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# PART I: ACTUAL ISSUES IN MODERN PEDAGOGY

**JEL: A20**

## **THE ROLE OF ELECTRONIC PORTFOLIOS IN LEARNER-CENTERED TEACHING AND ALTERNATIVE ASSESSMENT IN ENGLISH AS A FOREIGN LANGUAGE**

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***Abstract:** The aim of the study is to analyze the role of electronic portfolios in learner centered teaching and assessment. The implementation of electronic portfolios in the process of EFL teaching is discussed via learner-centered perspective. Within the last few decades the application of educational technologies in education has significantly increased. Novice strategies in assessment procedures have also appeared. The main focus is on individual learner's needs, within learner centered framework. Self-assessment, peer assessment and portfolio assessment are regarded as an alternative means of assessment. These types of assessment establish not only a powerful setting for individual learning but also increase learners' motivation. The paper represents findings and conclusions based on literature review concerning the issue.*

***Keywords:** learner centered, formative assessment, electronic portfolio, educational technology, alternative assessment, English as a foreign language*

### **INTRODUCTION**

Nowadays big changes take place from traditional learning approach to student-centered learning approach. In each and every field of education and technologies occur innovations. There are also significant developments and modernization in an assessment procedure. The biggest change which has taken place is the change from summative to formative assessment. The above mentioned innovations include alternative thinking that involves questioning the process of learning and utilizing learning and assessment jointly in order to obtain better outcomes. The focal message of learner-centered approach is that learners study better when they are engaged in the topic. The motivation of learners to seek for a new skill and knowledge rises because they need them to solve problems at hand. The goal can be learning and construction, and key factors can be engagement, practicability and effectiveness. Another important issue in recent educational system is preparing learner for the real world and simultaneously strengthen their learning achievements. The above mentioned goals are not easily reachable, however they can be obtained by focusing on personal outcomes and motivation, with the focus on challenging standards and great achievements. Bonk and Cunningham (1998) stated that education focused on constructive activity of the student, in order to bringing learning in the real life and authentic contexts for making it purposeful and meaningful, can be defined as learner-centered.

## **LEARNER-CENTER APPROACH AND ALTERNATIVE ASSESSMENT**

Darling-Hammond (1996) defined the term learner-centered as the type of learning that supports the diversity of learners' needs and perspectives. According to McCombs (2001) education nowadays is more concentrated on understanding of human needs and individual differences, also on development of motivational and cognitive processes. Learning structure in following setting comprises flexibility to learners' needs, expectations, time arrangements, and the most important, teacher and technology support. Learner-centered environment is believed to be able to create more successful learners. According to Bonk and Cunningham (1988) learning is more effective if it is purposeful process where students construct meaning from personal experiences and information. With some help and instructional observation, the effective learners are able to create comprehensible and meaningful demonstration of their knowledge and competencies (APA, 1997). Learner-centered approach enhances creative thinking and critical thinking abilities among learners, which are aided by higher order strategies for choosing and monitoring mental operations. Within the learner-centered learning framework, educators involve learners in the process of decision making. Individual learner's unique perspectives are appreciated.

Together with different changes in learner-centered environment the approach to assessment has also altered. Since the learners are observed as the people closest to the learning process, their viewpoints can be the careful prediction of learning outcomes. Via co-creating assessment experiences learners become in charge of their own learning and learning outcomes. Learner oriented assessment comprises assembling self-assessment information which advises instructional strategy and the choice of technology tool that are utilized to meet learning objectives and learner's needs (Bonk & Cunningham, 1998). Alternative views on assessment increased novice methods, for instance integrating educational technologies in the process of assessment or applying portfolio assessment. In constructing learner-centered community, technologies play a vital role. Technologies are very significant since they support student's motivation and learning achievements (McCombs, 2001). Educational technologies are becoming highly interactive recently. Individual learners have wide assess towards them at lower cost, educational technologies give them prospects for better education. The most significant issues in utilizing educational technology to develop learner-centered principles and practices are following: According to McCombs (2001) implementation of educational technologies can help in finding ways to meet students' needs for interpersonal relationships and networks. It is useful to discover strategies, which recognize the variety of students' needs and individual differences. It is important to adapt strategies to different learner needs for individual choice.

Chou & Chen (2009) state that implementation of educational technologies is able to support learning ways. Educational technologies support critical thinking and problem solving, they aid learning by suggesting tools and scaffolds that develop learning. Through educational technologies data can be presented in various ways, this approach can show guide practices and model activities. Implementation of modern technological approaches, e.g. electronic portfolios, provides both learners and educators with greater opportunities for reflection, revision and feedback. It also promotes self and peer-

assessments. Where learners assess the quality of their own thinking and the final product together with their peers. Students experience tutoring and meaningful coaching in problematic areas. Thought educational technologies learners can build global and local communities which could comprise all stakeholders.

Learner-centered principles can become a framework for decisive how to use technologies for alternative assessment in order to make teaching more effective. Fourteen basic learner-centered principles were released in 1997 by the American Psychological Association. The above mentioned principles "provided a foundation for educational reform and transformation" (Bonk & Cunningham, 1998). These principles are classified into four domains. These are (1) Metacognitive and cognitive factors; (2) Affective and motivational factors; (3) Developmental and social factors; (4) Individual difference factors (APA, 1997).

The learner-centered principles mentioned above create theoretical background for creating learner centered environment and applying educational technologies. Learners are augmented in their different needs and abilities within the learner-centered framework and student centered assessment. To maximize motivation and natural learning with meaningful and relevant instructions, which are relevant from the individual students' viewpoint, are major factors that encourage learning.

### **ELECTRONIC PORTFOLIOS FOR FORMATIVE ASSESSMENT**

Nowadays technologies give us the chance to store and capture data in different forms, for instance graphics, sounds, texts, videos and etc. students have possibility to collect and save their artifacts successfully. Recently, together with the development of communication and information technologies, the utilization of digital applications and electronic portfolios have become widely used and received important attention (Barret, 2005). Teachers and educators throughout the world started to apply electronic portfolios, and implement them in their practice (Chou & Chen, 2009). Electronic portfolios include the same kind of information as paper portfolios, but the biggest difference is that E-portfolios use technologies such as, different media forms, the Web, audio, video graphics and texts. Electronic portfolios offer different benefits such as, collect, manage and store the information electronically different from traditional portfolios. This tool helps its users to identify the learning outcomes and reflect on them. E-portfolios can be multifunctional, it can be used as a learning tool, an assessment tool and as a record of achievements at the same time. Electronic portfolio increases learners' intrinsic motivation on all levels of educational programs, since it focuses on what learners' abilities are rather what they cannot do. Portfolio is a useful tool, in order to identify learners' needs. The assessment process becomes continuous by the implementation of electronic portfolios, since multiple assessment methods are used. Electronic portfolios can identify learners' strength and weaknesses. Students have possibility to participate in the process of assessment and develop into more autonomous learners. This tool also helps to increase the communication between teacher and student and promotes co-operative learning. Portfolio assessment is learner centered, therefore it places the student at the center of the educational process. Students are regarded as autonomous learners can take responsibility for their own learning.

In Georgia research concerning portfolio assessment at a school level is limited, even though its usage is increased within secondary and high schools. It is believed to be worth the effort and time to find out the effect of the usage of electronic portfolios within the school setting and to revise the students' approaches in using portfolios in learning and assessment.

According to Yrdabakan (2011), portfolio assessment and development are in alignment with modern learning theories in regard to differences in learning styles, pace, and students; cognitive development. To take above mentioned aspects in to consideration electronic portfolios create a strong setting for individualistic learning. As mentioned above portfolio assessment is a continuing process. A process of learning that observes and documents student improvement at different intervals is regarded as continuous assessment. Portfolios are suitable for formative assessment, which is nowadays seen as a cohesive part of the learning and teaching process, and not an isolated activity. Formative assessment offers feedback in order to help and guide students' learning. Learners become aware of their capabilities as well as their strengths and weaknesses. The main focus in formative assessment is on learning and learner, therefore it is student centered. According to Looney (2011), formative assessment is important since it emphasizes the need of constant improvement. The main objective of formative assessment is to help students develop skills for self-assessment and peer assessment. Students become able to develop new understanding of themselves as learners, and enhance self-efficacy. Portfolio assessment inspires learners to become more autonomous learners and to be in charge of their own learning since it follows the same principles as formative assessment. Portfolio assessment aids learners to make judgments, to be engaged in self-assessment and to increase their problem solving skills. Above mentioned characteristics of portfolio assessment make it a powerful tool in modern education. Portfolios provide variety of ways of assessing students' learning over time. Electronic portfolios offer realistic assessment of academic context. Electronic portfolios aid parents to see themselves as parts of the educational process and partners in the process of learning. Students have ability to express themselves in a convenient way and to evaluate their own learning and development as learners. Portfolio assessment is believed to increase students' creativity and critical thinking abilities. It increases effective communication between all stakeholders, such as teacher, parents, administration and student himself. Electronic portfolios encourage learners to change their instructional practice and links curriculum and instruction with assessment.

### **ADVANTAGES AND DOWNSIDES OF ELECTRONIC PORTFOLIOS**

Portfolio assessment has many positive characteristics, it increases learner autonomy, self-reflection and motivation, and develops peer-assessment skills. Portfolio assessment increases self-confidence and gives learners chance to monitor their own learning. Electronic portfolios give opportunity to the learners to identify gaps in their own learning and to take some risks. Portfolios enhance learner centered practice in a collaborative environment. According to Yrdabakan (2011), portfolios help to increase learning rather than to just access the student and emphasize his/her weaknesses.

One of the most important advantages of electronic portfolios is learners' autonomy. That means that students have authority or ownership, caused by the requirement to review their work in their portfolios. Students become responsible for their own learning and have capability to regulate themselves by adapting themselves, establishing goals, and planning their own process of learning. Learner autonomy can be considered as an umbrella term that implies self-assessment as well as reflection.

According to Little (2009), within the learning process if students reflect on their own performance and assess themselves, they can easily take ownership of their learning. Reflection, includes processing students own understanding of what they are doing and why they are doing it and most importantly the effect of it on themselves.

Another significant advantage of electronic portfolios is peer-assessment; it gives possibility of promoting collaboration within the classroom. Peer-assessment or peer feedback can lead to collaborative assessment. The application of electronic portfolios as alternative assessment is believed to be quite motivating in the process of learning. According to Chou & Chen (2009), electronic portfolios increase involvement in learning, promotes integration of cognitive abilities along with motivation, and the significance of attitudes towards learning in an educational context and increases intrinsic motivation. But electronic portfolios might have some disadvantages as well, that can cause problems for both teachers and students. one major concern can be about reliability and validity. Portfolio assessment, can bring about the issue of subjectivity, validity and reliability, caused by reflections, evaluation or peer feedback.

Another problem of portfolio assessment can be practicality. One of the most common difficulties faced by stakeholders, is how practically apply this kind of tool. Practicality is directly related to time, scoring, interpretation, as well as case of implementation, effort and finances (Brown, 2004). Portfolio assessment is believed to be time consuming, since portfolio implementation requires considerable amount of time and effort not only from students but also from teachers' side.

Despite of above mentioned challenges, it is arguably of great importance to find a balance between the positive aspects and downsides of portfolio implementation, with great stress on both instructional aims and the individual needs of the learners (Chou & Chen, 2009). However, the benefits of electronic portfolios outweigh its negative sides that makes it brilliant tool for alternative assessment.

## **CONCLUSIONS**

Portfolio assessment encourages learners' reflection skills and autonomy, therefore comprises the learners more in the learning process. However, portfolios introduce some challenges as well. Electronic portfolios enhance evaluation and reflection skills amongst learners. Foster autonomy and boost student's motivation.

However, the empirical researches present conflicting findings on various kinds of portfolios. The implementation of electronic portfolios for teaching and assessing EFL learners positively affect not only learners but also the teachers who are familiarized with traditional methods of teaching and learning English in Georgia.

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**JEL: A21**

**SOCIAL COMPETENCE DEVELOPMENT IN ALBANIAN CIVIC  
EDUCATION TEXTBOOKS FOR ELEMENTARY SCHOOL 1<sup>st</sup> GRADE**

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***Abstract:** The paper analyzes several important dimensions in the case of the Civic Education in Albania curriculum for first grade elementary school and educational and social orientation for children of this age. Curricular objectives related to the development and promotion of skills and social skills often do not put emphasis on promoting social competence and learning in general. The research has addressed the role of the school and curriculum in pupils' psycho-social and cultural-scientific development and it further analyzes through the identification of facts from 7 different textbooks of Civic Education from different publishing houses, childish world reflection and their perspective on the rules of society, in quantitative and qualitative parameters that help in analyzing the facts for drawing conclusions and recommendations. One of the main goals of this study was to identify the real educational substance within the textbooks of the Civic Education subject, which mostly results in implementing the curriculum rather than developing it. For this reason, this paper addresses all those pedagogical researchers, curriculum compilers and authors of texts who are interested in the qualitative improvement of the educational concept of schoolbooks, teaching, education and school. In addition, this study addresses all my colleagues who are inclined to believe in the educational role of classroom work and the need to improve our work in this regard.*

***Keywords:** curriculum, civic education, social skills, competence*

## **INTRODUCTION**

Education is recognized worldwide as a socio-economic panacea (Chabbott & Ramirez, 2000). It has always been rated as a field of priority that needs special attention and ongoing investment. Everyone believes that the future of society depends on how children grow and educate today. Education benefits are already clear; it improves the level of living, it promotes health, high employment opportunities, increases productivity, and facilitates social participation. In this context, the national education system serves as a service sector, which will equip future Albanian citizens with the necessary knowledge, with sufficient skills and capabilities, educated and committed to realize the national economic development plan of the country. From this point of view, school remains one of the main socializing institutions for children that provides a developmental/social perspective for them. At school, children learn social behaviors, in addition to academic habits, develop activities that promote the dynamics of interaction between them and the environment.

The school as an educational institution implements and develops a certain educational policy to achieve all these goals. School policy is reflected in the form of laws, provisions, guides, or curriculum materials, where textbooks also occupy an important place. School textbooks are an important part of the curriculum, so the ways in which social skills and socialites are transmitted alongside the school's knowledge of the pupils through these texts is very important. This is because the school now has its own creed that is presented through its vision and mission, the curriculum that leads the life of this institution, thus representing an organized and specialized institution for the education of each child, aiming at the creation of critical and creative thinking skills, problem solving etc. From this point of view, the study seeks to explore how the official curriculum delivers textbooks to children with the first information on skills to manage difficult situations, develop social competence, build and empower positive self-esteem and others like these. The problematic of this study is focused on the official curriculum. Nevertheless, it should be said that in the shaping of social competence a crucial role has the hidden curriculum; or what children learn from interaction with each other, adults, media, politics, law enforcement, religion, etc.

## **MATERIALS AND METHODS**

For teachers of civics, the deliberate addressing of values education in the new civics education will be a major issue. Traditionally, teachers have eschewed purposeful values education, and now they must face teaching such values as individual rights, social justice, tolerance for others, appreciation of diversity, and majority rules and participation within a democracy (CEG, 1994; Boston, 1996).

*Purpose of the study:* Researching and analyzing the contents of the curricula of pre-university education, (first year of the elementary school, Civic Education), from the perspective of how it realizes the training of pupils with necessary social skills such as; socialization, interaction, self-esteem, and social competence.

*Objectives of the study:* (1) Explore in depth the curriculum content regarding the opportunities offered by this curriculum for learning different social skills and habits during the learning process through alternative texts. (2) To provide a general and coherent approach to the ways and techniques of promoting social skills through the text of the subject of Civic Education 1. (3) Analyze the subject curriculum of Civic Education 1 through alternative textbooks of Civic Education 1 to see how and how much it promotes the necessary social skills so that pupils can build positive interpersonal relationships, understand, prevent and solve the problems they face every day.

*Research questions:* (1) What curricular concepts are used as basic concepts for the learning of skills and social habits (social competence, self-esteem, empathy, socialization, co-operation)? (2) What didactic elements promote the learning of social skills and habits when analyzing texts?

*Methodology:* During this study, alternative textbooks of the first year's civic education (seven alternative texts), which are drafted according to the civic education program adopted by MASH (2003), were analyzed. Since they're 1<sup>st</sup> year textbooks, lessons are mostly given through pictures as pupils are in the first steps of reading-writing. The topics of each lesson are defined by the subject's program. Each alternative

text has sections defined by the authors. Through this study it is possible to identify and analyze the process of integration of social habits and skills in the textbooks of *Civic Education* of the first year of elementary school. By using quantitative and qualitative methods are identified, addressed, commented and analyzed the basic concepts related to social skills and habits, which are promoted through the curriculum. The quantitative method served to collect data about the frequency of using terms and concepts that personify social skills and habits such as self-confidence, collaboration, security through content analysis, giving us a general picture of the frequency of using these skills and social habits in texts (content analysis is a research process that examines the content of communications using quantitative approaches), while qualitative methods help us gain an interpretive understanding of these skills and habits throughout the text.

