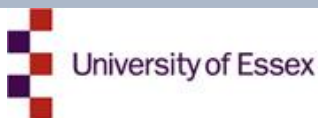


ENTREPRENEURSHIP AND SUSTAINABILITY ISSUES

1(4)
2014



RISEBA





Dear scientists, practitioners, politicians and international community,

I introduce to your attention the new issue of international peer-reviewed scientific journal devoted to the entrepreneurship and sustainable development.

Nowadays, sustainable development and positive contribution of the societies, organizations, countries and regions became the ultimate goal of stakeholders' efforts where the ability to perform productively, as well as to meet the fundamental needs of major population, motivated to switch our attention from growth to secure and sustainable development.

To that extend, the role of transport and communication system forms a nexus of crucial importance, which ultimately conditions the sustainability of entrepreneurial activity development and influences the daily life of the societies.

Good roads, passenger and freight rail, road, sea, inland waterways, air transport, electronic communications and postal areas serve as a precondition for a well-functioning economy. The quality of complex communication system affects directly the entrepreneurial activities' potential and results, as well as the quality of households' life. In addition, it impacts the level of secure and sustainable economic development that we all can experience and estimate.

Therefore, under these circumstances, I would like to congratulate the joint international efforts and interest in bringing issues related to the entrepreneurship, secure and sustainable development for public attention, analysis and concern. I truly believe that scientific journals devoted to the sustainable development issues trigger theoretical and practical reflections on the raised problems, and in that way contribute and facilitate the creation of conscious, sustainable and secure future.

Let us use the provided platform and join our professional competences, perceptions, views and problem solving abilities in order to choose the right path towards a secure and sustainable future.

A stylized, handwritten signature in black ink, appearing to read 'Rimantas Sinkevičius'.

Kind regards,

RIMANTAS SINKEVIČIUS

Minister of Transport and Communications of the
Republic of Lithuania



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ANTI-CRISIS MANAGEMENT OF ENTERPRISES AS PRECONDITION OF SUSTAINABLE ENTREPRENEURSHIP

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Abstract. The paper examines the principles, stages and measures of enterprise anti-crisis management. Various interpretations of the concept of anti-crisis management are presented. The author supports the systemic treatment of enterprise anti-crisis management, when anti-crisis management is viewed as a complex of measures ranging from diagnostics of the financial condition of enterprises and their crisis to the development and implementation of special measures to prevent the critical condition. The content and concept of anti-crisis management are compared and linked with the concept of enterprise restructuring and its interpretations. The author describes the stages of enterprise anti-crisis management which can be implemented in the event of detecting negative trends in the activities of enterprises or when an enterprise faces a critical situation or when deciding on the continuity of its activities. An important role is played by the assessment of the financial condition of enterprises which can be performed using the express or comprehensive bankruptcy threat diagnostics. Such diagnostics allows for determination of the gravity of an enterprise's financial condition, that is, the stage of the crisis. The identified financial condition of the enterprise and its gravity determine the nature of the anti-crisis measures applicable to the enterprise. The implementation of an enterprise anti-crisis management plan must be accompanied by the control of the process.

Keywords: anti-crisis management of enterprises, restructuring, express and comprehensive diagnostics of enterprises bankruptcy threat, assessment, financial condition, crisis, solutions of overcoming critical condition, sustainable entrepreneurship

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1. Introduction

As a result of the influence of a growing variety of national, international and specific foreign countries' factors, the business environment is becoming increasingly complex and uncertain almost daily. Multiple facets of secure and sustainable development emerge (Mačiulis, Tvaronavičienė 2013; Vosylius *et al.* 2013; Giriūnas, Mackevičius 2014; Wahl, Prause 2013) and affect performance of companies (Dudzevičiūtė 2013; Tvaronavičienė 2014; Laužikas, Krasauskas 2013; De Alencar, Almeida 2013). Sustainable entrepreneurship depends on a number of business decisions, including the key ones, are taken and implemented in enterprises without having accurate information about prospects either in the longer term or the near future. In order to reduce business risk, enterprises master and use in their activities the increasing number of advanced methods and measures of management (Laužikas, Mokšėckienė 2013; Wahl, Prause 2013; Laužikas, Krasauskas 2013). The concept 'anti-crisis management' has emerged relatively recently and is used increasingly often. The reason for its emergence is believed to have been economic reforms, swings of the economy and a large number of enterprises being on the verge of bankruptcy. An enterprise which does not stay in line with the 'environment' needs either to adapt and to make full use of its strengths or to disappear from the market. In the opinion of many entities and the State, in

most cases an enterprise's bankruptcy is worse than its prevention. This determines the relevance of the anti-crisis management of enterprises. Anti-crisis management, if compared to corporate governance under normal conditions, is less researched into, just as are its specific methods and measures. In view of the features of anti-crisis management, compared with ordinary corporate governance, it may be claimed that it must carve its own 'niche' in the theory and practice of corporate (including financial) governance.

A study of the theoretical framework of anti-crisis management looks like having been commissioned by practitioners, given the fact that the need for enterprise anti-crisis management is observed not only in developing economies, but also in developed market economies. A special role in anti-crisis management is played by the area of financial management responsible for flows of funds and decision-making. Consolidation of financial management and control is vital for any enterprise, especially those found in a crisis situation. This article aims at analysing various approaches to this issue: the author presents an interpretation of the concept of anti-crisis management, its principles and stages, and the main methods of enterprise anti-crisis management. The main method used is a theoretical analysis of the issue based on conclusions and arguments presented in papers of foreign and Lithuanian researchers, and a generalisation of the content of anti-crisis management of an enterprise has been carried out.

2. Concept of anti-crisis management

Increased attention has recently been paid to anti-crisis management both in scientific literature and in practice. Some authors view enterprise anti-crisis management as enterprise management under the conditions of a general economic crisis, others – enterprise management on the eve of bankruptcy and yet others link the concept of anti-crisis management with the activities of the administrator within the framework of restructuring or even bankruptcy legal proceedings (Grant 2003; Brigham, Daves 2004; Altman, Hotchkiss 2006; De Pamphilis 2010; Aleksandrov 2010; Radionova 2011; Dallas 2012; Fosberg 2012; Baikovs, Zariņš 2013). Some authors argue that anti-crisis measures should be applied at the time when the financial condition of an enterprise operating in the market becomes critical, and the likelihood of its bankruptcy – real. Such a view ignores diagnostics of bankruptcy threat at the early stage of its occurrence and focuses exclusively on crisis 'treatment'. Some authors focus exclusively on crisis diagnostics and bankruptcy proceedings and completely forget about methods of anti-crisis management. Others argue that in anti-crisis management, it is essential to ensure such conditions that financial difficulties could not be of a permanent and stable nature (Goodhart 2006; Baldin *et al.* 2011; Bragg 2012; Brauer 2013; Baikovs, Zariņš 2013; Laužikas, Krasauskas 2013).

Economists describe anti-crisis management as activities intended for an enterprise to overcome a condition when a threat is posed to the functioning of the enterprise, and the enterprise's survival is considered as the main objective (Grant 2003; Korotkova 2009; Brauer 2013; Baikovs, Zariņš 2013; Wahl, Prause 2013). Such activities are characterised by an intensive and expeditious application of certain measures and methods designed to overcome the critical condition of the enterprise. In such cases, the focus is placed on the issues of the situation along with the speedy implementation of targeted measures (De Pamphilis 2010; Sakalas, Virbickaitė 2011). Other authors emphasise the positive liberating aspect of the crisis, when the use of certain instruments allows to predict the approaching breakeven point and to change the emerging unfavourable situation (Brigham, Daves 2004; Baldin *et al.* 2011; Baikovs, Zariņš 2013). Anti-crisis management places a particularly strong emphasis on the role of the time parameter (Dallas 2012; Brauer 2013; Baikovs, Zariņš 2013). According to it, the development and implementation of the measures intended for mitigation and overcoming of the crisis can be regarded as anti-crisis management in a narrow sense or in the short term. The cases when these measures are the measures of crisis 'prevention and therapy' can be seen as anti-crisis management in a broad sense or in the long term.

In scientific literature, anti-crisis management is treated as the use of radical measures in order to survive (Ginevičius *et al.* 2005; Aleksandrov 2010). It should be noted that economics literature does not always use the term 'anti-crisis management'. Problems and their solutions are often described by providing methods intended to overcome the insolvency of an enterprise or to avoid its bankruptcy, rather than naming the process. Other authors focus in the anti-crisis management process on the relevance of assessment of the enterprise's financial condition and propose using for this purpose bankruptcy prediction models (Altman, Hotchkiss 2006; Huang *et al.* 2008;

Mackevičius 2008; Mackevičius, Valkauskas 2010). The issue of anti-crisis management problem is most often primarily associated with the assessment of enterprises' financial condition (Tvaronavičienė 2001; Grigaravičius 2003; Mackevičius 2008; Bivainis, Garškaitė-Milvydienė 2011; Mažintienė, Burkšaitienė 2012; Baikovs, Zariņš 2013). Most authors supports the systemic treatment of enterprise anti-crisis management when anti-crisis management is viewed as a set of actions from the assessment of an enterprise's financial condition to the use of the methods of stabilisation or improvement of its condition.

While scientific literature examines a complex of actions which includes actions ranging from the identification of an enterprise's crisis to the application of methods of overcoming the crisis, the concept 'enterprise restructuring' is mentioned most frequently. The concept of enterprise anti-crisis management is associated with the concept of enterprise restructuring, because the processes pursue nearly the same goals of ensuring that an enterprise overcomes the crisis and survives and continues its successful operation. In scientific literature, enterprise restructuring is treated as actions of an enterprise designed to overcome a greater or lesser crisis, to restore the enterprise's operations and to increase their efficiency. Restructuring is also referred to as the totality of measures of corporate governance and transformation measures intended to obtain a synergy effect (Aleksandrov 2010; Brauer 2013; Wahl, Prause 2013). Others link restructuring to the rationalisation of an enterprise's activities in order to enhance the enterprise's competitiveness, to adapt to the changing environment and to increase the value of the enterprise (Ginevičius *et al.* 2005; Sabonienė 2007; De Pamphilis 2010). The Lithuanian law describes restructuring of enterprises (Enterprises Restructuring Law of the Republic of Lithuania 2001) as a resolution of insolvency issues. Restructuring allows enterprises to adapt to conditions of the market economy, operate profitably and be capable of competing at the national and international levels.

To summarise the mentioned concepts, it may be claimed that both enterprise anti-crisis management and restructuring are a whole complex of certain mutually interacting factors. In particular, enterprise restructuring is a variety of actions aimed at restoring an enterprise's operations and solvency, while anti-crisis management is a complex of actions ranging from the enterprise's financial condition diagnostics to the development and implementation of specific measures designed to improve the condition or to overcome the crisis. In such a way, anti-crisis management is a broader corporate governance system which is of a complex, or systemic, nature and focuses on ensuring a timely detection and prevention of the phenomena which adversely affect business and maintaining and improving the enterprise's position in the market subject to the development and implementation in the enterprise of a specific strategic programme.

3. Principles of anti-crisis management

Enterprise anti-crisis management is a system that includes the application of methods diagnosing enterprise bankruptcy threat and the implementation of measures overcoming the crisis (Grant 2003; Brigham, Daves 2004; Bivainis, Garškaitė-Milvydienė 2011; Radionova 2011). The essence of such a system is that, when applying the enterprise's bankruptcy threat diagnostics, the critical condition is diagnosed at an early stage, which makes it possible to timely apply targeted anti-crisis measures or to justify the need for relevant restructuring procedures. Enterprises can timely diagnose the threat of bankruptcy, assess the extent of the critical condition, and make appropriate choice of measures overcoming the critical condition if in their activities the enterprises rely on the main principles of anti-crisis management (Grant 2003; Brigham, Daves 2004; Aleksandrov 2010; Bragg 2012) (Figure 1). Within the system of enterprise anti-crisis management, one of the key objectives is to periodically perform enterprise bankruptcy threat diagnostics in order to timely identify such threat.

1. Constant readiness to respond to possible disruptions in an enterprise's financial balance. The enterprise's financial condition changes. Possible changes at any stage of the enterprise's life cycle are determined by the enterprise's reaction to changes in the internal and external conditions of economic activities (Juchno, Tvaronavičienė 2004; Stundžienė, Blikienė 2012). Some conditions determine a strong competitive position of the enterprise and its growing market price, while others can lead to a critical condition of the enterprise. Therefore, the enterprise must be constantly prepared for possible disruptions in the enterprise's financial balance.

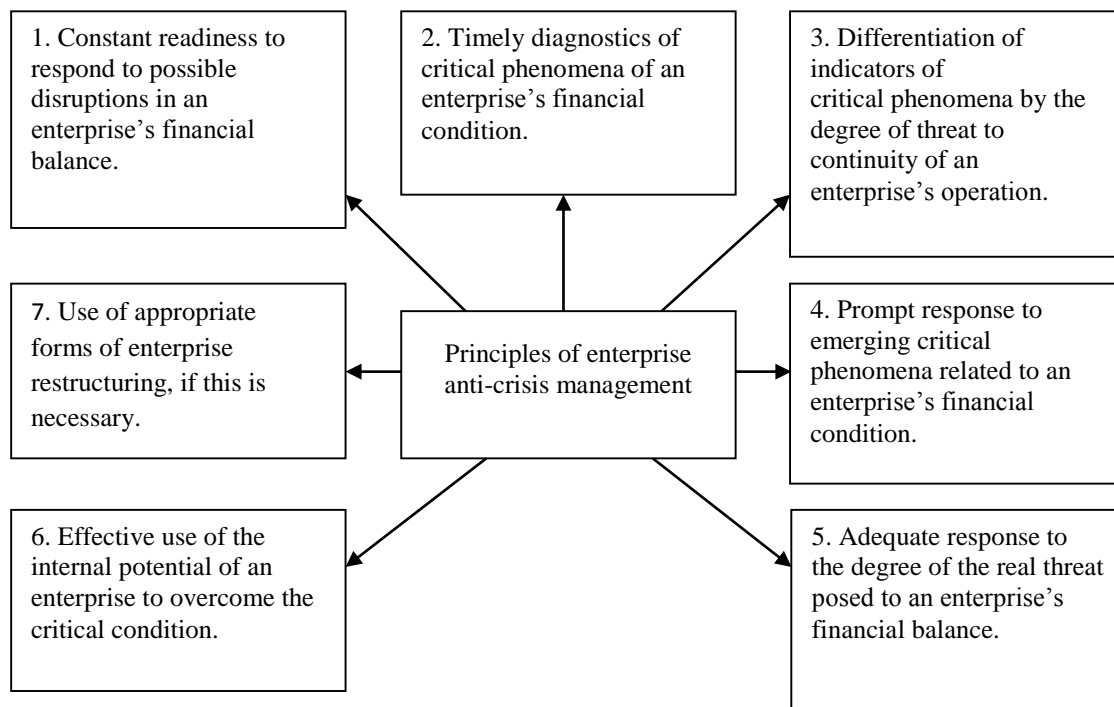


Fig.1. Basic principles of enterprise anti-crisis management

Source: compiled by the author

2. Timely diagnostics of critical phenomena of an enterprise's financial condition. When the threat of bankruptcy arises, the enterprise faces with the highest (catastrophic) financial risk associated with losses incurred by capital holders and creditors. In order to timely use all bankruptcy prevention possibilities, the threat of bankruptcy must be diagnosed at the early stages of the crisis.

3. Differentiation of indicators of critical phenomena by the degree of threat to the continuity of an enterprise's operation. Bankruptcy diagnostics makes use of a number of critical condition indicators. These indicators reflect various aspects of the enterprise's financial condition. Therefore, it is necessary to group the indicators of the critical phenomena by the degree of threat posed to the continuity of the enterprise's operation.

4. Prompt response to individual critical phenomena related to an enterprise's financial condition. Each emerging critical phenomenon tends to develop in every new operation cycle of the enterprise and also leads to new critical phenomena (Grant 2003; Brigham, Daves 2004). Therefore, the sooner anti-crisis management mechanisms are applied to each diagnosed critical phenomenon, the more opportunities will be available to the enterprise to restore the disrupted financial balance.

5. Adequate response to the degree of the real threat posed to an enterprise's financial condition (crisis stage). A system of measures used to prevent an enterprise's bankruptcy, usually linked with financial costs and losses resulting from a reduction in the scope of activities, termination of the implementation of investment projects, etc. The level of such costs and losses directly depends on the relevance of anti-crisis management measures and the scope of their application. The use of individual measures depends on the enterprise's current critical condition and must be commensurate with the degree of the threat of bankruptcy (Brigham, Daves 2004; Aleksandrov 2010). Otherwise, either the desired effect will not be achieved (if measures prove to be insufficient) or the enterprise will incur unreasonably high costs (if the measures prove excessive for the degree of the threat of bankruptcy).

6. Effective use of the internal potential of an enterprise to overcome the critical condition. The threat of an enterprise's bankruptcy can be neutralised by using the enterprise's internal anti-crisis management measures, i.e., by using the enterprise's financial resources. In such a manner, the enterprise can avoid restructuring (external measures). Especially in the early stages of the crisis, the enterprise has a possibility of making effective use of internal financial resources.

7. Use of appropriate forms of enterprise restructuring, if this is necessary. If the threat of bankruptcy is diagnosed only in the late stage of the crisis and is very high and internal measures of enterprise anti-crisis management prove

incapable of restoring an enterprise's financial balance, the enterprise must initiate restructuring and select the most appropriate form of such restructuring (Grant 2003; Brigham, Daves 2004; Aleksandrov 2010). This measure, designed to prevent imminent bankruptcy, is an extreme one within the framework of enterprise anti-crisis management.

These principles form a basis for the organisation of an enterprise's anti-crisis management. Anti-crisis management is based on the mentioned principles, which distinguish anti-crisis management from ordinary corporate governance.

4. Main stages of anti-crisis management

In order to overcome the critical condition, an enterprise needs, on the basis of the main principles of anti-crisis management, to develop a specific action plan in line with the stages of enterprise anti-crisis management (Grant 2003; Brigham, Daves 2004; Mackevičius 2008; Korotkova 2009; De Pamphilis 2010; Baldin *et al.* 2011; Sakalas, Virbickaitė 2011; Valackienė 2011; Bragg 2012; Ginevičius, Podvieszko 2012; Krušinskas 2013) (Figure 2).

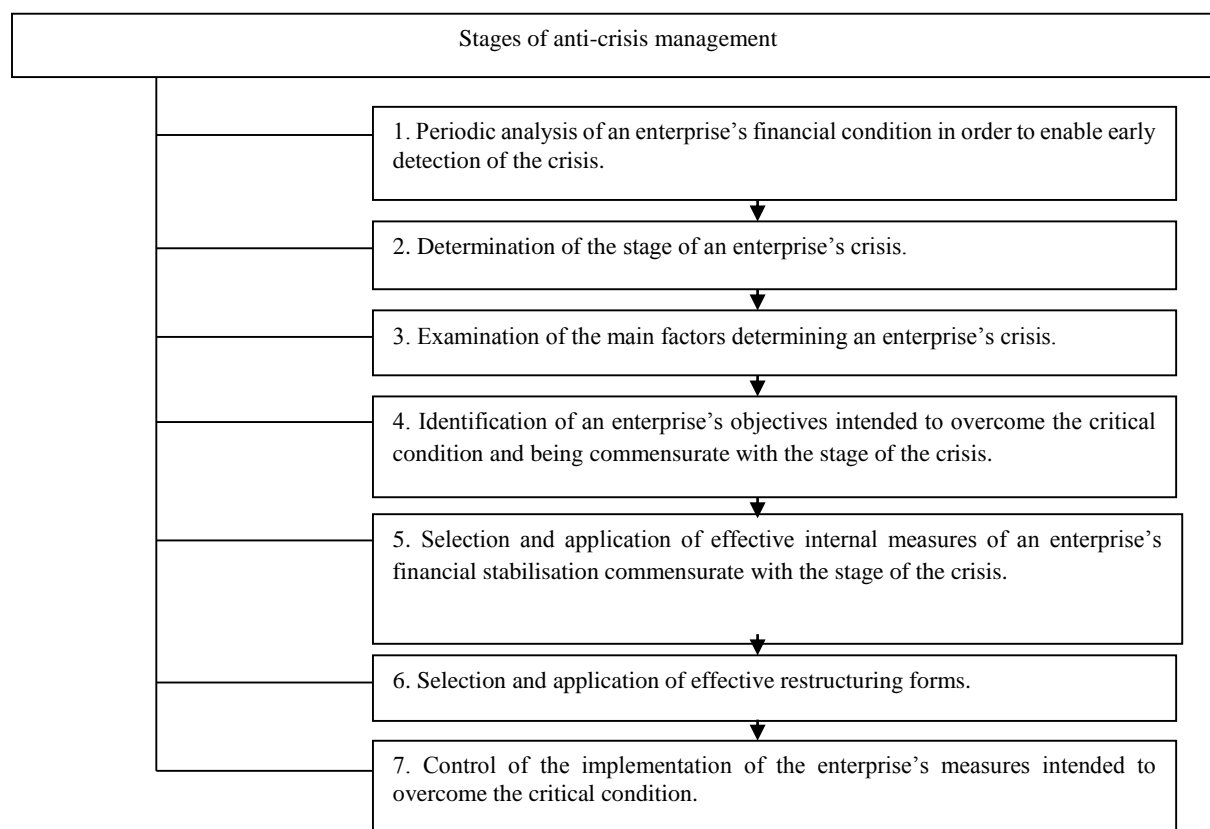


Fig.2. Main stages of enterprise anti-crisis management

Source: compiled by the author

1. Periodic analysis of an enterprise's financial condition in order to enable early detection of a crisis. The system of the analysis of the enterprise's financial condition identifies certain financial indicators (groups of indicators) in respect of the threat of bankruptcy, with their negative changes indicating a greater or lesser threat of bankruptcy (Mackevičius 2008; Korotkova 2009).

2. Determination of the stage of an enterprise's crisis. After performing an analysis and detecting major deviations from the normal financial condition, the established financial strategy and system of standard financial indicators, the extent of the enterprise's critical condition is determined, that is, the stage of the crisis. The determination of the stage of the enterprise's financial crisis by means of appropriate methods of financial analysis allows for the development of a system of the relevant measures intended to prevent bankruptcy.

3. Examination of the main factors determining an enterprise's crisis. To this end, the following tasks need to be performed:

- preliminary grouping of factors according to the key descriptive characteristics;
- analysis of the extent of the impact of individual factors on the scope and nature of the enterprise's critical condition;
- forecasting of the tendencies related to the factors having an adverse effect.

4. Identification of an enterprise's objectives intended to overcome the critical condition and being commensurate with the stage of the crisis. The objectives of the enterprise's anti-crisis management are specified depending on the stage of the enterprise's critical condition. When identifying the objectives, account is taken of the forecasts of trends concerning the main factors affecting the threat of the enterprise's bankruptcy. Considering these conditions, it is possible to identify three principal objectives of the enterprise commensurate with the extent of the enterprise's critical condition (Grant 2003; De Pamphilis 2010; Bragg 2012):

- restoration of the enterprise's solvency;
- restoration of the enterprise's financial stability (with a view to achieving the enterprise's financial balance in the short term);
- change of the enterprise's financial strategy with a view to maintaining the enterprise's continuous economic growth (with a view to achieving the enterprise's financial balance in the long term).

