können. Der vorliegende Aufsatz beschreibt und analysiert drei zentrale Leitlinien zur Nachhaltigkeitsberichterstattung hinsichtlich ihrer inhaltlichen Schwerpunkte und Unterschiede, um somit Transparenz zu schaffen. Das Ergebnis dieser Arbeit soll die Auswahl des geeigneten Berichtsformats für Unternehmen im Rahmen der Berichterstattung über nichtfinanzielle Leistungsindikatoren erleichtern und darüber hinaus die thematischen Schwerpunkte der aktuellen Konzepte und Standards herausarbeiten.

Vorstellung bekannter Leitlinien zur Nachhaltigkeitsberichterstattung

Die Global Reporting Initiative

Zur Vereinheitlichung der Nachhaltigkeitsberichterstattung wurde 1997 die Global Reporting Initiative (GRI) gegründet, mit dem Ziel, ein anwendbares Rahmenwerk zur Nachhaltigkeitsberichterstattung zu schaffen, um so einen Beitrag zur nachhaltigen wirtschaftlichen (Unternehmens-) Entwicklung in der Welt zu leisten. Die GRI Leitlinien sind das Ergebnis umfangreicher Stakeholder-Konsultationen und Dialoge (GRI, 2013). Sie gelten als weltweit etablierter und akzeptierter Standard zur Nachhaltigkeitsberichterstattung von Unternehmen. So wenden 74% der weltweit 250 größten Unternehmen die GRI Leitlinien an (KPMG, 2015). Nach Angaben der GRI wurden von 2014 bis 2015 über 4.200 Nachhaltigkeitsberichte entsprechend dem GRI-Standard veröffentlicht, insgesamt bereits über 19.000 GRI-Berichte (GRI, 2015). Die verbreitete Nutzung wird ebenfalls durch eine Studie der EU-Kommission bestätigt, die besagt, dass bei europäischen Unternehmen der GRI Standard am häufigsten Anwendung findet

(Europäische Kommission, 2013). Seit 2013 liegt der GRI Standard in der aktuellen Fassung GRI-G4 vor.

Für die Berichterstattung auf Basis der GRI-G4 Leitlinien wird die Leistung des Unternehmens bzgl. einer nachhaltigen Entwicklung gemessen um dann gegenüber internen und externen Stakeholdern veröffentlicht zu werden. Dies beinhaltet, wie eingangs in Abschnitt 1 erwähnt, Informationen über die Auswirkungen unternehmerischen Handelns auf ökologische, ökonomische und soziale Aspekte. Die Bestimmung der Berichtsinhalte umfasst dabei die vier Grundsätze „Einbindung von Stakeholdern“, „Nachhaltigkeitskontext“, „Wesentlichkeit“ und „Vollständigkeit“. Sie beschreiben die Vorgehensweise zur Feststellung des Inhaltes, der im Bericht abzudecken ist.

Darüber hinaus dienen die Grundsätze „Ausgewogenheit“, „Vergleichbarkeit“, „Genauigkeit“, „Aktualität“, „Klarheit“ sowie „Verlässlichkeit“ zur Bestimmung der Berichtsqualität. Sie sollen die Qualität der Informationen im Bericht sicherstellen sowie für eine sachgerechte Darstellung sorgen (GRI, 2013).

ESG-KPI 3.0 der “European Federation of Financial Analysts Societies” (EFFAS)

Die Deutsche Vereinigung für Finanzanalyse und Asset Management (DVFA) veröffentlichte 2007 Schlüsselkriterien für die Bereiche Umwelt, Soziales und Governance (ESG-Kriterien). Letzteres tritt anstelle des in Abschnitt 1 genannten ökonomischen Aspekts. Grundlage für die Veröffentlichung der sogenannten ESG-KPI ist die Forderung von Investoren, dass Unternehmen standardisierte Angaben über öko-soziale Risiken, Chancen und Leistungen berichten. Diese Angaben werden als entscheidend für die Beurteilung des zukünftigen Unternehmenserfolgs sowie eine entsprechende Unternehmensbewertung gesehen. Aktuell ist mit ESG-KPI 3.0 die dritte Generation mit ca. 100 branchenspezifischen Kriterien veröffentlicht (EFFAS, DVFA, 2010). Sämtliche Kriterien wurden von 30 Experten aus der Finanzwelt, Unternehmen sowie Wissenschaft und Nichtregierungsorganisationen entwickelt und anschließend von über 200 internationalen Finanzinstituten beurteilt und sondiert. Die Indikatoren sind messbar und dienen der Vergleichbarkeit von Unternehmen. Dazu zählen beispielsweise Angaben zur Umweltverträglichkeit, Gesundheit und Sicherheit von Produkten, Nutzung erneuerbarer Energiequellen sowie Fehlquoten von Mitarbeitern oder Korruption. Darüber hinaus geben Angaben über Kundenzufriedenheit und Umsatzanteil neuer Produkte den Investoren notwendige Informationen hinsichtlich der Zukunftsfähigkeit des jeweiligen Unternehmens. Der Fokus auf quantitative Indikatoren verdeutlicht, dass die sogenannten KPI for ESG im Wesentlichen für das Risikomanagement entwickelt worden sind. Es geht folglich darum, dass Finanzanalysten das