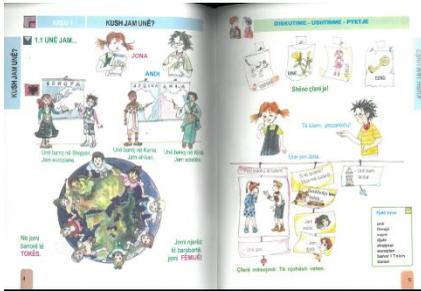
Content analysis is a method that aims at transforming qualitative data into quantitative data. It is particularly necessary to answer the question: "who says what, why, how and with what effect. Content Text Analysis includes quality spoken language (people stories, conversations, speeches), visual representations (photo, visual art), written texts (historical documents, books, newspaper articles, reports, prose, poetry), artefacts of a culture (monuments, streets, buildings) or cultural groups (homeless, gangsters, etc.). From the analysis through qualitative research, a new, unique, logical interpretation has been obtained and supported by many examples of social skills and habits that can convince the reader to make the same text interpretation as the scholar, thus proving the reliability of this study.

## RESULTS

I. Through *Civic Education 1*, and especially in the first chapter of this textbook, the pupil is trained to express himself / herself, his/her main features that makes him/her distinct from others. He manages to identify the peculiarities and commonalities with classmates. All this is accomplished through communication and interaction in the classroom, accompanied by words, or through body language or image, the profile that the child builds for himself and so on. In this way, the pupil learns the social skills needed to stay together with others, to communicate and interact with them. Some of these skills are very basic to avoid the risk of experiencing the difficulties arising from poor social relationships and inadequate interaction. We can see that in p. 4 of the *Civic Education 1* textbook by the publishing house "Filara", lesson 1 starts with the question "Who am I?", "Greetings", "call me Arbër". These are simple skills that involve the child in conversations and in interaction with the other children in the classroom during everyday life situations. The image referring to Andi, who introduces himself in this text, reflects another necessary social skill, such as "his smile" while greeting and beginning to introduce himself. This kind of capability, much needed to build and maintain a long-term interactive relationship, is mostly related to the use of body language or nonverbal communication elements, which we find difficult to distinguish between the images presented in the texts. But this kind of level of social skills is not reflected in the textbook by the publishing house "Albas", where the lesson begins with the request or the need to "know me" and the pupil introduces

only through his name, without using greeting words or other elements, important for creating communication and establishing relationships. Another essential social skill that the pupil has to embrace through Civic Education in the first grade is to embrace the etiquette words that promote and empower interpersonal relations.

This model of social skills is transmitted through words and images in the rubric: Discussions, exercises, questions in the text of Civic Education 1, p. 5, from the publishing house "SHBLSH", where the pupil asks his/her companion to "Introduce yourself, please". The images on this page represent a boy and a girl who show that they are listening with interest to what their friend is saying, and they are looking at each other, thus proving the promotion of another social ability that is about active listening and interest in the conversation that someone is developing and maintaining eye contact during a conversation.



**Figure 1: SHBLSH, p. 5**

It is not the same as in the image reflected in the textbook of Civic Education 1 from "Dita 2000", which shows two children introducing themselves to each other.

The reflective or non-reflective numeric data referring to the social skills group taken in the aforementioned session is reflected in *Table 1*.

**Table 1**

**Chapter 1: Who Am I?**

Chapter 1 Who Am I?	Topics	Terms & Words Usage			
		Greeting words	Etiquette words	Self-Confidence	Respect for the other
<i>Lesson Content</i>	I am	1	1	3	4
	My Family	0	0.	1	6
	My Classroom	0	0	2	2
	The neighborhood I live in	0	0	1	4
	My needs and wishes	0	0	4	5
<i>Pedagogical Apparatus</i>	I am	0	1	2	3
	My Family	0	0.	1	3
	My Classroom	0	0	3	4
	The neighborhood I live in	0	0	1	3
	My needs and wishes	0	0	8	5
<i>Illustrations</i>	I am	14	0	9	7
	My Family	0	0	6	
	My Classroom	0	0	4	5
	The neighborhood I live in	0	0	3	6
	My needs and wishes	0	0	14	14

Source: researched by author

A child should be taught to respect himself, his potential, with all the differences or particularities he has. This is another social skill that is promoted in the first grade throughout the textbook of civic education. Through the content of the text, images, questions and discussions, the child acquires skills that help him respect himself and

to express his faith in his attributes, to show the differences between him and others, as well as the desires and needs he has in relation to others.

These social skills are promoted in some of the textbooks of civic education, e.g. in the Civic Education 1 textbook by "Dita 2000", on page 5, in the "Working together" section, the message "I am myself" is given but not shown through the image selected for this purpose. In almost all the analyzed textbooks, the pupil commits in distinguishing the similarities and particularities between himself and his companions, talking about oneself, family, city, state, friends, and confronting the differences he might have with others. He learns that: despite the differences, they are equal, diverse, unique and special, but enjoy the same rights.

For example, in the Civic Education 1 textbook by the publishing house "Erik" on page 4, the message "We are different, but equal" is promoted, well-illustrated by the image of a "different" group of children. Likewise, in the textbook of "Dita 2000", p. 4 the message "we are different children, but equal," is given, illustrated also through a clipart that shows "different" children holding hands, while simultaneously transmitting the social abilities of interaction and togetherness.

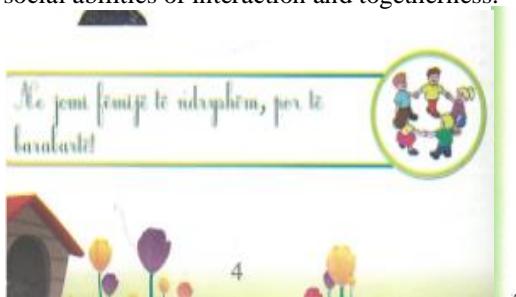


Figure 2: Dita 2000", p. 5



Figure 3: Erik, p. 4

As it is noted in *Table 1*, in the textbooks of civic education there is a significant lack of words, phrases and illustrations that enable the pupil to start or maintain a conversation or a positive interpersonal relationship of communication.

**II.** Some studies have shown that as a result of non-recognition of the rights and duties, they and others have and not applying them, increases the chances that adult individuals will have access to the criminal justice system for the acts they may have committed. Nevertheless, at school, pupils are trained on the rights, responsibilities and roles they and others have.

This social ability creates opportunities for social choices that will strengthen their interpersonal relationships and facilitate success in school. Possessing this group of skills helps the child: manage anger, acknowledge, respect, accept the rights of others, contribute to solving social problems, and negotiate with peers, increase tolerance and acceptance.

In the analyzed textbooks of civic education, these social skills are promoted mainly through the second chapter, where the pupil can understand and distinguish the connections he has with the surrounding environment and with the people in it, items with which he/she is related to in his/her everyday life. The pupil is able to

identify and understand his skills to contribute to others and to the environment by showing respect and appreciation. Thus, in the Civic Education 1 textbook published by "Dita 2000", through phrases, key words and images, is transmitted the respect for people and the environment, the responsibility on them (e.g. the pupil is encouraged to analyze and compare images to understand his/her usefulness to the environment and the necessary respect by distinguishing right and wrong through the pictures (p. 20).



Figure 4: "Dita 2000", p. 20



Figure 5: Erik, p. 16

In addition, in the Civic Education 1 textbook by the publishing house "Erik", pupils are trained through images of how and where they can provide their help in the family and what are the situations in which they should be respectful (page 16). In (page 18), the pupil is taught how to interact and how to care for the environment. In (page 22), the pupil is taught: to evaluate his and his friends' opinions and to help adults, people in need, the elderly and the younger ones. While in the Civic Education 1 textbook by "Filara" publishing house, pupils learn to take care of the elderly (page 24) a picture of a child freeing his bus sit for an elder person. Only in the



Figure 6: Mediaprint, p. 27

text of Civic Education 1 by the publishing house "Mediaprint" the pupil is encouraged through the images to find solutions to the problematic situation (page 27). Pupils are taught how to go visit a sick companion home but need to learn we cannot always go to the sick companion's home for homework, today we can avoid visiting them by using the Internet, thus preventing risks from viruses or from other causes.

Table 2 presents quantitative data on the usage frequency of terms and words referring to the social skills group that are being analyzed.

III. Social skills help the individual adjust their behavior and make it flexible and appropriate to meet their needs and desires. This goal is not achieved if the individual does not know nor perform the duties and responsibilities of oneself, others, and the environment in which he lives.

**Table 2**

**Chapter 2: Others and I**

Chapter 2: <i>Others and I</i>	Topics	Terms & Words Usage			
		Duties and Responsibilities	Respect	Careful	Tolerant
<i>Lesson Content</i>	In the family	5	7	9	4
	At school	0	10.	15	4
	Respect for objects	14	12	2	2
	Respect for the environment	11	13	7	5
	My needs and wishes	7	10	6	3
<i>Pedagogical Apparatus</i>	In the family	14	13	11	6
	At school	17	15.	13	3
	Respect for objects	17	12	15	4
	Respect for the environment	8	10	11	3
	My needs and wishes	7	9	8	4
<i>Illustrations</i>	In the family	36	24	16.	2
	At school	21	23	13	4
	Respect for objects	19	17	14	2
	Respect for the environment	17	11	8	2
	My needs and wishes	16	11	15	1

*Source: researched by author*

These skills are reinforced through years of education of the individual. In all the textbooks analyzed, pupils learn the social ability to interact and work together in a special chapter that promotes the social ability of interaction.

The pupil is taught to understand the importance of collaborative work, as well as individual work, behavior, attitude towards meeting the needs and desires of the individuals and groups they belong to; gets taught that in the family, in the classroom, in the neighborhood, in the community, everyone has roles and duties, common rights and responsibilities; learns that in order to succeed and get results, to solve various problems, to be effective and efficient he/she must cooperate with others; learns to identify the difficulties that others have, to show readiness, empathize, and take action to help them. For example, in Civic Education 1 from the publishing house "Albas" this social skill is transmitted through (38 images) and (16) key words related to the ability to help, to show readiness, to work and to receive pleasure together. Children are known with "collaboration" as a process throughout the chapter and the topics it contains. Children learn how to help and interact through the use of such expressions as (page 24) "We collaborate with others". "I ask for help from others". "When we are together we do a lot of things". But it does not reflect or show what they should do together and what they should not do (p. 28). "I believe in my strength; I believe in the power of others".

In the Civic Education 1 textbook by the publishing house "Dita 2000", this social ability is transmitted through (28 images) and (21) key words related to the right everyone has to be equal in the affairs or activities they're included in to, in order to enjoy the pleasure that comes from interaction and cooperation. During this chapter, the social ability to interact is also transmitted through images that show pupils who are collaborating in different situations, trying to help people in trouble by coordinating efforts. In (page 27) of this textbook a situation is showed on how people with

disabilities can be helped, e.g. how to help an individual on a wheelchair to cross the road, an individual with seeing difficulties carry out his activity. On the (page 15), the phrases "Work Together", "Work Together and Tire Less" and "Together We Successfully Complete Task", transmit to pupils the message that being together brings better results.



**Figure 7: "Dita 2000", p. 26-27**

The child learns the social ability to support and help others who are in difficulty through the text and its components. Thus, in the book Civic Education 1, by the publishing house "Erik", to convey this social skill are used (52) images and (23) keywords (advice, self-care, care for others, care for the environment, help, cooperation).

The following message is transmitted in this textbook: "Every child with mental and physical disability is entitled to care, education and social support" and for the first time the child is faced with the "social support" expression, but no further exploration is made to deal with situations when a child should show the social ability to be a supporter of a struggling friend. But the social ability to express concern about the difficulty, the problem that the companion has, is not promoted throughout the content, or through the pedagogical apparatus and images. In the textbook of Civic Education 1 from the Uegen publishing house, the social ability to interact is transmitted through (9) images used throughout the chapter: "to interact", where the child learns the meaning of the "social role" concept in (page 10) of this textbook.

During the situations that appear in the textbook the pupil is put in the position to analyze, discuss, generalize, realizing that there are many cases where the help of all friends or the help of others in general is needed to achieve something. This capability is transmitted through the message "without help you cannot do anything" on page 9 of this textbook.

As it is noted in *Table 3*, empathy is the social skill that is less identified throughout the textbook analyze.

**IV.** In the fourth chapter of each alternative text of the subject of Civic Education included in the study, the pupil is able to distinguish and accept certain rules, apply these rules in cooperation with others, in his daily activities; in various activities that take place in families, classrooms, schools, games etc. recognizing the importance of their implementation. However, the case in which the pupil is trained to be part of the decision-making process does not happen often, e.g. when deciding on classroom rules with classmates, or on family rules with parents and other family members.

**Table 3**

**Chapter 2: Others and I**

Chapter 2: <i>Others and I</i>	Topics	Terms & Words Usage			
		Duties & Responsibilities	Respect	Careful	Tolerance
<i>Lesson Content</i>	In the family	5	7	9	4
	At school	0	10.	15	4
	Respect for objects	14	12	2	2
	Respect for the environment	11	13	7	5
	My needs and wishes	7	10	6	3
<i>Pedagogical Apparatus</i>	In the family	14	13	11	6
	At school	17	15.	13	3
	Respect for objects	17	12	15	4
	Respect for the environment	8	10	11	3
	My needs and wishes	7	9	8	4
<i>Illustrations</i>	In the family	36	24	16.	2
	At school	21	23.	13	4
	Respect for objects	19	17	14	2
	Respect for the environment	17	11	8	2
	My needs and wishes	16	11	15	1

Source: researched by author

This skill is promoted e.g. in the textbook of Civic Education 1 by the publishing house: "Dita 2000", on page 37 through the message "The Family Has Rules. They are set unanimously and respected by all", but it is not illustrated through images. The child is not exposed to models that show the importance of being part of the decision-making process.

In the text of Civic Education 1 of the publishing house "SHBLSH" through the image but also the phrase: "Let's talk about our drawings together", children learn to share and discuss with each other thoughts and ideas, a social skill that is very necessary to provide their social inclusion in society. But this skill model is not transmitted in other textbooks. In the social skills group that a child needs to own, win, learn in family and school is also the ability to show interest in others, e.g. in the text of Civic Education of the publishing house Mediaprint, p. 48, a friend asks a friend: Arbri, how did you spend the day yesterday?

In almost all chapter themes, children are taught to use etiquette words, apply and respect the rules in family, at school and during playtime.



**Figure 8: Mediaprint, p. 48**

V. Children face every day many challenging situations at home, school, at the store, and in their communities. Often, they are not aware of these issues. Children need to learn positive practices and effective ways to identify, think, avoid, prevent, speak and be safe in challenging situations related to their security and protection. The school is one of the institutions working in this direction, along with the family.

What social skills should children be taught in school in order to be safe and secure? What resources should be used to achieve this goal?

The curriculum is an instrument that helps in accomplishing this goal.

Along the analysis of the security and defense chapter in alternative texts of Civic Education, the following questions are addressed:

If we refer to each text, we conclude that: In the Civic Education 1 textbook by the publishing house "Albas", 24 images and 8 keywords are used to familiarize the pupil with the rules of protection and security. The pupil is informed of the dangers and becomes aware of them through phrases like: "The road has risks", "The road has rules". Road risk appears only in situations when one does not comply with traffic regulations (page 46). Through images, the pupil is taught on the proper careful usage of the bike and how to be careful with flowers at the park.

In the Civic Education 1 textbook by the publishing house "Dita 2000", 9 images and 17 keywords were used to increase the pupils' level of information about risks, uncertainties and protection measures (security, insecurity, risk, activity). The pupils are taught that he/she should seek help from security guards in the event of a risk or getting lost and losing their parents at the malls (p. 44). Through images, pupils perform analyzes and interpretations of different situations, in order to become more capable regarding the rules that must be followed in the street and in the store in order to be safe. They are also informed on how they should act when they find items on the street, how they must submit them to the respective places (p. 48).