5. Selection and application of effective internal measures of an enterprise's financial stabilisation commensurate with the stage of the crisis. The internal financial stability measures must be prompt and effective and designed to restore the solvency and financial balance of the enterprise using internal resources (Grant 2003; Brigham, Daves 2004; Baldin *et al.* 2011; Dallas 2012).

6. Selection and application of effective restructuring forms. If the critical condition of an enterprise is such that it cannot be overcome using internal financial resources, then the enterprise is forced to look for external assistance – in most cases, it needs to undergo restructuring. The enterprise can be restructured both by instituting restructuring proceedings and without them. The selected form of restructuring must be effective so that, within the shortest possible period of time, it would be possible to restore the enterprise's financial stability and to prevent bankruptcy. The form of restructuring describes the mechanism by means of which its objectives are achieved. The objectives of enterprise restructuring are achieved by implementing certain measures. Forms of restructuring can be selected within the framework of a specific area of restructuring having regard to the characteristics of the enterprise's critical condition. Forms/measures of enterprise restructuring can be divided into two main groups (Grant 2003; Brigham, Daves 2004; Grigaravičius 2003; Ginevičius *et al.* 2005; De Pamphilis 2010; Baldin *et al.* 2011):

- enterprise restructuring which focuses on the refinancing of an enterprise's debt;
- enterprise restructuring which focuses on the transformation of an enterprise (reorganisation, merger, scission).

7. Control of the implementation of an enterprise's measures intended to overcome the critical condition. The results of such control are discussed periodically in order to make the necessary adjustments and to determine the effectiveness of anti-crisis management measures.

5. Assessment of the financial condition of enterprises

The critical factors of the financial condition of enterprises need to be evaluated, and the threat of bankruptcy predicted before the first signs of bankruptcy emerge. Such assessment and prediction of enterprise bankruptcy constitute a framework for enterprise bankruptcy threat diagnostics, which enables to develop and implement a strategy for enterprise anti-crisis financial management (prevention of enterprise bankruptcy). Enterprise bankruptcy threat diagnostics enables to determine a specific economic cause of the potential collapse of enterprises and provide proposals as to how to overcome it. A timely and comprehensive diagnostics of the threat of enterprise bankruptcy can help to prevent bankruptcy, because its results create preconditions for a more effective management of an enterprise's financial resources. Based on the results of the enterprise's bankruptcy threat diagnostics, balanced decisions regarding the enterprise's activities are made, available resources are assessed, trends of their use are determined, and further development of the enterprise is predicted (Grant 2003; Mackevičius 2008; Fosberg 2012). Enterprises with well-organised analytical activities are capable of detecting an imminent crisis at an earlier stage, offering a quicker response and reducing the threat. An analysis of literature

(Brigham, Daves 2004; Goodhart 2006; Mackevičius, Valkauskas 2010; Bivainis, Garškaitė-Milvydienė 2011; Ginevičius, Podvieszko 2011; Bragg 2012; Mažintienė, Burksaitienė 2012; Krušinskas 2013; Valkauskas 2013 and etc.) shows that in solving this problem, a consistent enterprise bankruptcy threat diagnostic system is required, which would make it possible to comprehensively assess the enterprise's financial condition. An enterprise bankruptcy threat diagnostic system is a retrospective, present-day oriented and prospective study of an enterprise's activities that consists of the assessment of the enterprise's financial condition. Based on the assessment, critical factors of the enterprise's activities determining the enterprise's crisis or bankruptcy, as well as the extent of the enterprise's crisis and possibilities of overcoming the crisis of the enterprise are identified (Ginevičius *et al.* 2005; Aleksandrov 2010; Dallas 2012). Depending on goals and the methods employed, enterprise bankruptcy threat diagnostics can be of the following types: express enterprise bankruptcy threat diagnostics or comprehensive enterprise bankruptcy threat diagnostics.

5.1. Express enterprise bankruptcy threat diagnostics

Express enterprise bankruptcy threat diagnostics is a targeted financial analysis performed using data of financial statements of enterprises and corresponding standard algorithms of analysis. The main goal of express enterprise bankruptcy threat diagnostics is to determine in advance the critical factors of enterprises' activities and to assess the gravity of the critical condition of the enterprises.

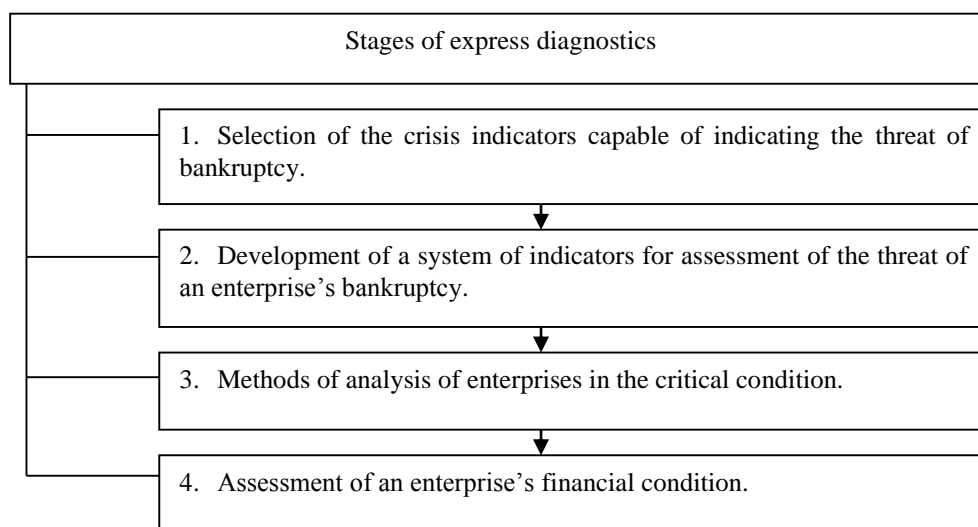


Fig.3. Main stages of express enterprise bankruptcy threat diagnostics

Source: compiled by the author

Express bankruptcy threat diagnostics consists of four main stages (Bernstein 2000; Brigham, Daves 2004; Altman, Hotchkiss 2006; Juozaitienė 2008; Korotkova 2009; Bragg 2012; Fosberg 2012) (Figure 3).

1. Selection of the crisis indicators capable of indicating the threat of bankruptcy. Under present-day economic conditions, virtually all factors of an enterprise's financial condition can lead to the threat of bankruptcy. Therefore, the crisis indicators subject to an analysis must include the key items which may reflect the threat of the enterprise's bankruptcy. Potential indicators of the enterprise's crisis (Huang *et al.* 2008; Mackevičius 2008, Fosberg 2012) are presented in Figure 4.

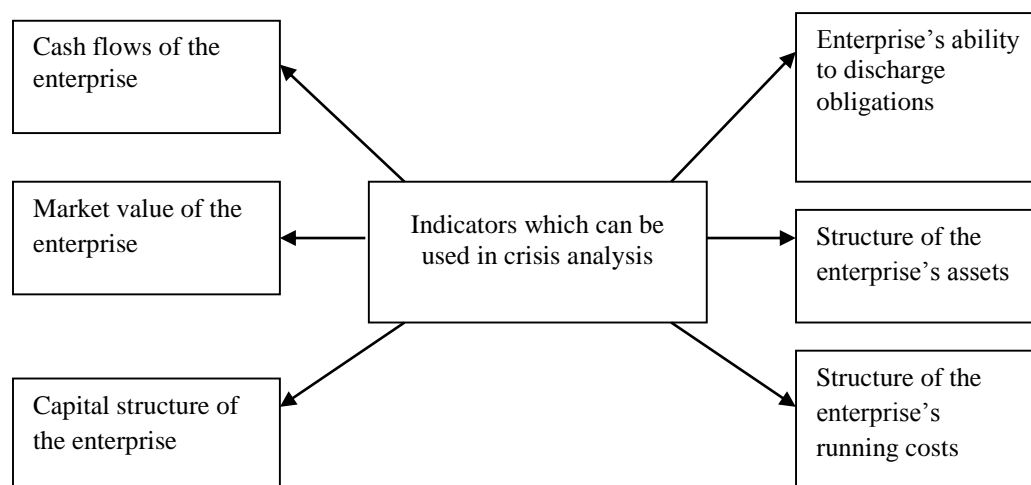


Fig.4. Indicators which can be used in enterprise crisis analysis

Source: compiled by the author

2. Development of a system of indicators for assessment of the threat of an enterprise's bankruptcy. The system of such indicators is developed based on each object of the crisis analysis. All indicators can be divided into absolute (expressed in absolute terms) and relative (expressed in relative terms) ones, which are selected for each specified object of the analysis.

3. Methods of analysis of enterprises in the critical condition. This analysis is based on the comparison of actual financial indicators against normative ones and determination of the dynamics of their deviations. The increase in dynamics of negative deviations shows the growth of critical phenomena in relation to an enterprise's financial position and the threat of bankruptcy. For the purposes of the analysis of specific areas of the enterprise's financial condition, the following traditional methods are employed (Mackevičius 2008; Juozaitienė 2008; Vendramin *et al.* 2010; Sakalas, Virbickaitė 2011; Didenko *et al.* 2012; Valkauskas 2013):

- horizontal financial analysis;
- vertical financial analysis;
- comparative financial analysis;
- financial risk analysis;
- integral/structural financial analysis (DuPont model);
- other models of analysis of financial indicators (bankruptcy forecast models).

4. Assessment of an enterprise's financial condition. This assessment is performed using crisis indicators and taking account of the results of the preceding stage. The examination of the objects under analysis allows for description of the extent of the enterprise's critical financial condition. The following stages/extent of the crisis and crisis mitigation measures are usually determined (Grigaravičius 2003; Korotkova 2009; Vendramin *et al.* 2010; Bivainis, Garškaitė-Milvydienė 2011; Sakalas, Virbickaitė 2011; Valkauskas 2013):

1) minor financial crisis (in the event of the enterprise's minor financial crisis, it is necessary to stabilise the enterprise's current financial condition by applying internal measures);

2) severe financial crisis (in the event of the enterprise's severe financial crisis, it is necessary to implement a set of internal and external measures of stabilisation of the enterprise's financial condition);

3) financial catastrophe (in the event of the enterprise's financial catastrophe, it is necessary to apply effective forms of the enterprise's restructuring or to liquidate it).

If necessary, each of these stages can be further differentiated.

A system for express enterprise bankruptcy threat diagnostics enables to identify the signs of a crisis in an enterprise's activities and the degree of gravity of the critical condition. The system has a particularly immense effect when the enterprise experiences only a minor financial crisis. In the event of a more extensive financial crisis, express enterprise bankruptcy threat diagnostics is not sufficient, and a comprehensive enterprise bankruptcy threat diagnostics needs to be performed.

5.2. Comprehensive enterprise bankruptcy threat diagnostics

Comprehensive enterprise bankruptcy threat diagnostics is usually performed in the event of a more extensive financial crisis, which can be determined during the performance of express bankruptcy threat diagnostics (Brigham, Daves 2004; Mackevičius 2008; Baldin *et al.* 2011; Bragg 2012). Comprehensive diagnostics means a system for the assessment of factors of an enterprise's critical condition by means of the methods of financial analysis and forecasting. The key objectives of comprehensive diagnostics are as follows (Bernstein 2000; Brigham, Daves 2004; Gibson 2008; Mackevičius 2008; Sakalas, Virbickaitė 2011; Brauer 2013):

- to revise the results of the assessment of the critical factors of an enterprise's financial condition obtained upon performing express enterprise bankruptcy threat diagnostics;
- to confirm the preliminary assessment of the gravity of an enterprise's critical condition;
- to forecast the development and consequences of individual factors affecting the rise of the threat of enterprise bankruptcy;
- to assess and predict the capabilities of enterprises to neutralise the threat of bankruptcy by using the internal financial potential of enterprises or resorting to external assistance.

The main stages of comprehensive enterprise bankruptcy threat diagnostics (Bernstein 2000; Brigham, Daves 2004; Juozaitienė 2008; Mackevičius 2008; Baldin *et al.* 2011; Valackienė 2011; Bragg 2012) are presented in Figure 5.

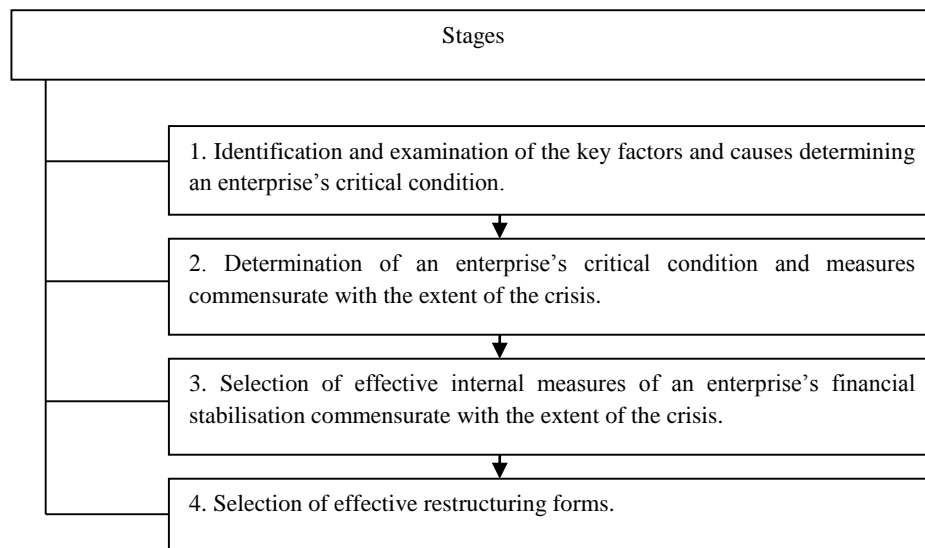


Fig.5. Main stages of comprehensive enterprise bankruptcy threat diagnostics

Source: compiled by the author

1. Identification and examination of the key factors and causes determining an enterprise's critical condition. At this stage, factors are identified and analysed according to their main characteristics. As it has been mentioned above, the factors can be divided into two groups: independent of the enterprise's activities (external factors) and dependent on the enterprise's activities (internal factors) (Juchno, Tvaronavičienė 2004; Ginevicius *et al.* 2005; Stundžienė, Blikienė 2012). The analysis of the extent of the impact of individual factors on the enterprise's critical condition allows to predict their negative trends, as negative changes in internal and external factors can be the cause of financial difficulties among enterprises, such as insolvency or even bankruptcy (Baldin *et al.* 2011; Brauer 2013). At the stage, the extent of the adverse impact of specific factors on an enterprise's financial condition is determined using the following methods (Bernstein 2000; Brigham, Daves 2004; Mackevičius 2008; Juozaitienė 2008; Giriūnas *et al.* 2013):

- SWOT analysis. The SWOT analysis considers the enterprise's strengths and weaknesses in relation to specific factors;

- comprehensive analysis of financial coefficients. This analysis expands the number of crisis indicators, as a number of additional financial indicators are examined with a view to ensuring the comprehensiveness of the assessment of the enterprise's condition;

- correlation analysis. This method is employed in order to determine the degree of the impact of individual factors on the enterprise's critical condition. The extent of such impact can be expressed using one or more factor regression models. The examination of the results allows for categorisation of the individual factors according to the degree of their negative impact on the financial condition of the enterprise;

- other financial and non-financial methods.

2. Determination of an enterprise's critical condition and measures commensurate with the extent of the crisis. Measures of overcoming the enterprise's critical condition are described in detail depending on the extent of the enterprise's crisis, with account taken of the trends and forecasts concerning the key factors affecting the threat of bankruptcy (Grigaravičius 2003; Korotkova 2009; Vendramin *et al.* 2010; Bivainis, Garškaitė-Milvydienė 2011). Having regard to these conditions, it is possible to identify three principal ways of responding to the crisis which would be commensurate with the extent of the enterprise's crisis: restoration of the enterprise's solvency; restoration of the enterprise's financial stability (to achieve the enterprise's financial balance in the short term); modification of the enterprise's financial strategy in order to maintain the enterprise's economic growth (to achieve the enterprise's financial balance in the long run).

3. Selection of effective internal measures of an enterprise's financial stabilisation commensurate with the extent of the crisis. Internal financial stability measures must ensure prompt and effective solutions with a view to restoring the enterprise's solvency and financial balance through the use of internal resources. The enterprise's possibilities to neutralise the threat of bankruptcy by using the enterprise's internal financial potential depend on how quickly and to what extent the enterprise can (Brigham, Daves 2004; Mackevičius 2008; Juozaitienė 2008; Dallas 2012; Krušinskas 2013):

- ensure the growth of cash flows;
- reduce total financial liabilities;
- reduce running costs, etc.

The enterprise's possibilities to neutralise the threat of bankruptcy can be assessed by means of the above methods forecasting changes in their coefficients. Internal financial stabilisation measures are based on the consistent application of the models of appropriate management solutions depending on the specific features of the enterprise's economic activity and the scale of the crisis.

4. Selection of effective forms of an enterprise's restructuring. If the extent of the crisis of an enterprise is such that it cannot be overcome by employing internal financial stabilisation measures, then the enterprise is forced to search for external assistance. In such cases, restructuring is usually needed. The selected form of restructuring must be effective so that the enterprise's financial stability could be restored and bankruptcy could be prevented with the shortest possible period of time.

Based on results of comprehensive enterprise bankruptcy threat diagnostics, the extent of the crisis (the actual stage of the crisis) and the method of overcoming an enterprise's critical condition are finally determined (Brigham, Daves 2004; Baldin *et al.* 2011; Bivainis, Garškaitė-Milvydienė 2011; Brauer 2013) (Table 1).

Comprehensive enterprise bankruptcy threat diagnostics allows for obtaining a sufficiently clear view of an enterprise's critical condition in determining the scope of the problem (stage of the crisis) as well as providing for the necessary assistance measures and their implementation. High priority must be given to the implementation of the measures specified/selected for the purpose of overcoming the critical condition of the enterprise and control of its results.

Table 1. Extent of an enterprise's crisis and potential solutions

Threat of bankruptcy based on the results of diagnostics	Stages of an enterprise's crisis	Ways of overcoming an enterprise's critical condition
Possible	Minor financial crisis	Normalisation of current financial activities
High	Severe financial crisis	Use of all internal measures for the purpose of financial stabilisation of an enterprise
Very high	Financial catastrophe	Application of effective forms of restructuring (in the event of a failure – liquidation)

Source: compiled by the author

A timely and comprehensive diagnostics of bankruptcy threat can help to prevent the crisis or even bankruptcy, as it helps to effectively manage an enterprise's financial resources. Based on the results of bankruptcy threat diagnostics, investment and financial decisions are adopted, assessing the resources available the enterprise are assessed, the trends of their use are identified, and forecasts of the further development of the enterprise are developed. The enterprises with well-organised analytical activities can detect the imminent crisis, offer a faster response and reduce its likelihood.

6. Possibilities of overcoming the critical condition of enterprises

The scientific literature examining anti-crisis management and its measures stresses the role and importance of the time factor (Grigaravičius 2003; Aleksandrov 2010; Dallas 2012; Brauer 2013). In this context, the development and implementation of the measures designed to mitigate and overcome a crisis can be regarded as real-time corporate governance in the event of the crisis. Such a situation is characterised by an intense and rapid application of certain measures which could help overcome the critical situation arising in an enterprise.

Attention is focused on the issues typical of such a situation with a view to ensuring prompt implementation of targeted measures. Scientific literature identifies two types of anti-crisis management: reactive anti-crisis management (in the short term) and preventive anti-crisis management (in the long term), which are characterised by different measures and procedures for overcoming the crisis (Brigham, Daves 2004; Ginevičius *et al.* 2005; Mackevičius 2008; Baldin *et al.* 2011; Dallas 2012). In the opinion of other authors, the anti-crisis measures used by enterprises depend on a pre-defined concept of overcoming of a crisis. When developing the concept of overcoming of an enterprise's crisis, approach to the crisis is of much importance. Two approaches to crisis prevail (Sakalas, Savanevičienė 2003; Aleksandrov 2010; Radionova 2011; Valackienė 2012; Brauer 2013):

- focus on survival (which corresponds to reactive anti-crisis management);
- focus on a new condition, renewal (which corresponds to preventive anti-crisis management).

Reactive anti-crisis management (Figure 6) stands for the planning and implementation of certain measures aimed at restoring an enterprise's solvency and normal functioning in order to bring back, within the shortest possible time, the pre-crisis financial condition of the enterprise. The lack of time, caused by the negative consequences of delay, forces the enterprise to limit itself to basic measures, without linking them with the enterprise's strategic goals and objectives.

When considering the approach according to which *the focus is on survival*, the crisis is perceived as a threat and assumption of collapse (Grant 2003; Brigham, Daves 2004; Valackienė 2012; Dallas 2012). Such a negative perspective of the crisis determines the choice of appropriate measures intended to restore the enterprise's pre-crisis condition.

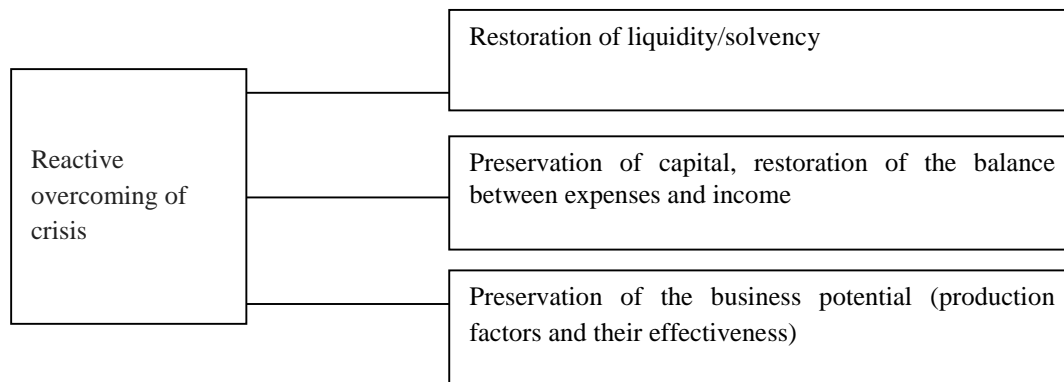


Fig.6. Components of reactive anti-crisis management

Source: compiled by the author

Preventive anti-crisis management (Figure 7) stands for the determination and implementation of a totality of the long-term goals of an enterprise and the objectives and measures intended to implement such goals in order to maintain the financial stability of the enterprise for a long period of time. When considering the approach according to which *the focus is on a new condition (renewal)*, the crisis is perceived as the necessity of renewal, transformation of the enterprise's strategy, elimination of irrational factors, and substantiation the goals and the actions aimed at implementing them (Grant 2003; Brigham, Daves 2004; Valackienė 2012; Brauer 2013). The measures used for this purpose are treated as positive changes in an enterprise's strategy, rather than a means of combating the crisis.