Chance/Risiko-Verhältnis eines Unternehmens besser einschätzen bzw. beurteilen können (Aachener Stiftung Kathy Beys, 2015).

Die „European Federation of Financial Analysts Societies“ (EFFAS) hat die Leistungsindikatoren des DVFA-Systems übernommen, so dass sie europaweit verbreitet sind und folglich als ein europäischer Standard zur Nachhaltigkeitsberichterstattung angesehen werden können. Die Kriterien werden ebenfalls von dem europäischen Branchenverband für nachhaltige Geldanlagen (Eurosif) akzeptiert (Aachener Stiftung Kathy Beys, 2015). Gemeinsam haben die Institutionen DVFA und EFFAS 2010 das entsprechende Rahmenwerk veröffentlicht (EFFAS, DVFA, 2010). Anwendung finden die ESG-KPIs auf freiwilliger Basis.

Der Deutsche Nachhaltigkeitskodex

Der Deutsche Nachhaltigkeitskodex (DNK) ist ein weiteres Instrument zur Berichterstattung und dient als Vergleichsrahmen für ein Nachhaltigkeitsmanagement (Rat für Nachhaltige Entwicklung, 2015). Der Rat für Nachhaltige Entwicklung (RNE), der den Nachhaltigkeitskodex 2011 gemeinsam im Dialog mit Stakeholdern entwickelt und veröffentlicht hat, zielt darauf ab, den Nachhaltigkeitsgedanken voranzubringen sowie die Nachhaltigkeitsleistungen von Unternehmen transparent und vergleichbar zu machen (Bertelsmann Stiftung & Rat für Nachhaltige Entwicklung, 2014). Mittlerweile wird der Deutsche Nachhaltigkeitskodex auch in anderen Ländern angewandt und ist in mehrere Sprachen übersetzt. Wie zu hören ist, soll der „Deutsche Nachhaltigkeitskodex“ in „Nachhaltigkeitskodex“ umbenannt werden. Somit ist er strategisch als europäischer bis internationaler Standard anzusehen.

Organisationen und Unternehmen können den Deutschen Nachhaltigkeitskodex freiwillig anwenden. Der Kodex kann von Organisationen und Unternehmen jeder Größe und Rechtsform angewendet werden. Unternehmen berichten anhand des Kodex über ihre Maßnahmen zur ökologischen, ökonomischen und sozialen Dimension der Nachhaltigkeit, ebenfalls entsprechend den Ausführungen in Abschnitt 1. Quantifizierbare Leistungsindikatoren unterstützen die Berichterstattung der genannten Dimensionen der Nachhaltigkeit und erhöhen die Vergleichbarkeit unterschiedlicher Nachhaltigkeitsberichte von Unternehmen. Dabei sind branchenspezifische Ergänzungen sowie Konkretisierungen möglich (Rat für Nachhaltige Entwicklung, 2015).

Der DNK-Standard beinhaltet vier Bereiche, zu denen insgesamt 20 Nachhaltigkeitskriterien formuliert sind. Dadurch soll es Organisationen und Unternehmen ermöglicht werden, einen komprimierten und einfachen Einstieg in die Nachhaltigkeitsberichterstattung zu erhalten. Darüber hinaus ist der Handlungsrahmen mit 20 Nachhaltigkeitskriterien überschaubar und der DNK kann als Strukturierungshilfe für nachhaltiges

Wirtschaften in Unternehmen und Organisationen gesehen werden. Ein Unternehmen, das den DNK anwendet, berichtet in einer sogenannten Entsprechenserklärung zum Deutschen Nachhaltigkeitskodex, wie es den Kodexkriterien entspricht (comply) bzw. hat plausibel zu erklären, warum es ein oder mehrere Nachhaltigkeitskriterien nicht anwendet bzw. berichtet (explain). Dafür steht den Unternehmen eine entsprechende DNK-Datenbank zur Verfügung.