Figure 9: "Dita 2000", p. 48-49



Figure 10: SHBLSH, pp. 50-51

However, children are not taught on the risks they may face in the park. In the Civic Education1 textbook by the publishing house "SHBLSH", 34 images and 28



Figure 11: Mediaprint, p. 62-63

words were used to empower children with practical skills on managing risky situations. Pupils learn how to act when alone at home, in a park, in a shop (taking measures on the water tap that is left open, avoid touching hot items such as a hot pot on the stove, be safe from strangers knocking at the door, not playing dangerous games with tools that damage his safety, such as the use of spoons and forks to play (pp. 50-51).

The pupils also learn that they should not stay away from their parents; they should not touch vitrines and articles in them such as; alcoholic beverages, cigarette packs, etc. (page 53). Only in the text of Civic Education 1 by the publishing house Mediaprint, the pupil faces a challenging situation such as a child in the park, whom an unknown person asks him/her to walk together, and the child refuses, saying, "I do not know you" (page 63).

In this case, the pupil is also informed about the risk, but also about the way of avoiding or preventing this danger (*Table 4*).

**Table 4**

**Chapter 5: Security and protection**

Chapter 5: <i>Security and protection</i>	Topics	Terms & Words Usage		
		Information, self-consciousness	Precaution/Avoidance	Protection/self-defense
<i>Lesson Content</i>	I am home alone	32	25	26
	At the Shop	18	13	7
	Traffic Light	20	16	18
	At the Park	12	17	8
	Playing at the park	12	15	8
<i>Pedagogical Apparatus</i>	I am home alone	36	36	28
	At the Shop	21	14.	10
	Traffic Light	17	19	15
	At the Park	18	20	14
	Playing at the park	9	12	6
<i>Illustrations</i>	I am home alone	34	28	44
	At the Shop	18	19	14
	Traffic Light	28	22	18
	At the Park	22	21	14
	Playing at the park	25	15	10

*Source: researched by author*

This dialogue is further enhanced through the image presented in the book. Quantitative data that shows the use of key words, concepts and images (across chapters 5 on which the contents of texts of each alternative text of civic education are organized) is presented in *Table 4*, which are directly related to certain social skills that help the child feel secure and protected during the chapters. Throughout the subject, pupils receive information on ways to protect themselves from potential dangers (they are acquainted with the police, ambulance and firefighters' numbers who need to be called and seek for help in cases of emergency). However, regardless this information, the pupil is not given the numbers in any of the textbook.

Alo 116: The Child Counseling Line (a national service aimed at assisting children by telephone counseling and referring cases to governmental and non-governmental institutions providing services to children).

It is important for children to be informed that the danger comes not only from electricity, gas, disregard of road traffic rules but also from various natural disasters, from not using aids to the sea, lake, swimming pool, internet, animals, poultry, eating expired foods, different items, lending from strangers, etc. and also from uncontrolled contacts and conversations from parents to unknown and also well-known people, who may affect their security and protection.

## CONCLUSIONS

(1) Curricular objectives related to the development and promotion of social skills and habits often do not emphasize the promotion and learning of social competence as a whole.

(2) Illustrations in the texts do not convey elements of various social skills with which the child should be exposed during the lesson. Illustrations tend to reflect more situations or different activities without any particular focus on promoting social competence.

(3) Civic Education textbooks encourage the teacher to organize the classroom by keeping in mind the "development and improvement of social competence".

(4) Examples of analyzing or interpreting a certain situation in the text, from the perspective of the social skills that it conveys, are often not constructed in relation to this goal.

(5) It is worth emphasizing that the minimal aspects of a child's daily life such as security or taking the measures to prevent risks and self-protection cannot find an illustration and give a proper education in the winning textbooks.

(6) Self-confidence as a social skill that teaches children to respect oneself and others, to recognize the responsibilities associated with it, is not promoted sufficiently in the Civic Education textbooks of the first class.

(7) Social skills related to child protection and safety in the community (protection from unknown, natural disasters, emergencies) are not adequately transmitted through texts.

## RECOMMENDATIONS

Social-related issues should become part of educational documents and resonate with the spirit of global documents. This means that there is a need for more coherence between the documents with policy-making power in Albanian education.

- Program designers should be encouraged to explore the hidden curriculum in the wider program, so that programs should be enriched with objectives related to social skills issues.

- Since primary school textbooks in Albania are a powerful tool for information, education and development, issues related to social competence, need to be considered as an important dimension in the civilization of the future society.

- First-class Social Education textbooks need to be rewritten with an emphasis on the promotion of social skills in literary, elementary and pedagogical subjects, and images, but also through different situations.

- The teacher should apply methods and techniques to promote social competence.

- Skills and social skills should be issues that are dealt with during the different curriculum topics or in e-curricular activities in collaboration with the school support team (social worker, psychologist, health worker) and the community.

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## THE IMPACT OF META COGNITIVE INSTRUCTION ON HIGH SCHOOL LEARNERS' LISTENING COMPREHENSION

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**Abstract:** *The article investigates effective strategies for teaching English as a foreign language listening skill. The aim of the study is to find ways to solve difficulties concerning listening comprehension among high school learners. Main emphasis is placed on the use of metacognitive strategies as a facilitator of comprehension. The findings of this study might have implications for learners, teachers and material-developers in the field of English language teaching and learning.*

**Keywords:** *listening strategy, metacognitive learning, listening strategy instruction, listening comprehension*

### INTRODUCTION

Listening comprehension is a challenge for English as a Foreign Language (EFL) listener. Therefore, dealing with listening tasks may lead learners to frustration and poor performance. This is because listening comprehension input is implicit and complex. The complexity of listening task may involve external factors related to speaker, text or content. These factors increase the possibility of not understanding listening message correctly. However, few studies have been concerned with listening comprehension process and listening instruction. Thus, listening remains one of the least understood processes in language learning (Morley, 1991). To reduce the complexity of listening comprehension and to develop and facilitate the process, metacognitive instruction is used. Prior to discussion of appropriate listening strategies, the term listening comprehension needs to be defined. According to Carrier (1999), listening is a process of receiving and constructing meaning forms and a process of reacting to verbal and nonverbal information he defines it as an active skill, which goes beyond comprehending literally to an empathetic understanding of the speaker. Ronald & Roskelly (1986) also define listening as an active process requiring prediction, hypothesizing, checking and revising. The same view is given by O'Mally & Chamot (1989), who state that listening comprehension is an active and conscious process in which the listener constructs meaning by using cues from contextual information and existing knowledge, while relying upon multiple strategic resources to fulfill the task requirement. Vandergrift (1990) also holds the same view stating that listening requires great deal of mental activities from the listener. "Listening comprehension is a complex, active process in which the listeners must discriminate between sounds, understand vocabulary and grammatical structures, interpret stress and intonation, retain what was gathered in all of the above, and interpret it within the immediate as well as the larger social structural context of the utterance" [ibid, p. 174].

Based on the previous definitions, Rost (2002) comprehensively summarized the definition of listening comprehension and divided it into receptive, constructive, collaborative and transformative forms.

- Receptive listening refers to the fact that the listener receives the utterance the speaker actually expresses. Thus, listening is a receptive skill. However, it does not mean that listening is passive. It is a highly active process (Ronald & Roskelly, 1986; O'Mally & Chamot, 1989; Vandergrift, 1997; Rost, 2002). For reorganizing speaker's intentional message, the hearer has to positively utilize the knowledge linguistically and non-linguistically. The linguistic source includes vocabulary, syntactic and phonetic problems. The nonlinguistic source refers to background knowledge.

- In the light of constructive view, listening means constructing and representing meaning. The hearer should look for interesting things in speaker' words, reconstruct the relevant information from speaker's message (Rost, 2002).

- In the light of collaborative view, listening means negotiating meaning with the speaker on the choice of a code and a context and responding. In particular, listening refers to the response to the speakers' utterance, the process of sharing ideas or information with the speaker, active participation in speaker's talk.

- Transformative listening means the creation of the meaning by means of imagination, involvement and empathy. Especially, listening can not only be understood as the creation of the connection between the speaker and the listener, of the empathy with speaker's motivation as he speaks, of a process of meaning making in the communication, but also as the accomplishment of communication.

It can be easily seen that in the last three perspectives of listening, the key concept is meaning, whose understanding of is the main purpose of listening comprehension (Rost, 2002).

### **LITERATURE REVIEW USING METACOGNITIVE STRATEGY IN LISTENING COMPREHENSION**

Metacognitive strategy instructions in listening comprehension play a critical role as language learners need to internalize the rules of language and process meanings from continuous incoming speech flow. It is hard work for students to acquire these skills, and as such, these areas deserve more support (Vandergrift, 1997). The most relevant strategies that facilitate listeners in dealing with listening tasks are metacognitive strategies. According to O'Malley & Chamot (1985), students without metacognitive approaches are learners without direction or opportunity to review their progress, accomplishments, and future directions (p. 561).

Flavell (1979) defined the term metacognition as knowledge concerning one's own cognitive processes and products or anything related to them (p. 908). He defines metacognition as a combination of two components: knowledge and regulation. Metacognitive knowledge consists of three components: (1) knowledge of oneself as a learner and the factors that might influence performance; (2) knowledge of strategies; (3) knowing when, where, how and why to use particular learning strategies (Cross & Paris, 1988; Kuhn & Dean, 2004). Wenden (2002) suggests metacognitive knowledge can change over time as one acquires cognitive maturity and experience. It may often be acquired unconsciously through observation as learners listen to

teachers, parents, or peers providing them with advice about how to learn. According to Davidson & Sternberg (1998) metacognitive knowledge allows problem solvers to better encode and represent the assumptions in a problem context and therefore better perform. Utilizing metacognitive strategies deals with regulating one's cognition and gaining awareness of one's comprehension. Many researchers have proposed activities like planning, monitoring, and evaluating (Schraw et al, 2006; Whitebread et al, 2009). More specifically, rather than sitting isolated because of a breakdown in comprehension or passively waiting for teachers to give answers, learners are trained to know what to do and how to carry out strategies to solve their problems when they come across difficulties during listening tasks (Oxford, 1990). Increasing better performance of listeners requires following a strategy-based approach, a set of rules and regular opportunities to tackle listening problems strategically. Listeners have to be provided with enough opportunities to act upon the set of rules already devised by the instructor. This regulated procedure helps listeners to plan, monitor, and evaluate their listening (Vandergrift & Tafaghodtari, 2010; Goh 2008).

When listening strategies are highlighted, some researchers in strategy instruction (Birjand & Rahimi, 2012;), emphasize a systematic instructional model with intensive implementation where teachers play a crucial role in presenting knowledge of learning strategies and orchestrate teaching activities to meet anticipated learning goals. However, language learning is a complex skill that needs to move through certain stages from controlled to automatic processing via practice (Chamot & O'Malley, 1987). The role of teachers should not merely focus on explicit instruction but should devote more instructional time to offer students opportunities for practicing strategy.

Listening comprehension skills are significantly advanced by introducing metacognitive strategies into teaching. Chamot & O'Malley (1994) have developed five phases of the learning cycle including preparation, presentation, practice, evaluation and expansion. Vandergrift (1997) lists four strategic categories including planning, monitoring, evaluation, and problem identification to illustrate a learning cycle of engaging learners with creating or checking students' predictions, stating gaps in their understanding, and monitoring and reflecting on their learning. Oxford (1990) made a diagram of metacognitive strategy system. In his system, there are three parts, centering learning, arranging and planning and evaluating, in metacognitive strategy. The first part, centering learning, includes over viewing and linking with known, paying attention and delaying speech production to focus on listening. In arranging and planning process, learner finds out about language learning, organizes, sets goals and objectives, identifies the purpose of a language task, plans for a language task and seeks practice opportunities. The last part, evaluating, is self-monitoring and self-evaluating.

Mendelsohn (1994) proposed that the classroom curriculum for a listening course should include instructing listeners about listening strategies. Listening strategy instruction functions as pillars upon which a listening course is built. He states that it is an approach that trains students how to listen, by making learners aware of the strategies that they use, and training them in the use of additional strategies that will assist them in tackling listening tasks. The materials used in a listening lesson should feature authentic and natural everyday speech. Field (2000) suggests that listening

lessons should be authentic and take the following two points into considerations. First, listeners should be carefully briefed so that they feel comfortable about being exposed to listening texts where they may have problems to understand the message. Second, instructors should grade the difficulty of tasks to fit to the comprehension level of the listeners rather than grading the text so that listeners would be able to achieve it. This way the less-skilled listeners can benefit from the technique which Wilson (2003) has called discovery listening. This technique helps the less-skilled listeners directly to focus on their precise listening problems, find out the reasons for the problems, and evaluate the importance of the problems. The less-skilled listeners' listening development should not go unnoticed in the classroom. The instructor should highlight the less-skilled listeners' listening development and keep encouraging the listeners to reflect on their listening. The instructor encouragement assists the listeners to build up with listening bricks to form a good listening comprehension ability.

### CONCLUSION

As it was already discussed, listening is extremely important skill for language learners, which is necessary for not only exam based purpose but also for every day communication. Understanding speaker's message is crucial to avoid misunderstanding. Thus, affective communication is closely connected to listening. With the review of the related literature, it can be stated that successful fulfillment of listening task, to a great extent, depends on the use of metacognitive strategy. This approach helps listeners in general and specifically the less-skilled listeners to increase the awareness of listening comprehension. Metacognitive instruction is a strong means to facilitate listening development and strategy awareness. In addition, providing students with sufficient time to practice listening strategies in classroom-based learning is vital in order to allow them to learn at their own pace. In conclusion, literature review presented above is expected to help not only students but also the English teachers and materials developers. Taking into consideration experience done by researchers in the field of using metacognitive strategies, the outcome of teaching will be notable.

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**JEL: A20**

## **NEUE METHODEN ZUR VERMITTLUNG DER GESCHICHTE IM LANDESKUNDEUNTERRICHT**

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**Abstrakt:** *Dieser Artikel besteht aus zwei Teilen, einem theoretischen und einem praktischen Teil. Im theoretischen Teil werden die Rolle der Geschichte, die Auswahl und die Art und Weise der Vermittlung historischer Themen im Landeskundeunterricht erläutert. Im praktischen Teil werde ich einen Unterrichtsentwurf darstellen, wo ausführlich erklärt wird, wie man Geschichte im Landeskundeunterricht einführen kann. Welche Vorgehensweise muss man befolgen? Welche Unterrichtsziele soll man festlegen? Welche Sozialformen des Unterrichts soll man auswählen? Diese Fragen werden im zweiten Teil analysiert und hier werde ich auch verschiedene Vorschläge aus meiner eigenen Erfahrung als Lehrerin der deutschen Sprache geben.*

**Schlüsselwörter:** *Geschichte, Landeskundeunterricht, Deutsch als Fremdsprache, Europa ohne Grenzen, Europäische Union, Mehrheiten und Minderheiten*

### **EINLEITUNG**

Der Titel "Themen der neueren Geschichte für den Landeskundeunterricht" schien mir sehr interessant und umfangreich. Bei der Wahl der Themen beschränkte ich mich auf ein sehr aktuelles und für mich sehr beliebtes Thema: Europäische Union.

### **MATERIALIEN UND METHODEN**

Als Basisliteratur für den zweiten Teil meiner Hausarbeit habe ich Zeitschriften zur deutschen Landeskunde ausgewählt, die von der Körber Stiftung veröffentlicht wurden und zwar: "Europa ohne Grenzen?" Heft 1, "Sprachen öffnen Welten" Heft 6, "Mehrheiten und Minderheiten" Heft 7. Die Materialien und Arbeitsvorschläge, die ich im zweiten Teil präsentiert habe, sollen die Lernenden zur Auseinandersetzung mit dem Thema anregen, das sonst selten behandelt wird, sei es, weil die Lehrprogramme zu sehr auf Einzelfächer ausgerichtet sind, oder weil die nötige Hintergrundinformation nicht einfach zu beschaffen ist. Ich will nachhelfen, indem ich das Thema Europa trotz geringen Umfangs in seiner Vielschichtigkeit zu präsentieren versuche. Es geht bei diesen Materialien sowohl um eine begriffliche Auseinandersetzung mit dem Phänomen Europa als auch um dessen historischen, politischen und wirtschaftlichen Aspekt. Dabei gilt es, den eigenen Bezug zu Europa zu finden und den eigenen Platz darin zu behaupten. Dies sind Materialien, mit denen ich Erfahrungen in meinem Land gemacht habe. Sie sind anregend und führen zu einem kommunikativen interkulturellen Unterricht, deshalb würde ich sie für den Landeskundeunterricht gerne empfehlen.