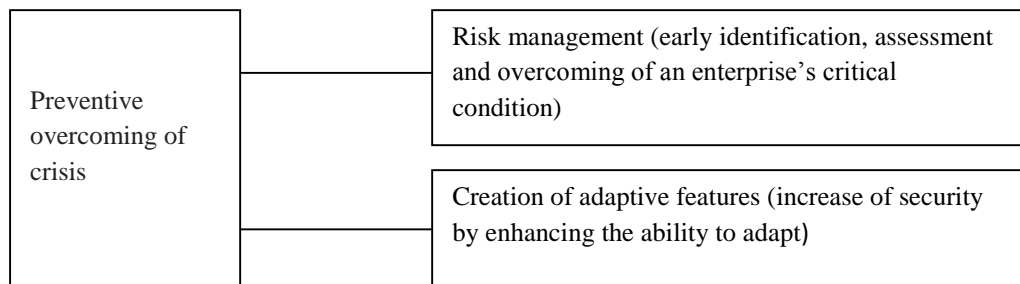


Fig.7. Components of preventive anti-crisis management

Source: compiled by the author

Practice shows that when enterprises find themselves in a critical condition, the owners of the enterprises undertake different actions. Sometimes, the owners seek to sell an enterprise in whole or in certain parts. In other cases, the owners of the enterprise attempt to develop and implement an effective anti-crisis programme providing for a complex of measures to effectively restore the functioning of the enterprise. Various aspects of the treatment of enterprise anti-crisis management and potential different approaches to the crisis create the need to focus on different anti-crisis management measures (Grant 2003; Brigham, Daves 2004; Ginevičius *et al.* 2005; Korotkova 2009; Aleksandrov 2010; Fosberg 2012; Ginevičius, Podvieszko 2012; Valackienė 2012; Brauer 2013). They can be of a quantitative or qualitative character or some combination of both of these characters. In scientific literature, anti-crisis management measures are often associated with the content of changes, for example, five types of changes in the activities of enterprises are often distinguished (Figure 8) (Grant 2003; Brigham, Daves 2004; Ginevičius *et al.* 2005; Mackevičius 2008; Korotkova 2009; Aleksandrov 2010; Fosberg 2012; Brauer 2013).

First type – increase or decrease, i.e. quantitative changes without qualitative transformations. Most heads of enterprises focus on a fall in demand and accordingly – a decrease in sales. They perceive quantitative changes as the solution of such a situation and do not provide in their decisions for any qualitative changes in an enterprise's

activities. According to the economic theory, the minimum breakeven production volume can be calculated depending on the ratio of fixed costs to variable costs and output prices. The use of traditional methods of cost reduction (for example, reduction of the number of employees, renting unused premises, etc.) can change the breakeven point within certain limits, i.e. increase profitability of production by reducing production costs without qualitative changes: without changing the nature of activities, ways of implementation, etc. The outcome may in some cases improve the enterprise's financial condition in the short term so that it would be possible to implement qualitative changes at a later stage, when the enterprise no longer is in the critical condition (Ginevičius *et al.* 2005).

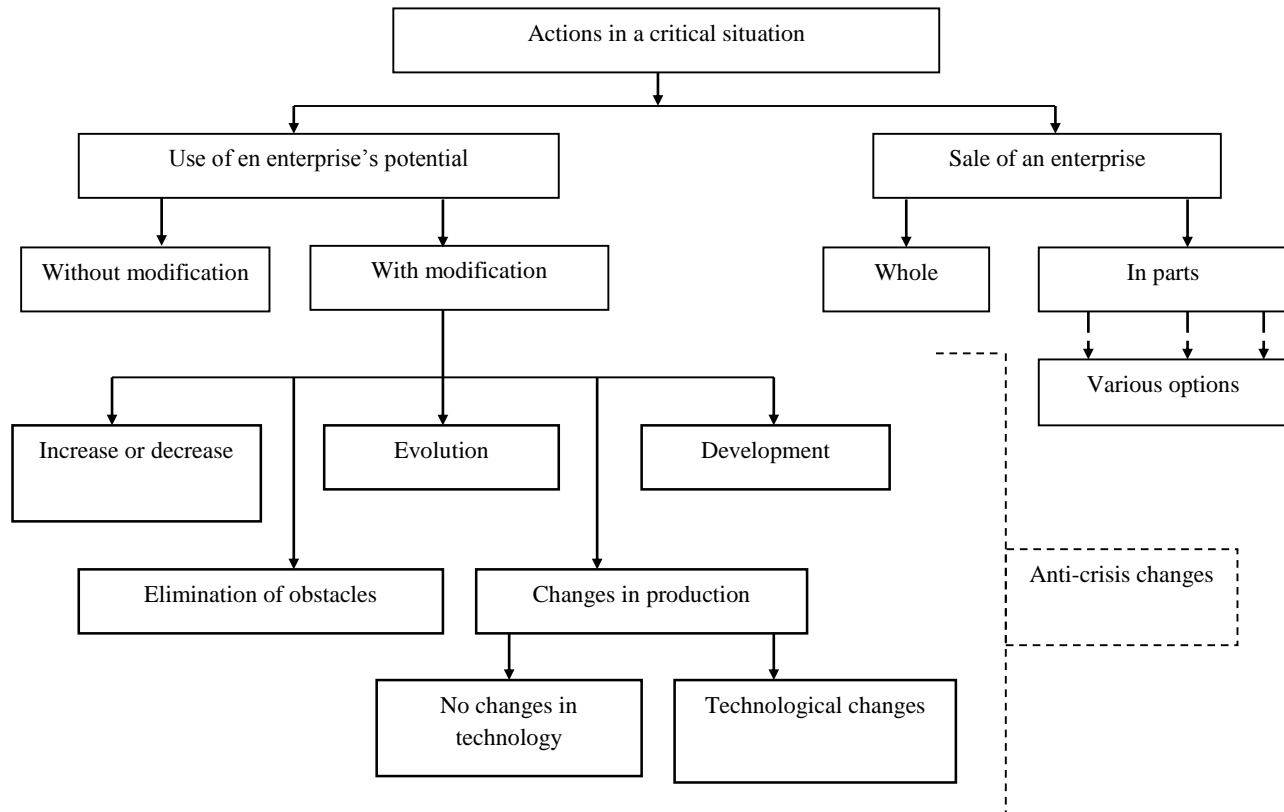


Fig.8. Available types of anti-crisis changes in enterprises' activities

Source: compiled by the author

Second type – elimination of obstacles. It is most often used in the situations which are characterised by financial problems of a temporary nature caused by unforeseen factors. Such factors can be internal or external (Ginevičius *et al.* 2005; Mackevičius 2008, 2011; Korotkova 2009; Radionova 2011; Brauer 2013). Elimination of obstacles is a traditional management measure which creates preconditions for the restoration of the normal functioning of an enterprise, at least for a certain period of time. The content of this type, just as the first type of changes, is quite simple, and in practice stereotypical solutions have been formed.

Third type – evolution, i.e. qualitative changes taking place due to natural causes, such as the creative activity of employees, rather than through the active intervention of managers. Evolution is usually more productive in small enterprises, in the early stages of their functioning, when their members have new ideas yet to be implemented and are active without any incentives. When certain activity stereotypes are formed within a team, creative flight gives way to conservatism. The enterprise enters the maturity stage and, if further evolutionary changes face obstacles, the stage of maturity moves to the decline stage, because the formed stereotypes cease to follow changes in the external environment. Among the reasons underlying evolutionary processes, researchers often indicate the physical and moral deterioration of fixed capital, inflation, changes in the market situation, and etc. Most of them can lead to destructive changes. Changes of the three types mentioned above are attractive in that they do not

require major investments. They are most often implemented by using available resources, although certain investments are sometimes necessary too.

Fourth type – changes in production. Two key known versions of this type differ in whether the current technological potential is maintained or changed (Grant 2003; Brigham, Daves 2004; Ginevičius *et al.* 2005; Korotkova 2009; Brauer 2013). In the first case, the nature of an enterprise's activities changes by using the existing productive potential. It is recommended to use optimisation methods in order to find the most appropriate areas of activities. It should be noted that design optimisation requires extensive marketing research, improvement of the organisational structure, and qualified management potential. It is necessary to create, within the structure of enterprise management, a professional and influential marketing department closely cooperating with technological departments and capable of affecting the nomenclature and quality of released products and the efficient distribution of the products in the market. This variant is characterised by a shift in the focus of an enterprise from production to the market without any major technological changes taking place.

In the latter case, an enterprise is redesigned by fundamentally changing the production potential. This option requires large investment, radical organisational and management solutions and appropriate personnel training policy. In order to identify effective production change options, it is necessary to develop and assess a number of different projects (assessing the implementation period, the payback period, profitability, etc.).

Fifth type – the development process. Preconditions for this process are created by changes brought about within an enterprise on a positive initiative of the staff (not only top managers, but also other employees) (Brigham, Daves 2004; Ginevičius *et al.* 2005; Aleksandrov 2010; Brauer 2013). The changes are initiated by analysing the situation, the existing business stereotypes, the physical, human, intellectual, financial, energy, and information resources being used and providing for the measures designed to eliminate obstacles and other negative factors. Organisation of the development process is one of the most complex activities requiring concerted action of formal and informal bodies and involvement of specific consultants (experts). It is necessary to develop adaptive elements allowing to adapt to the changing situation and to make economic use of own resources, including investment.

Conclusions

Recently, increasing attention is being given to anti-crisis management. Most authors share the view that anti-crisis management must find its 'niche' in the general theoretical framework of corporate governance, although anti-crisis management itself is treated differently. A systemic treatment of the concept is the most comprehensive one and claims that anti-crisis management is a complex of mutually interacting actions ranging from assessments of an enterprise's financial condition and crisis diagnostics to selection and application of special measures to overcome the critical condition.

The concept of enterprise anti-crisis management is associated with the concept of enterprise restructuring, because these processes pursue nearly the same goals of ensuring that an enterprise overcomes the crisis, survives and continues to operate successfully. Restructuring often means various actions designed to revive an enterprise's activities, restore its solvency and rationalise the enterprise's operations in order to enhance the enterprise's competitiveness and adaptability to changing conditions. The mentioned actions are most frequently associated with a change in economic activities of enterprises, improvement of the organisation of operations, modernisation of production, sales of an enterprise's assets or a part of the assets, taking over of other enterprises' assets by way of merger or splitting, changes in the amount of the enterprise's obligations to its creditors and time limits for discharge of the obligations, and implementation of other technical, economic and organisational measures.

Enterprise anti-crisis management pursues the aim of timely diagnosing the threat of enterprise bankruptcy and the extent of the critical condition and developing and implementing appropriate measures intended to overcome the critical condition of an enterprise and restore its solvency and financial stability. To this end, the enterprise, relying on the main principles of anti-crisis management, develops a specific action plan that meets the stages of the enterprise's anti-crisis management. Anti-crisis management is based on the relevant principles and stages which distinguish anti-crisis management from ordinary corporate governance.

Anti-crisis management is different from corporate governance under normal conditions, when management measures and methods are generally intended to maintain and develop the activities of an enterprise. Anti-crisis

management measures are intended not only to avoid a critical situation, but also to overcome the existing crisis, hence their content and implementation are specific. Enterprise anti-crisis management tolerates certain losses, provided they help to restore the solvency of the enterprise 'today'.

The essence of enterprise anti-crisis management lies in the development and implementation of a complex of measures. Anti-crisis management measures are developed and implemented primarily using the internal capabilities of an enterprise. In the cases when the enterprise's internal resources prove to be insufficient to restore the condition of the enterprise, it is necessary to search for external sources of funding. In general, with a view to developing and implementing anti-crisis management actions intended to eliminate the threat of bankruptcy, normalising the enterprise's economic activities and financial condition, the measures applied by enterprises depend on the concept of mitigation of the crisis which has been developed in advance: either focusing on survival or focusing on a new condition and renewal.

Both in scientific literature and in practice, it is pointed out that when enterprises find themselves in a critical situation, enterprise anti-crisis measures are different. Anti-crisis management measures may be of a quantitative or qualitative character or a combination of both of such characters. Anti-crisis management measures are often associated in scientific literature with significant changes. In all cases, enterprises attempt to develop and implement an effective anti-crisis programme providing for a complex of measures to restore the effective functioning of the enterprise.

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ENTREPRENEURSHIP AND SUSTAINABILITY ISSUESISSN 2345-0282 (online) <http://jssidoi.org/jesi/aims-and-scope-of-research/>**ENTREPRENEURSHIP AND QUALITY MANAGEMENT****Ivan Litvaj¹, Olga Poniščiaková²**^{1,2} University of Žilina, Univerzitná 1, 10216 Žilina, Slovak RepublicE-mails: ¹ ivan.litvaj@fel.uniza.sk; ² olga.ponisciakova@fpedas.uniza.sk

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Abstract. Quality management at business companies is one of major factors affecting entrepreneurship success, and, ultimately sustainable development of firms, industries and countries. The product quality is today one of the essential and indispensable preconditions of a company's success on the market, the quality of the offered products and services has an irreplaceable position in the industrial practice, the quality has become an entrepreneurial phenomenon. In this contribution we would like to deal with the importance of quality for businesses, and at the same time this article is concerned primarily with the quality management in small and medium-sized businesses, since we think that these issues are not given adequate attention.

Keywords: entrepreneurship, management, quality management, small and medium – sized business, specification

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JEL Classifications: L6

1. Introduction

Quality management at business companies is one of major factors affecting entrepreneurial activities, and, sustainable development of firms, industries and countries (Lankauskienė, Tvaronavičienė 2012; Dudzevičiūtė 2013; Vereskun 2013; Tvaronavičienė 2014; Laužikas, Mokšėckienė. 2013; Laužikas, Krasauskas 2012; Peleckis 2013; Vasiliūnaitė 2014; Wahl, Prause 2013; Prause, Hunke 2014). Since quality is such an important factor, a series of related questions have to be raised and answers discussed.

1. What is quality? How do we define quality? Why do we manage and improve the quality in businesses? These are some of the famous definitions of “quality”: Juran (1998): “Quality means freedom from deficiencies”. Crosby (1979): “Quality means conformance to requirements”. Feigenbaum (1951): “Quality is the totality of features of a product that bears on its ability to satisfy stated or implied needs”. The statement “Quality is defined by the customer” Keiningham (2009) is relevant in the business practice. That is the reason why the product quality is essential to keep the business competitive. According to Nenadál (2008) “Quality is the decisive factor of the stable economic production efficiency of a business – companies with modern systems of quality management show decidedly better long-term results than companies traditionally oriented to indicating the quality through technical control.”

2. Small and medium-sized businesses, specifications for quality management in small and medium-sized businesses, solutions for quality management in small and medium-sized businesses.

Small and medium-sized businesses are the backbone of the Slovak economy, as it is in other countries with a developed market economy. Systematic improvement of the entrepreneurial environment is an important precondition of the entrepreneurial sector development. The small and medium-sized business sector provides 72.2 per cent of the active manpower with job opportunities in the Slovak enterprise economy, and generates 55.6 per cent in the added value. Quality is planned, ensured, managed and improved through the quality management system (QMS). The QMS is a management system to manage a business with respect to quality. The quality management system has to be understood as a way of reaching the goal, i.e. satisfied customers as well as all the other interested parties. The quality management system has to be functional and effective (which also applies to small and medium-sized businesses) – that is the condition of a company's orientation to the customer and the condition of the company being competitive. The process of meeting customer's needs is carried out through processes performed in a business, and at the same time the product must comply with legislative requirements. The key point is to meet the basic requirements placed on the effective quality management system.

The basic requirements placed on the effective quality management system in small and medium-sized businesses are as follows:

- To define needs and expectations of both the customer and the interested parties - to set the policy and quality goals in the business - to define and obtain necessary sources with respect to quality goals - to define the methods to measure the effectiveness and efficiency of each process.
- To define prevention means in case of disaccord and the consequent troubleshooting - to define and use the process to improve the existing quality management system.

Small and medium-sized businesses, due to their characteristics, differ from large-sized businesses (some of the differences are described in Tables 1 and 2). Naturally, this has a great influence on the quality management in such businesses. The basic activities that small and medium-sized businesses carry out to develop and introduce an effective quality management system can be summed up as follows:

- Detailed description of the quality manager's duties has to be defined /it is divided into the description of activities before the introduction of the quality management system, during the introduction and after the QMS certification; at the same time the responsibilities and duties of every member of the quality committee have to be strictly defined.
- The quality staff has to be successful, which is possible only under constant, actual, informal and effective support from the top management.
- The goal definition and a detailed scheme of expected results with deadlines for each activity.
- Quality committee meetings /involving the employees, the deputies of the most important departments. All of the quality staff members are internal employees since it is necessary for them to possess good knowledge of work procedures within their business.
- Preparation of internal documentation (the quality manual, operating procedures, work instructions). These documents are prepared by the members of the quality committee under the supervision of the quality manager and with assistance of competent managers of particular departments.
- Possible introduction of the motivation programme is desirable to moderate the presumed reluctance of managers of some departments.
- Each revision of the company organisational structure has to comply with STN (Slovak Technical Norms) EN ISO 9001:2009 (Lakatoš and Aujesky 2004).

3. The third part of our contribution deals exclusively with small-sized businesses and their quality management. Why? Here is the answer - Small-sized businesses have a key importance not only for the Slovak economy but for the European one as well. Small-sized businesses (as well as many medium-sized ones) do not have enough experience in the quality management system, in the need and size of the sources necessary to provide the QMS (financial, material, personnel and information sources), they lack experience and knowledge of basic conceptions of the quality management, of quality management methods, and, last but not least, they lack experience in QMS certification according to ISO norms. Thus a considerable attention has to be paid to the quality management in small-sized businesses.

2. Characteristic features of a small-sized business

Here is an overview of particular characteristics of small-sized businesses. Based on our study of professional literature, and on our knowledge, contacts and personal visits to several small-sized businesses, we identified, analysed and consequently evaluated the gained data from the small-sized business environment.

A small-sized business has its own specific features, some of which are stated in Table 1. Naturally, these features (e.g. a smaller number of employees, accumulation of functions, smaller sources compared to bigger-sized businesses, etc.) influence the quality management system in these businesses.

Table 1. Characteristic features of a small-sized business

Characteristic features of a small-sized business	
-	The requirements for documentation (size, complexity, amount) are lower than in medium-sized businesses.
-	There is a lower professional level of management in a small-sized business, the managers often lack necessary professional knowledge and skills.
-	There is usually a short-termed operative planning in small-sized businesses.
-	The requirements for organisational structure are lower than in larger businesses.
-	There are a smaller number of management levels.
-	The responsibility and authority are exclusively in the hands of the owner, or the manager/managers authorised by the owner.
-	An authoritative approach to staff management.
-	Flexibility, flexible reactions to new market impulses.
-	Communication, communication technologies. In large-sized businesses, due to their size and number of staff, communication is also performed by communication technologies. Small-sized businesses do not necessarily use communication technologies; direct, personal communication prevails.
-	More informal communication when managing a small-sized business compared to medium and large-sized businesses.
-	Direct motivation, direct manager-client contacts.
-	As the accumulation of functions is typical of small-sized businesses, the human resources management is more challenging.
-	The accumulation of both activities and functions is distinctly higher in small-sized businesses than in other business types.
-	A smaller volume of funds to be used for a small-sized business development.
-	Limited sources to be used for the development of new or innovated products.
-	Large-sized businesses use their own capacities in order to provide the development of products. They collaborate with research and educational institutes on their own research. Small-sized businesses are handicapped by the limited access to sources that they need to finance their own research.
-	Small-sized businesses specialise in specific production, their product portfolio is smaller than the one of medium and large-sized businesses.
-	Small and medium-sized businesses possess better knowledge of the particular region and can adapt better to its conditions and requirements, which may reflect in business success and economic profit.
-	The application of modern technologies is more limited due to their high costs in comparison with medium and large-sized businesses.

Source: author

In Table 1 authors of the article showed some of the characteristic features of small-sized businesses, and their advantages and disadvantages that influence their activities. To sum up, on the one hand, small-sized businesses show flexibility which enables them to flexibly adapt to rapidly-changing entrepreneurial conditions on the market, which is their advantage compared to larger types of businesses. However, on the other hand, they lack necessary sources (financial, material, personnel, and information sources) that a small-sized business needs in order to react promptly and correctly to market changes. Naturally, these facts are also reflected in the quality management in small-sized businesses. The quality management system in small-sized businesses is specific mainly in accumulated responsibilities, competences, decision-making and smaller sources necessary to secure the QMS. The most used model of small-sized business management is as follows: the business is run by one manager – the owner. The other managers are hired. All the competence is in the hands of the owner, who makes decisions both about the strategy and the operative management in the business. The managers as well as the other employees have no, or only limited, chance to comment on these issues. The power is in the hands of a limited group of people.

The orientation of a small-sized business towards the customer is an inevitable precondition of its competitiveness. Many small-sized businesses are well aware of this fact. Small-sized businesses have less formalised, bureaucratic processes, and thus they are able to react promptly and flexibly to customer's needs.

In connection with quality management it is necessary for a small-sized business to ensure:

- Management quality.
- Corporate process quality.
- Product quality.

These three factors are interrelated as I mentioned before – The quality of the product is the customer's priority. Quality is the output from corporate processes which are arranged and run by managers in a certain organisational system.

Table 2. The comparison of characteristic features of the quality management systems in small and large-sized businesses

The comparison of characteristic features of the quality management systems in small and large-sized businesses	
Small-sized businesses	Large-sized businesses
The most used model of small-sized business management is as follows: the business is run by one manager – the owner. The other managers are hired. All the competence is in the hands of the owner. The managers as well as the other employees have no, or only limited, chance to comment on these issues. The power is in the hands of a limited group of people.	The management of a large-sized business is a process in which processes, employees and workplaces are arranged into an optimal organisational structure in order to meet all the needs of both their customers and all the other interested parties. The particular responsibilities and competences are the precondition to meet the set goals.
The quality management system in small-sized businesses is specific mainly in accumulated responsibilities, competences.	Large-sized businesses have detailed processes of the quality management system implementation. They take advantage of disposing of a sufficient number of professionals in each management area. Their staff covers all management systems.
When making decisions about establishing the quality management system, many small-sized businesses have no conception of what is to be ensured (all the necessary sources) to make the system functional.	Large-sized businesses have the necessary sources (financial, personnel, material, information) to ensure the quality management system.
On the one hand, small-sized businesses show flexibility which enables them to flexibly adapt to rapidly-changing entrepreneurial conditions on the market, which is their advantage compared to larger types of businesses. However, on the other hand, they lack sources necessary to promote their own development and to improve all the processes and activities in a small-sized business. They also lack sources to ensure the QMS.	Large-sized businesses gradually meet the set strategy by meeting partial objectives. Compared to small-sized businesses, they are less flexible, which is caused by their size and more complicated management. They have necessary sources to fulfil the business strategy.
Some of the small-sized businesses have become suppliers for larger businesses. However, they have to meet their requirements involving the quality management systems, their certification, etc.	Large-sized businesses are progressive in the implementation and continual improvement of their quality management systems.