Vergleichende Analyse der Berichtsstandards

Eine vergleichende Analyse der drei Standards zur Nachhaltigkeitsberichterstattung dient zur Ermittlung von Gemeinsamkeiten und Unterschieden. Die Analyse zielt darauf ab zu zeigen, welche Nachhaltigkeitsindikatoren schwerpunktmäßig anhand des jeweiligen Standards zu berichten sind. In diesem Zusammenhang wird von den in Abschnitt 1 genannten drei Säulen der Nachhaltigkeit ausgegangen, die eine Einteilung in ökologische, ökonomische und soziale Indikatoren beinhaltet. Die Überprüfung der Leitlinien und ein damit verbundener Filter bezüglich relevanter Begriffe, wurden mit Hilfe einer Software für qualitative Datenanalyse (MAXQDA 12) unterstützt.

Umfang der Berichtsstandards

Zunächst sei nachfolgend der Umfang der einzelnen Berichtsstandards zu analysieren. Hierbei ist die Frage relevant, wie viele Nachhaltigkeitskriterien jeder Bericht vorgibt. Diesbezüglich werden bestehende Aussagen über den Umfang internationaler, unionsbasierter sowie nationaler Leitlinien zur Nachhaltigkeitsberichterstattung validiert (Fachhochschule des Mittelstandes – FHM, Röttgen, Kluge, Wittberg, 2015).

Bei den Anforderungen des **GRI G4** Standards ist festzustellen, dass den Unternehmen zwei Optionen zur Erstellung des Nachhaltigkeitsberichtes zur Verfügung stehen. Dabei handelt es sich um die Optionen „Kern“ und „Umfassend“, die den Umfang bzw. die zu berichteten Inhalte bestimmen. Zu beiden Optionen gehören allgemeine Standardangaben sowie zusätzlich spezifische Standardangaben. Nachfolgende Tabelle zeigt die jeweilige Anzahl der damit verbundenen Angaben bzw. Kriterien.

Tabelle 1. Umfang der Angaben nach dem GRI G4 Standard, eigene Berechnungen

| | KERN-Option | UMFASSEND-Option |
|--|-------------|------------------|
| Anzahl Kriterien „Allgemeine Standardangaben“ | 34 | 58 |
| Anzahl Kriterien „Spezifische Standardangaben“ | bis zu 47 | bis zu 92 |
| GESAMT | bis zu 81 | bis zu 150 |

Źródło: eigene Berechnungen.

Die Leitlinien der von der **EFFAS** veröffentlichten Nachhaltigkeitsindikatoren zur Berichterstattung sind für insgesamt 114 Branchen, teils spezifisch, definiert. Es gibt drei aufeinanderfolgende Berichtslevels. Diese unterteilen sich in „Entry Level“ (Scope I), „Midlevel“ (Scope II) sowie „Highlevel“ (Scope III) (EFFAS, DVFA, 2010). Der „Entry Level“ beinhaltet 9 bis 10 Indikatoren, die ein Unternehmen mindestens zu berichten hat. Dabei ist anzumerken, dass die Indikatoren für alle 114 Branchen nahezu identische sind. Der „Midlevel“ und „High Level“ Bereich unterscheiden sich je nach Branche in einigen Punkten. Nachfolgende Tabelle zeigt u.a. den Durchschnittswert der anzugebenden KPI je nach Level und über alle 114 Branchen.

Tabelle 2. Umfang der Angaben nach den Leitlinien der EFFAS, eigene Berechnungen

| | Entry Level | Midlevel | Highlevel | Branche |
|--------------|-------------|----------|-----------|---------|
| Ø Anz. KPI | 9,79 | 9,64 | 5,09 | 24,52 |
| MIN Anz. KPI | 8 | 0 | 0 | 10 |
| MAX Anz. KPI | 11 | 23 | 13 | 41 |

Źródło: eigene Berechnungen.

Im Durchschnitt sind folglich ca. 24 KPI pro Branche anzugeben. Die höchste Anzahl anzugebender KPIs einer Branche liegt bei 41, der geringste Wert sind 10 KPIs.