### **Zur Theorie**

#### **Stellenwert der Geschichte im landeskundlichen Deutschunterricht**

*"Landeskunde ist in hohem Maße auch Geschichte im Gegenwärtigen. Daraus ergibt sich die Notwendigkeit, auch historische Themen und Texte im Deutschunterricht*

*zu behandeln. Solche Themen sollten Aufschluss geben über den Zusammenhang von Vergangenheit, Gegenwart und Zukunft, über unterschiedliche Bewertungen sowie über die Geschichte der Bewertung selbst" (ABCD – Thesen 1990, S. 307).*

Die heutige Landeskunde ist eine Wissenschaft, die interkulturell orientiert ist. Sie ist Ausdruck von Forschung, Handeln und Vermittlung von Transdisziplinarität. Sie kann wissenschaftlich fundiert, sprachlich und materiell neu orientiert sein, nur, wenn sie eine interdisziplinäre Kooperation hat. Sie hängt mit vielen Wissenschaften zusammen, sie fordert und sucht integrative Zugänge, sie braucht die Hilfe vieler Fächer. Zu diesen Fächern gehört unter anderem auch die Geschichte, die meist zu den Bezugswissenschaften der Landeskunde gerechnet wird.

Die historischen Untersuchungen sind für die Landeskunde unverzichtbar, denn eine rein gegenwartsbezogene Landeskunde verfehle ihr Ziel, Lernenden die fremde Kultur und Gesellschaft verständlicher zu machen. In der Landeskundedidaktik wird allgemein davon ausgegangen, dass die Gegenwart in der Regel Bezugspunkt landeskundlichen Lernens im Sprachunterricht ist. Entsprechend ist auch unser Interesse an der Vergangenheit von Fragen geprägt, die vor allem zu einem besseren Verständnis der deutschen Kultur und Gesellschaft führen. Schon seit Anfang der 80iger Jahre wird immer wieder betont, dass die Geschichte ein bedeutsames Element bei der Vermittlung von Landeskunde im Fremdsprachenunterricht darstellt. Eine fundierte landeskundliche Erklärung ist selten möglich ohne die Integration historischer Bezüge. Sie dient der Landeskunde als eine Art Hilfswissenschaft. Vergleicht man die Lernziele der Landeskunde mit denen des Geschichtsunterrichts, so zeigen sich allerdings Übereinstimmungen. Beide sind nämlich an Fremdverstehen zentral interessiert. Während landeskundliches Lernen vor allem kulturräumliche Distanzen zu überbrücken sucht, damit die Lernenden Teile der fremden Lebenswelt erschließen können, sollen im Geschichtsunterricht zeitliche (und kulturelle) Entfernungen überbrückt werden, um den Lernenden andere Epochen näher zu bringen.

Die Gegenwart ist für die Landeskunde im Sprachunterricht Schnittpunkt der Behandlung ihrer Themen, und auch die Geschichtsdidaktik sucht bei der Beschäftigung mit der Vergangenheit den Bezug zur Gegenwart: sie interessiert sich nicht nur dafür, wie es eigentlich gewesen ist, sondern auch für die Bedeutung der Geschichte für die eigene Gegenwart.

### **Auswahl historischer Themen**

Die Auswahl historischer Themen hängt von vielen Faktoren ab. Dabei muss man immer berücksichtigen, dass der Deutschunterricht nicht zum deutschen Geschichtsunterricht wird. Es kann nicht Ziel eines landeskundlichen Sprachunterrichts sein, möglichst viele Fakten und Kenntnisse über die Geschichte Deutschlands zu vermitteln. Um nicht im Meer der Fakten und Daten zu versinken, kommt es auf das Prinzip der Ökonomie an, das einem sagt, wo man aufhören muss. Dabei entsteht die Frage: Was muss man im Unterricht vermitteln?

Im Unterricht (im Kontext der Arbeit mit Texten) ist eine historische Perspektive als Ergänzung zum besseren Verständnis von historischen Themen immer wünschenswert. Idealtypisch lassen sich drei Situationen unterscheiden:

Erstens: eine Stelle in einem Lehrbuch verweist auf die Vergangenheit, über die wir Bescheid wissen müssen, um diese Stelle zu verstehen. Z.B. eine Karte Deutschlands in den Grenzen von 1989 könnte die Lernenden irritieren und sie zu unterschiedlichen Fragen veranlassen: "Warum gibt es zwei Deutschland? Wie lange gab es diese beiden deutschen Staaten? Wie ist es dazu gekommen, dass es jetzt nur noch ein Deutschland gibt?" Verstehen in einem solchen Zusammenhang heißt vor allem, die Ursachen und Hintergründe eines Phänomens zu kennen.

Zweitens: Fragen tauchen im Unterricht auf, wenn im Text vereinzelte Aspekte deutscher Geschichte explizit dargestellt werden. In vielen Lehrbüchern werden historische Abbildungen dargestellt. Zunächst muss man das Abgebildete identifizieren. Nachdem das Abgebildete identifiziert worden ist, geht es in einem zweiten Schritt darum, das Abgebildete zu verstehen. Drittens: Aus der Perspektive der Lernenden kann ein im Unterricht behandeltes Thema besonders rätselhaft oder fremd erscheinen. Das ist häufig dann der Fall, wenn sie feststellen, dass bestimmte Lebensformen, Verhaltensweisen oder Wertvorstellungen stark von den eigenen abweichen. Um verschiedene Phänomene besser zu verstehen, ist eine historische Perspektive unter Umständen unerlässlich.

Für die Themenauswahl ist ebenfalls wichtig:

#### *Das Sprachniveau der Schüler*

In welcher Sprachstufe werden die historischen Themen behandelt?

Das ist eigentlich in allen Stufen möglich. Nur beim Anfängerunterricht ergibt sich die Schwierigkeit, dass man über bestimmte Inhalte noch nicht so viel diskutieren kann.

#### *Die Herkunftskultur der Schüler (Lernort)*

Wo wird der Unterricht mit historischen Bezügen erteilt? In Deutschland oder im Ausland. Die Bedingungen und die Bedürfnisse in verschiedenen Ländern führen auch zu großen Unterschieden. Zwei der Extreme dürften folgende Gruppen darstellen: einerseits die Schulklasse im fernen Ausland, aus der kaum jemand die Gelegenheit haben wird, in ein deutschsprachiges Land zu reisen und andererseits die Studierenden der Germanistik an einer ausländischen Hochschule, die historische Kenntnisse als Hintergrundwissen benötigen und sich möglicherweise auf einen Studienaufenthalt in einem deutschsprachigen Land vorbereiten. Dazwischen liegt das weite Feld des Unterrichts in Deutsch als Fremdsprache im In- und Ausland, in dem historische Aspekte der deutschsprachigen Länder nur ein landeskundliches Thema unter vielen darstellen.

#### *Die Nationale Hetero- oder Homogenität in der Lerngruppe*

Ist die Unterrichtsgruppe national homogen oder national heterogen zusammengesetzt?

Bei einer national und kulturell bunt gemischten Lerngruppe, die Unterricht im Zielsprachenland erhält, stellt sich eine besondere Situation. Welche Rolle welche historischen Themen im jeweiligen Unterricht spielen sollen und in welcher Herangehensweise sie vermittelt werden können, wird nur adressatenspezifisch vor dem jeweiligen Lernhintergrund zu entscheiden sein, wobei der Sprachstand angesichts vieler nur sehr differenziert zu behandelten Themen von besonderer Bedeutung ist.

Es ist naheliegend, dass dort, wo es durch die geografische Nachbarschaft, durch Vergangenheit oder militärische Besetzung bedingt Berührungen in der Geschichte der Völker und Nationen gegeben hat, diese gemeinsamen Ausschnitte der Geschichte eine zentrale Rolle im Landeskundeunterricht spielen werden.

*Die Altersgruppe*

Um welche Altersgruppe handelt es sich? Welcher Bildungshintergrund und welche Vorkenntnisse sind vorhanden? Welche Interessen haben die Schüler?

Die Themen sollten an die Erfahrungswelt des Schülers anknüpfen und auch auf bereits in anderen Fächern Erarbeitetes zurückgreifen, damit für die Behandlung des Themas im anderen Land auf konkrete Vorstellungen und Begriffe von der Sache im eigenen Kontext aufgebaut werden kann.

Ich habe eine Liste von Faktoren erstellt, die jeder Lehrer bei der Auswahl historischer Themen in seinem Unterricht berücksichtigen sollte (*Tabelle 1*):

**Tabelle 1**

**Faktoren zur Auswahl historischer Themen im Unterricht**

<i>Lernkontext</i> Findet der Unterricht in einem Land statt, das dem deutschsprachigen Raum kulturell nah oder fern ist?
<i>Unterrichtende</i> Sind Sie eine muttersprachige Lehrerin/ein muttersprachiger Lehrer, der Angehörigen einer fremden Kultur die eigene Kultur vermitteln möchte? Oder sind Sie ein fremdsprachiger Lehrer, der Angehörigen der eigenen Kultur Wissen über die fremde Kultur vermitteln möchte?
<i>Lernniveau</i> Sind Ihre Lernenden Anfänger oder Fortgeschrittene?
<i>Zielgruppe</i> Arbeiten Sie mit Schülern, Studenten oder mit Erwachsenen, die bereits im Berufsleben stehen?
<i>Lernende</i> Wofür interessieren sich ihre Lernenden? Waren sie schon einmal in der Zielsprachen-Kultur? Besteht eine Beziehung zur Zielsprachenkultur? Welche Einstellung haben sie zur Zielsprachenkultur? Was bringen sie an Vorkenntnissen mit?
<i>Institutioneller Rahmen</i> Wo findet der Unterricht statt: Schule, Uni? Lassen sich landeskundliche Inhalte fächerübergreifend vermitteln? Wie viel Zeit steht zur Verfügung?
<i>Zweck</i> Wofür brauchen die Lernenden landeskundliches Wissen? Möchten sie sich Bildungswissen aneignen? Brauchen sie ein berufsbezogenes Handlungswissen, das es ihnen ermöglicht, die im Beruf erforderliche Kommunikation zu bewältigen? Oder geht es um Wissen, das es ihnen ermöglicht, sich im deutschsprachigen Raum aufzuhalten, zu kommunizieren und mehr noch, sich in dieser zunächst fremden Welt orientieren zu können?

*Quelle: erstellt durch Autor*

**Vermittlung historischer Themen**

Bei der Vermittlung historischer Themen im Landeskundeunterricht sollte man sich auf überschaubares Material beschränken und einen lebendigen Umgang mit der Geschichte suchen.

Die Basis bei der Vermittlung sind in den meisten Fällen die Texte, Bilder, Diagramme, Statistiken und gelegentlich auch Karten in den Lehrbüchern. Der

Unterricht erfordert oft Anschaulichkeit sowie interessante Anreize. Hierzu gehören Videosequenzen und Videomaterialien, Hörkassetenprogramme, usw.

Andere Anlässe, auch auf niedrigerem Sprachniveau, bieten etwa die Geldscheine der deutschsprachigen Länder oder Motive auf Briefmarken. Ideal ist es natürlich, wenn nach einer entsprechenden sprachlichen und inhaltlichen Vorbereitung Ausflüge zu Gedenkstätten, Orten mit historischer Bedeutung oder in Geschichtsmuseen möglich mit einer durchdachten Nachbereitung unternommen werden können, was für viele im Ausland jedoch häufig ein Traum bleiben wird.

Andere weitreichende Möglichkeiten bieten Biographien und Interviews mit Zeitzeugen. Bevor man Städte, Denkmäler, Burgen, Kirchen oder ganze Dörfer mit historischem Hintergrund besucht, muss man das vorhandene Wissen aktivieren. Besucher ohne Basiswissen über das Ausstellungsthema gewinnen kaum neue Erkenntnisse. Kenntnisreiche Besucher profitieren überdurchschnittlich von einem Ausstellungsbesuch. Je grösser der vorhandene Kenntnisstand ist, desto umfassender ist auch der Lernerfolg. Auch eine vorangegangene Beschäftigung mit dem Thema in der Klasse führt ebenfalls zu deutlichem Lernerfolg.

Was die Darstellung des Themas Deutsche Geschichte anbelangt, so war seit Jahren in der Presse und in Fachzeitschriften ein "Doppelprojekt" im Gespräch zusammen mit dem "Haus der Geschichte der BRD" in Bonn und dem "Deutschen historischen Museum" in Berlin. Das Berliner Museum zeigt die gesamte deutsche Geschichte vom frühen Mittelalter bis ins Jahr 1990.

### **Die Rolle des Museums bei der Vermittlung historischer Themen**

Ein Museum, das sich aufgrund seiner Zielsetzung besonders für einen Besuch von an deutscher Geschichte interessierten ausländischen Gruppen anbietet, ist das nach 12-jähriger Planung am 14. Juni 1994 eingeweihte "Haus der Geschichte" in Bonn, welches im Bereich Deutsch als Fremdsprache auch bereits genutzt wird.

Nicht nur verschiedene Gruppen besuchen das Museum. Es wird auch gezielt an landeskundlichen Aspekten gearbeitet. Bereits im ersten halben Jahr nach der Eröffnung hatten etwa eine halbe Million Besucher das Museum besichtigt, und der Kulturausschuss des Europarates hat es als "Europäisches Museum des Jahres 1995" ausgezeichnet. Es wurde gewürdigt als "Museumsprojekt von herausragender Bedeutung in Europa, in dem auch aktuelle zeitgeschichtliche Probleme wirkungsvoll und überzeugend ausgestellt werden".

Das Haus der Geschichte widmet sich der Geschichte. Hierzu gehören aber auch Rückblicke in die Zeit des Nationalsozialismus sowie eine Darstellung gewisser Ausschnitte der Geschichte der DDR.

Architektonisch wohldurchdacht, bewegt man sich als Betrachter von Ebene zu Ebene aufwärts durch die Entwicklungsstufen deutscher Nachkriegsgeschichte, gegliedert in folgende Abschnitte: "Vergangenheit und Spaltung Deutschlands" (1945-1949), "Jahre des Aufbaus in West und Ost" (1949-1955), "Die Ära Adenauer und die innere Entwicklung in der DDR" (1956-1963), "Aufbruch und Protest: Veränderung und Reaktion" (1963-1974) und "Neue Herausforderungen, Vereinigung Deutschlands und der Weg nach Europa" (1974 bis heute). "Das Haus der Geschichte will

Geschichte als Erlebnis präsentieren, besucherfreundlich und unterhaltsam". An über 100 Medienstationen können durch eigene Wahl zusätzliche Ton- oder Bildinformationen eingeschaltet werden. Dies mögen Tonbeispiele für verschiedene deutsche Dialekte sein, diverse Auszüge aus bedeutenden Bundestagsdebatten, die auf elektronischen Knopfdruck eingespielt werden.

### **Die Rolle historischer Bilder im Landeskundeunterricht**

Die Arbeit mit Bildern im Unterricht ist fester Bestandteil eines kommunikativen Sprachunterrichts, also eines Unterrichts, dessen Ziel die Verständigung zwischen Menschen verschiedener Sprachen und Kulturen ist. Ein Bild spiegelt eine Welt wider, und zwar des Landes, in dem das Bild entstanden ist. Das Bild gibt eine Information zu einem bestimmten Thema genauer wider; es vermittelt einen Eindruck von einem Ausschnitt aus der Kultur. Historische Informationen durch Bilder spiegeln verschiedene Aspekte eines Landes wider.

#### **Argumente zur Verwendung von Bildern im Landeskundeunterricht**

##### *Argument 1: Pädagogisches Argument*

Die Verwendung von Bildern im Fremdsprachenunterricht hat eine lange Tradition. Bilder machen den Unterricht für die Lernenden anschaulicher.

##### *Argument 2: Lernpsychologisches Argument*

Bilder wirken sich positiv auf das Lernen und Behalten aus, weil wir die Informationen, die wir aufnehmen, unbewusst in Bildern speichern.

##### *Argument 3: Fremdsprachliches Argument*

Bilder sprechen die Betrachter spontan an, fordern im Unterricht eine sprachliche Reaktion heraus, vor allem, wenn das Bild offen für alle möglichen Assoziationen ist.

##### *Argument 4: Landeskundliches Argument*

Worte, Beschreibungen von Situationen lösen Bilder im Kopf aus, sie lösen bestimmte Vorstellungen aus. Ob diese Vorstellungen auch mit den Begriffen/Situationen stehenden Verhaltensweisen in der Zielkultur übereinstimmen, können wir nicht immer überprüfen. Bilder können die Vorstellungsmöglichkeiten einengen bzw. genauere Vorstellungen anbieten. Das ist besonders im Landeskundeunterricht wesentlich.