Source: author

In Table 2 we present several characteristic features of small-sized businesses and their management. The advantages and disadvantages that influence their quality management activity are presented as well. The small-sized business features are compared with the quality management in large-sized businesses.

Conclusions

In this article we focused on the product quality in the industrial practice. We dealt with the following areas – first of all, we briefly defined quality, its significance. Secondly, we focused on the quality in small and medium-sized businesses, we paid special attention to the quality in small-sized businesses. We described briefly the characteristics of these business types and basic processes of quality management systems in these businesses. If

you want to run your business (which applies both to small and medium-sized businesses) in order to make it flourish and be competitive in the future as well, you have to focus on the customers and meet their needs. Yes, it is true that customers are the driving force behind the success in enterprising, they make demands on products and/or services. The statement applies: 'It is not the customer who needs the enterprise, it is the enterprise that needs the customer. That is why you have to meet their needs better than your competitors. So what are the negative factors and obstacles that influence the quality in practice? What should small and medium-sized businesses avoid? What are the prevention activities in this field? Nowadays, there are a great number of businesses with established as well as certified quality management systems, however, these systems are only formal and thus little effective.

The management of many businesses had their QMS certified, mainly on business grounds, so that they can produce the QMS certificate during business presentations, at business meetings, but they did not understand its actual meaning. The problem is also in the employees. Even though it is necessary to emphasise the following, what is decisive is the approach of the top management to all quality issues. The fact that businesses first focus mainly on product and service quality, and later on, and not simultaneously, on the process quality is what we find a serious problem and the cause of problems with product and service quality. That is why it is necessary to improve processes. As generally known Deming's 85/15 rule says: 85% of a worker's effectiveness is determined by the system he works within, which is in the management's hands, only 15% by his own skill. What often happens in businesses is that neither quality managers nor auditors meet the expectations, and their contributions to the QMS development are lower than one would expect. What is very often emphasised is that we need to change the business culture in order to make the business management successful now and in the future. Nowadays many business employees are not motivated, and they are not able to identify themselves with the business, and neither with the importance of quality for their business. And many times even the managers' behaviour regarding quality management is not exemplary for the staff, rather the opposite.

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ENTREPRENEURSHIP AND SUSTAINABILITY ISSUES

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SUSTAINABLE ENTREPRENEURSHIP: LOCALIZATION, ACQUIRING AND USE OF KNOWLEDGE SOURCES IN COMPETITIVE ORGANIZATION

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Abstract. Sustainable entrepreneurship leading to competitiveness of a company demands implementation of the activities which are focused on creating, transferring and using knowledge for increasing competitiveness by all organizations. It demands the implementation of procedures connected with knowledge management in companies. One of the processes of knowledge management is localization of internal and external sources of knowledge. The goal of this paper is to present the issues related to the identification and accordingly exploitation of internal and external sources of knowledge in both theoretical and practical aspects. In the first part of this article the main internal and external knowledge sources are described as well as the ways of their visualization. The article also presents the results of research which shows what sources of knowledge are the most and least used by workers in organizations. The practical recommendations related to use of knowledge sources are also presented in the article. The procedure for identifying and acquiring knowledge sources which are useful to the organization and its employees is also described. The final part of the article includes conclusions arising from theoretical considerations and results of conducted research.

Keywords: knowledge, knowledge management, knowledge sources, competitiveness of organization, sustainable entrepreneurship

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JEL Classifications: D83, M19, M12

1. Introduction

Knowledge management at organization directly impacts its competitiveness, which could be perceived as outcome of sustainable entrepreneurship. A bulk of literature is devoted to research area of sustainability (e.g. Grybaitė 2011; Tvaronavičienė, Lankauskienė 2011; Stańczyk 2011; Radović Marković 2011; Dudzevičiūtė, Tvaronavičienė 2011; Tvaronavičienė 2012; Dudzevičiūtė 2012; Lankauskienė, Tvaronavičienė 2012; Tvaronavičienė, Grybaitė 2012; Dudzevičiūtė 2013; Vasiliūnaitė 2014; Makštutis *et al.* 2012; Lavrinovich *et al.* 2012; Ercsey 2012; Vosylius *et al.* 2013; Šileika, Bekerytė 2013; Galan–Ladero *et al.* 2013; Laužikas, Mokšėckienė 2013; Giriūnienė 2013; Mačiulis, Tvaronavičienė 2013; Wahl, Prause 2013; Laužikas, Krasauskas 2013; De Alencar, Almeida, H. 2013; Baikovs, A.; Zariņš, I. 2013; Antanavičienė 2014; Tvaronavičienė 2014; Prause, Hunke 2014; Caurkubule, Rubanovskis 2014) and entrepreneurship (Wahl, Prause 2013; Tvaronavičienė 2014; Raišienė, Jonušauskas 2013; Bhati, Manimala 2011; Baikovs, Zariņš 2013; Dudzevičiūtė 2013; Balkienė 2013; Moskvina 2013; Išoraitė 2013; Bileišis 2014). Role of knowledge management the process of building a competitive advantage of sustainable entrepreneurial organization can not be underestimated.

Nowadays constant changes in the organization and its environment lead to the situation when localization of knowledge that is necessary to make decisions and take actions becomes a very difficult process. Limited access to knowledge related to important areas of the organization in many companies, especially large ones, is a common problem. Due to the poor flow of information organizations are not infrequently *reinventing the wheel* even though the right solution is at hand. Therefore transparency of knowledge, which allow workers to reach the required knowledge and use it in the activities should be considered one of the fundamental determinants of the effectiveness of knowledge management. Greater transparency of knowledge also enables to determine existing knowledge gaps and make decisions about ways of their elimination by knowledge acquiring and/or developing. To achieve the state of knowledge transparency in the organization internal and external knowledge sources must be located and presented.

2. Localization of internal and external knowledge sources

Knowledge can be located in or outside the organization and come from various market players (Figure 1). If the employees can indicate where valuable knowledge sources are, then they can reach them and try to exploit in their activities. However, if the employees do not know where such knowledge is located, or access to it is complicated, then many of them resign from its searching.



Fig.1. Groups of market players

Source: based on: (Probst *et al.* 2002: 130)

Knowledge localization is aimed at showing where the sources of knowledge (tacit and explicit, inside and outside the organization) are to enable employees to use them in order to deal with emerging problems. The realization of this process helps to avoid previously made mistakes and long-term seeking for solutions developed in the past, which, however, are not remembered or nobody knows where to look for them. Organizations can use in their activities both internal and external sources of knowledge. Internal sources contain knowledge that is in the possession of the organization and its employees. Current internal knowledge of the organization includes both knowledge that has been developed within the company and knowledge from outside the organization, which has been absorbed in the past and in the unique way combined with the prior knowledge of the company.

The basic internal source of knowledge in every organization is an employees' knowledge stored in their brains, including both their explicit and tacit knowledge. Some pieces of information regarding this knowledge can be found in documentation of human resources department. The superiors, who incessantly observe and assess activities of their subordinates are also in possession of their knowledge. However, about possessed tacit knowledge know only employees themselves. Information about the organization can be found in its various departments. They create annual reports, financial statements, marketing plans, business plans, development plans, investment plans, address lists etc., which are necessary sources of knowledge to make right decisions and take

right actions in the organization (Sopińska, Wachowiak 2006). The sources of internal explicit knowledge are also organizational documents such as: statutes, regulations, instructions, organizational charts, orders, circulars etc. If they contribute to increase the efficiency of the organization's functioning, they also have an impact on its competitive position in the market. Organizational culture is an important internal source of knowledge about values, norms and habits that are acceptable and desired in the organization. IT tools such as internal data bases, network discussion groups, Intranet etc., if appropriately used, can facilitate the process of retrieving sources of internal codified knowledge. It is worth mentioning that transparency of knowledge in the organisation, which facilitates the localization of its sources, involves some potential dangers. Head-hunters seeking candidates for other organizations have a much easier task, it can also lead to situation in which important knowledge leak out of the organization (Probst *et al.* 2002).

Using only internal knowledge sources in the process of building competitive position by the organization is not enough. Nowadays even the most innovative organizations require knowledge from beyond their boundaries when developing their innovations (Rigby, Zook 2002). Knowledge that is created outside the organization is called external knowledge.

External knowledge sources include, inter alia (Probst *et al.* 2002; Tiwana 2003; Figurska 2012):

- clients of the organization - as a source of knowledge about their changing needs, their perception of the company and its products, etc.,
- suppliers - as a source of knowledge about the functioning of other organizations they supply,
- market - providing knowledge about industry trends, new products, activities of competitors, the level of their sales, mergers, new entrances, etc.
- business environment - as a source of knowledge about the directions of economic policy, technologies, changes in society, changes in the law, etc.
- research centres, universities - provide access to information about new technologies and theories, which can shape the capacity of the organization in the long term,
- conferences, seminars, exhibitions - which are a way to verify what competitors are doing and what are the latest innovations in the industry, etc.
- publications - provide the organization with valuable information, which can help in creating new, innovative products, etc.,
- consulting firms - as a source of information in various fields, such as those related to taxes, finances, strategic management, etc.
- knowledge brokers - who can locate the knowledge needed to customers, allowing to carry out a transaction (e.g. providing information on potential partners for joint ventures),
- market research agencies - as a source of knowledge about the results of the market research,
- business competitors - as a source of knowledge about competitive products or services, their growth strategies, etc.,
- politicians - providing information on economic policies etc.,
- media - bringing information on issues that may be important for the functioning of the organization, such as on the actions taken by the government,
- Internet - being today the most common, though not always reliable, the source of information on many different topics,
- best practices – as a source of information about solutions bringing certain benefits, proven in different parts of the organization (units, departments) or in other companies,
- informal contacts of employees.

Not all companies appreciate the importance of information and knowledge derived from external sources. In some of them employees even defend themselves against the inflow of knowledge from the widely understood environment of the organization. New sources of knowledge are often ignored, underestimated or overlooked, and the employees choose those of incoming information, that suit their views. On the other hand, not all aforementioned external knowledge sources are equally important to the organization. Thus it is worth using only those sources which provide the organization with knowledge that reflects its needs as well as nurture relations

which enable employees to access these important sources of knowledge.

Tremendous amount of information derived from different sources that access organization makes it more and more difficult to differentiate which pieces of information are valuable and which are not. That is why presentation (visualisation) of knowledge sources is becoming more and more significant process. It enables members of the organization to locate important knowledge. *“The emerging field of knowledge visualization examines the use of visual representations to improve the management of knowledge on all levels (personal, interpersonal, team, organizational, inter-organizational, and societal). (...) Beyond the mere transport of information or facts, people who employ knowledge visualization aim to create, assess, reference or transfer insights, experiences, attitudes, values, expectations, perspectives, opinions and predictions, and this in a way that enables someone else to re-construct, remember, find or apply these insights correctly”* (Eppler, Burkhard 2007).

The most popular methods of visualizing knowledge sources are:

- address books, which include specific categories of data that concerns the members of the organization and/or external experts that cooperate with the organization,
- communication networks which identify who and when the employees refer to when their own knowledge is insufficient to make a decision or solve a problem,
- metaphors, which provide *“(...) the path from the understanding of something familiar to something new by carrying elements of understanding from the mastered subject to a new domain”* (Eppler, Burkhard 2007),
- knowledge maps which show graphically mutual relations among the intellectual assets existing in the organization, sources of knowledge and its application. Knowledge maps systematize constantly increasing sources of knowledge, improve the transparency of knowledge structure, accessibility to its sources as well as expand the context in which knowledge appears (Eppler 2004; Pepper 1999; Wachowiak 2009).

These briefly described tools facilitate the localization of knowledge and getting to its valuable sources. However, if the process is to proceed efficiently, a person must be appointed to take responsibility for it.

3. Acquiring knowledge from external sources

Organization that does not have the knowledge necessary to make specific decisions and take specific actions can acquire it from the environment. In the case of external sources of knowledge the possibility of their use by the organization depends not only on their proper localization, but also on company's knowledge about methods of acquiring knowledge and skills of their use in practice. Knowledge from some external sources (e.g. Internet, informal contacts) can be acquired at a relatively low cost. Acquiring knowledge, not infrequently, is connected with the necessity of buying it on the knowledge markets (Probst *et al.* 2002). Besides buyers and sellers there are organizations of knowledge brokers on the knowledge markets. Some of them gather knowledge in a specific field, other gather specific information about knowledge possessed by various entities. They are focused on connecting those who need knowledge with those who have it (Kowalczyk, Nogalski 2007).

One of the ways of acquiring knowledge is the employment of new workers that possess desired knowledge. If this process is to be effective a lot of attention must be given to the recruitment and selection of candidates for the job as well as to the creation of transparent and precise criteria of assessment. Knowledge can also be acquired through consulting firms which specialize in specific areas of business activity. Therefore companies gain access to experts' knowledge who are employed there without having to employ them permanently. Organizations can also acquire knowledge from other companies through mergers and takeovers or strategic alliances. Thanks to mergers and takeovers the organizations can grant itself access to new technologies, acquire talented employees, enter new markets for their products etc. As far as strategic alliances are concerned every member of the alliance can compensate their weaknesses using material resources, access to various markets, know-how and capital of other companies (Probst *et al.* 2002). Valuable clients' knowledge can be acquired through personal contacts or market research. Key clients are believed to know weaknesses and strengths of the company's product better than

its creators. While acquiring important for the organization knowledge it is vital to maintain contacts with scientists, research centres and institutions of higher education. These contacts can be of informal nature or they can be realized through joint research projects, sponsoring research, participation of practitioners in scientific conferences etc. (Probst *et al.* 2002). Every employee also acquires knowledge from environment through media, thanks to which they can become acquainted with ideas of people who shape public opinion, learn about new technologies, changes that occur in the local environment etc.

Efficient acquisition of knowledge by organizations can be facilitated by the following: using benchmarking, a system of external training, cooperation with other organizations (internships and apprenticeships), subscription of specialist magazines and business intelligence (Kowalczyk, Nogalski 2007). Knowledge markets have in circulation products connected with knowledge which include the following: intellectual property rights (mainly patents), software, plans, projects, samples, imitating, 'disassembly methods' knowledge carriers - CDs, books, video tapes etc. (Probst *et al.* 2002). One of the frequent problems of knowledge acquisition is the employees' rejection of knowledge that does not come from the organization. New knowledge may undermine their previous perception of reality, which is why they choose not the best solutions but their own even though they are worse than other solutions.

4. The use of internal and external sources of knowledge in the light of the survey results

In 2012 the study was conducted among working people who held at least secondary education. Overall 600 questionnaires were distributed. 484 questionnaires were correctly filled, giving a return of 80,7%. The spatial scope of the survey covered subregion of Słupsk, located in the central part of Middle Pomerania, northern Poland. The subject of the survey was knowledge management in organizations. The purpose of the study was to gain respondents opinions on the subject of knowledge management concept and information on the state of knowledge management in organizations. The study also had a practical purpose, namely the conclusions of the study were used to create a practical model of knowledge management in organizations. One of the questions included in the questionnaire concerned the issue of using internal and external knowledge sources by the respondents.

Table 1. Internal sources of knowledge and their application

No.	Internal sources of knowledge	Average rating		
		Position		Altogether
		Managerial	non-managerial	
1	the closest coworkers	3,31	3,60	3,51
2	employees of other departments	2,66	2,52	2,56
3	Superiors	3,33	3,14	3,19
4	internal instructions, manuals and regulations	3,25	3,01	3,08
5	Intranet	2,66	2,28	2,39
6	internal communication platforms	2,25	1,88	1,99
7	staff meetings (notes)	2,93	2,15	2,37
8	database containing employees' experiences and skills	2,30	1,73	1,89
9	database of reports on tasks and projects	2,22	1,81	1,93
10	documents database segregated by thematic categories	2,40	1,96	2,09
11	service operating as a discussion group	1,97	1,66	1,75

Source: author

As it was stated before, there are a number of internal and external sources, from which employees can draw the knowledge they need to solve problems, make decisions and take actions. To identify sources of knowledge, which they use most frequently, respondents were asked to assign points from 1 to 5 to the sources listed in the question, where 1 point meant: *I don't use this source of knowledge*, and 5 points meant: *I use this source of knowledge very often*. Then, for each source of knowledge an average frequency of its use was calculated.

Considering the internal sources of knowledge (Table 1) respondents most often used the knowledge of their closest coworkers (3,51), superiors (3,19), as well as internal instructions, manuals and regulations (3,08). On the other hand, the rarest among the internal sources used by questionnaire participants were: service operating as a discussion group (1,75), database containing the employees' experiences and skills (1,89), database of reports on tasks and projects (1,93) and internal communication platforms (1,99).

In a situation when the organization's knowledge resources are insufficient to solve a particular problem, make a decision or take action, there are two possible solutions: development of necessary knowledge within organization (which can be a lengthy and expensive process) or taking advantage of external sources of knowledge (Table 2).

Table 2. External knowledge sources and their application

No.	External knowledge sources	Average rating		
		Position		Altogether
		managerial	non-managerial	
1	seminars, conferences	2,78	1,74	2,04
2	Legislation	2,99	2,36	2,54
3	Exhibitions	1,64	1,38	1,45
4	sharing best practices	2,39	1,71	1,91
5	business intelligence	2,03	1,48	1,63
6	external knowledge databases	2,45	2,08	2,19
7	professional publications	2,93	2,45	2,59
8	Customers	2,99	2,52	2,65
9	Suppliers	2,99	2,12	2,37
10	cooperating organizations	2,45	1,94	2,78
11	business competitors	2,61	1,73	1,98
12	informal contacts	2,70	2,12	2,29
13	consulting companies	1,60	1,40	1,46
14	knowledge brokers	1,40	1,23	1,28
15	market research agencies	1,36	1,36	1,36
16	research institutes, universities	1,79	1,49	1,57
17	Politicians	1,55	1,26	1,34
18	Media	2,39	2,24	2,28
19	Internet	3,88	3,64	3,71
20	Patents	1,69	1,50	1,55
21	Software	2,93	2,45	2,58
22	patterns, projects	2,33	2,11	2,17
23	people from outside the organization (potential employees)	2,03	1,79	1,86

Source: author

Considering external knowledge sources, listed in the question, the most commonly used was the Internet (3,71), followed by: cooperating organizations (2,78), customers (2,65), professional publications (2,59), software (2,58) and legislation (2,54). On the other hand the least popular external sources of knowledge among respondents include: knowledge brokers (1,28), politicians (1,34), market research agencies (1,36), exhibitions (1,45) and consulting companies (1,46).

In general, people occupying managerial positions use both internal and external knowledge sources more often. In case of managers the average for all types of internal knowledge sources listed in the question was 2,66 and for external sources – 2,34, while for employees occupying non-managerial positions it was 2,34 and 1,92

respectively. The results of the study explicitly indicate on the fact, that in practice employees use mainly the closest internal sources of knowledge.

5. Internal or external knowledge?

At this point the question arises: which sources of knowledge - internal or external - are more important in terms of their impact on the competitiveness of the organization? A definite answer to this question can not be given. Internal knowledge is developed under the specific needs of a particular organization. When protected against competitors in the industry, internal knowledge can enable the organization to achieve a competitive advantage in the market in the long term. As Loree *et al.* (2011) stated, the organization that originally created the knowledge understands it better and is more likely to realize performance benefits than the organization that acquired it from external sources. However, the development of internal knowledge of the organization usually requires more time than the acquisition of knowledge from external sources. Sometimes this process is also more costly option for the organization.

Organizations which base their competitive advantage on internal knowledge should use all reasonable endeavours to protect it from competitors and to preserve it. In many organizations previously created concepts and solutions fall into oblivion or nobody knows where to find them (Figurska, Próchniak 2013). Employees who leave the organization take their tacit knowledge with them, which causes knowledge gaps in the organization. Decisions regarding restructuring, reduction, reorganization etc. are made without taking into consideration the fact that valuable knowledge resources can be lost. All these situations show that lack of organizational memory can cause numerous problems for organizations and its members. In order to prevent the loss of organizational memory organizations should be involved in the process of knowledge preservation (Figurska 2012).

Organizations can create innovations not only by creating and using internal knowledge, but also by acquiring external knowledge and applying it to their particular situation. Zack (2005) emphasized that external knowledge is important to firm innovation processes, because:

- integration of external knowledge allows firms to create new knowledge and thus close internal knowledge gaps and external competitive gaps,
- the use of external knowledge avoids the risk of an overreliance on internal knowledge, thus avoiding learning traps.

To acquire and apply external knowledge organizations need to interact with and monitor the environment for sources of external knowledge. Deciding to acquire knowledge from external sources one should take into account (Loree *et al.* 2011):

- a) risk that relates primarily to assimilating that knowledge either improperly or inadequately,
- b) costs of:
 - scouting the environment and searching for appropriate knowledge the organization can use,
 - bargaining and evaluating the pros and cons of each technology developed outside the organization,
 - monitoring an enforcing the agreements organizations made with other companies that are related to acquiring the knowledge they find useful.

According to the authors mentioned above, acquiring external knowledge by the organization might provide competitive parity but not competitive advantage, because competitors can often acquire the same knowledge just as easily. To identify the impact of the external knowledge acquisition and use on the organizations' performance, they carried out a research, which results indicate that (Loree *et al.* 2011):

- organizations that use external knowledge extensively while simultaneously implementing new-product market entries benefit much less from external knowledge than companies that make fewer new-product market entries,

- organizations with a higher absorptive capacity, which is understood as a fundamental learning process related to a company's ability to acquire and apply knowledge, can use external knowledge effectively and realize expected performance benefits.

It is also worth remembering that knowledge acquired from the environment is strongly dependent on the context in which it is used, therefore, transferring it from one organization to another may decrease the possibility of its further and effective use. These conclusions show that the use of knowledge from external sources not always brings the organization expected benefits. On the other hand, the use of internal knowledge solely decreases ability of the organization to exploit opportunities and to counter threats emerging in the environment. The fact that organizations conduct both internal and external knowledge acquisition activities simultaneously suggests that these activities are complementary, i.e., the marginal return to one activity increases as the intensity of the others increases (Cassiman, Veugelers 2006). Both types of knowledge sources are important for the company because they are mutually interdependent and complementary learning processes.

6. Procedure of identification and exploitation of knowledge sources

The fact, that in practice employees use mainly the closest internal sources of knowledge, can be caused by various factors, such as:

- lack of some of the knowledge sources available,
- restricted access to the selected knowledge sources,
- lack of information on knowledge sources available for employees,
- slight informational usefulness of the knowledge sources,
- lack of motivation for using the knowledge sources.

Identification of above-mentioned barriers to the use of knowledge sources is the first step on the way to their liquidation. Application of procedure presented in figure 2 may help in this process.

First of all one information requirements of employees should be determined. Then one should examine which knowledge sources are available for the employees of the organization. If accessible for the employees' knowledge sources are of high information usefulness and they use them very often – the sources should be further disseminated in the organization. However, if the identified sources of knowledge are not used or are used by the employees hardly ever, it is necessary to discover the causes of that fact in order to overcome identified barriers (e.g. by training courses, changing the organization of work, implementing modern computer tools) and finally - to disseminate these knowledge sources in the organization. If the available for employees' knowledge sources satisfy merely a part of their needs, then on the one hand these sources should be disseminated in the organization and, on the other hand, new and useful knowledge sources should be acquired. In case of identifying that knowledge sources available in the organization are useless for employees, these sources should be no longer used.