Der **Deutsche Nachhaltigkeitskodex (DNK)** gliedert die einzelnen Kriterien in vier Bereiche auf. Dazu zählen die Bereiche „Strategie“, „Prozessmanagement“, „Umwelt“ sowie „Gesellschaft“. Insgesamt umfasst der Deutsche Nachhaltigkeitskodex 20 anzugebende Kriterien, die wie folgt auf die vier Bereiche aufgeteilt sind (Rat für Nachhaltige Entwicklung, 2015):

Tabelle 3. Umfang der Angaben nach dem Deutschen Nachhaltigkeitskodex, eigene Berechnungen

| Bereich | Strategie | Prozess- management | Umwelt | Gesellschaft | SUMME |
|----------------|-----------|------------------------|--------|--------------|-------|
| Anz. Kriterien | 4 | 6 | 3 | 7 | 20 |

Źródło: eigene Berechnungen.

Zusammenfassend bleibt über die vergleichende Analyse der drei Berichtsstandards hinsichtlich des Umfangs festzuhalten, dass die Anzahl der maximal zu veröffentlichen Nachhaltigkeitskriterien unterschiedlich ist. Nachfolgende Tabelle fasst die Daten über den jeweiligen Umfang des Berichtsstandards zusammen und stellt einen Vergleich auf.

Tabelle 4. Anzahl der Kriterien der analysierten Berichtsstandards, eigene Berechnung

| | GRI-G4 | EFFAS (ESG-KPI) | DNK |
|--|--------|-----------------|-----|
| Anzahl der maximal zu berichtenden Kriterien | 150 | 41 | 20 |
| Anzahl der minimal zu berichtenden Kriterien | 81 | 10 | 20 |

Žródlo: eigene Berechnungen.

Die Übersicht zeigt, dass die international etablierten GRI-G4 Leitlinien mit max. 150 (min. 81) Kriterien der umfangreichste Berichtrahmen ist. Dann folgen das EFFAS-Rahmenwerk mit max. 41 (min. 10) Kriterien sowie der Deutsche Nachhaltigkeitskodex mit insgesamt 20 Kriterien. Das Ergebnis der vergleichenden Analyse von drei Standards zur Nachhaltigkeitsberichterstattung belegt, dass der internationale GRI-G4 Standard das umfangreichste Rahmenwerk darstellt. Folglich wird die Validierung der bestehenden Aussagen über den Umfangentsprechender Leitlinien zur Nachhaltigkeitsberichterstattung bestätigt.

Analyse der inhaltlichen Schwerpunkte

Die Analyse der inhaltlichen Schwerpunkte der drei Leitlinien bezieht sich ebenfalls auf die ökologische, ökonomische und soziale Komponente der Nachhaltigkeit. Diesbezüglich wird die Hypothese aufgestellt, dass jede Leitlinie eigene Schwerpunkte hinsichtlich der drei Nachhaltigkeitskomponenten setzt und somit keine inhaltlich gleichgewichtige Verteilung ökologischer, ökonomischer und sozialer Nachhaltigkeitskomponenten gegeben ist.

Um diese Hypothese zu überprüfen, bedienen wir uns einer Software für qualitative Datenanalyse, um nach den relevanten Suchbegriffen zu filtern. Die Begriffe wurden, wie in Tabelle 5 angegeben, mit der Software in der jeweiligen Leitlinie gefiltert. Trunkierungen sind im Rahmen der Suchfunktion nicht verwendet worden.

Tabelle 5. Filterung der Begriffe

| Berichtsstandard | GRI-G4 | ESG-KPI (EFFAS) | DNK |
|--------------------------|-----------------------------------|-----------------|-----------------------------------|
| Filterung nach Begriffen | „Ökologisch“/ „Umwelt“ | „Environmental“ | „Ökologisch“/ „Umwelt“ |
| | „Ökonomisch“/ „Wirtschaftlich“ | „Social“ | „Ökonomisch“/ „Wirtschaftlich“ |
| | „Sozial“/ „Gesellschaftlich“ | „Governance“ | „Sozial“/ „Gesellschaftlich“ |

Žródlo: eigene Berechnungen.

Es sei darauf hingewiesen, dass die Filterung der Begriffe jeweils das vollständige Dokument umfasst und nicht nur die genannten Nachhaltigkeitskriterien. Es lassen sich daraus inhaltliche Tendenzen bzw. Schwerpunkte vermuten, um die Hypothese zu prüfen.

Für den GRI-G4 Standard ergibt sich folgendes Ergebnis hinsichtlich der genannten Filterung der Suchbegriffe.

Tabelle 6. Ergebnis der inhaltlichen Begriffsanalyse GRI-G4

| GRI-G4 | |
|-----------------------------------|--------------------------|
| Begriffe | Anzahl Übereinstimmungen |
| „Ökologisch“/ „Umwelt“ | 81 (36,0%) |
| „Ökonomisch“/ „Wirtschaftlich“ | 68 (30,2%) |
| „Sozial“/ „Gesellschaftlich“ | 76 (33,7%) |
| Summe | 225 (100,0%) |

Źródło: eigene Berechnungen.