### **Kriterien zur Auswahl von Bildern**

#### *Kriterium 1: Technische Qualität*

Das erste Kriterium ist ein bildbezogenes Kriterium. Bilder jeder Art sollten von guter technischer Qualität sein, damit die Lernenden nicht gleich die Lust am Sehen verlieren und damit sie bereit sind, sich auch längere Zeit mit einem Bild zu beschäftigen.

#### *Kriterium 2: Ästhetischer Genuss*

Das zweite Kriterium ist ein subjektives Kriterium. Die Arbeit mit Bildern soll Spaß machen, soll Emotionen wecken. Für den weiteren Unterrichtsverlauf ist es wichtig, ob ein Bild uns oder unseren Schülern gefällt oder nicht, ob sie sich von einem Bild angesprochen fühlen oder nicht.

#### *Kriterium 3: Informationsreicher Bildinhalt*

Das dritte Kriterium ist einerseits ein sachliches Kriterium, dass jedoch auch subjektiv beeinflusst ist. Bilder sind Träger von Inhalten zu bestimmten Themen. Sie

sollten deshalb auch wirkliche Informationen zu dem Thema, das im Unterricht behandelt wird, beinhalten. Es ist von Vorteil, wenn der Bildinhalt über die reine Information hinaus auch zur Stellungnahme und Kritik anregt.

*Kriterium 4: Bezug zum Interesse / zur Erfahrungswelt der Schüler und Schülerinnen*

Das vierte Kriterium bezieht sich auf die Lernenden selbst. Bilder, die sich an der Erfahrungswelt der Lernenden anschließen, also ihren Interessen und ihrem Alter entsprechen, bieten mehr Ansatzmöglichkeiten für die Interpretation im Unterricht.

*Kriterium 5: Offenheit der Bilder*

Das fünfte Kriterium ist unter didaktischen Gesichtspunkten zu sehen. Unter offenen Bildern versteht man solche, die möglichst viel Raum für Vermutungen und Fragen offenlassen, Bilder, die zum Denken und Sprechen anregen.

*Kriterium 7: Sprachliche Voraussetzungen der Lernenden*

Das siebte Kriterium bezieht sich auf die Lernenden selbst. Manche Bilder können für den Unterricht hervorragend geeignet sein, setzen aber für die Arbeit im Unterricht ein sehr differenziertes Vokabular voraus. Andere Bilder wiederum sind von der Bildform oder von der Bildaussage her schwierig und erfordern für die Interpretation ein im Unterricht sonst vielleicht nicht verwendetes Vokabular. Bei der Auswahl solcher Bilder ist es wichtig, darauf zu achten, dass die Diskrepanz zwischen dem Ausdruckswunsch der Lernenden und ihren Ausdrucksfähigkeiten nicht zu groß ist.

*Kriterium 8: Vorwissen der Schüler und Schülerinnen.*

Auch das achte Kriterium wählt die Perspektive der Lernenden. Es ist generell darauf zu achten, welche landeskundlichen Informationen in einem Bild transportiert werden und ob das landeskundliche Wissen der Schülerinnen und Schüler ausreicht, um die Bilder zu verstehen, oder ob wir weitere Informationen geben müssen.

*Kriterium 9: Authentizität der Bilder*

Das neunte Kriterium rückt die Bilder selbst in den Mittelpunkt: Landeskundliche Bilddokumente sollten in erster Linie authentisch sein in dem Sinne, dass sie dokumentarisch belegt sind und nach Möglichkeit aus den deutschsprachigen Ländern stammen.

*Kriterium 10: Aktualität*

Das zehnte Kriterium bezieht sich auf den Zeitpunkt der Aufnahme und den gewählten Gegenstand. Bei Personenaufnahmen erkennt man an der Kleidung, ob die Fotos noch aktuell sind, bei Städteaufnahmen, ob geschichtliche Veränderungen berücksichtigt wurden (wie etwa die Mauer vor dem Brandenburger Tor in Berlin)

*Kriterium 11: Perspektive und Repräsentativität*

Das elfte Kriterium bezieht sich auf die Wirkung, die ein Foto auf den Betrachter hat. Authentische Dokumente aus einer fremden Kultur werden oft als wahre und verallgemeinerbare Aussagen betrachtet. Die Aussagen eines Fotos erscheinen dem Betrachter auf den ersten Blick repräsentativ für die fremde Kultur. Aber selbst ein Foto spiegelt die Realität jedoch immer nur aus der Sicht eines bestimmten Menschen; es ist daher immer zugleich objektiv und subjektiv. Kein Land, keine Kultur lässt sich auf wenigen Bildern repräsentieren, und auch Bilder können "lügen". Bei der Bildauswahl ist daher danach zu fragen, ob der Blickwinkel für den Unterricht geeignet ist, ob das Bild repräsentativ und ehrlich ist.

### *Kriterium 12: Nähe oder Ferne zur eigenen Kultur*

Wir beginnen bei der Arbeit mit historischen Bildern mit Darstellungen, die unserem Kulturkreis nahe sind, um so einen Kulturschock zu vermeiden. Das bringt jedoch die Gefahr einer oberflächlichen Rezeption mit sich. Wenn wir mit Bildern beginnen, die unserem eigenen Kulturkreis sehr fremd sind, um so Neugier auf die andere Kultur zu wecken, kann das die Gefahr der Ablehnung mit sich bringen. Deshalb muss man bei der Auswahl von Bildern vorsichtig sein.

### **Die Rolle historischer Texte im Landeskundeunterricht**

- Historische Texte bieten Zugänge zu einer fremden Kultur und zu verschiedenen Perspektiven innerhalb dieser Kultur. Sie beziehen sich nicht nur auf einzelne Sachverhalte, sondern diese Sachverhalte werden immer von einem bestimmten Blickpunkt aus betrachtet.

- Historische Texte bilden die Wirklichkeit nicht einfach ab, sondern sie haben ihre eigenen Spielregeln, um Geschichten zu erzählen, Wirklichkeiten zu verfremden, Klischees zu korrigieren.

- Auch der Leser bringt seine Sichtweise ins Spiel, so dass Figuren und Geschehnisse wahrgenommen werden vor dem Hintergrund persönlicher Erlebnisse, Erwartungen und Erinnerungen.

- Historische Texte enthalten verschiedene landeskundliche Inhalte.

- Geschichte umfasst mehr als die Vermittlung von Faktenwissen. Es geht darum, Einblick in geschichtliche, politische und soziale Zusammenhänge und in das Denken, Handeln und Wahrnehmen der Menschen der Zielkultur zu gewinnen.

- Historische Texte setzen ein landeskundliches Hintergrundwissen beim Leser voraus, über das aber nicht jeder Leser verfügt, sodass er sich aus anderen Quellen dieses Wissen aneignen muss. Im Unterricht empfiehlt es sich, dieses landeskundliche Wissen im Zusammenhang mit den Fragen, die ein Lernender hat, zu integrieren.

- Historische Texte veranlassen den Lernenden zu verschiedenen Aktivitäten und der Bildung geschichtlicher Zusammenhänge.

- Das Verstehen von historischen Texten ist ein schrittweises Annähern an fremde Perspektiven.

- Das Lesen historischer Texte ist ein fortlaufendes Balancieren und Vergleichen zwischen dem, was der Lernende an eigenkulturellem Wissen mitbringt, und dem, was der Text an eigenkulturellem Wissen und, aus der Perspektive des fremdsprachigen Lernenden, fremdkulturellem Wissens voraussetzt.

- Das Lesen ist eine Interaktion zwischen Text und Lernendem. Der Lernende muss die außersprachlichen Sachbezüge erkennen, verborgene Zusammenhänge erschließen, entsprechendes landeskundliches Hintergrundwissen einbringen und es mit konkreten Figuren, Situationen und Geschehnissen verknüpfen, damit diese verständlich werden.

### **ZUSAMMENFASSUNG**

Dieser Artikel macht es sich zur Aufgabe, die Rolle der Geschichte für die Landeskunde in DaF zu betonen, Ergebnisse der Fachwissenschaft mit Blick auf ihren didaktischen Einsatz zu analysieren und Möglichkeiten aufzuzeigen, geschichtliche

Themen und Inhalte im landeskundlichen Unterricht konkret umzusetzen. Landeskunde erfährt derzeit eine Neuorientierung und erstmals eine wissenschaftliche Fundierung. Sie ist eine Wissenschaft, die disziplinäre, methodische, kulturelle und nationale Grenzen thematisiert und überschreitet, die in Verbindung mit der Geschichte, die fremde Welt, ihre Kultur, das Handeln und die Leistungen der Menschen in geschichtlichen Epochen faktisch darzustellen versucht, um den Lernenden die fremde Realität näher zu bringen. Im Zuge der Entwicklung einer transnationalen Landeskunde ist es wichtig, Geschichte zu integrieren und diese Verbindung auch in Lehrwerken zu verankern.

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## **PART II: ACTUAL ISSUES OF MACRO- AND MICROECONOMICS**

**JEL: L83**

### **STATE POLICY IN REGULATING THE TOURISM INDUSTRY'S DEVELOPMENT IN THE REPUBLIC OF AZERBAIJAN**

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***Abstract:** The article studies the current state of the tourist industry in the Republic of Azerbaijan. The key points of regulating the tourism industry's development at the state level are noted, where the state's role is assigned to improving the legal basis for the tourism industry's development in Azerbaijan, as well as socioeconomic and environmental requirements and ensuring the tourism industry's transformation into the one of the pillars of the country's economic development. Both principles and mechanisms of state regulations of the tourism industry's development in Azerbaijan are considered. Results have outlined the key role of the state that coordinates tourist business, creating advanced tourism projects, programs and legislation on the basis of mutual consultations. The state regulations based on the systemic measures can create certain conditions for the effective tourism development for a long time.*

***Keywords:** tourism industry, development, state regulation, tourist potential*

### **INTRODUCTION**

Tourism is a part of the national economic complex of the country. Its primary purpose is the satisfaction of the population's needs for travel and recreation. From the viewpoint of the economic development, when the society's need for travelling is increasing, obviously, both the number of tour operators and consumers of tourism services is increasing as well. For consumers of tourism services, tourism is an action (trip, hike, etc.) committed into recreation, business, education and other purposes. For tourism operators, this is an area of capital investments, as well as the activity aimed at the satisfaction of the potential customers' needs (Zdorov, 2011, p. 142).

### **MATERIALS AND METHODS**

The external economic strategy of Azerbaijan is based on the extraction and export of mineral resources/raw materials. However, this is a difficult way of the domestic economy's development, as mineral resources are depleted, non-renewable and significantly reduced. At the moment, 75% of the country's revenues still fall on oil and gas. At the current production rate (State Oil Company of the Republic of Azerbaijan *SOCAR* has announced that oil production in Azerbaijan decreased by 7.3% in 2016 compared to 2015, i.e. 37.7 million tons of oil have been produced in 2016 compared to 38.2 million tons in 2015), experts note that energy reserves will be depleted in 18 years.

In our opinion, developed tourism economics is working to renew resources. With their reasonable use it can become the future of the national economy. To prove this, we can look at countries, where the development priority of their economy is mainly tourism industry, viz. Norway, the United Arab Emirates, Venezuela, Mexico.

According to the World Travel & Tourism Council (*WTTC, 2018*) that assesses The Economic Impact of Travel & Tourism (March, 2018) for 185 countries (incl. Azerbaijan) on different indicators. The travel & tourism's total contribution to GDP for Azerbaijan (14.6%) put the country on the 55<sup>th</sup> place in 2017 compared to Turkey (70), Bulgaria (72), Ukraine (153), Romania (159) and Russian Federation (167). According to the World Economic Forum (*WEF, 2017*), Azerbaijan occupies 71<sup>st</sup> position among the 137 countries by Travel & Tourism Competitiveness Index. It is considered a good indicator/ranking for Azerbaijan to establish and develop a new type of economy, viz. tourism and recreation, which will be able to generate revenue similar to the current income of the export and raw materials.

Azerbaijan has a great development potential for most types of tourism due to its unique natural, cultural and historical heritage. The socioeconomic transformations of Azerbaijan that have taken place in the past 15 years have turned Baku into one of the largest business centers in CIS. If Georgia is known as a traditional country with developed historical and cultural tourism, then Azerbaijan is known as a MICE services' provider, where the greatest events of both Euro-Asian and global scale are held. It hosts a large number of business events, international exhibitions, meetings and seminars, conferences, forums that contribute to the development of international contacts and Baku's integration into the world space.

The scale of international contacts between Azerbaijan and foreign countries is constantly growing. As a result, the construction of the modern congress hotels (4\* & 5\*) is considered as a priority for the hotel business development. The number of well-equipped modern hotels for business and congress tourism increases (e.g. in Baku, Guba, Gabala, Ganja et al), and old-styled hotels are improved, taking into account business requirements. Along with this, branches and representative offices of many foreign trade companies and banks operate in Azerbaijan, that involve new employees and partners. Often businessmen come with family members, for whom tourist companies arrange individual recreation and excursion programs.

A distinctive feature of business tourism is that businessmen spend much more money than average tourists. Therefore, Azerbaijan annually organizes international symposium, forums and other representative events. Obviously, business tourism is a branch of the economy with its own characteristics, trends and regularities, i.e. an inter-industries branch that bring large revenues for the state and business while experiencing the need for their active intervention.

## **RESULTS**

Recent years, tourism has become a priority area for Azerbaijan; more attention has been paid to the domestic and inbound tourism development. On June, 04, 1999, the Law No. 164 "*On Tourism*" was adopted by President of the Republic of Azerbaijan G. Aliyev; it became the legal basis in the tourism sphere. The implementation of

state programs for the tourism development for 2002-2005 and 2010-2014 signed by the President of the Republic of Azerbaijan I. Aliyev were an important proof that tourism as a significant economic sphere is under the close attention of the state. The concept *"Azerbaijan 2020: Looking to the Future"* also reflects the goals and objectives for the tourism development in the country. The doctrine (2012) expects the tourism infrastructure's development, expansion of the tourism services' sphere that fit international standards, the competitiveness growth of this sector and the increase of its share in GDP. It is worth to note that the *"Strategic Roadmap for the development of a specialized tourism industry in Azerbaijan"* is one of the directions in the *"Strategic Roadmap"* for the national economy approved by the Decree of the President of Azerbaijan I. Aliyev on December, 06, 2016. The abovementioned documents determine the legal basis for the tourism industry's formation in Azerbaijan that meets modern socioeconomic and environmental requirements, and ensure the transformation of the tourism industry into one of the pillars of the country's economic development.

Currently, work is continuing to improve the regulatory framework in the field of tourism. Thus, the new draft law *"On Tourism"* and the *Strategy for the Tourism Development in Azerbaijan for 2015-2024* have come into force; they determine the further tourism development in the country. Moreover, special structures are being created that will be engaged into the scientific research in the tourist sphere. An example is the *National Bureau for the Tourism Promotion in Azerbaijan* established in February, 2017. According to the draft law *"On Tourism"*, the state will authorize individuals to conduct scientific research in the tourism industry and will provide the material and technical support with the help of non-state entities. According to the order of the President of the Republic of Azerbaijan, a register of tourist facilities is being created and projects for recreational zones are being developed.

As we can see, the state regulates the tourism sector directly with the help of legal levers. In March, 2013, the Decree of the President of Azerbaijan I. Aliyev has issued the use an electronic tourist visa in Azerbaijan that greatly facilitated the visa regime and affected the tourist flow increase to the country. In addition, simplified visa control system for citizens of the Persian Gulf countries has been implemented in all international airports of Azerbaijan with the purpose of tourist flow increasing from February, 01, 2016. They can get a visa on arrival at any international airport in the country. As a result, the number of tourists arriving in Azerbaijan from Iraq in 2016 increased by 30 times, from the United Arab Emirates by 19 times, from Bahrain by 13 times. According to the State Statistics Committee of the Republic of Azerbaijan, approximately 600-1000 tourists from the Persian Gulf countries visit Azerbaijan every day, spending 150-200 USD a day in the country.

On, September, 01, 2016 President of the Republic of Azerbaijan I. Aliyev has signed Decree on the professional holiday "Day of Tourism Workers", which will be celebrated annually on September, 27 in Azerbaijan. At the same day, the Order on the financing of some measures related to the tourism development in Azerbaijan has been signed. At the meeting of the Cabinet of Ministers devoted to the results of socio-economic development and forthcoming tasks, President of Azerbaijan I. Aliyev has noted "ASAN Service" expanded its functions via "ASAN Utility", "ASAN Train"

and "ASAN Viza". As a result of "ASAN Viza" service, the number of tourists will be enhanced significantly. In fact, the tourist attraction links with the economic world disposition. If the situation is stable, then there will be a lot of tourists in foreign countries. But today all regions of the world are experiencing an economic crisis. At the same time, in 2016 the number of tourists visiting Azerbaijan has increased by 16.4% (The Travel & Tourism Competitiveness Report: Paving the way for a more sustainable and inclusive future, 2017).