However, if the sources which might satisfy employees' information needs were not identified, one should characterize the causes for the lack of their accessibility (i.e. too high implementation related and/or maintenance related costs) and then to make any effort in order to obtain the access to new knowledge sources which are of high information usefulness character.

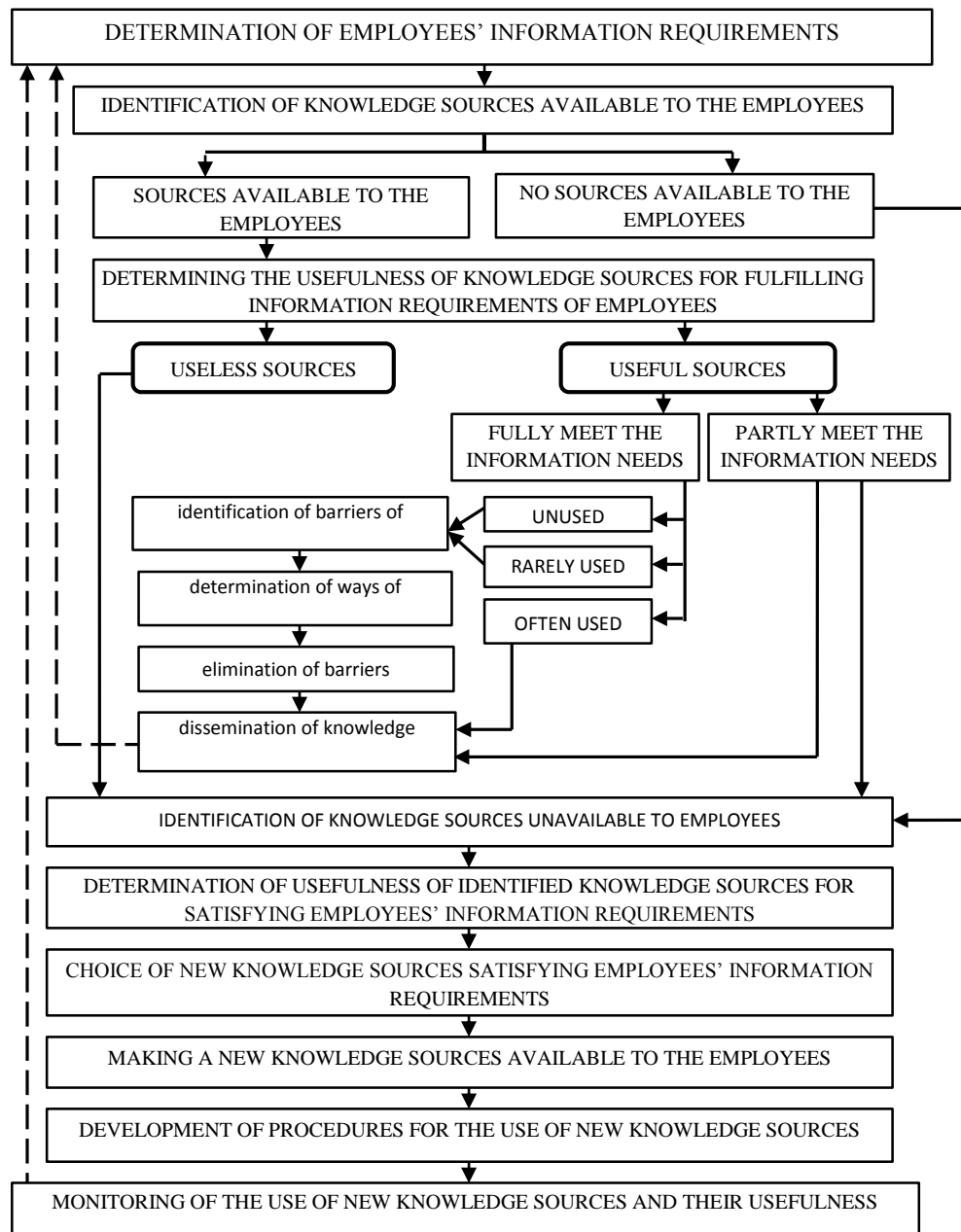


Fig.2. Knowledge sources and their use

Source: author

The process of acquisition new knowledge sources ought to be started with identification of sources unavailable for employees as well as with determining the fact if and to what degree they can satisfy employees' information needs. After that an extensive selection of the best for the organization knowledge sources should be made while taking into account such criteria as: the cost of obtaining them, the financial capability of the organization as far as keeping them up-to-date is concerned, etc. Having chosen and acquired the selected sources of knowledge, one should make them accessible for employees, create procedures governing the use of the sources and then monitor the using as well as the effectiveness of the obtained sources of knowledge.

Conclusions

Knowledge management plays important role in building of competitiveness through sustainable entrepreneurship. There are numerous external and internal sources of knowledge, from which employees might exploit the knowledge that is necessary for solving problems that occur in the organization. On the one hand, the number of sources gives the employees a lot of opportunities. On the other hand, the dispersion of the sources poses a great problems related to finding and selecting the most useful ones. Thus, in organizations that to manage knowledge effectively it is worth devoting one's attention to making the sources of external and internal knowledge more common, that is to creating knowledge transparency in organizations.

It is not possible to determine unambiguously which knowledge - internal or external - is more important for organizations in the context of building their competitive advantage in the market. It depends on many factors – specificity of the organization, their business strategy and knowledge strategy, situation on the market etc. On the one hand, organization can not build its competitive advantage solely on the basis of internal knowledge, because it does not operate in the emptiness and is influenced by a wide variety of economic, political, social and other factors coming from the environment. On the other hand, organizations can not build their competitive advantage based solely on knowledge derived from external sources, as they are also available to other market players. Only a combination of internal company's knowledge with external knowledge in unique, specific to the particular organization way, and then its effective use in everyday activities can allow the organization to gain advantage over competitors.

For many organizations selection of the most appropriate sources of knowledge may be a problem. What is taken into consideration while choosing a given source is its credibility, ability to adjust to the informational needs of an entity and the form it is presented in? Thus it is a key decision what knowledge from external sources should be acquired so that when combined together with current knowledge of the organization it could give the greatest possible synergy effects.

Employees who are expected to use knowledge from different sources should be open to new ideas as well as build and nurture good relations with clients, suppliers and other stakeholders. As confirmed by the results of the research, the easier access to a given source of knowledge the better chance of using this knowledge in various activities for organization and employees' benefit. Therefore managers should secure the access to up-to-date internal and external knowledge sources for the employees and motivate them to use these sources of knowledge.

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SUSTAINABLE ENTREPRENEURSHIP: THE WOLF BUTTERBACK CASE

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Abstract. The overarching goal of strategic management is creating and capturing value for core stakeholders. Strategic audit enables a systematic analysis to be made of various corporate functions and activities. The Wolf ButterBack case is especially designed for using the Wheelen and Hunger (2012) case method, providing the opportunity to move from a narrow, specialized view that emphasizes functional techniques to a broader, less precise analysis of the overall corporation. Its strengths include a real-world orientation and the ability to focus on developing decision-making skills. This case study confirms the importance of value based sustainable entrepreneurship. Sustainable management is an unwritten law at Wolf ButterBack. Their entrepreneurial vision has never only focused on short-term profit maximisation but always on the company's long-term survival. The values that were the heart and soul of the company in that tiny garage in Stein are still valid today: Passion for the highest quality, focus on what is important and sustainable and, above all, closeness to customers. The case study is limited by the lack of financial information; this is typical for family owned firms where statements are delivered only to family members. It is recommended that further research should include evolutionary approaches, which are not explicitly used as a theoretical framework in strategic management, although the evolutionary perspective is consistent with it.

Keywords: case analysis methodology, strategic audit, strategic management, sustainable entrepreneurship, values

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1. Introduction

Strategy is defined as a series of goal-directed plans and activities that align a business's structure (chain of command), culture (beliefs, expectations, norms and values), and resources (tangible and intangible assets, skills, competencies, knowledge e.g. Laužikas, Mokšėckienė 2013; Korsakienė 2013; Tvaronavičienė 2014; Laužikas, Krasauskas 2013; Korsakienė and Tvaronavičienė 2014) with the opportunities and threats in its environment (Wahl, Prause 2013; Tvaronavičienė 2014). Nickerson *et al.* (2012) problem-finding and problem-solving approach considers four activities: problem finding, framing, and formulating; problem solving; solution implementation; and operating implemented solutions, as necessary for creating and capturing value. Strategic audit provides a checklist of questions, by area or issue that enables a systematic analysis to be made of various corporate functions and activities. It forces the student to do a complete strategic analysis as in the comprehensive report, but it is only a three to five-page outline and is thus quick to read and easy to grade. The case method provides the opportunity to move from a narrow, specialized view that emphasizes functional techniques to a broader, less precise analysis of the overall corporation. The most popular as well as the most perceived effective

approach to teaching strategic management is the case method. Its strengths include a real-world orientation and the ability to focus on developing decision-making skills by taking an integrative and conceptual, yet action-oriented approach. The following Wolf ButterBack case is especially designed for using the Wheelen and Hunger (2012) case method in teaching strategic management.

The present paper is organised as follows. Section 2, “The Wolf ButterBack case” begins with historical description from entrepreneurial beginning in a tiny garage, followed by modernising, sustainable growth and internationalisation. Sustainable management and values are the heart and soul of the company until today. Section 3, “Conclusions and recommendations” concludes by describing the main insights.

2. The Wolf ButterBack Case

2.1. It All Began in a Garage

It all started at a meeting between Franconian master baker Erwin Wolf and his former colleague Dagmar Kreis in the summer of 1991. Deep-frozen pastries had already been on the market for several years. Erwin Wolf was of the firm belief that, if they were to do justice to a baker’s product range, these deep-frozen products had to match, if not surpass the taste, appearance and high, hand-crafted quality achieved by a baker. Dagmar Kreis shared this passion and so they joined forces and established a new company named Wolf ButterBack KG.



Fig.1. It all began in a garage

Source: Author’s illustration

The beginnings in the winter of 1991 were modest to the extreme. The duo produced their first pastries in a double garage in Stein (Figure 1), Franconia, in an area of just 50 square metres. The equipment was limited to a kneader, a pastry roller and a small croissant machine. But it was at this crucial time that Erwin Wolf and Dagmar Kreis defined three decisive quality features which have remained at the heart of Wolf ButterBack’s philosophy to this very day: the exclusive use of best pure butter, the careful artisan approach to production and the long resting times to achieve maximum natural freshness and full flavour. Initially, the two pioneers were ridiculed by their competitors, but this did not deter them. The enthusiasm of their customers proved them right. After just one year, they went in search of larger premises to cope with the surge in order volumes. The rapid growth continued unabated with production spreading to three locations in the Nuremberg region by 1999.

2.2. Modernising Into the Future

With further growth on the cards, Erwin Wolf and Dagmar Kreis who was appointed managing director in 1998, decided to invest in the construction of a new facility. On 1 August 2000, Wolf ButterBack moved into its first

privately owned premises in Magazinstraße Fürth, equipped with highly technical production systems, a high-bay warehouse and state-of-the-art equipment. This fast-paced success story was overshadowed by a tragic accident in the summer of 2002. A passionate paraglider Dagmar Kreis, was sadly involved in a paragliding crash and died at the scene. Robbed of his designated successor, Erwin Wolf decided to sell the company in 2004, at the age of 67. After just two years at its new home, the company was already nearing full capacity, making an extension essential. As a result, the founder went in search of a buyer who not only had the necessary financial clout but who would also guarantee the continuation of Wolf ButterBack's unique and very special corporate culture. On 1 January 2004, Wolf ButterBack changed hands and became part of the Martin Braun-Group, whilst founder Erwin Wolf withdrew into a well-earned retirement. Today, he runs a livery stable Müllers Pferdeparadies in Hergatz, whilst following Wolf ButterBack's continued development with both interest and enthusiasm.

In the Martin Braun-Group Wolf found the perfect balance between industrial expertise, financial power and the values of a long established, family-run business. The Martin Braun Group was 1990 taken over by the Oetker-Gruppe (Martin Braun-Gruppe 2013), and incorporated within the food division of the Oetker Group and comprises all the companies in the Oetker Group involved in "large-scale consumer baking". With more than 26,000 employees and sales of roughly EUR 11 billion, the Oetker Group is one of Europe's largest family-owned companies. Dr. August Oetker KG acts as the holding company of the Oetker Group, an internationally active company founded over 100 years ago broadly diversified in six operating divisions with a total of more than 400 companies worldwide. The Food division of the Oetker Group spans various food company brands as well as other companies operating in the institutional and bulk consumer segments. (Dr. August Oetker KG 2013)

2.3. Continued Growth and Internationalisation

In June 2005, large-scale construction work began on a second facility on the production site in Fürth which was completed in spring 2006. First-class product quality and fast, direct routes are of great importance, this is why they decided to group both production and administration in a single location in Fürth. Wolf ButterBack's premises cover a total area of 20,000 m² (Figure 2).



Fig.2. Production site in Fürth

Source: Wolf ButterBack

The office building encompassing the seminar room (baking studio), Plant 1 accommodating 12 production lines and Plant 2, completed in 2006 and extended in 2009, housing the donut line, 2 croissant lines and a computer-controlled cold storage high-bay warehouse for frozen with a capacity of 5000 pallets. The new complex was also designed with a computer-controlled high-bay cold storage warehouse for frozen, initially boasting a capacity of 2500 pallets, which was doubled to 5000 at the end of 2009. Annual production 2012: 25 160 tons deep-frozen pastries = 252 842 270 units (Kahler 2013). In addition, a storey was added to production and a new despatch and consignment area was created with a view to maximising the flexibility of all deliveries. They supply customers through the BAKO cooperatives (Germany and Austria) and selected wholesalers. In the 1990s Wolf ButterBack started supplying customers in other European countries. Today, Wolf ButterBack operates across 16 countries,

including Japan, Estonia and Russia, partnership with exclusive resellers (Kahler 2013). In Austria, Italy, Spain, the Czech Republic, France, Turkey, Poland and Hungary, Wolf ButterBack is represented either by its own sales staff or by agents associated with the Martin Braun Group. Although Wolf ButterBack has acquired a truly international flavour, it has still remained a German company: Its production is located solely in Fürth, whilst its ingredients are almost all from the region or from within Germany's borders.

2.4. Sustainable Management Has a Long Tradition at Wolf ButterBack

Sustainable management became an unwritten law at Wolf ButterBack in the early days and is something they have been practising on a day-to-day basis ever since. In keeping with the family-run Oetker Group, their entrepreneurial vision has never only focused on short-term profit maximisation but always on the company's long-term survival. Accordingly, the company's interests have always come first, receiving priority over those of its owners. Over the years, they have consistently sought to build on the values created by maximising reliability and striving for sustainable management in all fields.

They believe that the question of sustainability is closely interwoven with the unrelenting commitment to high quality. The vision of sustainability is holistic in its approach, as they strive for a healthy balance between business targets, the need for realistic environmental and climate protection, optimum customer service, fair treatment of staff, and making an active and meaningful contribution to our society. They see sustainable management as an obligation to their customers, staff, suppliers, and people in their region – to society as a whole. They also believe that sustainability gives them a unique opportunity to rise above the crowd in a world that is increasingly characterised by brutal competition (e.g. Klemme AG, Hiestand Schweiz AG) (Kahler 2013; Möricke 2013; Prause, Hunke 2014; Dudzevičiūtė 2013; Tvaronavičienė 2014). They subject the suppliers of their ingredients to a strict selection process as well as regular checks. Moreover, they never lose sight of our environmental responsibility, preferring to use local ingredients in a move to minimise food miles.

The following six areas are at the heart of the sustainable management programme: 1) Identifying customer wishes, finding holistic solutions; 2) Diversity and success through innovation; 3) Committed to holistic quality; 4) Active environmental and climate protection; 5) Staff: high performance through diversity; and 6) Contributing to a fair society (Mit tradition und... 2011). The question of sustainability and regionalism is something that they practice as well as preach. Ever since the early days, they have been making and distributing the finest bakery products from a single production and administration facility in Fürth/Nuremberg. This aspiration is also reflected in their choice of suppliers and raw materials. As a result, more than 90% of the raw materials they use originate from Germany and Austria, with as much as 25% coming from within a 100km radius of our facility (e.g. Wiesneth Mill, H. Gugel GmbH, Bayernland eG, Adolf Darbo AG). This is a testament to Wolf ButterBack's commitment to their region. Also, a small carbon footprint not only lessens our impact on the environment but short transport routes are also an important quality criterion for freshly made products.

Our society is becoming increasingly aware of a somewhat unsettling trend: More and more companies are replacing full-time jobs with badly paid or even unpaid traineeships that are snapped up by graduates seeking their first career challenge. In doing so, these companies play on the insecurities and hopes of young people as they strive to find responsible and permanent employment that offers them a perspective. More often than not, their hopes are dashed, as one trainee follows the next. In some sectors, this has become common practice. Karriere.de singles out companies that take a responsible stance towards the staff of the future by awarding them the "Fair Company" title, this title has been presented to Wolf Butterback because they give students and graduates a real chance. After all, sustainability conceals a diversity of new business opportunities which can also have a pleasant impact on our wallets.

Structure follows strategy, changes in corporate strategy lead to changes in organizational structure. In view of stages of corporate development WBB is in the III stage - divisional structure. This allows management of diverse product lines in numerous industries, and decentralized decision making. This multidivisional structure is built up of separate divisions on the basis of geographical areas. Control by performance, ownership of strategy, and

training in strategic view is advantageous. Main disadvantages might be duplication of central and divisional functions, and danger of loss of central control. Members of the board of directors are Axel Dirschner Authorised Officer / Director of Finance and Administration, Since 1 June 2012 Christian Tomasch (47) Spokesman of the Board of Managing Directors / Director of Sales and Marketing, and Ernst Stengel Authorised Officer / Director of Production and Procurement.

More than 530 highly motivated WBB colleagues, about 460 of them in the production (Kahler 2013). Currently 27 representatives taking care of customers in Germany 15 sales representatives, Austria, 5 sales representatives, Italy, 4 sales representatives, France 1 sales representative, Benelux countries on sales representative, Great Britain & Ireland 1 trade representative, Turkey/Hungary/Poland distribution via Martin Braun national companies, Northern and Eastern Europe 1 sales representative, Balkan states 2 sales representatives, other countries / overseas export + distribution partner (Kahler 2013).

2.5. Values Are the Heart and Soul of the Company

Even after nearly two decades of strong growth, the values that were the heart and soul of the company in that tiny garage in Stein are still valid today: Passion for the highest quality, focus on what is important and sustainable and, above all, closeness to customers. Wolf ButterBack's understanding of quality is not only reflected in products but it also permeates everything they think and do on a daily basis. They have a very holistic grasp of quality: "in our view, quality covers all aspects, from the careful selection of only the best ingredients and our artisan approach to production, to our comprehensive range of services and the continuous development of innovative and delicious bakery products" (Kahler 2013). To achieve maximum freshness and full flavour, they only use best pure butter in the production of choice pastries and deep-fried donuts. The sweet and savoury fillings are predominantly based on own, tried-and-tested recipes. Combined with state-of-the-art machinery, the used production method enables customers to benefit from high and consistent levels of quality. Wolf ButterBack allows the dough to rest for a long period of time prior to processing, enabling bakery products to develop their full flavour, and enhance the taste of the pastries. Bakery products are very labour-intensive, employing a high number of trained and highly skilled bakers. Pastries and donuts are produced in many complex stages and require a high level of skill and craftsmanship. The high quality of Wolf ButterBack products is a reflection of the many handmade stages in the production process. They achieve a high degree of uniformity by bringing the pastries into their final shape by hand. The majority of fillings are home-made following our own recipes.

As a member of the Oetker Gruppe, they comply with the guidelines of the Dr. Oetker Food Standard. The production facility has been certified by independent German testing institute TÜV since 2007 in compliance with the IFS (International Food Standard). In 2011, they were awarded IFS "higher level" certification achieving an impressive score of 98%, which we then went on to raise in 2012 and 2013. In 2009, they were the first company in sector to be successfully awarded TÜV SÜD certification for excellent customer services in conjunction with maximum customer satisfaction. They apply particularly stringent quality criteria in the selection of ingredients. These criteria are under constant scrutiny to ensure that they comply with new regulations, the latest scientific findings and own experience. Quality criteria that are currently in place are: Maximum transparency, local ingredients, no use of genetically modified ingredients, no imitation or substitute foods, reducing the use of additives, avoiding aromas, avoiding allergens, avoiding acrylamide, minimising trans fatty acids (TFA), and avoiding hydrogenated fats.

Wolf ButterBack's standard range of croissants, sweet filled pastries, snacks, mini pastries, ball donuts, American bakery, laugen products, and speciality breads comprises over 150 different items, with innovative new products being added every year. Instead of adapting innovations to technical capabilities, they modify the machinery to meet the demands of new products. This gives them maximum flexibility and allows reacting swiftly to emerging trends. Be it ready-to-bake or unproved, ready-baked or pre-baked, Wolf ButterBack's products are made to various levels of convenience. This makes them suitable for different purposes and conditions on-site.

The dynamic sales team in Fürth provides 27 representatives taking care of customers, with all the support they need in giving customers, and the best possible service and in answering all questions. No two companies are the

same. Every enterprise faces its own challenges, sets its own targets and has its own needs. This is why Wolf ButterBack tailors its seminars to individual needs. Assistants, who treat each customer individually by taking their wishes and needs into consideration, can make a meaningful contribution to stimulating sales. Group games and role plays are based on practical examples and will prepare you to engage in pro-active selling.

Conclusions and Recommendations

The Wolf ButterBack case was especially designed for using the Wheelen and Hunger (2012) case method, providing the opportunity to move from a narrow, specialized view that emphasizes functional techniques to a broader, less precise analysis of the overall corporation. Its strengths include a real-world orientation and the ability to focus on developing decision-making skills.

The strategic audit should start with a careful reading of the Wolf ButterBack case, then reading the case again with the strategic audit worksheet. Next step is starting doing outside research, calculating common size financial statements, and key ratios, if appropriate. Here also describing the basic corporate governance mechanisms of the corporation. Owners and managers are the people who are primarily tasked with the strategic management process if the corporation is to have long-term success in accomplishing its mission. The advanced SWOT analysis starts with the external (EFAS), and internal (IFAS) factor analysis, concluding in a comprehensive strategic factor analysis summary (SFAS). After working out strategic alternatives and recommendations, an implementation, evaluation and control process of organisational learning is following. Organizational success is related to growth and development.

It is recommended that further research should include evolutionary approaches, which are not explicitly used as a theoretical framework in strategic management, although the evolutionary perspective is consistent with it. The case study is limited by the lack of financial information; this is typical for family owned firms where statements are delivered only to family members.