Beim Vergleich der Anzahl der Übereinstimmungen ist ein leichter Überhang des Filterkriteriums „Ökologisch“/„Umwelt“ festzustellen. Tendenziell ist zu erkennen, dass jeder Bereich inhaltlich annähernd gleich gewichtet ist bzw. der inhaltliche Schwerpunkt zwischen den drei Säulen der Nachhaltigkeit im GRI-G4 Standard ausgeglichen ist.

Die ESG-KPI Leitlinien ergeben bei der Filterung der Begriffe folgendes Ergebnis.

Tabelle 7. Ergebnis der inhaltlichen Begriffsanalyse EFFAS

| ESG-KPI (EFFAS) | |
|-----------------|--------------------------|
| Begriffe | Anzahl Übereinstimmungen |
| „Environmental“ | 139 (92,05%) |
| „Social“ | 7 (4,64%) |
| „Governance“ | 5 (3,31%) |
| Summe | 151 (100,00%) |

Źródło: eigene Berechnungen.

Bei den EFFAS-Leitlinien mit den ESG-Kriterien überwiegt im gesamten Dokument der Suchbegriff „Environmental“, woraus ein starker unausgeglichener inhaltlicher Schwerpunkt der analysierten Begrifflichkeiten zu erkennen ist. Innerhalb einer Branche kann es zu leichten Abweichungen kommen, Aufgrund der hohen Anzahl an Übereinstimmungen mit dem Suchbegriff „Environmental“ und der geringen Anzahl

der anderen Begriffe, erscheint der Schwerpunkt als eindeutig. Die Analyse des Deutschen Nachhaltigkeitskodex ergab für das vollständige Dokument folgendes Ergebnis.

Tabelle 8. Ergebnis der inhaltlichen Berichtsanalyse DNK

| Deutscher Nachhaltigkeitskodex (DNK) | |
|--------------------------------------|--------------------------|
| Begriffe | Anzahl Übereinstimmungen |
| „Ökologisch“/ „Umwelt“ | 26 (38,8%) |
| „Ökonomisch“/ „Wirtschaftlich“ | 15 (22,3%) |
| „Sozial“/ „Gesellschaftlich“ | 26 (38,8%) |
| SUMME | 67 (100,0%) |

Žródlo: eigene Berechnungen.

Der Deutsche Nachhaltigkeitskodex tendiert inhaltlich im gesamten Dokument zu ökologischen und sozialen Begrifflichkeiten der Nachhaltigkeit. Die ökonomische Komponente ist im Dokument vergleichsweise unterrepräsentiert. Ein inhaltlich gleicher Schwerpunkt der drei Komponenten ist dem Deutschen Nachhaltigkeitskodexfolglich nicht zuzuschreiben. Eine Zusammenfassung der inhaltlichen Begriffsanalyse zeigt nachfolgende Tabelle.

Tabelle 9. Zusammenfassung der inhaltlichen Begriffsanalyse

| | GRI-G4 | ESG-KPI | DNK |
|--|---|---------------------------------|---|
| Anzahl inhaltlicher Übereinstimmung nach Filterkriterien | „Ökologisch“/„Umwelt“ 81 (36,0%) | „Environmental“ 139 (92,05%) | „Ökologisch“/„Umwelt“ 26 (38,8%) |
| | „Ökonomisch“/„Wirtschaftlich“ 68 (30,2%) | „Social“ 7 (4,64%) | „Ökonomisch“/„Wirtschaftlich“ 15 (22,3%) |
| | „Sozial“/„Gesellschaftlich“ 76 (33,7%) | „Governance“ 5 (3,31%) | „Sozial“/„Gesellschaftlich“ 26 (38,8%) |

Žródlo: eigene Berechnungen.

Die inhaltliche Analyse der drei Leitlinien hinsichtlich der genannten Filterkriterien ergab, dass bei den GRI-G4 Leitlinien sowie bei den EFFAS-Leitlinien ökologische bzw. Umweltaspekte überwiegen. Der DNK hat bei ökologischen und sozialen Aspekten ein ausgeglichenes Ergebnis, ökonomische Kriterien sind unterrepräsentiert. Somit lässt sich die aufgestellte Hypothese einer inhaltlich unterschiedlichen Gewichtung der drei Nachhaltigkeitskomponenten bestätigen.