## CONCLUSION

Azerbaijan is deeply interested in the tourism development as a promising sphere of the economy that contributes to the development of international cooperation. The main task of the legal basis adopted by the state is the modern tourist industry's creation in Azerbaijan that corresponds to the high socioeconomic and environmental requirements. It will lead to the turning of the tourism into one of the priority branches of the economy and creating the quality conditions for improving the life standards of population involved in the tourism.

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**JEL: M21, O30**

## **INNOVATIVE APPROACHES OF BUSINESS MANAGEMENT**

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**Abstract:** *Innovative development in many world countries is only the way directed to use results of various scientific researches for updating, expansion and quality improvement the range of products (services), technologies of their production with further commercial realization as a basis of effective sale in domestic or foreign markets. Authors have justified the state has to realize the following measures to increase the enterprise innovative activity: (1) financing of the innovatively oriented enterprises; (2) information support of the enterprises; (3) increase in the level of the innovative infrastructure; (4) improving the legal base of innovative activity' realization and increase in GDP's share for the scientific and technical activity.*

**Keywords:** *innovations, factors, process, activity, policy, activity, development*

### **INTRODUCTION**

In the modern quickly changing globalized world, the innovations become more and more important as changes in technologies, skills and knowledge influence the countries' competitiveness and welfare of their citizens. In Kazakhstan, innovations are the key aspect of economic growth, as the competition becomes severer, the vital resources reduce and environmental problems raise. It should be noted that Kazakhstan lags behind many trade competitors by indicators of implemented researches and development based on innovations.

### **MATERIALS AND METHODS**

It is well-known, factors promoting development and interfering with innovative activity of the enterprise are subdivided on interfering and promoting factors (Tikhonov, 2007). The interfering political and legal factors are the patent and license restrictions, an antitrust and tax law. The interfering economic and technological factors are shortage of the finance for innovative projects' support, lack of spare capacities and weak scientific and technical base. The interfering organizational and administrative factors are an excessive centralization, traditional organizational structure of many companies, departmental isolation, complexity of inter-organizational and inter-industry interactions, orientation on the created markets, rigidity in planning, authoritative management style, prevalence of vertical informational flows and planning rigidity. The promoting factors are legislative measures, which encourage enterprises' innovative activity and the state support of innovations as well. They also include an existence of material and financial reserves, developed scientific, technical and economic infrastructure and progressive technologies, the prevalence of horizontal informational flows, flexibility

of the organizational structures, decentralization and democratic management style. The state innovative policy and its orientation priorities do not fulfill requirements of the existing legal support and social development in common. This problem in Kazakhstan is explained by imperfection of the legal base of the state regulation of the innovative activity that complicates achievement of strategic objectives and purposeful improvement of the innovative economy.

## RESULTS

The innovative management implementation into the enterprise activity means transition to the new, more effective way of its activity organization providing the growth of the enterprise opportunities; therefore, the implementation of innovations at the enterprise demonstrates transition to the higher level of production capabilities and is an indicator of the company's development.

The process model of the large-scaled innovations is usually used for the analysis of innovative events' sequence. This process can be presented (1) as a form of the idealized impulses' set located timely in the points corresponding to the innovations; (2) as a casual process of cumulative function (a step-broken line), which undergoes jump at the time of the next innovation and keeps the value before emergence of the following jump. Thus, use of the synergetic approach is the effective tool for the development of the innovative management systems, which allows to reveal the nature of innovative processes as the innovative events' sequence.

The innovative orientation of the economic processes in the modern world economy has proved inefficiency of organizational structures and traditional management methods, which do not consider the increasing value of immaterial forms and nonconventional qualitative factors of the economic growth. To replace concepts and principles of traditional management, new innovative management models come (Tikhonov, 2007).

New methodological and scientific orientation of the innovative management is based on the qualitative knowledge and its defining role in the society's welfare. Research processes, creation of new scientific knowledge and new intellectual products take the predominating place at the innovative orientation of economic growth. The modern management should be based on the knowledge of standard and new managing methods, on the ability quickly and correctly to assess a concrete situation in the country, markets, the place and situation on them and the manager's ability to find right solution in this situation quickly. There are no recipes in the innovative management and cannot be, but knowing different methods of the solution of these tasks, it is possible to achieve success.

In general, an innovative activity is a look connected with the transformation of idea (usually, results of research and development or other scientific and technical achievements) into the new or advanced product (technological process) at the market that is used in practical activity or in social services. An innovative activity assumes a complex of scientific, technological, organizational, financial and commercial actions; in the set, they lead to innovations (Brooking, 2001).

Many researchers identify innovations with innovative activity. From one side, innovative activity is considered as an activities' intensity for development and

involvement of new technologies or improvement of goods in economic circulation implemented by entities (Trifilova, 2005). From other side, innovative activity is the creative activity of producers expressed in achievement of increments by means of the novelty in technical, technological, economical, organizational, administrative, social, psychological and other indicators (Melnikova & Shuvalov, 2013). An innovative activity as the complex characteristic of acts intensity is based on the ability to mobilize the innovative potential (Baranova & Cherepanova, 2006). Complex characteristics of the innovative activity are based on the innovative susceptibility of firms, actions' intensity for their transformations and their timeliness promotions (Barancheev, Maslennikova & Mishin, 2014).

There are two contradictory points of view concerning the innovatively active enterprises. First, innovatively active enterprises are entities, which within the last three years had complete innovations, i.e. new or advanced products or services introduced in the market or in practice. Second, innovatively active enterprises are entities, which had costs for innovations in the annual reporting period regardless of their amount, a stage of innovative process and their completeness level. Thus, measurement of innovative activity is carried out at the level of the enterprise and as a rule, estimated by the following main characteristics: (a) completeness of innovations; (b) participation extent of the enterprise in development of these innovations; (c) existence of special divisions at the enterprise which are carrying out researches and developments. Development of the innovative management should be adequate to the market economy requirements (Duisemaliyeva, 2011). Mostly innovative functions are inseparable from marketing in organizational structures of all companies. Definition of company's innovative aims requires forecasting of market trends and taking into account circumstances arising because of technical progress (in the business sphere). Realization of philosophy of the company's innovative activity can be provided with the concept of "innovative and marketing orientation". In turn, innovative marketing can be considered as a philosophy of innovative business, which is a key component of the structure of the successful innovative company (Alshynbay, 2017). Well-formulated strategy of the innovative activity development at the level of the country (region, branch, enterprise) is needed. An increase of an innovative activity starts with the enterprise level and pass into the state level. Therefore, the lack of the state support of the innovatively oriented enterprises is an obstacle of introduction of innovations. The state has to realize the following measures to increase the enterprise innovative activity: (1) financing of the innovatively oriented enterprises; (2) information support of the enterprises; (3) increase in the level of the innovative infrastructure; (4) improving the legal base of innovative activity' realization and increase in GDP's share for the scientific and technical activity.

## CONCLUSIONS

The course of the innovative policy that is an important condition of the society's innovative development includes support of an innovative activity. One of the most important functions of the state regulation is support of the scientific development and defining of priority directions of innovative activity taking into account the main

needs of the country and its innovative potential, e.g. stimulation of innovatively oriented SMEs, constrains for enterprises-monopolists with the help of antitrust law thereby creating conditions for an innovative activity activation in the country. The number of innovatively oriented companies, which compete among themselves stimulates scientific and technical progress, as well. An experience of developed countries show that the main success is gained due to continuous search of innovations and their introduction into production by means expansion.

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**JEL: M31**

## **COMMUNITY-BASED MARKETING: CREATION OF A SUCCESSFUL VIRTUAL COMMUNITY**

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**Abstract:** *We can assume that numerous e-commerce retailers prefer to use a community based-marketing to satisfy demand. In this case, it is very important to understand the principles of virtual community creation and use it as an advantage in the e-commerce area. The virtual community concept through the prism of theory of collective action has been described. To create a successful virtual community with loyal members, it is necessary to use modern communicational technologies and seeding, feeding and weeding.*

**Keywords:** *virtual community, strategy, effect, traffic, crowdsourcing, member*

### **INTRODUCTION**

Virtual community is a community formed in the Internet (any community is a group of people interacting, sharing and working toward a common goal). While the neighbors can speak face to face, online communities' members interact through social networks such as Twitter, Facebook, Google etc. They participate in forums, e-mail groups, blogs and comments of news, articles etc. The online community is best explained by examining the community of "real life". Online communities' members support the common interests and collaborate in order to maintain the common areas.

*Scientific problem:* As we live in e-commerce age, a virtual community is a valuable part of today's online business. Thus, issue arises, how to determine virtual communities' methodology, which is a scientific problem of our research.

*Aim of our research* is to explain concept of the successful virtual community creation by means of community-based marketing. *Object of our research* is community-based marketing.

### **METHODS AND TECHNIQUES**

A descriptive literature review was used in our research. A descriptive review concentrates on indicating an explainable issue from the current literature. In our case, it describes the key points and peculiarities of the virtual communities' creation.

### **THEORY OF COLLECTIVE ACTION**

The theory of collective action concentrates on solving issues, which possibly can affect the existence of stimulus and propose the individuals to be involved to this kind of operation because of the social capital (Coleman, 1988). One of the existing problems, which can appear in a virtual community, is antagonistic motivation; as a result, their members can decide not to take part in a community's actions. Ahn,

Ostrom & Walker (2003) have recognized a knowledge contribution in the form of behavior, which deviates from a purely selfish motive in the context of the *Virtual Community Sense (VCS)*. They demonstrated in their research, when the individual interest outstands the collective one, people will be ready for taking the hazard to maintain 'free riders' and lose the benefit of the exceptional knowledge possession.

Tsai and Bagozzi (2014) have mentioned that creating and sharing of knowledge is the reason for which individuals take part in such communities searching for the relevant knowledge in interests' area. Newly created knowledge attract new members who bring new resources for the new knowledge production. Nevertheless, for the growth, expansion and maintenance, advantages of *Practices Virtual Communities (PVC)* have to be transferred to possible members (Kang, Lee, Lee & Choi, 2007; Gafni, Geri & Bengov, 2014). Providing an active exchange of information is difficult as participants of most social networks have different readiness level to take part in (Gafni, Geri & Bengov, 2014; Shin, 2010). Therefore, it is unreal to await that each participant will share knowledge. In *PVC*, there can also be a phenomenon of the 'free rider', i.e. there are participants care just for self-sacrifice, for the access to beneficial data in the virtual society without making a self-contribution. Thus, both searches for knowledge and behavior are strongly connected with motives of virtual communities' participants and their community's feelings (Gafni, Geri & Bengov, 2014; Shen, Yu & Khalifa, 2010; Shin, 2010).

*Practices Virtual Community (PVC)* is a social network, built from the relations of persons, who cooperate with each other with the same aim and mutual benefits, as well as receive social support (Chang & Chuang, 2011; Shin, 2010). *PVC* could be "a computer-mediating social space, where people working on similar problems and self-organizing to help each other and share knowledge, advices and perspectives concerning their professional practice or common interests".

McMillan & Chavis (1986) have identified social community as "a feeling that members have their affiliation, a value for each other and for the group and the total confidence that their needs will meet by their commitment to be together". Blanchard (2008), Abfalter, Zaglia & Mueller (2012) expanded social community concept to a virtual context *SVC*. *SVC* consists of three measurements: membership, influence and immersion (Koh, Kim & Kim, 2003), which may reflect the affective, cognitive and behavioral members' complexions. When participants have higher *SVC*, they are more committed to its goals (Tonteri, Kosonen, Ellonen & Tarkiainen, 2011; Bond & Locke, 2014). Therefore, our study has identified three peculiarities of *SVC*, i.e. feeling of individuality, impact and immersion. A membership in the social community applies to experience feelings of belonging; the effect refers to the impact of the individual feels the other members; immersion reflects the feeling of the flow when using virtual society. It was illustrated that *SVC* gives a reason for people to share information through *PVC*, but not to encourage further members. However, the individuals who are involved in *PVC* can have a wish to develop social community inviting people, who have the same interests or problems (Pearson, Carr & Shaw, 2008). In higher *SVC's* levels, participants have a better sense of belonging and soulful support; they tend to greater enthusiasm relating to the collective knowledge

provision (Bond & Lockee, 2014; Gafni, Geri & Bengov, 2014; Guo & Cheng, 2016). Thus, we conclude that people with higher education are more likely to spend the time and effort to participate in virtual communities.

### **CREATION OF A SUCCESSFUL VIRTUAL COMMUNITY**

At the beginning we need to understand what member can get from the community and what member needs. The increasing dissatisfaction level can be the cause of the protest and can prevent creating the successful community. Nevertheless, this was changed with "reverse marketing" (Armstrong & Hagel, 1997). It assumes member to get the data about other possibilities for finding the suitable practice based on the price and quality. It describes the reason for becoming a member of the virtual community, because it is not only a relational, but also a transactional reason.

*Network effect:* The main challenge of creating a new community at the beginning is having enough members for self-functioning (Gobry, 2011). According to Shapiro & Varian (1999), the exponential audience growth depends on the 'network effect'. As authors have mentioned "a product value to one user depends on how many other users there are". There is a tested way of achieving the right number of group members (Armstrong & Hagel, 1996). For this, the 'network effect' is to grow community with the gardener touch of seeding, feeding and weeding.

*Generating traffic: Seeding.* It is obvious, no one will participate in a community without any members. The way of the solving it at the first stages of creating a community, Silverman (2012) advises to community managers to post an attractive content for potential members. Choosing the right content helps as it (1) attracts interest in educating and entertaining content; (2) increases the effectiveness due to SEO-friendly content; (3) demonstrates the community activeness; (4) presents the brand's identity. This entering strategy should be used for the community seeding. Therefore, casual visitor does not feel engaged to enter direct communication with the community and users stay in the 'observing level' of the engagement pyramid.

The key tool for seeding a successful community is to find an auditory, which is willing to share their opinion and to discuss the theme, not the content [ibid]. Therefore, administrators of the community have to establish the chat rooms and forums using four principles of interaction: (1) Interest (individual or professional, narrow focused interest, i.e. entertainment, sport, science etc.) (2) Relations (community members, which unit the people ready to talk about the new experience, to share issues from their private life etc.) (3) Imagination (community based on actions, i.e. the place, where its members attend for having an entertainment, imaginary game space). (4) Transaction (community uniting members for informational exchange and opinion about the product).

*Engage members: Feeding.* By creating an environment, which society members can trust and feel comfortable, they will get engaged in achieving the "endorsing stage" of the engagement pyramid. It considers that the focus will be on motivation the community members to achieve the 'contributing' part and share their own content.

Moffit, Dover & Tapscott (2010) presents three ways of motivating and feeding a community in case of source data creation: (1) *Internal inspiration* gives a chance

to society members to present themselves (Mainwaring, 2011). Author recommends to practice cookies and Google Analytics for finding out the individual preferences of each member and to suggest more compelling experience. (2) *Extrinsic motivation* reflects an identification and reputation. Leaderboard showed positive results of inspiring the community members to take part in the content creating. (3) *Explicit motivation* is useful but expensive method of attracting members by offering some gifts, discounts and so on (Silverman, 2012). Feeding the community with individual related extrinsic content and inspiration lets to the community to collect their content's creation.

*Retain traffic: Weeding.* Creating a crowdsourcing content allows communities to collect enormous amount of data (Gobry, 2011). Nevertheless, administrators should weed and organize them by categories for supporting the quality over the time. That is why communities need to install specific but understandable policies and to put up the effective moderation system for keeping a high level of interaction and information.

*Crowdsourcing.* Nobody will negate the strength of the content loop (Tanriseven, 2015). Companies, which will improve the content loop with the seeding, feeding and weeding strategy will be awarded unsurpassed members' faith irresistible economic refund. The main idea of creating a successful virtual community is understanding of your auditory [ibid], i.e. what your future potential members need; what kind of content they wish to read and discuss. Successfully seeded, well-fed and weeded communities will get the financial return of self-perpetuated organizations thanks to the creation of the attractive content.