This case study confirms the importance of value based sustainable entrepreneurship. Sustainable management is still an unwritten law at Wolf ButterBack and is something they have been practising on a day-to-day basis ever since. Their entrepreneurial vision has never only focused on short-term profit maximisation but always on the company's long-term survival. The values that were the heart and soul of the company in that tiny garage in Stein are still valid today: Passion for the highest quality, focus on what is important and sustainable and, above all, closeness to customers.

Strategic management has become a major topic in the world of business, politics, and academia throughout the world. It has important implications not only for business, but for the wider economy and society.

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MAIN FOREIGN DIRECT INVESTMENT FACTORS AS PRECONDITION OF SUSTAINABLE ENTREPRENEURSHIP: EVIDENCE FROM LITHUANIA, CENTRAL AND EASTERN EUROPE

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Abstract: Foreign direct investment plays an important role in most economies. Business conditions and sustainable entrepreneurship is being directly affected by country's ability to attract inflows of foreign capital. Hence, a question how to draw them in is one of the most important aims and goals of foreign policy. Some countries are successful in attracting foreign investment, others stay on the sidelines. The inflow of foreign direct investment depends on various factors. This article aims to answer the question which foreign direct investment factors have a positive effect on the flow of these investments into chosen countries in Central and East European countries. The data retrieved and used for consideration embraces period from 2003 to 2013.

Keywords: Foreign Direct Investment (FDI), Gross Domestic Product (GDP), sustainable entrepreneurship

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1. Introduction

Considering the issue of global economy recovery, especially in regard to the stability of European Unions economy, a lot of attention is given to the international cooperation, free movement of capital, goods and services, integration of societies, encouragement of technological innovations and increasing competitiveness between countries. In other terms, issues of sustainable development (Tvaronavičienė 2014; Korsakienė and Tvaronavičienė 2014; Šimelytė and Antanavičienė 2013; Tvaronavičienė and Lankauskienė 2011; Dudzevičiūtė 2013; Vasiliūnaitė 2014; Antanavičienė 2014; Mačiulis and Tvaronavičienė 2013; Tvaronavičienė *et al.* 2013) and sustainable entrepreneurship (Korsakienė 2013; Korsakienė and Baranauskienė 2011; Wahl and Prause 2013; Laužikas and Mokšėckienė 2013; Balkienė 2013) are being raised. Foreign direct investment (FDI) is almost unanimously seen as precondition of sustainable development and sustainable entrepreneurship. Scientific research and discussions about positive and negative effect of investment, factors determining the attraction of investment and appealing investment environment, are topical not only in other countries, but also in Lithuania. The effect of foreign direct investment on the economic growth, export, magnitude of production, employment, scientific research and technological development, survival of businesses etc. (Unit and Mustafa 2007; Faras and Ghali 2009; Weng *et al.* 2010 and others.). However theoretical analysis of scientific literature shows that

relocation of foreign capital from one country to the other can have controversial effect on the receiving country's economy (Davulis 2009: 343; Žilinskė 2010). This type of investment can be affected by country's uneven economical development, profit export, the lack of reinvestment and predominance in strategic branches of economy. However, the majority of researchers imply that foreign direct investment has more positive effect on the economic growth than negative; they underline that the bigger effect of such investments on country's economy depends on the receiving country's level of development. In other words, general technological level, work force qualification, institutional factors, etc. as well as the investors' aims and nature and potential of their activity. Positive attitude towards these types of investments results in a certain type of foreign capital politics: countries try to look attractive for the foreign investors, specific strategies and programs designed to draw in investment are created. Foreign investment is riskier than domestic one, therefore factors, which encourage foreign direct investment, are widely discussed in scientific literature. However it should be noted that the opinion on this issue is not unanimous.

The aim of this article is to determine and evaluate the main factors which influence decisions to invest in the Central and Eastern European countries by the amount of investment they attract. Applied methods of research: analysis, synthesis and summary of scientific works and normative documents; comparative and logical analysis of statistical data; horizontal and vertical analysis; graphical demonstration of data; analysis by correlation; Method of Student criterion. The article is structured as follows: first we present an overview of different theoretical approaches to the main factors which encourage foreign direct investment into the country, overview of scientific literature is presented. Second we investigate foreign direct investment into Central and Eastern European (CEE) countries. The position of Lithuania in CEE context is established, and countries for the further investigation are chosen. In order to check the strength of connection between the main driving factors and FDI, correlative analysis was applied, and the decision about the significance of correlative coefficient size is made using statistics t (Student criterion method).

2. FDI driving factors

Factors encouraging foreign direct investment (FDI) are widely analyzed by many scientists, therefore there is no consensus about the motivation for these investments. Of course, while penetrating markets of the foreign countries investors have many motives and aims and, first and foremost, try to evaluate the image and economic environment of the country (Kahai 2011). Why businesses decide to invest into foreign markets is discussed by few widely spread theories. The most famous one is Dunning (1981) theory of expansion also called *OLI* theory of conditions. This theory answers the question why it is better to invest abroad and not to increase production in one's own country and to sell it abroad or to sell the license of production for the foreign business.

Other theories such as *production cycle theory*, *monopolist superiority theory*, *internationality theory*, according to Navickas (2008: 150), are mainly oriented only to a certain aspect of foreign investment, certain group of main factors. Meanwhile, the decision to invest abroad is usually affected by the group of factors, which is based on many theories. The pursuit of bigger effectiveness with the help of FDI helps distribute resources more rational, and monitoring of the market – investing in a way that would bring the biggest profit from geographically spread activity. According to Tvaronavičienė *et al.* (2008) the expansion of the investing country's market can be secured in two cases. First case is when country receiving investments is geographically big and has a big population, second case is when the country is small, but show stable growth of economy, which promises additional market capabilities for the investors. Rajan (2004) claims that foreign country as a suitable location for investment is usually has two stages of evaluation. In the first stage they evaluate countries by the crucial factors. Later only those countries are analyzed, which match that criteria, such as tax level, subsidies provided by the country and other incentives. Both theoretical arguments and empirical research conclusions form an attitude that various foreign direct investment *incentives* at the moment are important factors, affecting the choice of location for these investments. Easson and Zolt (2002) admit the growing importance of country's incentive system for the investors especially, when choosing between the countries in the same region. Almost every government, in spite of their political affiliation, actively carries out politics towards international business (Ginevičius, Šimelytė 2011).

According to Ginevičius *et al.* (2005: 175) in order to attract solid foreign direct investment it is not enough to regulate the processes, but it is also important for the state to stimulate them by economical means.

In the recent decade *institutions* are increasingly more often named as one of the most important factors in attracting FDI. Institutions are becoming one of the main advantages of the country receiving investments, because the effectiveness of the market strongly depends on the institutions regulating it, as they define “the rules of the game”, which determine the amount of expenses and availability of the information, which accordingly defines how successful the business is (Ruplienė *et al.* 2008). If the institutions are effective, they can attract additional FDI, meanwhile if they are not; it can accumulate additional foreign investment expenses. It is especially connected with corruption. In addition, FDI is especially sensitive towards any kind of institutional instability, political changes, diminishing of ownership rights protection, and it can even result in withdrawal of investment.

Caetano and Galego (2009) define connection between FDI and institutions. Firstly, qualified country’s institutions decrease the expenses for investment agreements, therefore profitability increases. Secondly, because of undergone irreversible big expenses (especially in the case of Greenfield investment) FDI is sensitive towards the stability of the country and its changes in security, which depend on the effectiveness of the legal system and protection of the ownership rights. Hyun (2006), who as well studied the effect of quality of institutional activities on attraction of foreign direct investment, also claims that the quality of institutions is one of the most important factors attracting foreign investment. This author also underlines that the growth of institutional quality has effect on the economic growth only in the long-term. Dumludag (2009) confirms that institutions can affect decisions related to FDI and their amount in the separate economies. According to Ruplienė (2009), authors evaluating the influence of institutional factors on the FDI, among which tax system is believed to be the most important one, often support their ideas by the main factors theory – Dunning OLI paradigm. Taxes can affect all three conditions mentioned in this theory. For example, if tax concessions are applied for foreign investors, they gain an advantage in comparison with local businesses. Taxes can also be a factor resulting in making a certain place more attractive for the investment.

However, the flow of FDI is affected not only by the policy of the state and the quality of institutions, but also is important and geographical location (Ginevičius *et al.* 2005: 161), various infrastructures and their institutionalization, which also change in time and space (Held *et al.* 2002: 216). However, according to Margalioth (2003) because of globalization the influence of main country’s factors towards investment decisions has decreased hugely. Progress and development in many areas enables international companies to move their manufacturing process into other countries. Kostiumina and Livencov (2001: 70) underlines the importance of the growing importance of these factors:

- *The openness of national economy.* Open economy attracts more investments. According to Ruplienė *et al.* (2008), this coefficient shows how effectively the country participates in the world’s trade and is linked with smaller limitations of the foreign trade, and it affects bigger migration level of the capital.
- *The level of infrastructural development.* The quality of infrastructure is important for the development of world’s production and trade; therefore it is necessary to improve the system of transportation, logistics and telecommunications.

Gholami *et al.* (2006) also distinguishes the most commonly analyzed factors in the scientific literature - natural resources, the size of the market, political stability, the conditions for business activity, small wages, favorable currency rate, trade barriers, orientation towards export, the openness of the developing country, democratization, etc. and these factors are indicated as traditional factors affecting foreign direct investment. However, as the authors underlined these factors due to changes in global economy are not as important. According to Gholami *et al.* (2006); Soper *et al.* (2012) in the future informational technologies and telecommunication will be one of the main factors attracting foreign direct investments. Informational technologies and telecommunication constructs more favorable conditions for the development of activity in the international markets, installing new models of business, provides a possibility translate data about goods, orders and cargos in an actual time.

Bevan and Estrin (2000) analyze the flow of FDI from eighteen market economies to eleven future European Union countries in the period from 1994 to 1998. After the research was carried out, it was found out that FDI into

these markets has been increasing during the analyzed period, and they are affected by cheap labor, big market and geographical closeness. The authors come to conclusion that joining unions is also a valid factor affecting FDI, because it is related with the decrease economical indeterminability and the increase of the country's reliability. Nonnemberg and Mendonca (2004) analyze factors influencing FDI in 38 developing countries in the period from 1975 to 2000. Authors determined the factors affecting FDI inflows: the level of education, economic openness, inflation, economic risks and tempo of economic development. Benassy-Quere *et al.* (2007) defines the importance of institutions and its impact on FDI, emphasizing the bureaucracy and corruption. Ruplienė *et al.* (2008) evaluated Lithuanian annual FDI dependence on three macroeconomic indicators – average salary, average income per capita and economical openness. Authors have found out that economic openness compare with other two factors have the greater impact on flow of FDI. Cevis and Camurdan (2009) explored which of factors: salary, inflation, interest rate or the growth of gross domestic product have the greatest impact on the flow of FDI in 17 countries. Cevis and Camurdan (2009) found out that the flow of FDI is directly affected by the changes of interest rates and the growth of GDP, and the greatest impact has the income of the previous FDI period. Nur Ozkan-Gunay (2011) defined different motives for investing into new and old EU members in the period from 1998 to 2008. While attracting FDI into old EU members, such factors as price of energy resources, technologies saving resources, innovations and investment into human resources are important. Macroeconomic stability is not a valid factor for attracting FDI into old EU countries. FDI into the new EU countries is encouraged by economic stability, the size of domestic market, tax factors and small price of work force. Dumludag (2009) showed that political stability, superiority of the law, corruption, democracy, bureaucracy and the protection of the ownership rights have a major effect on direct foreign investment.

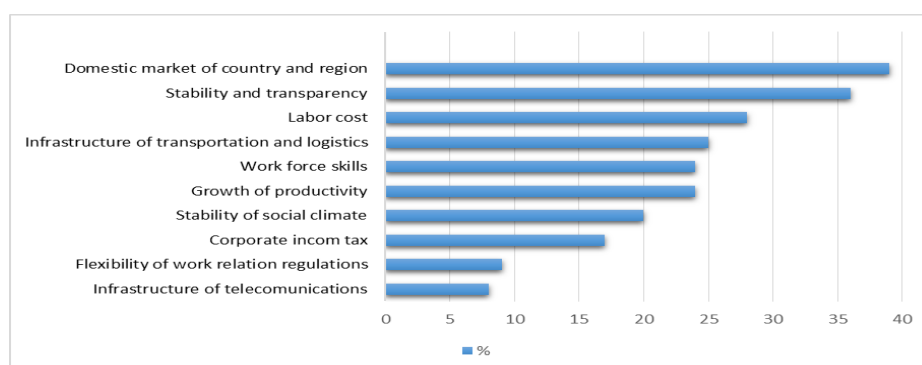


Fig. 1. Factors, which influence investors' priorities in choosing the direction of investment

Source: Feasibility study for... 2012

As one can see scientists tend to choose various factors for empirical researches, they use different statistical data, periods of time, methods of research, carry out their researches in different countries and regions, therefore they get different results. In 2011 during the survey, carried out by "Ernst & Young", about the attractiveness of Europe for investment, investors named the quality of communication and infrastructure of telecommunication as the main factor affecting the choice of direction, region and country of investment. The data from 2012 questioners show that the priorities of the investors change: they named the attractiveness of the market of the country or region and the stability and transparency of political, legal and regulative environment as the most important ones. The expenditure for the workforce, infrastructure, and the amplification of the productivity still remain to be important factors, however, investors are looking for the regions, which have bigger consumer market and the trust of consumers regaining after economic recession. The change in economic conditions also has a major impact on the investors' goal to decrease the risks of business – invest in the regions, which have stabile legal and regulative environment (Feasibility study for ... 2012). The Figure 1 demonstrates the most important factors, which impact investors' decisions in choosing a region or a country of investment, named in the "Ernst & Young" European attractiveness questionnaire of 2012 (840 respondents). Named investors' priorities for choosing direction of investment helps to explain why certain countries attract more attention from investors than others.

3. Foreign direct investment in CEE countries

In spite of euro zone crisis and instability of continental economy investors value Europe is an attractive location for the investment. In 2011 according to the data of “Ernst & Young” survey West Europe was able to keep stable position among the most attractive regions for investments: 33 percent of questionnaire respondents, when making a decision about the development of their managed organization, would choose West Europe, 21 percent would invest in Central and Eastern Europe (CEE) (Feasibility study for... 2012). Central and Eastern European countries before the collapse of Soviet Union were practically closed for foreign investment. However, during the last two decades this region changed dramatically. Soviet type central plan economy was changed by free market model. Just a few years ago CEE was considered a region of small expenditures, which caters for citizens from West Europe with big consumerist needs. However, economic disturbances in The West had a negative effect on CEE. Bad loans, dependence on export to the West, weak bank system also had a negative effect the attractiveness of CEE. In addition to these reasons, investors have noticed that work force expenses in CEE has grown as well, therefore production in the region does not seem to be as attractive. Due to growing attractiveness of quickly growing BRIC countries and other developing markets of investment, region is facing strong competition (Feasibility study for... 2012). In order to distinguish countries, which are the first and the last by their ability to attract FDI and to evaluate the position of Lithuania in CEE context thereafter comparison of direct investment per capita in CEE countries is carried out. As countries differ in their size and level of development, in order to compare them most adequate is foreign direct investment per capita. Figure 2 shows average (arithmetical average) FDI per capita in 2003-2012 and the change (the speed of growth) in 2012 in comparison with 2003 in CEE countries.

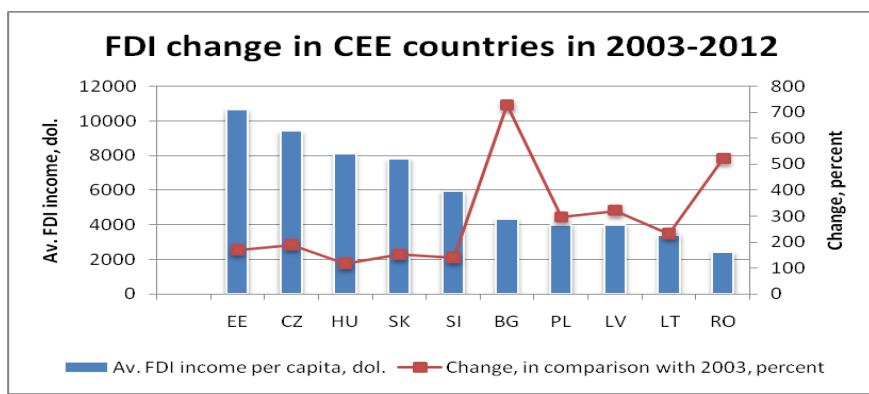


Fig. 2. Av. FDI per capita in 2003-2012 and the change in 2012 in comparison with 2003 in CEE countries

Source: Compiled by the authors. Based on data from UNCTAD

As one can see from the Figure 2, average FDI revenue per capita is the biggest in Estonia – 10 666,87 dollars. The Czech Republic and Hungary on average attracted 11,65 and 24,05 percent less FDI then in Estonia. Meanwhile, these investments are 67,83 and 77,28 percent smaller in Lithuania and Romania, in comparison with Estonia. However, FDI has increased in Romania since 2012, in comparison with 2003 – 523 percent. Statistical data show that foreign capital flow into Lithuania is significantly smaller than to other CEE countries. We will try to learn about the advantages that Estonia and the Czech Republic have in comparison with Lithuania and Romania during further investigation.

4. Significance of main FDI driving factors

After the analysis of scientific works, the main factors encouraging and limiting FDI attraction to the country were discovered. This part evaluates how much FDI influx into the Czech Republic, Estonia, Lithuania and Romania is affected by such main quantitatively evaluative factors as *the Corruption Perceptions Index, the Index of Economic Freedom, the Size of the Market, Average Monthly Wage, the Tax Burden, Expenses for the Research and*

Development and the Level of Economic Openness. In order to check the strength of connection between the before mentioned factors and FDI correlative analysis was used, and the decision about the significance of correlative coefficient size is made using statistics *t* (*Student criterion method*).

Lithuania and other three CEE countries (Estonia, the Czech Republic and Romania) as an object of research provides the opportunity to evaluate the significance of the main FDI factors for these investments into the first and the last countries by their FDI attraction. An assumption that such directly evaluable quantitative factors as the Corruption Perceptions Index, the Index of Economic Freedom, the Size of the Market, Average Monthly Wage, the Tax Burden, Expenses for the Research and Development and the Level of Economic Openness impact the flow of investment into the country.

After the research of foreign direct investment main factors, while using correlation analysis (Table 1), in the discussed period the strongest connection was established between FDI and GDP and between FDI and expenses for *Research and Development* in all countries.

Table 1. FDI subordination to the index of the main factors

Factors	Czech Republic		Estonia		Lithuania		Romania		t _{crit.}
	R	T	R	t	R	t	r	T	
Corruption Perceptions Index	0,6306	2,2982	0,7194	2,9298	0,6356	2,3288	0,9188	6,5839	2,306
Index of Economic Freedom	0,7870	3,6077	-0,5631	1,9273	0,1366	0,3901	0,9889	18,8124	
Market Size	0,9359	7,5144	-0,9818	14,6123	-0,9319	7,2666	-0,9466	8,3018	
GDP	0,9638	10,2253	0,9437	8,0705	0,9461	8,2658	0,9638	10,2298	
Av. Montly Wage	0,9738	12,1050	0,9550	9,1119	0,9054	6,0329	0,9853	16,3137	
Tax Burden	-0,6734	2,5762	0,5999	2,1208	-0,1433	0,4096	0,1115	0,3173	
R&D expenses	0,9502	12,0436	0,8923	5,5898	0,9543	9,0363	0,8659	4,8964	
The Level of Economic Openness	0,3644	1,1069	0,4823	1,5571	0,7806	3,5320	-0,2100	0,6076	

Source: compiled by the authors

The importance of other factors differs from country to country. *The Corruption Perceptions Index* is significant to FDI in Estonia, Lithuania and Romania, *the Index of Economic Freedom* – The Czech Republic and Romania, *Market Size and Tax Burden* – The Czech Republic, *the Level of Economic Openness* – Lithuania. In conclusion, one can claim that in the analyzed period some correlations based on scientific works and established in other countries, were not confirmed or only partly confirmed in the analyzed countries.

After analysis was carried out, it was noticed that The Czech Republic and Estonia, where in the analyzed period the biggest *Average Monthly Wage* and *Tax Burden* and in Estonia even the smallest market in the sense of population were established, are the leading countries in CEE by FDI attraction. Lithuania and Romania, on the other hand, in spite of more favorable indexes in these areas are behind. Therefore, the increase of taxes and wages may not have a noticeable negative effect on FDI attraction. As work force expenses are growing, work force skills and the increase of productivity are becoming more important factors, while tax size is not so important when tax concessions are offered. Meanwhile, in the leading countries by the FDI attraction other factors – *the Corruption Perceptions Index* and *the Index of Economic Freedom* (which define the quality of institutions), *GDP* (which defines the growth of economy and purchasing power), *expenses for Research and Development*, *the Level of Economic Openness* – significance is the biggest, and in those behind – smaller. Consequently, Lithuania and

Romania in order to increase the flow of FDI should improve the quality of institutional environment, because due to corruption, political instability or excessive amount of regulations foreign investors avoid these countries. More active participation of the countries in world trade would result in bigger foreign capital inflow to the countries. However, because of determined strong connection between FDI and expenses for *Research and Development*, the biggest amount of attention should be designated for this area. Also it should be kept in mind that analyzed factors only form a small part of factors, which can affect the amount of FDI in the country. Other factors which are not analyzed in this article can also have effect on FDI. Moreover, it is important to mention that it is most common that business decision to invest abroad is a result not just of one factor, but of their complex. It is also difficult to forecast which factors can influence the dynamics of FDI and direction in modern global economy. Because of the global changes traditional factors are becoming less important. Also the factors which impact the flow of FDI into the developing or transitive economies are not valid factors in advanced countries.

Conclusions

The review of scientific literature reveals that various researchers define different factors, which determine investment decisions, and they do not interpret in a same manner their importance in FDI attraction. According to various authors the flow of FDI can be influenced by: stabile political and economic situation, strong national currency, the openness of national economy, the balance of price and quality of work force, the size of tax and concessions, appropriate infrastructure and communication accessibility, favorable maintenance of legal and institutional environment, the possibility to access resources, the size of the market and the possibility for its growth, etc. Scientists obtained different results, they choose different factors for their empirical researches, use different statistical data, periods of time, methods of research, carry out their researches in different countries and regions.

Different CEE countries attracted different amount of foreign capital in period from 2003 to 2012. Estonia, the Czech Republic, Hungary are successful in attracting foreign capital. However Lithuania and Romania stay aloof. After the chosen FDI factors' research was carried out – *the Corruption Perceptions Index, the Index of Economic Freedom, the Size of the Market, Average Monthly Wage, the Tax Burden, Expenses for the Research and Development and the Level of Economic Openness* – in Estonia, the Czech Republic, Lithuania, Romania, in the analyzed period (2003-2012), the strongest connection was established between FDI and GDP and between FDI and Expenses for Research and Development in all countries. The significance of different factors varies depending on the country and in the analyzed countries they were not confirmed or confirmed only partly. Therefore, it means that reliable conclusions can not be made, in other words, other FDI factors, not analyzed in this article exist.