Neben der grundsätzlichen inhaltlichen Ausrichtung der Standards bzgl. der genannten Filterkriterien ist eine zusätzliche Analyse der konkreten Nachhaltigkeitsindikatoren zu berücksichtigen. Das Ergebnis ist in nachfolgender Tabelle dargestellt.

Tabelle 10. Vergleich der Anzahl der Nachhaltigkeitsindikatoren, eigene Berechnungen

| | GRI-G4 | ESG-KPI | DNK |
|--|---------------------------------|------------------------------|--------------------------------|
| Anzahl der Nachhaltigkeitsindikatoren/-aspekte | Ökologisch 12 (26,08%) | Environmental 39 (60,00%) | Ökologisch 3 (25,00%) |
| | Wirtschaftlich 4 (8,69%) | Social 23 (35,38%) | Wirtschaftlich 2 (16,67%) |
| | Gesellschaftlich 30 (65,22%) | Governance 3 (4,62%) | Gesellschaftlich 7 (58,33%) |

Źródło: eigene Berechnungen.

Auch die Einbeziehung der zu berichtenden Nachhaltigkeitsindikatoren bzw. -aspekte zeigt, dass jeder Berichtsstandard eigene Schwerpunkte hinsichtlich der drei Komponenten der Nachhaltigkeit legt. Die GRI-G4 Leitlinien sowie der DNK legen den Schwerpunkt der Indikatoren auf gesellschaftliche Aspekte. Hingegen liegt die Mehrzahl der zu berichtenden Indikatoren bei den ESG-KPI Leitlinien im ökologischen Bereich. Somit bestätigt auch diese Analyse die eingangs formulierte Hypothese, dass jeder Berichtsstandard seine eigenen Schwerpunkte setzt und folglich keine ausgeglichene Berichterstattung zu ökologischen, ökonomischen und sozialen Nachhaltigkeitsaspekten gegeben ist.

Tabelle 11. Prozentualer Vergleich der inhaltlichen Suchbegriffe und der Indikatoren

| Schwerpunkte | GRI-G4 | | ESG-KPI | | DNK | |
|---------------------------|------------|-------------|------------|-------------|------------|-------------|
| | Inhaltlich | Indikatoren | Inhaltlich | Indikatoren | Inhaltlich | Indikatoren |
| Ökologisch/Umwelt | 36,00 | 26,08 | 92,05 | 60,00 | 38,80 | 25,00 |
| Ökonomisch/Wirtschaftlich | 30,20 | 8,69 | | | 22,30 | 16,67 |
| Sozial/Gesellschaftlich | 33,70 | 65,22 | 4,64 | 35,38 | 38,80 | 58,33 |
| Governance | | | 3,31 | 4,62 | | |

Źródło: eigene Berechnungen.

Ein Vergleich der prozentualen inhaltlichen Schwerpunkte mit den prozentual genannten Indikatoren belegt zwar nochmals die unterschiedlichen Schwerpunkte. Allerdings ist hierbei gut zu erkennen, dass beispielsweise beim DNK die inhaltlichen ökologischen und sozialen Aspekte gleichverteilt sind. Die zu berichtenden Indikatoren

legen aber einen deutlichen Schwerpunkt auf die sozialen Aspekte. Darüber hinaus ist beachtenswert, dass die GRI-G4 Leitlinien zu ca. 65% soziale bzw. gesellschaftliche Indikatoren beinhaltet. Inhaltlich liegt der Schwerpunkt aber bei ökologischen Aspekten der Nachhaltigkeit. Nachfolgende Tabelle verdeutlicht das Ergebnis.

Fazit

Es wurde aufgezeigt, dass die einzelnen Standards inhaltlich unterschiedliche Schwerpunkte setzen und dies anhand der zu berichtenden Nachhaltigkeitsindikatoren erkennbar ist. Je nach Strategie und Ausrichtung kann ein Unternehmen die für dich passende Leitlinie zur Nachhaltigkeitsberichterstattung wählen. Darüber hinaus liefert die Analyse der drei Leitlinien auch für Investoren eine Orientierung hinsichtlich der inhaltlichen Schwerpunkte. Aus der Wahl der passenden Leitlinie für das Unternehmen kann der Investor, auf Grundlage der hier dargelegten Ergebnisse, direkt den unternehmerischen Berichtschwerpunkt ableiten, ohne die einzelnen Indikatoren zuvor eingehend analysieren zu müssen. Ferner können Investoren gezielter Nachhaltigkeitsaspekte und -indikatoren hinterfragen, die nicht schwerpunktmäßig im Nachhaltigkeitsbericht offengelegt sind.