## CONCLUSION

The theory of collective action concentrates on solving issues, which can affect the incentives and propose the individuals to be involved in this kind of operation because of the social capital. One of the existing problems, which can appear in a virtual community, is antagonistic motivation; as a result, community members would decide not to take part in its acts. Thus, it is important to understand the members' needs and establish the content specification; for next level of creating the successful online community it is necessary to use seeding, feeding and weeding methods.

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**JEL: M1; M14**

## **CORPORATE POLITICAL INVOLVEMENT**

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**Abstract:** *Corporate Political Involvement (CPI) refers to the series of acts carried out by corporations (mostly large-sized) to influence politics and decision making processes in the society, both directly and indirectly. The most common form of CPI is lobbying, when corporations hire representatives (often, either lawyers or government officials) or form organized groups and associations to run their interests. Author has considered direct and indirect forms of lobbying, its pros and cons. Author made conclusion on how big corporations can use its power to impact the law makers, who in turn, can favor their commercial purposes legally.*

**Keywords:** *corporate political involvement (CPI), direct lobbying, indirect lobbying*

### **INTRODUCTION**

*Corporate Political Involvement* (hereinafter *CPI*) differs in each country by its extent, nature and 'transparency'. In addition to lobbying when dealing with *CPI*, it is useful to get familiarized with definitions such as *oligarchy* and *plutocracy*.

Oligarchy is a form of power structure, when the power in society is in the hands of a few people who are referred to as 'oligarchs'. Modern-day oligarchs are characterized particularly by their outstanding wealth, ownership of societies production assets and control over government officials and decision makers, e.g. via networks, lobbying and influencing the public opinion. However, oligarchs do not have to be the corporate owners; moreover, historically it is non-typical characteristic most oligarchs. A society can also be defined as oligarchy, if the power is in the hands of small group of people, e.g. via kinship, caste, nobility titles or official recognition, which allow to control military, government bodies or religious institutions.

*Scientific problem:* Understanding the issue, we still live an age of political involvement in business and it plays enormous role on changing the balance of companies in the market unfairly.

The *aim of our research* is to determine conception and main peculiarities of corruption and lobbying in modern business. The *object of our research* is *CPI* description in the 21<sup>st</sup> century.

### **METHODS AND TECHNIQUES**

A descriptive literature review has been used as a methodology. A descriptive literature review merely illustrates the key points of political involvement in our days. Descriptive review concentrates on indicating an explainable content with the help of the existing literature.

## Human Nature in Oligarchy

Aristotle has defined oligarchy as the rule of few, who practice power unjustly for self-interest (Britannica, 2013). If the powerful class are designated to power by their merits and power practice in the interest of all, and not just themselves, then the society is called 'aristocracy', and the powerful class is referred to as 'aristocrats' rather than oligarchs.

However, taking the human nature in consideration, one might think that it is naive to assume that the powerful minority would not be motivated to exercise their power in their own interest (Goudreau, 2017). Also, there are countries such as the UK, who have referred to themselves aristocracies, where the aristocrats' power was inherited and where the people, who inherited the power did not go through any 'merit-scanning' before the power was handed to them. One would assume that all oligarchs would prefer to be referred to 'aristocrats' rather than 'oligarchs' due to the negative sense of the word 'oligarch'. Many researches have also proved that clear majority of powerful people believe that their power and wealth has been justifiably designated to them, and they have deserved it.

Plutocracy is a form of oligarchy, where the power is in the hands of wealthiest citizens particularly. In plutocratic society, the most powerful people practice their power usually indirectly with their outstanding wealth and assets, e.g. through their ownership of societies finances and corporate media, through lobbying and hiring representatives to run for government offices to defend their interests by using methods of corruption, such as bribery (Merriam-Webster, 2017). Plutocracy differs from other forms of oligarchies in a way that power is not concentrated by any other means than wealth and ownership of private property. Thus, the caste or nobility of a person doesn't matter in the plutocratic society from perspective of power distribution, in fact, castes or nobilities are not even designated. Oligarchs in plutocracies are also sometimes referred to 'plutocrats'.

The inception for the boost of political involvement of corporations in the US has started in 1960s-1970s as a reaction for Congress' introduction of range of environmental, social and consumer safety laws, as well as labor right regulations. These laws and regulations inspired an interest of large corporations to resist the political activities that they found harmful for their business activity. Thus, lobbying in the US has been shaped in its nature to find the government as a source of cooperation for profit making rather than as threat. *CPI* today is no longer limited to resist certain laws and regulations from being implemented, but also to initiate policies that are beneficial for large corporations' business activities.

As *CPI* has increased, it has come with a nature that has tendency to feed itself. Once companies start to get involved in political activities, they find more reasons and opportunities to pay more attention to politics. Overtime, they start to build networks, become more comfortable and confident with their actions. As they get their political power more established, they get more aggressively involved in politics. *CPI* also involves its own type of economies of scale. Once corporations have paid the initial cost of putting an inception to lobbying, the managerial costs of additional political activities decline. Therefore, the more they get involved in politics, the more their cost of involvement declines.

Corporations involved in lobbying also strive to create a political environment, where major established laws and practices are difficult to change (Wonk, 2015). This type of political environment is established, because lobbying corporation benefits from the status quo political environment, which they once created for their own interests. One way to create such political environment is by making the laws and policies so complicated that they become less transparent and more difficult to comprehend by both the simple people and inexperienced government members. More complicated policy means that government members must rely more on technocrats that are specialized in particular policy area. These high-skilled and experienced technocrats are usually hired by lobbyist, who provides them with better working hours, salaries and other conditions.

On political spectrum, where the influence of the agents such as political parties can be bought, corporations usually donate money to both sides. What is more interesting is that they usually give both sides the exact same amount of money (Smith, 2014). They do it to ensure that they can influence politics continuously, no matter which side wins. Donations is made by the corporation, if the influence of the political party or the concrete agent can be bought; and/or the agenda of the political entity is considered beneficial for business operations. Therefore, the political divide between the major parties in most democracies is narrow. Even if on paper most major political parties claim and appear to be ideologically different, in practice they are similar in respect to what policies they implement due to corporate political involvement.

### **How do corporations influence politics and official decision makings?**

As one of main macroeconomic factors, governmental policy always has a significant impact on competitive environment of firms (Hillman, Zardkoohi & Bierman, 1999; Hitt, Keats & DeMarie, 1998). Indeed, the interaction between business and government may occur in three areas of regulation that could affect the firms' performance. The first is an anti-trust regulation, which included merger and acquisition, predatory pricing, exclusive dealings, price discriminations etc. The second could be some economic regulations, which include industry-specified regulations affecting outcomes, prices etc. The third is the social regulations that could be for instance, an environmental law, occupation safety and labor issues. In fact, the government could have also affect the companies' international activity, i.e. economic cooperatives, trade negotiation or trade blocks.

Currently, there are many companies try to invest their resources in political strategies with the purpose of influencing the government regulation, current and social policies. Generally, cooperative political actions can be classified as three business responses to the government policy. They are passive reaction, positive anticipation and public policy shaping (Weidenbaum, 1980). Both passive reaction and positive anticipation suppose that firms are not involved directly in shaping public policy process; the last is defined as proactive behavior that firms show to achieve specific political objectives (Baysinger, 1984). In passive reaction, firms tend to make no attempt to affect policy formation or implementation and hence, they will act post hoc with new regulations (Hillman, Zardkoohi & Bierman, 1999; Hitt, Keats & DeMarie,

1998). In positive anticipation, though firms have an active step toward political action, still there is no involvement in policy shaping. They tend to include government policy into their strategies, and from that they adjust to turn the future regulation to a new business opportunities or advantages. Public policy shaping (aka proactive corporate political strategy formulation) is referral to political tactics like Political Action Committee (PAC) contributions, lobbying, advocacy advertising or grassroots mobilization (Baysinger, Keim & Zeithaml, 1985).

It is obvious, dealing with political problems and setting political objectives become more and more important for most firms in the current competitive environment (Bettis & Hitt, 1995; Hitt, Keats & DeMarie, 1998). However, copying competitors' action facing a crisis challenge is a poor way when it comes to handling government relations (Bodewyn 1993; Keim, 1981). Therefore, firms that tend to act passive and only react ad hoc to regulation could be threatened by that other competitor that proactively working to shape government policy that benefits for them. In this case, we pay more attention to lobbying that firms use to create benefits to its business.

### **Lobbying**

Due to cultural differences, there are many research regarding target and lobbying tactics. However, there are two types of lobbying, i.e. direct and indirect lobbying. *Direct lobbying*, also known as 'insider lobbying', is generalized as "close consultation with political and administrative leaders, relying mainly on financial resources, substantive expertise and concentration within certain congressional constituencies as a basis for influence" (Gais & Waker, 1991). Basically, it is based on personal contacts, which help lobbyists to influence the legislators. *Indirect lobbying*, also known as 'outside lobbying', is aimed at influencing the views of the general public, which will affect the preferences of legislators in turn (Victor, 2007). For strategic purposes, those kinds of tactic would be used flexibly to get respected outcomes of lobbyists (Victor, 2007). There is a tendency that lobbyists will choose direct or indirect lobbying based on their organizational resources, as well as the history of using the tactics (Berry & Wilcox, 2018). E.g. in the US, groups with more Washington resources that are coalition members or that have Political Action Committees (PAC), are more likely to use direct lobbying. Groups willing to seek more attention to an issue are more likely to engage in direct, grassroots lobbying as well (Evans, 1991; Gais & Walker, 1991). Victor (2007) has suggested some *direct lobbying activities* that groups of interest use by asking them through survey when it comes to influencing legislative context. Those are (1) "Presented research or technical information to members of Congress"; (2) "Lobbied members of the committees to which the bill was referred"; (3) "Contacted government officials to present viewpoint"; (4) "Helped to draft legislation"; (5) "Consulted government officials on legislative strategy"; (6) "Spoke with congressional leaders"; (7) "Alerted members to the effects of contact members of Congress the issue in their districts"; (8) "Made financial contributions to candidates"; (9) "Contributed work or personnel to candidates"; (10) "Engaged in informal contact with officials, such as going to lunch". The same can be said for indirect lobbying, Victor (2007) suggested below tactics: (1) "Engaged in protests or demonstrations"; (2) "Engaged

in grassroots lobbying"; (3) "Ran advertisements"; (4) "Spoke with the press"; (5) "Publicized a candidate's voting record"; (5) "Made public endorsements of candidates likely to favor your position"; (6) "Encouraged citizens".

The results found are quite interesting. Victor (2007) has concluded that with the new issues and when bills are concerned by multiples committees, groups interest more likely to use direct lobbying tactics, and hence, they are less likely to use indirect lobbying for such issues. Moreover, groups with a larger budget have a tendency to use direct lobbying. Usually they are groups that favor legislation, coalitions, education groups and trade associations. Another point worth taking is the fact that groups with a larger membership as well as coalition groups tend to use indirect lobbying. Still, groups with the opposite opinion of the legislation also use indirect lobbying. Therefore, it does support the idea that groups that may be less organized or less funded tend to use indirect lobbying. Also, they seem larger and more oppositional than those that use direct or insider tactics [ibid].

## CONCLUSION

Corporate political involvement (*CPI*) and its different types in different countries are aimed to clarify, how this process is going on in different societies. In accordance with *CPI* it is necessary to understand and not to underestimate the oligarchy as a modern phenomenon. We have researched cons and pros of oligarchy, which operates society nowadays.

Advantages of lobbying in case of *CPI* is an easy way for legislators to obtain information on a problem. However, the lobbying shortcomings are that legislators hear only one party of the questions majority; they are influenced only by corporations, which have money to employ lobbyists. It is necessary to understand how big corporations can use its power to impact the law makers, who in turn, can favor their commercial purposes legally. Additionally, it is worth mentioned that corruptions in cooperate political involvement can be the challenges for a many companies, as well as vice versa because of the modern product of society as bribery. Another point that worth consideration is how the people aware *CPI*.

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**JEL: L500**

## **KORSCHIAN INDUSTRIAL AUTONOMY: ANALYSES AND CRITICISM**

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**Abstract:** *The deep distinction between classes was the inspiration for Karl Korsch to work on a new national economic system, which would decrease dissatisfaction between consumer and producer. The model of his economic system is called "industrial autonomy". Continuing and deepening differences between classes makes it possible to discuss "industrial autonomy" in the 21<sup>st</sup> century. On the other hand, incompleteness of Korsch's research makes it difficult to grasp this model and he was faced with many criticisms. From the other aspects, his "industrial autonomy" is not a guideline for transition to socialism, because Korsch's work should be considered as an educative and motivated one for society. Korschian industrial autonomy is not available with whole features in the 21<sup>st</sup> century. However, few characters of his economic system can be seen such as profit-sharing, worker-cooperatives in firms and institutions. This paper focuses at his "industrial autonomy", criticism against Korschian economic system and its implementation in the 21<sup>st</sup> century.*

**Keywords:** *Karl Korsch, industrial autonomy, socialization, expropriation, workers*

### **INTRODUCTION**

Karl Korsch indicated in his works specialized forms of Marxism. They are non-dogmatism in Marxism, Marxism as a philosophy and so on. These forms allow us to grasp the transition process to socialism. In addition, the revolution showed itself as a socialization in Korsch's article "What is Socialization: A Program of Practical Socialism" (Korsch, Denton & Kellner, 1975). Korsch utilized the term "socialization" for the first time (Elliot, 1979). This transition includes two terms: (1) socialization of labor; (2) socialization of production. He tried to explain the concept, the goal of socialization, nationalization, production means, ideal ways to achieve socialization, tasks in this process. For him, socialization of human conscious is the beginning of new production relations. Korsch claimed that the socialization goal is to alter private capitalist economy to socialist communal economy (Rusconi & Tummons, 1975). According to Korsch, the Marx theory deficiency is the socialist constriction (Korsch 2013). A big difference appeared within the society was the encouragement for Korsch to analyze a new national economic system, which would decrease dissatisfaction between consumer and producer. The model of his economic system aka "industrial autonomy" makes possible to discuss it in the 21<sup>st</sup> century.

*The problem of our research is the transition process to socialism from Korsch's point of view. The object of our research is Korsch's "industrial autonomy". The aim of our research is to evaluate Korsch's new economic system. Tasks are: (a) to analyze Korsch's "industrial autonomy"; (b) to investigate criticism against his socialization solution; (c) to research peculiarities of Korschian "industrial autonomy" implementation in the 21<sup>st</sup> century.*

## RESEARCH METHODOLOGY

The methodology of this paper is textual analyses. According to McKee (2003), textual analyses is the way to make research about how people assimilate world, by collecting information. Textual analyses can be utilized in philosophy, sociology, cultural studies and mass communication. By reading scientific articles and books, we collect information and interpret it. This research has been founded in this way.

## KORSCH AND SOCIALIZATION

In Germany, there was a movement called "Spartacist uprising" from 1918-1922. Korsch was also a member of this movement. Between 1918-1920, he approached this movement from optimistic view and between 1920-1922 his attitude was, that more critical opinions were required (Korsch, 2013). During this period, Korsch came to the decision that only communization or nationalization cannot be the right way in the socialization during this period. In the culmination point of the movement, he decided to prepare a national economic system, which would eliminate consumer's and producer's dissatisfaction. Thus, he wrote "What is Socialization: A Program of Practical Socialism" in 1919 (Korsch, Denton & Kellner, 1975). The Russian Revolution had also impact to the idea of his new economic system (Korsch, 1972).

To find the right socialization, he utilized two strategies. One of them was to apply the Bernstein opinion. The second one was the nationalization of private property (Vrousalis, 2017). This article attracted Heiman's attention (Rusconi & Tummons, 1975). His article was published in "*Archiv für Sozialwissenschaft und Sozialpolitik*"; this journal was known as an important supporter for socioeconomic problems (Von Oertzen, 1965). Korsch claimed that the goal of socialization is to alter the private capitalist economy to the socialist communal economy (Rusconi & Tummons, 1975). The first step is to emancipate labor by socializing ways of production and second one is to socialize labor. Socialization does not emphasize the relation between people and production, but the connection between people who are related with production means. Korsch defined "production" as "the object of the new regulation through socialization is production as the total sum of social relation" (Korsch, Denton & Kellner, 1975). Giving this definition for production, he utilized this quote from "Wage-Labor and Capital" written by Marx & Engels (1902). "In the production process, human beings work not only upon nature, but also upon one another. They produce only by working together in a specified manner and reciprocally exchanging their activities. In order to produce, they enter into definite connections and relations to one another, and only within these social connections and relations does their influence upon nature operate, i.e. does production take place" (Marx & Engels, 1902).