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ENTREPRENEURSHIP AND SUSTAINABILITY ISSUES

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IF OBTAINED PROFESSIONAL COMPETENCES FOSTER SUSTAINABLE ENTREPRENEURSHIP: CASE OF VILNIUS UNIVERSITY OF APPLIED SCIENCES

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Abstract. Article analyses theoretical definition aspects of competencies and professional competencies. Paper presents various definitions of competencies provided by different authors. Moreover this paper provides summarized understanding of professional competencies. This article analyses how employers who hire Vilnius College graduates perceive their professional qualities and competencies obtained during studies. Respondents of this research identified that they make hiring decisions based on individual interviews, recommendations and selection testing results. They are satisfied with all graduates, who eagerly improve their professional skills in various areas of expertise. Graduates have adequate theoretical knowledge base, decent organizational skills and have enough knowledge of foreign languages. General qualities of graduates were highly evaluated. This paper has showed that personal qualities have an impact on professional activities; these qualities are responsibility, activity in workplace and efficiency. Bank employers are willing to cooperate with Vilnius College faculty of economics administration. Primary areas of cooperation would be: “discussing content of internships” and “setting aims of internships”.

Keywords: competencies, professional competencies, general competencies, special competencies, abilities

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1. Introduction

Competence of the employees affect performance of organizations, and is precondition of sustainable entrepreneurship (Laužikas, Mokšėckienė 2013; Raišienė, Jonušauskas 2013; Balkienė 2013; Raišienė 2012; Matei, Savulescu 2012; Raišienė 2013; Vasiliūnaitė 2014). According to the Adamonienė and Ruibytė (2010) one of the main problems in the organization is that the training system is not geared to the future. The prevailing traditional training system is inefficient. Therefore, staff capacity building has to be one of the priority directions of the development of integrated training systems based on competence development oriented to the future, enabling a quick response to the changing environment.

The research problem. Competence problems has become acute. Meeting the operational needs of the system of rational development of education researchers in various fields have changed attitudes in professional competencies. As stated by David Long (2009) competence is the knowledge and the skills mix and the ability to adapt them to the specific circumstances, the performance of the functions, taking into account environmental

constraints of the situation. The concept of competence is often used as a measure of knowledge and skills in order to describe the ability of employees to perform tasks very well, or the organization's ability to provide the highest quality service. It is important to determine what the employee organization must be: what a person is and what a person performs, it is considered to be expertise in. People can be seen as competent, when they pay enough attention to their performance, which is an important and valid organization. Can a person perform to the importance of the activities which are called input fields? A person is considered under the expertise in what he plays and how well and in what ways it does this. Changes in Lithuania person is becoming higher standards, so professional person of competence becomes one of the keys to the success. Today Lithuanian education policy needs a new content that is focused on narrow professional skills, but also in basic skills (in particular, the ability to learn independently to knowledge), values education, and present the person granting the necessary competencies. Is a policy which is closely linked to the educational content of different areas of real life, real problems and their solutions.

The object of investigation - Vilnius University of Applied Science graduates' professional competencies.

The aim - to assess professional competencies of Vilnius University of Applied Science graduates.

Objectives of the study:

- To analyze the theoretical aspects of professional competence;
- Assess employer's opinion of Vilnius College graduates of professional competencies.

2. Professional competencies theoretical aspects

The competence approach to human resources management has a long history. The early Romans already practiced a type of competence profiling in attempting to detail the attributes of a "good Roman soldier" (Draganidis and Mentzas 2006). The concept of competence was used by early 20th century scientific management (Taylor 1911) and later revised and redefined by McClelland, former Hay Group director, in the early seventies. According to McClelland (1973), competence concerns the relation between humans and work tasks; rather than knowledge and skills themselves, competence involves the knowledge and skills required to perform a specific job or task in an efficient way. Competences, from the Latin verb "competere" can be defined as an individual's core skills (motives, traits, self-concept, knowledge, and abilities) that are causally related to a specific, effective criterion and/or a superior performance at work (Spencer, L.M. and Spencer, S.M. 1993)

Competence concept first coined specialists in linguistics Noam Chomsky (1957), which introduced this concept in order to describe the subjective complex (multi-modal) and the use of language grammatical variance assumptions. In the seventh and eighth decades this concept identify social activities. In the eighth and ninth decades this concept moved into training discipline, which already contains concrete proposals for individual components of competence to develop and promote. As state Esteves (2009) the terms "a competence" or "competences" refer to a number of traits that can be pinpointed through action and observed and described without necessarily being attributed any value. In examples such as "questions the students", "diversifies material", "uses technological resources", we are dealing with traits for which we can merely vouch presence and respective frequency or absence without qualifying them. The sum of such competences, taken in an analytical sense, is not enough to lead to a conclusion as to the overall competence of a professional. Le Boterf (1997) identifies six competences inherent to the professionals who know how to handle complexity:

- To be able to act relevantly;
- To be able to mobilise in a given context;
- To be able to combine;
- To be able to transpose;
- To be able to learn and to learn by learning;
- To be able to dedicate oneself.

As stated by Jakubė, Juozaitis (2012) competence shall relate to personal conduct by the expertise to carry out certain activities in a professional environment, participate in a professional community discussions and represent their activity. As a component of excellence are identified knowledge, skills, attitudes, values and patterns of behavior, cultural and civic awareness. Competencies are divided into general and special. Special competence in

higher education related to the discipline of study, reflecting the specifics of the program of study form the basis for the profession. General jurisdiction known as the transferable skills - is a general academic aptitude, which disseminated across all disciplines plane. For lifelong learning identified eight key skills, two of which - in foreign language and civic skills consist of full-fledged possibilities for a person to work productively in the international arena. According Liučvaitienė, Paunksnienė (2011) changing and increasing needs of modern society encourages continuous learning and the acquisition of new skills. The question is, what kind of things, and the extent of the professional competence? Competency - based learning system development becomes one of the very general purpose Lithuanian education system. Professional competence is a term used for a long time already, but so far there is no single definition. Law on Higher Education (2000) state that professional competence - professional acquired after the completion of their studies, or special professional integrated studies. Lithuanian Labour Market Training Authority (2007) state that competence is the ability to perform a specific job (task) in a real or simulated business situations. Jakiūnienė, Rekašiūtė (2010) state competence is understood as an individual's ability and knowledge, abilities, skills, attitudes, values and personal qualities to carry out certain activities, with emphasis on application of knowledge and skills, rather than their possession.

According Weinert (2001) competence is knowledge, experience and common sense of power. Qualifications and Training Foundation (2012) state that competence is the ability to perform certain tasks, based on acquired knowledge, abilities, skills and values. Competence can be viewed as a whole, and otherwise - is talking about competencies separate components. Competence emphasizes the holistic concept of human characteristics and values, attitudes to themselves as professionals who enable people to act in uncertain operational situations. A competent worker is able to perform the specific activity of the standard relevant to a particular organization and individual work, that competence includes the situation and personality dimensions. The professional competence of a particular concept in the work process does not necessarily mean only the realization of acquired skills, and is treated as an employee or a team's ability to achieve the organization's goals the performance requirements of the world. Competence is perceived as a hierarchical structural formation as different hierarchical levels of performance required for the performance and different levels of expertise:

- Working with operational performance (the first level) is required masterfully learned behavioral level (elementary) competence, composed of components of clearly distinguishable;
- Improving the work (the second level of activity) necessary for the added expertise, which is based not only skillfully learned behavior, but also some knowledge.
- The work of internal and external variation (third level of activity) necessary integrated expertise and knowledge of the behavior based on the integration of activities that result in a substantial change;
- New job creation and skills transfer to the new business situation (the fourth level of activity) necessary for a holistic approach to the development of the overall competence.

According to Martišauskienė (2009) skills - is the outer expression of the essential human powers consist both the potential and nature of talent and knowledge, experiences and dispositions formed to implement them. Ability to become a key competence component at the purpose of granting to monitor, measure, tend to codify the basis of their excellence, even equated with excellence, when it is defined as “the ability to perform a certain task in a real or simulated situation”. Necessary for the twenty-first century skills are:

- To act in a meaningful way and on their own (have a vision, set goals, apply strategies for rational management of resources.
- Take the initiative and responsibility for their actions.
- Continually learn and improve acquired skills.
- Think critically and solve problems.
- Communication and cooperation based on mutual understanding, the spirit of the consultation and consensus.
- To lead, to exchange ideas and to implement them creatively.
- Basic literacy (linguistic, mathematical, cultural).
- Communication and information skills.

Competence can be defined as certain knowledge, skills, attitudes, and proven ability to perform tasks and actions in accordance with agreed requirements. Competencies can be identified with a particular knowledge of deep absorption, high quality student learning outcomes. The concept of identifying core competencies is not new to extension (Moore and Rudd 2004). A competence assessment is designed to evaluate individual knowledge, education, skills, experience, and proficiency to perform those assigned responsibilities (Herringer 2002). In contrast, performance evaluations are designed to evaluate how well an individual actually performs their responsibilities. An extension agent who has to assume a variety of roles amongst the farmers must fulfill a number of different roles and therefore must prove her/his competence in many diverse areas. Based on Herringer's (2002) description of a competence assessment, competence can be defined as the ability of an individual to perform a task using his/her knowledge, education, skills and experience. Competencies, especially when used in competence assessments, should relate to the specific tasks required to perform successfully in a given position (Moore and Rudd 2004). The identification of key competencies provides for individual and organizational growth, and helps the organization meet future demands (Pickett 1998).

3. Research data analysis

It is necessary to develop a new generation of bankers who are able to work in a changing market conditions, solve complex problems and make rational management decisions. In response to the new world of work requirements and transferring them to banking degree program, it is necessary to improve the quality of higher education with a focus on program renewal.

The goal - to find out stakeholders' views on the Vilnius College graduates for practical activities.

The research method - a survey, literature analysis.

Timing - January 2013 - May month in Vilnius. There were asked bank stakeholders.

When asked what position works in Vilnius College of Banking Studies program students were getting the answers are: a personal banker, manager, chief manager, customer service specialist. Bank employees are choosing a graduate of the individual conversation (24 respondents), followed by pointed, Vilnius College (VIKO) recommendations, in accordance with the selection of the test results. One of the unexpected responses to the post left vacant job is affected by, and the candidate's compliance with the requirements of the position. According to survey results graduate, future employee of the bank must have a general capacity that is theoretical knowledge, organizational skills, knowledge of foreign language, have computer literacy. Bank staff said that in practice the theoretical knowledge needed (indicated by 25 respondents, not required - 5 respondents). Working at the bank needed acquire practical knowledge said yes - 14, no - 16 respondents. Extremely important to have the organizational capacity to graduate (as advocated 28, no - 2 respondents) (Figure 1).

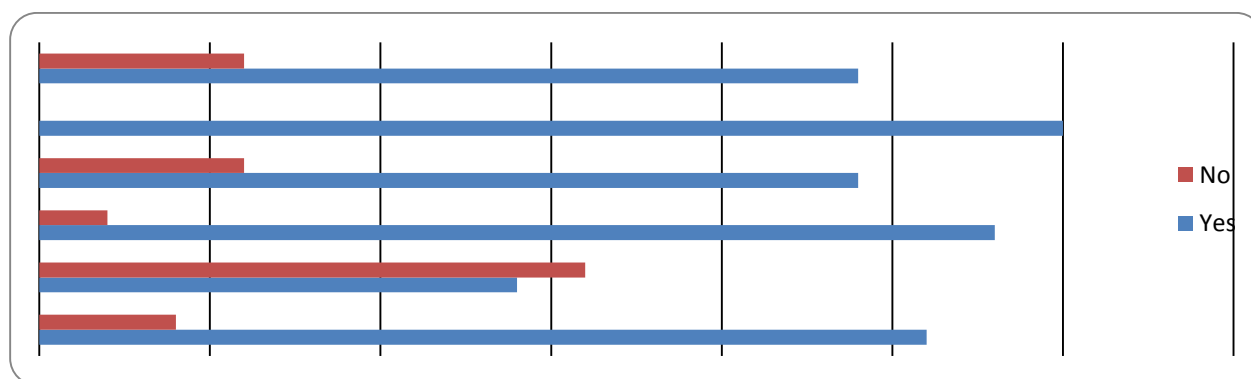


Fig.1. Respondents opinion about requirement eligibility in Vilnius University of Applied Sciences

Source: authors

Uniquely respondents stated that working at the bank need foreign language and computer literacy. Graduates must demonstrate to the bank and professional aspirations. The question of whether the quality of the students perform the tasks have been answered – 100 per cent, as well. Every bank employee working in a team, so it is

very important listening is the ability to work as a team. It is important to assess graduates' response to an exchange situation , the question is whether students are able to respond to the situation said , “yes” - 25, “no” - 5. Graduates practice shows your initiative – “yes” – 28, “no” - 2.

Today's job market requires the development of each employee's work activities. No exceptions and bank employees. Our students have completed their studies college qualifications. According to the respondents graduates continue their studies at universities answered by 20 respondents, the bank organized seminars - 20 respondents, improving their qualifications, others - 14 and even abroad, said 6 respondents. Working in a bank (practical activities) requires that a graduate must have certain professional knowledge, to be able to complete the appropriate documentation to know foreign languages. Respondents were asked to answer to question about personal characteristics. Respondents’ opinion is presented in Figure 2.

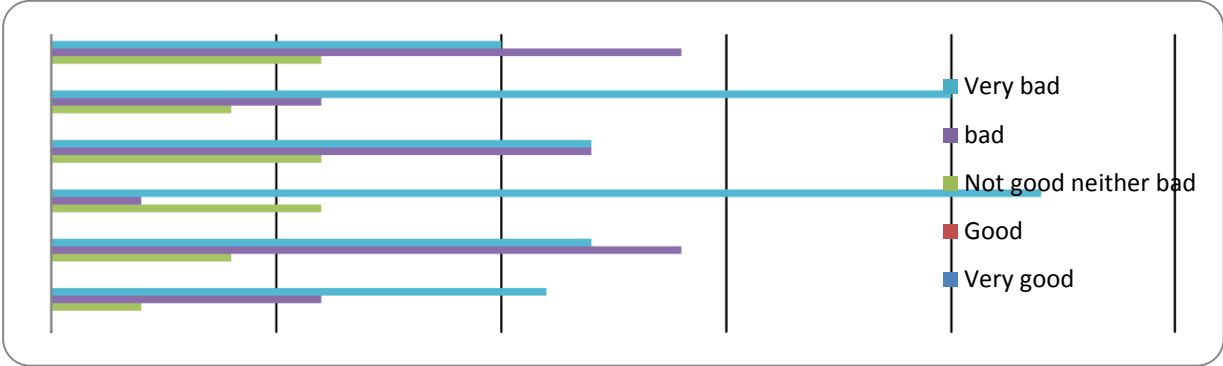


Fig.2. Respondents answer about personal characteristic

Source: athors

Respondents were ask about practical skills. Respondents answer are presented in Figure 3.

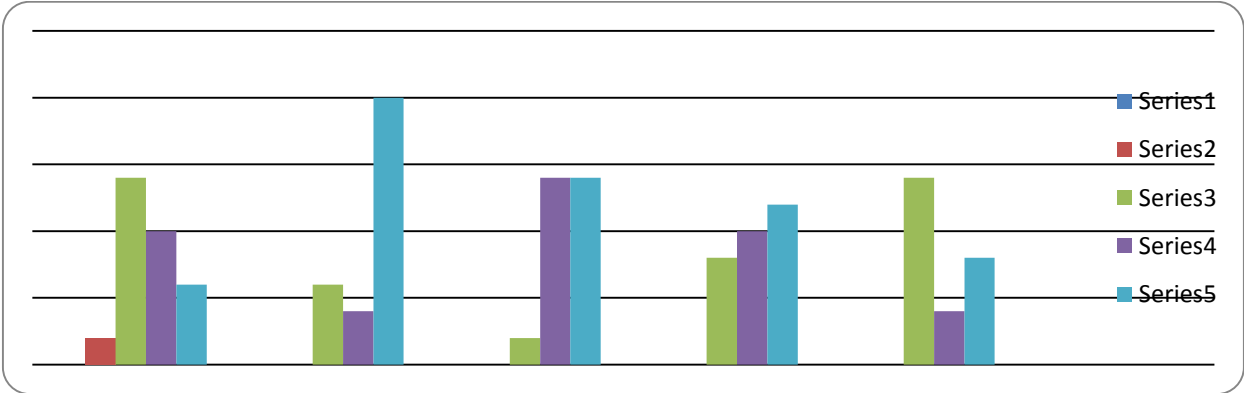


Fig.3. Respondents answer about practical skills

Source: athors

Respondents were asked to evaluate the professional skills of our graduates in a five-point system. Most graduates are able to manage the process, followed by knowledge of foreign languages and computer skills. Gaining Vilnius College general ability of stakeholders to assess very welcome, especially in high- grade (five) all respondents rated their computer literacy: score as well was to evaluate the students, the ability to work in a team, good customer service and the maintenance of an appropriate work rate. The system needed to assess the students' personal qualities in practice. In the first row, high- grade graduates Respondents responsibility for a given task,

in addition to a high grade was assessed student activity at work. Sadly, our students have lack efficiency and the interest of professional activity.

Respondents were asked about whether graduate banking degree program meets the students in relation to their professional activity requirements. 20 respondents answered “yes”, and “no” 8 respondents.

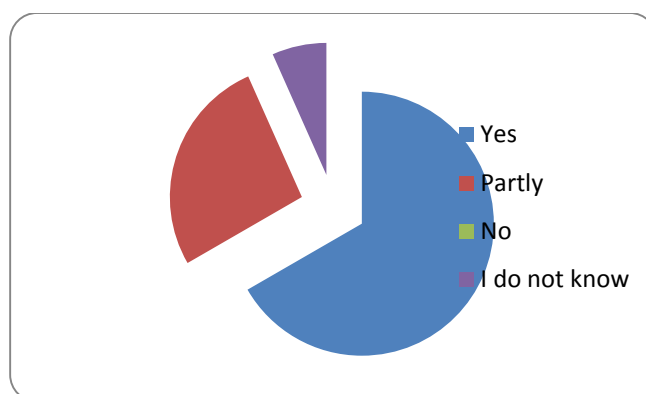


Fig.4. Respondents opinion about banking students' skills eligibility

Source: authors

Alumni qualifications were assessed as follows: “excellent” said ten respondents, “very well” - 12 respondents and “well” - 6 respondents. To answer the last question, all respondents were distributed very unevenly. Most of the respondents would like to cooperate with the administration of the Faculty of Economics VIKO discussing the content of practice, it is said 10 respondents, practice targets - 8 respondents. In determining a student's practical assessments and developing practical tasks responded accordingly after only 2 respondents.

Conclusions

The components of professional competences are a composite of personal attributes (capacities, motives, personality traits, self -image, aptitudes, attitudes, values, personality, etc.) which complement and integrate themselves in conjunction with other elements that are related to contexts of work (knowledge, abilities, skills, values, behaviors, actions, experience, etc.).

The use of professional competences and their context in jobs refers primarily to the efficiency, effectiveness, and successfulness through collaboration and problem solving in which the task was carried out. It also refers to the capacity to cope with changing professional contexts.

The study involved 30 respondents expressed the view that graduates are opting for practical activities by individual interviews, recommendations and screening test results. All graduates are satisfied. If you desire their qualification at each level. Graduates sufficient theoretical knowledge, organizational skills, are well aware of foreign languages. High rated general graduates basic skills. The study showed that personal characteristics affect employment. Responsibility and activity impact work efficiency. Bank employees are willing to cooperate VIKO Administration Faculty of Economics. The main areas of cooperation are: discussion of the practice content and practice goals.

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SUSTAINABLE YOUTH ENTREPRENEURSHIP IN CONDITIONS OF GLOBAL ECONOMY TOWARD ENERGY SECURITY

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Abstract. Sustainable entrepreneurship is seen today as a cultural and economic phenomenon. Sustainable entrepreneurship through the creation of new businesses that produce new products and services, and thereby ensure public needs, creates new jobs and contributes to the overall economic stimulus and community quality of life, balancing economic gain, regional development needs and environmental issues. Particular attention is given in recent years, to youth entrepreneurship, believing that young people have a lot of potential to create, develop and manage their own businesses, thereby contributing to a variety of social problems such as youth unemployment and unemployment in general, the involvement of anti-social activities, lack of employment to etc. Sustainable youth entrepreneurship is not analyzed much in scientific literature. In the article is defined sustainable youth entrepreneurship, discussed the importance of youth entrepreneurship for sustainability in the context of globalization, provided model of sustainable youth entrepreneurship toward energy security.

Keywords: sustainable entrepreneurship, youth entrepreneurship, global economy, energy security

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1. Introduction

Changing society raises new demands as human way of life requires the ability to adapt to environmental changes taking place and actively participating in terms of sustainability. It may be noted that life and communication goes beyond national borders - migration, globalization, international trade show that there are changes on human lives in a global society. In nowadays society it is very significant new powers, such as entrepreneurship. Entrepreneurial skills are important not only for the development of business, but also in finding work, planning career, making other important decisions in everyday life. Given the challenges of modern life, it is recognized that in order to flexibly respond to the changes, to ensure the development of society and quality of life, it is important to create conditions that will help young people to form and grow as active, responsible, creative personality, active citizens in society. Entrepreneurship involves various components, which allow young person actively engage in the processes taking place in society and contribute to its well-being.

Therefore, both Lithuania and the European Union has discussed ways of promoting youth entrepreneurship, in terms of what is necessary to ensure effective search for youth entrepreneurship models, development of strategies for both member states and the European Union. In order to rise a holistic approach to youth entrepreneurship, in the article entrepreneurship is seen as a system consisting of the inner personal provisions, skills and orientation,

a constant desire to learn and improve skills and identify, take advantage of the favorable conditions and opportunities for business ideas. It is the ability to turn ideas into reality, and to create added value.

The concept of sustainability entrepreneurship is a new concept in management literature that is sometimes also named as sustainability entrepreneurship. The concept is developed by aim to relate sustainable development and entrepreneurship literature (Chesbrough 2007; Hall *et al.* 2010; Tvaronavičienė 2014). In this theoretical perspective sustainable entrepreneurship could be defined as a synthesis of conventional and social entrepreneurship. Sustainable entrepreneurship is a concept related to ability to find new opportunities, ability to realize and create economic, ecological and social value. The implication of the concepts in youth entrepreneurship is not analyzed much in scientific literature. Youth entrepreneurship is related with human personal motivation to find and use possibilities to create new added value, successfully develop business that could be understood as conventional entrepreneurship, more focused to meet minimum socio-ecological conditions defined by policy and law. As a contrary concept is social entrepreneurship, aiming to focus environmental and social problems, aiming to contribute to society, ensuring the economic viability of enterprise with social aims.

The article aims to define sustainable entrepreneurship and to make contribution to scientific literature, to define the model of sustainable youth entrepreneurship.