Neben den inhaltlich unterschiedlichen Schwerpunkten sollte für Unternehmen auch der Umfang der Leitlinien beachtet werden. Zur Anwendbarkeit der Rahmenwerke für Unternehmen ist festzuhalten, dass international tätige Unternehmen mit entsprechenden Kapazitäten auch einen entsprechend aufwendigen Nachhaltigkeitsbericht nach dem GRI-G4 Standard veröffentlichen können. Speziell kleine und mittlere Unternehmen (KMU) sollten sich allerdings an den Deutschen Nachhaltigkeitskodex mit seinen 20 Kriterien orientieren, die zudem auch einzelne Leistungsindikatoren des GRI-G4 abdecken. Der Deutsche Nachhaltigkeitskodex ermöglicht es den KMU, hinsichtlich des Aufwandes und die dafür benötigten Kapazitäten, einen entsprechenden Nachhaltigkeitsbericht zu veröffentlichen.

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Non-financial performance indicators

– Key aspects and differences in current reporting guidelines.

An analysis of the different standards for corporate responsibility reporting

While investors in addition to financial data show increasing demand for non-financial information, performance indicators such reporting is now boosted by regulation. Such indicators are understood in the CSR context: decision-relevant information about the ecological, economic and social action of an enterprise. In reporting such information preparers rely on national, European or international approaches. The objective of the paper is to analyze selected guidelines for CSR reporting in terms of their core areas. This should help preparers to choose the suitable reporting guidelines. It should also support stakeholders to better appraise the reported information. Thematic priorities of the different reporting guidelines in the context of corporate responsibility reporting are identified.

Reviews

Book Review.

Angel Berges, Mauro F. Guillén,
Juan Pedro Moreno, Emilio Ontiveros,
A New Era in Banking. The Landscape
After the Battle, Bibliomotion,
Brookline 2014

Stanisław Flejterski*

Book Review

Angel Berges, Mauro F. Guillén, Juan Pedro Moreno, Emilio Ontiveros, *A New Era in Banking. The Landscape After the Battle*, Bibliomotion, Brookline 2014, 186 pages

The recent global financial crisis was primarily a banking crisis. The financial crisis that began in 2007 triggered a break with banking practices of the past. Even as the crisis occurred, a broader set of economic, geopolitical and technological forces were already reshaping the financial industry's transition from the 20th to the 21st century. The collapse of Lehman Brothers was a watershed event for the financial system and for banking in particular. The banking industry faces a period of unprecedented change and an opportunity to re-architect banking businesses to be ready for the future. The financial crisis was the largest and most severe crisis to hit financial services in the era of global market integration, but it was not homogenous in its impact. And while many of the contributing causes were global, such as imbalances in global financial flows and the trends towards market liberalization, the impacts were centered on Western banks and financial markets.

In addition to rebuilding banking after the crisis, the world must adapt to a range of extraordinary changes. Banks must restructure, not to go back to basics but to move forward into uncharted territory. Each change in itself represents a huge challenge and opportunity for banks. Together they signify new rules of the game, new ways of doing

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business and a new competitive landscape. The new landscape is not a static environment. The world is more uncertain and volatile. For banks, future high performance will demand new capabilities and new principles that allow management to face these changes with greater agility. The leaders of banks today have a unique opportunity to remake their institutions for the future. There will be winners and losers. The journey starts with a clear appraisal of the new landscape.

Given the above, the area explored by: Angel Berges (professor of finance and international management at Universidad Autonoma de Madrid), Mauro F. Guillen (professor of international management at the Wharton School of the University of Pennsylvania and the director of the Lauder Institute of Management and International Studies), Juan Pedro Moreno (Accenture's senior managing director, global banking) and Emilio Ontiveros (an economics and business administration professor at the Universidad Autonoma de Madrid) seems all the more interesting and it fills a certain gap in academic research. The main objective is to identify and analyze the main drivers of change at the heart of this wholesale transformation of the financial services industry. The authors dissect demographic, economic, regulatory and technological change in order to assess the consequences for banking business models. They will examine the strengths of the emerging players in the field and also address what incumbent financial institutions have to do if they are to survive in the new landscape. The analysis seeks to untangle the severe mutations that have taken place in the in the banking sector, and to contextualize them within broader trends that go well beyond the strict confines of the crisis. Banks are more vulnerable than ever to the crosscurrents of economic, demographic, regulatory and technological change.