2. Definition of sustainable youth entrepreneurship

In order to describe the concept of sustainable entrepreneurship at the beginning is necessary to define the concept of entrepreneurship, which is dealt with in different scientific fields: economics, psychology, management, education science.

Entrepreneurship is seen today as a cultural and economic phenomenon. Entrepreneurship through the creation of new businesses that produce new products and services, and thereby ensure public needs creates new jobs and contributes to the overall economic stimulus and development of community life quality. Particular attention is given in recent years, to youth entrepreneurship, based on idea that young people have a lot of potential to create, develop and manage their own businesses, thereby contributing to a variety of social problems such as youth unemployment and unemployment in general, the involvement of anti-social activities, lack of employment and etc. From the economic position of the enterprise it is regarded as the organization to achieve results. In psychological sciences entrepreneurship is regarded as individual personal characteristics, traits, abilities in acting organization's success. From the science of management positions entrepreneurship is understood as an element of strategic management and seeks to identify the links between the organization's entrepreneurship skills and intentions.

Vinig and de Kluijver (2007) refer to the conditions of modern entrepreneurship to be considered in light of the growing importance and influence of the phenomenon of globalization. Therefore, the authors perceive entrepreneurship as a three-dimensional interface, including the ability to discover new opportunities; the ability to deploy and use existing resources to exploit discovered opportunities; participation in a global society and preparation for global competition.

Galloway (2009) argues that the concept of entrepreneurship can be fully understood just in case if will explore how the relationship between personal characteristics and personal knowledge and practical skills with a whole based on appropriate attitudes and learning. Galloway (2009) believes that organizational, communication, planning, problem-solving skills that can be learned are important for young people who want successfully develop their business; as well as perseverance, creativity, self-confidence, initiative, which is largely innate, although it can also be developed and strengthened; finally, teamwork and negotiation skills, foresight. The author points out that the analysis of young people's business, can be seen in the fact that it is individuals having a certain innate characteristics - these are the people who are able to attract others and inspire them to work together, to the inner self motivation are by nature curious and receptive to innovations. Župerka (2010) states that entrepreneurship is defined by characteristics of a person, values, skills, attitudes, provisions of own business building intentions.

These few examples of the entrepreneurial concept definitions show that different authors emphasize different aspects of entrepreneurship. Some believe that the more important are the qualities that a person can acquire and develop (e.g., creative thinking, appropriate skills, etc.). Others more emphasize the internal personal orientations (e.g., determination, self-confidence, trust in intuition, etc.). Entrepreneurship is perceived and interpreted in three ways - inner dimension (the concept of entrepreneurship is treated as belonging to the individual and his ability to orientate the individual internal factors); the external dimension (the concept of entrepreneurship examines the emerging opportunities and conditions in the external environment on the market); integral approach (the concept of entrepreneurship is associated with the external and internal factors, as emerging opportunities outside of the individual's skills and changes in the circumstances, to take advantage of the changes) (Raudeliūnienė *et al.* 2014).

Since the famous Brundtland Report (World Commission on Environment and Development 1987), sustainable development is defined as a development 'that meets the needs of the present without compromising the ability of future generations to meet their own needs'. The relationship between entrepreneurship and sustainable development has been addressed by various streams of thought and literature such as: ecopreneurship - environmentally orientated entrepreneurship; social entrepreneurship - entrepreneurship that aims to provide innovative solutions to unsolved social problems; institutional entrepreneurship, contributing to change regulatory, societal and market institutions, responsible entrepreneurship - a term coined which joining economic, technological, environmental factors is or must be responsible to society, enhancing the business positive contribution to society whilst minimizing negative impacts on people and the environment (Kardos 2012).

The concept of sustainable entrepreneurship can be defined by different theoretical ways. Therefore, sustainable entrepreneurship would be an area within the larger concept of sustainable development (Parra 2013). Sustainable entrepreneurship can be understood as the examination of how, by whom, and with what economic, psychological, social, and environmental consequences, the opportunities are discovered, created, and exploited to bring future goods and services into existence (Cohen, Winn 2007). From the process scope, it is the process of discovering, evaluating, and exploiting the economic opportunities present in market failures which detract from sustainability, including those that are environmentally relevant (Dean, McMullen 2007). As well sustainable entrepreneurship is defined as the teleological process aimed at the achievement of sustainable development by discovering, evaluating and exploiting opportunities and creating values that produce economic prosperity, social cohesion and environmental protection (Katsikis, Kyrgidou 2008). According to Lans *et al.* (2014), sustainability is a shared challenge with regard to economic (profit), social (people) and environmental (planet) goals for many parties in society. Sustainability is however not only something to act upon, complies with or engages in, but can also be seen as a major source for opportunities. The growing interest in sustainable entrepreneurship suggests that sustainability is an important addition to, or even a guiding element for, 'new' entrepreneurship, recognizing at the same time shortcomings of 'old' entrepreneurship. Opportunities with regard to sustainability are more complex than business opportunities, which address a one dimensional problem, remove a serious pain point, or meet a significant want or need. Sustainability opportunities have, in their rudimentary form, more the character of 'wicked' problems. Each sustainability opportunity should be approached as a new challenge. What worked in the past, does not necessarily work for the future (Lans *et al.* 2014).

According to Lans *et al.* (2014), the concept of sustainable entrepreneurship has gained importance over recent years. The relationship between entrepreneurship and sustainable development has been dealt with through various schools of thought, often resulting in the launching of new types of entrepreneurs, such as the ecopreneur and the social entrepreneur. The concept of 'sustainable entrepreneurship' has been coined more recently as an overarching way of looking at the contribution of entrepreneurial endeavors to social, ecological and economic aspects: or, in other words, sustainable development (Lans *et al.* 2014). According to Lans *et al.* (2014), in order to be able to recognize sustainable development as a business opportunity, sustainable entrepreneurs are in need of opportunity recognition skills, but also, for instance, interpersonal skills, which enables them to interact with, learn from and adapt to stakeholders.

From the analysis of the scientific literature can be noted that the concept of youth entrepreneurship involves many different aspects; so far there is no single definition of the concept. Youth entrepreneurship and entrepreneurial

concept basically changed depending Chigunta (2002) who states that youth entrepreneurship can be understood as a process where young people learn about the business opportunity, or as a possible future; develop and implement their business ideas, learn to be entrepreneurs and initiate and develop their business ideas. It may be noted that the author emphasizes personal skills and competencies, which allow self-initiated and successfully manage their business. That is the meaning of entrepreneurship and many other scientists from those are concerned with this concept.

Strazdienė and Garalis (2008) also state that youth entrepreneurship - is a complex subject and personal skills that enable a young person to start a business and develop it. Such qualities and abilities authors attribute including creative thinking, initiative, receptivity, intuition, activity, willingness to act and etc. From the description can be noted that entrepreneurship involves not only certain abilities and skills a person can learn, but some inner personal preferences that enable to be proactive and take advantage of existing opportunities to implement ideas. That internal perception and willingness to act in a focused and coherent way in order to develop and implement business ideas is the basic concept of entrepreneurship.

Sustainable entrepreneurship is the process of identifying and starting a new business venture, organizing and managing needed resources, thinking both risks and revenues related with the venture, while considering of how, by whom, and with what economic, psychological, social, and environmental consequences, the opportunities are discovered, created, and exploited to bring future goods and services into existence. Sustainable youth entrepreneurship in the context of globalization is very much affected by increase of quality of, by various processes of globalization, and by changed needs and behavior of consumers.

3. The importance of youth entrepreneurship for sustainability in the context of globalization toward energy security

Modern society has formed new conditions of globalization, which has a significant impact on business - the rapid development of technology, hyper-competition, constant change, information flows, etc. provides both new opportunities and new challenges. Under these conditions is increasing scientific and political interest in youth entrepreneurship and the impact of the international economy, the business processes of sustainable development. Searching for the most effective ways of promoting youth entrepreneurship, recognizing that youth entrepreneurship globalization provides important features of society: innovation, active involvement and concern for its quality of life and progress, productivity, and ability to detect and exploit opportunities.

Shastri, Kumar and Ali (2009) state that youth entrepreneurship is important not only at the level of the individual, but also society, the global level, because what through its initiative, skills and ability to create innovative ideas for a young person to contribute not only to their own quality of life improvement but also to the general quality of life. The authors point out those societies youth entrepreneurship among young people and active participation in business is important in that it provides:

- financial benefits to the person; independence, the creation of jobs;
- development of new industries, especially in rural areas and less developed regions;
- promotion of the export of local resources and the recycling of valuable goods, products and services;
- healthy competition and the development of new markets;
- research, study and technology development;
- entrepreneurial characteristics and the proper approach to self-promotion activities, which in turn promotes the development of the various regions and local communities increase the quality of life;
- the ability to achieve excellent results in their professional career, which increases life satisfaction, and hence improve the psychosocial health of the public;
- reduction of the shadow economy; emigration and talent loss.

The authors point out a number of important factors that contribute to the improvement of society and quality of life. Youth entrepreneurship is an important advantage in that it enables young people to constantly look for and promote change, and change-driven globalization not realize the risks, and how options can be used to promote

the progress of society. As well as the benefits of youth entrepreneurship is that it is the creation of new jobs, and young people are able to foster and maintain relationships on a global scale, thus bringing in new ideas and investments in innovation and active participation in the global society, which encourages young people's interest in and concern about global problems and their decision. It can be argued that globalization promotes youth entrepreneurship properly helps to increase young people's awareness of global issues and their responsibility for what is happening in the world to work together to solve global problems and promote well-being.

Chigunta (2002) states that youth entrepreneurship has social and economic benefits, which primarily affects the right of young people in terms of business, increased activity of society in economic and social life and greater responsibility for promoting positive changes in society. Young people who had the right conditions and opportunities to realize their business ideas, has the following provisions of the business vision, business discipline, positive attitude with regard to the business sector, the ability to identify and exploit new business opportunities, patience to the results of the perseverance and endurance, the ability to quickly recover from the experience of failure. This ensures that young people grow responsible, active members of society who contribute significantly to the development of the business sector.

To summarize the above opinions of different authors, it can be seen that the promotion of youth entrepreneurship has a positive impact on both the individual level and the social level (Figure 1).

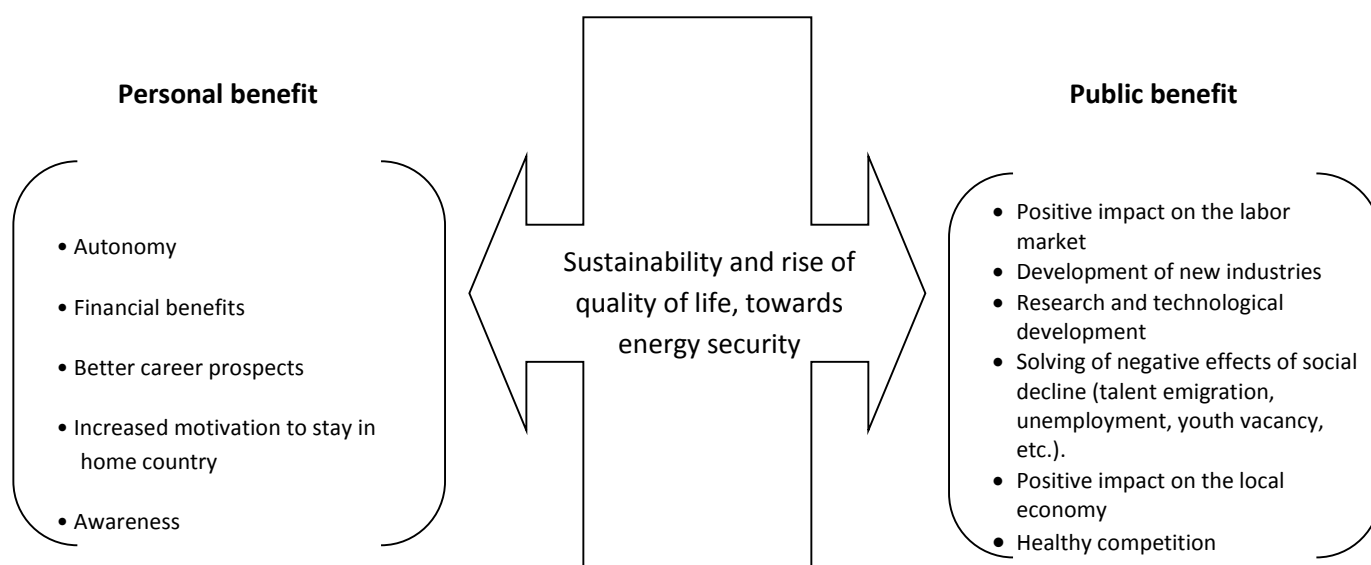


Fig.1. The importance of sustainable youth entrepreneurship in the context of globalization toward energy security

Source: created by authors

From the figure it can be seen that the promotion of youth entrepreneurship combines the personal and social benefits and thus is an improved quality of life in the new conditions stipulated by the process of globalization.

Vinig and de Kluijver (2007) state that youth entrepreneurship is influenced by different aspects of globalization. The authors distinguish three main forms of globalization that affect entrepreneurship:

1. economic globalization - many companies and organizations, and business ideas coming out in several countries; is created and developed in international relations global business;
2. political globalization - is being developed by international standards and national policy, is influenced by global events. All of this has an impact on the business sector, youth entrepreneurship;
3. social globalization - which gets more opportunities, including young people, to exchange ideas and information with people all over the world, to communicate with people in different countries. This particularly facilitates information technology, various youth exchange programs and etc.

This indicates that youth entrepreneurship is influenced by the conditions of globalization processes. Although most authors state that such conditions create additional opportunities for young people in the activities, but it also means that youth entrepreneurship is gaining global importance, and globally the state has to create certain conditions that will enable young people to act independently of increased competition. In this aspect sustainable youth entrepreneurship is much related with energy security as sustainability values have positive impact for energy efficiency over wide geographical areas.

It is important to create the right conditions for sustainable youth entrepreneurship. Chigunta (2002) states that the most important factors that need to be fulfilled in order to promote youth entrepreneurship is access to working capital; access and use of the latest technology and equipment; new product development and allowing young people to try out its ideas in practice, creating added value. Thus, the greatest importance to the promotion of youth entrepreneurship is a practical help to young people, especially the necessary resources and programs that help young people to develop and strengthen their entrepreneurial skills. The author also points out that the global level is necessary to promote the importance for youth entrepreneurship as entrepreneurial skills development programs; business consultancy; mentors (managers) support; access to jobs (access to spaces for their work/ideas), support for young people in the business development of local, national and international support networks. These provisions are usually more or less based on the different countries as well as international youth entrepreneurship promotion programs and recommendations.

4. Modelling sustainable youth entrepreneurship towards energy security

The concept of business model is becoming more popular and extensively researched in managerial and strategic management literature. However, as the young entrepreneurial terms, and as a business model, there is no precise definition of the business model.

Business model components are defined in many different ways and different authors indicate quite different components. Hedman and Kalling (2003) state that the main components of the business model include: customers, competitors, proposals, activities and organization, resources, and costs of production. Meanwhile, the business model can be characterized by three main components - the outer environment, its needs and values; what you can offer the same organization and internal aspects, such as organizational structure, resources, knowledge and skills, systems and values.

As regards the youth entrepreneurship is indicated that youth entrepreneurship should be developed in addition to the business model of some aspects which shows that young people need assistance and support in developing and implementing its business ideas. Clemensson and Christensen (2010) points out that youth entrepreneurship model includes several key components. First of all, it is the development of an entrepreneurial culture - according to the authors, social and cultural attitudes, along with the young person's values and orientations have a very significant impact on whether a young person will have the determination to start their own business.

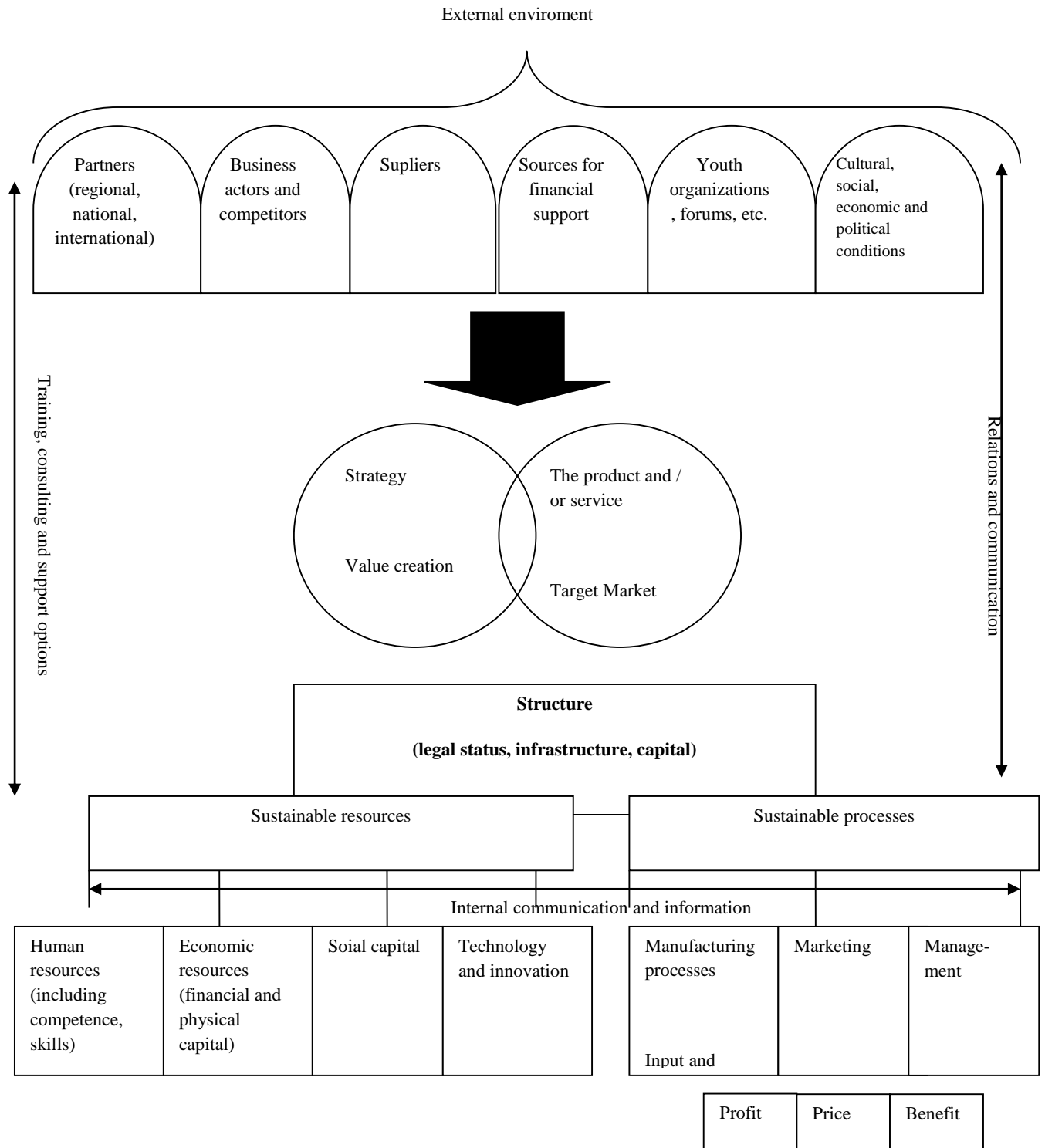


Fig.2. Sustainable youth entrepreneurship model

Source: created by authors

According Clemensson and Christensen (2010) as a separate component of youth entrepreneurship model, indicating that no youth entrepreneurship strategy or model will be successful if young people are not able to gain knowledge about the business and its development, and to develop and strengthen the skills needed for business development and management. However, the authors emphasize that entrepreneurship education must include not only the business knowledge and skills, but also the appropriate provisions relating to entrepreneurship and skills for the benefit of young people in other areas of life, their community and the general public. It also shows the importance of youth entrepreneurship not only to the individual, but also society in general.

Created laws and policies should promote opportunities for young people to start and develop their business. The important component of youth entrepreneurship model is business development services and support programs and schemes. In this case, is especially popular with business associations, the business jointly develop and provide the opportunity for young people to realize their ideas, try your hand, access to business principles. As well as other widespread assistance and support in the form of business mentors - this can be either businesses or youth workers who support young people, who advise them, help them to get the necessary information. The sustainable youth entrepreneurship model is provided in Figure 2.

It can be noted that sustainable youth business model includes traditional business model components. These are: structure, capital, resources, manufacturing and other processes, technology, information and communication, both internally and externally. However, the proposed model includes also specific components. First, the external environment acquires great importance of youth organizations, as well as funds, programs, and other sources that provide young people with a broad range of support (financial, consulting, training, etc.). Also, young people who start their own business, to develop their skills and knowledge to be able to self-manage their business ideas to implement it. Another important aspect is that promoting youth entrepreneurship, it is important to develop a culture of entrepreneurship, to form suitable for both young people and society in general provisions relating to the business, the business benefit to the community and society.

Conclusions

Sustainable entrepreneurship is a new concept and a very progressive one to achieve success of small and medium enterprises in a very complex competitive environment. Sustainable entrepreneurship could be defined as the process of identifying and starting a new business venture, organizing and managing needed resources, thinking both risks and revenues related with the venture, while considering of how, by whom, and with what economic, psychological, social, and environmental consequences, the opportunities are discovered, created, and exploited to bring future goods and services into existence. Sustainable youth entrepreneurship is a perceived and recognized as an important issue in today's young people's choice, most young people can build and develop their business, and thus increase quality of life, and contribute to a positive change in global society in terms of sustainability and energy security.

Youth entrepreneurship model has certain specific components, because young people need extra help and support to get started developing business idea, to implement and maintain them. Therefore, it can be noted that youth entrepreneurship model specific components mainly relate specifically to support young people - young people need to understand the business aspects of the knowledge and skills relevant to the implementation of business ideas and development. Understandings of principles of sustainability are very important in youth entrepreneurship to achieve sustainable competitive advantage in regional context. It is recognized that the proper focus on youth entrepreneurship helps to promote business in the country, to enable the dynamic economic development of rapid globalization, the creation of new jobs, which in turn help to reduce unemployment, social exclusion and to address other social issues, as well as to help to solve ecological issues.

Discussed the concept of sustainable youth entrepreneurship, youth entrepreneurship situation of globalization and the need to promote opportunities for young people to build their own business, as well as youth entrepreneurship models reveals the basic theoretical aspects of youth entrepreneurship. It may be noted that

youth entrepreneurship is becoming increasingly important in today's society – it is believed that the opportunities for young people to realize their business ideas are important not only on a personal level, but contribute to overall public good, as well as sustainability toward energy security. Theoretical analysis shows that it is believed that the opportunities for young people to develop and implement their business ideas are important not only for them, but also in the community, society in the terms of sustainability, social cohesion, regional development and energy security. This also allows the creation of additional jobs, activating the young people and enables them to take the initiative to self-realization.

As the youth entrepreneurial success largely depends on the conditions created to promote youth entrepreneurship in different countries and in general, it is important to analyze the key policy objectives, youth entrepreneurship situation.

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