The book is divided into six chapters: **Macro Trends, Regulation, Competition, Legitimacy, Banking and the Digital Transformation, Operating in a New Landscape**. The authors provide analytical insight into the complex mass of trends and events affecting the banking sector. They will highlight the connections among them and show that addressing one factor in isolation is unlikely to provide a solid foundation of sustainable profitability for the banking sector as a whole. The authors dedicate a chapter each: to the issues of global macro trends affecting banking, the trends toward greater regulation, the new competitive dynamics in a fundamentally reshaped industry, the erosion of legitimacy and trust, and the challenge and opportunities in the area of digital banking.

The landscape after the battle is exceedingly complex and mired in uncertainty. The authors summarize the key factors affecting banking at the present time and into the near future. In Chapter 1 they will deal with macro trends affecting banking, including changing demographics, global patterns of economic activity and emerging technology. The four key demographic, economic and technological macro trends the authors have

identified are transforming the banking landscape in game-changing ways. The first has to do with population aging, which is altering market dynamics not only in developed countries but in emerging economies as well, ushering in both a large generation of retirees and a new, brave generation of young millennials. This generation is skeptical about traditional banks and banking practices, if not hostile to them. The second is the phenomenal growth of emerging economies, which have come to account for more than half of global economic activity, and whose financial sectors are expanding fast as well. The third is the rise of the global middle class of consumers, driven by the increasing importance of the emerging world. And the fourth is the revolution in connectivity and mobility enabled by new technology. The confluence of demographic, economic, financial and technological trends poses distinct challenges for banks. Their business model and strategies have been rendered at least partially obsolete, especially with the changes in regulation and competitive dynamics stemming from the global financial crisis.

Perhaps the most debated area of financial services that people associate with the global financial crisis, the one that triggered the Great Recession of 2008–2009, is regulatory failure. Regulation lies at the heart of the banking business because it has a large impact on levels of risk, growth and profitability. Moreover, regulation defines the social contract between the banking system and society. In practical terms, there are six main areas of regulation with the potential to significantly alter the landscape of the financial services industry: new capital requirements in banking; new risk – management approaches; separation of activities; incentives; consumer protection; new taxes on banking and other financial activities. Regulatory changes in each of these fields have already been intense and, more importantly, agreed on at an internationally coordinated basis, laying the foundations for a more level playing field in international banking.

The global banking business is going to face dramatic change in the competitive landscape. The banking industry is also going to be transformed by the emergence of alternative forms of financial intermediation, from shadow banking to peer-to-peer lending. Some of those new finance alternatives, like shadow banking, emerge mainly as a way to eliminate regulations or limitations to traditional banking. Others, like peer-to-peer lending or crowd funding – new developments facilitated by social networks – are keeping banks from performing their lending function for specific borrowers.

In Chapter 4 the authors concentrate on the legitimacy of banks. It has suffered along three distinct dimensions. The first is a decline in the trust that the public, government officials and regulators have traditionally placed in the banks. The second has manifested itself as a criticism of compensation levels and systems for bankers, traders and other bank employees. The entire model of corporate governance has been called into question. The third has to do with the decline in customer loyalty. Banks are peculiar institutions,

as they are built on trust. Savers, depositors, investors, borrowers and people or businesses making payments need banks. In order to leverage themselves, banks need to develop trust in their business model.

In Chapter 5 the authors describe the impact of the digital transformation on the banking. The digital revolution has the potential of transforming every aspect of daily life, and it will most likely lead to a large-scale shakeout in the banking sector. The bank of the future may well be an information-processing company. Telecommunication and information technologies are already changing the ways in which banks relate to their customers and to regulators. Banks are also experimenting with new ways of organizing work internally and networking with other financial and nonfinancial institutions. Information technologies and mobile banking pose a threat to the traditional model of relationship-based and branch-centered banking. Fully taking advantage of the digital revolution will require banks to change their culture as well as significant aspects of their business model. The banking sector has become much more porous than in the past, in the sense that it is easier for competitors (non-bank competitors) to enter the industry. New forms of doing finance and new technology have altered the landscape.

The final chapter is entitled: Operating in a New Landscape. The economic, demographic, technological, competitive, regulatory and reputational challenges faced by banks at the present time cannot be dealt with in a piecemeal fashion because they are inextricably linked to one another. It is the most interesting part of the book. The authors present the five banking strategic dimensions (strategic alignment, incentives, human resources, internal processes, customer interface) in interaction with for drivers of change (macro trends, regulation, competition and legitimacy). Generally speaking, the global banking landscape has already changed, and will continue to undergo massive changes. Banks and financial institutions face a new set of challenges and opportunities.