As Marx noted in this quote, people make relations with each other to produce goods, or in contrast to this quote, people connect each other after producing goods. However, these two claims are correct for the capitalism epoch. During the production process, everybody has their own tasks, sometimes those are altered. All these activities are based on the "getting-giving" phenomena. Korsch stated that the order in capitalist economy is based on private issues. However, the socialist one concerns production for public affairs. The first phase to pass a socialized society is to abolish private

property, which is the fundament of capitalism (Korsch, Denton & Kellner, 1975). Korsch gave a definition for capital as "private property in the means of production becomes capital through its combination with wage labor" [ibid]. In the capitalist society, the owner attempt to gain all power upon all production and this process deprive other society members from production, and thence they become slaver of owner who collects all power in his or her hand [ibid]. Marx & Engels (1848) stated that "property in its present form moves in the opposition between capital and wage-labor". As it is clearly understandable in this quote that means of production belongs to all society and the members adopt it as a common property, however in the capitalist epoch, the people show opposition actions to this property, which belongs to private persons. Korsch claimed abolishing of capitalist order means to liberate working force from the owner of capital, and this elimination implies removing opposition actions of labor to capital (Korsch, Denton & Kellner, 1975). Thus, there will not be any class; normally class struggle will not be available. Korsch stated that to socialize production, there are two aspects. One way is to take property from ownership of private persons, nationalize and communalize it. The other way is to socialize private property without nationalizing his owner whose rights will be replaced from private to public law. According to him, the most important person of second solution for socialization was Eduard Bernstein. Korsch stated that "the chief representative of this second form of socialization today is Eduard Bernstein". According to him, "the basic issue of socialization is that we place production, economic life under the control of the public weal (Allgemeinheit)". In his view, socialization can come, if "the public seizes more and more control of economic life with the help of laws and ordinances". Moreover, he proclaims today, as he did more than twenty years ago that "a good factory law can contain more socialism than the nationalization of several hundred businesses and enterprises" [ibid].

Korsch has claimed in the quote that in Bernstein's view socialization must be implemented in a way, which does not leave anybody with dissatisfaction. To achieve this goal, the most vital factor is to control the economic process by the government through laws and regulations. According to Bernstein, a good regulation, law and economic order established by a good life is more important and it can create a more socialized society with welfare. This expropriation process of private property must be proceeded slowly with social policy, and progressive limitation on prerogative of private property's owners. Korsch stated that there will be an ideal socialization when private property ownership is removed from all industries, fabrics, plants, etc. According to Korsch, depriving owner from private property and giving it to a "judicial person" is not socialization, but transforming property from one hand to another. There will be still dissatisfaction between workers and property's owners. Workers will not own any property and will stay as a worker again and new owner will not work and give orders to workers [ibid].

To eliminate this deficiency, there are two solutions: (1) the first measure from Kautsky (1919) is that all industrial plants are necessary to be nationalized but that plants, which are hired from state would be better to stay as private property; (2) the other solution is industrial plants to be controlled by organizations, where members

are selected by workers being against capitalism (Korsch, Denton & Kellner, 1975). Korsch name these solutions as "half-measures" because even if these solutions are implemented in the process of socialization, workers will stay again as a wage-labor and in further they will seek and struggle for their emancipation. Therefore, the task of socialization is to find a solution that shows how productions can be shared between consumers and producers, who will use production tools and how workers and owners can be satisfied about new regulations. This task allow socialization to reduce extent of divergence of workers from capital and conflicts between workers [ibid].

Korsch stated that there are two forms of socialization:

(1) nationalization of private properties, which is a difficult way for workers who will again remain as a wage-labor, however it is the best way for consumers. One alteration will be only ownership transformation from private person to community or state, which will be under consumers' control. As Korsch stated, private capitalism would be replaced by consumer capitalism;

(2) a direct way for labor forces to give control to members elected from workers. However, after this transformation, this ownership will be called producer capitalism instead of private capitalism.

Korsch suggested the solution that some part of the plant will be under control of labor forces, the other part will belong to the government. However, he could not answer the question about percentage of the plant, which will be distributed between state and workers' cooperatives and what will be the number of products, which are supposed to be produced by labor for consumers. Only private property's nationalization or communization, or only transforming private industrial capital from private persons to workers' cooperation, syndicates cannot be the right solution or ideal socialization. Thus, both are necessary to be implemented at the same time, otherwise opposition will emerge between labor producer and consumer. Korsch has indicated tasks in the socialization process. These tasks are a regulation of socialization by national laws, to increase cooperation between consumer and producer, to recognize rights of representatives, which are selected by workers [ibid].

"Socialization of the economy and socialization of education are only two faces of the same process of transition from a private to a communal socialist economy. This transition is not important only and primarily for questions of production and consumption of material goods, but it is a cultural and spiritual question of immense impact" (Korsch, 1919). State capitalism, Stalinism was the excuse to delay passing to socialism. Thus, according to Piccone, (1975), the main factor is the human conscious for this transition. Socialization will be considered as succeed, when everybody is satisfied; workers emancipate from capitalism dominance and all proletarian movement ceases, in other case, according to Korsch, we do not have to stop educate the next generation (Korsch, Denton & Kellner, 1975). In addition, the combination of two factors were necessary for transition to the socialism: (1) revolutionary conscious; (2) appropriate conditions (Elliot, 1979).

Korsch came to the decision that only communization or nationalization cannot be the right way in the socialization. The best way is a mixture of them, which is called "industrial autonomy".

## KORSCH'S CRITICISM

Korsch did not go deep into the socialization process. He wrote only about the result of transition. Korsch's new economic system had deficiency from theoretical and political aspects. "Korsch refers to the expropriation undertaken according to the program of the Spartacus League. This direct action is not considered as a means of socialization or as a principle. However, this movement has encouragement for the proletariat" (Rusconi & Tummons, 1975). Transition to socialization should be examined carefully with all details. The Spartacist movement did not suit with legal political regulations. Korsch did not understand the contradiction between direct action and legal democratic regulations. The direct action can be considered as a stimulus for society to transit socialism. After direct action, some questions can be raised about subjects and political systems, which will take revolution to the next step. It is obvious that political strategy is the dilatory one. Thus, Korsch keeps himself away from details about moralistic perception of civilization and as a result, his solution is uncertain from political and theoretical aspect [ibid].

Korsch did not understand that socialism is focused on the needs and collective consumption from the economic aspect. He did not deal with all details and socialism principles by overestimating producers' interests. For instance, the main socialization aim is the mechanization and liberate labor's development. However, Korsch viewed mechanization as an evil of the contemporary century and wanted to abolish it (Heimann, 1919). In Korsch's view, the state was regulative and main organization in the socialization process, which will abolish differences of interest within society. However, it is also real that the socialist community requires to eliminate the state to create a stateless society. Thus, this contradiction makes difficulties to grow by means of Korsch's economic ideology. In this case, the state seems as an institution to regulate consumers' and producers' interests. "The need thus arises to define the state theoretically and practically as a centralized management of the economic plan". The state has a political function not a technical one. Therefore, according to Korsch, the state, which has restriction and violence on employees' rights, must be reinstated. Thus, the council, which has self-management in factories and do not trust unprepared mass, are the type of bureaucracy combined with simple nationalization (Rusconi & Tummons, 1975).

Lindemann noted that Korsch attempted to find out original ideas of Marxism, thus curiosity increased in his works; many articles were written between 1960-1980. He wrote "while briefly noting some of the weaknesses and apparent contradictions of Korsch's theory and action, Kellner appears to be far more impressed with Korsch's 'brilliant critiques' and 'penetrating insights', with his position as one of the most interesting, neglected and relevant theorists of the century" (Lindemann, 1978). As it is mentioned in this quote, Korsch's ideology was not accurate, which changed over the years and confused other writers. However, according to Lindemann, Korsch had impacts on Kellner, who saw Korsch's critique as a certain ideology. He noted that Kellner's approach on Korsch's critique is an exaggeration. Korsch's ideology in his post-war writings were weakening with the reason that his expressions were not clear about proletarian movement and non-bureaucratic socialization. Korsch's statement

"identity of objectifying knowledge and activity" is incomprehensible. In addition, Korsch's review and judgements about parties, communists are not accurate, therefore it is useless for the proletarian class as a weapon in their struggle against fascism in Italy, France and Germany. Lindemann claimed that "because of the breadth, richness and nuanced complexity of much of Korsch's thoughts, it is nearly impossible in a short review to provide a fair treatment of it. Thus, the abovementioned critical remarks may provide an overly negative impression both of Korsch's thoughts and of Kellner's treatment of it". According to this quote, Lindemann was confused to give an exact review or to come to a conclusion because of the Korsch's writings complexity. Thus, he worried that his critiques about K. Korsch's and D. Kellner's writings can be negatively perceived by others [ibid].

### **THE KORSCHIAN INDUSTRIAL AUTONOMY IN THE 21<sup>ST</sup> CENTURY**

The Korschian industrial autonomy is not available with whole features in the 21<sup>st</sup> century. However, some characters of his economic system can be seen, such as profit-sharing and worker-cooperatives. The definition of worker's cooperatives is an institution, where employees elect their management through a democratically voting system. In addition, workers have a controlling role inside the firm. In capitalist enterprises, the owners decide positions for themselves (Burdin & Dean, 2009).

There are some numbers of worker cooperatives in the UK. One of them is the John Lewis Partnership. This company distributes a maximum part of profit between workers. This company was established in 1864 and has 3 controller bodies:

- (1) Partnership Chairman;
- (2) The Central Board;
- (3) The Central Council.

The Chairman has full-control to appoint directors and senior managers. The Central Council includes three representatives of workers, which will discuss about profit-sharing or workers' problems (Bradley & Estrin, 1992). The Mondragon network also can be an example of workers' cooperation. In 1956, five young people has started their cooperative business in an abandoned factory. The workers own collectively the firm and choose their Governance Board. There are also Mondragon's Cooperative Congresses, which elected representatives by co-op attend.

Laws of the government in Uruguay regulate one type of the Korschian industrial autonomy. For instance, according to the law, a number of permanent workers cannot be more than 20% of members in workers' cooperatives. In addition, the law gives permission for the worker cooperative to hire short-term workers. To establish a new cooperative firm, six members are required. Although, the governmental law set up some regulations, each worker's cooperative has the right to determine the rules of the cooperatives. Workers cooperatives include a general worker assembly, which elects the council. The council has a supervision role on regular processes, where each member can utilize only one vote (Burdin & Dean, 2009). This kind of firms have some superiorities. A profit-sharing is the contributor to relations within work and increasing of productivity. Here, workers' motivation may be related to their financial rewards within profit-sharing (Weitzman, 1984).

## CONCLUSION

The deep distinction between classes was the inspiration for Korsch to work on a new national economic system, which would decrease dissatisfaction between the consumer and producer. The model of his economic system aka "industrial autonomy". On the one hand, continuing and deepening class distinction makes possible to discuss "industrial autonomy" in the 21<sup>st</sup> century. On the other hand, "industrial autonomy" incompleteness makes difficulties to grasp this model. Korsch's "industrial autonomy" is not a guideline for transition to socialism, because his work should be considered as an educative and motivated one for proletarians.

It is an obvious fact that a revolutionary movement cannot be suited with the governmental regulations in transition to socialism; therefore, governments are needed to be forced making legislative steps thanks to proletarian movements. To create a revolutionary conscious, Korsch is right to insist on education. In addition, Korsch was faced with criticism because of the role of the state as a regulative institution in transition to the socialism.

In the 21<sup>st</sup> century, there are few numbers of workers' cooperatives, which were created individually. Thus, the role of the state is a vital in collectively expropriation. Uruguay can be an example of the state, which has governmental laws for worker cooperation. There workers are still labor force in firms, however, they have the right to determine some rules and take part in a profit-sharing.

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## **THE ADVANTAGES AND DISADVANTAGES OF 2001 TURKEY ECONOMIC CRISIS**

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**Abstract:** *Turkey's Black Wednesday, also known as the 2001 economic crisis, has led to the emergence of major changes in the medium term. Even a black mark on the history of Turkey has passed as an unforgettable disaster and the greatest economic crisis. Although the causes of the crisis have been in existence since the mid of the 1990s, the political crisis has become the last point of attraction. Turkey confronted serious macroeconomic difficulties and concerns over its sensitive banking sector. When there was sharp decline in the inflows of cash or capital into the country, the crises over banking sector deepens, and currency crises followed it. The Turkish Economic Crisis in 2001 was a powerful lesson for all sectors of economy and the whole country, because it put a pressure on economy how to recover and behave in difficult situations. This paper analyzes the main factors and effects of 2001 economic crisis in Turkey.*

**Keywords:** *economy, Turkey, economic crisis, 2001, black Wednesday*

### **INTRODUCTION**

Economic crises can be caused by excess supply or demand shrinking the real and financial sectors. There are several reasons for the emanation of supply and demand crisis (Grewal & Tansuhaj, 2001). Economic crises can be caused by non-organizational conjectural reasons, as well as internal organizational reasons. The cause of economic crises may not always be "economic reasons". For example, a natural disaster occurring at the country level may be the cause of the economic crisis such as an earthquake, fire, flood, etc. (Kirman, 2010). Some of the economic crises may root from non-organizational reasons as mentioned above. Rapid change in political, economic, technological and ecological areas can lead to economic crises. For example, political crises in the political arena can cause crises in the form of government crises, military bumps, or political instability. Besides, the rapid economic changes in the world are always creating a favorable environment for the emergence of crises (Von Mises, 2006).

Our paper analyzes the main factors and effects of the economic crisis in Turkey in 2001. *The problem of our research* is the economic crisis in Turkey. *The object of our research* is the economy of Turkey. *The aim* is to analyze factors of the economic crisis in Turkey in 2001. *The tasks* are (a) to evaluate crisis and its effects; (b) to research market and state response; (c) to investigate the recovery process in Turkey.

### **RESEARCH METHODOLOGY**

The methodological base of research is the quantitative analyses. The focus of this method is numeric figures and numbers, which are compared with previous ones.

## CRISIS AND EFFECTS

Turkey's 2001 economic crisis, also known as the Black Wednesday, led to the emergence of major changes in the medium term. Even a black mark on the history of Turkey had passed as an unforgettable disaster and the greatest economic crisis (Okumus & Karamustafa, 2005).

The 2001 crisis was caused by many factors. Writhing in the shadow of this crisis, Turkey's economy was shattered after MGK (National Security Organization) meeting, which happened on February, 19, 2001 (Ertugrul & Selguk, 2002). Conversation debate between the President Ahmet Nejdet Sezer and the Prime Minister Bulent Ecevit was enough to break down the country overnight. Of course, it was not the only reason for burning the crisis (Büyüker, 2014).

With the economic crisis in Asian countries in 1998, Far Eastern companies operating in Turkey, have started to withdraw. Then towards the end of the year, the economic depression in Russia had grown and became a local crisis. Therefore, Turkey lost its most important export and tourism partners. Moreover, net capital inflows remained negative, domestic borrowing rates rose, and fiscal policy tightened the growth rate (Uygun, 2001). Then in 1999, there were two major earthquakes. These earthquakes were not only causing loss of life and property, but also caused the area to become unusable, which was Turkey's most important industrial regions, like the Marmara (Selcuk & Yeldan, 2001). In addition to the loss of trained staff, housing, commercial buildings, roads, bridges, infrastructure, transportation vehicles, machinery and equipment were lost. The disaster deeply affected Turkey's economy and resulted in a loss of 13 billion USD (Uygun, 2001). Before the 2001 crisis, there were some problems in Turkey's banking system. Four of those problems were some of the leading causes to the crisis. First of them was the deregulation of the banking system. Moreover, banks were granted with the insurance deposits without being supervised. Second, prior to the crisis, government's main source of financing were banks [ibid]. Thus, banks were dependent on treasury bills. Thirdly, banks in Turkey, especially private banks were depending on foreign funds. That is why any decrease and increase of foreign capital inflows were effectively changing the financial situation in Turkey. The fourth problem in banking sector was structural mismatch. Before crisis, private commercial banks were not able to borrow long term in Turkish Lira. However, they lent this money in relatively longer terms. At that time, in Turkey, approximately 50 banks were operating in Turkey, and four of the state-owned banks held 30% of the total assets in banking sector. Furthermore, these state-owned banks were forced to extend subsidized credits for agricultural, and craftsmanship sector end this led to significant loses [ibid].

In 2000, first with the inflation reduction program, there was revival and then with the liquidity crisis there was decline. For all these reasons, the 2001 crisis matured and eventually exploded. The year 2000 came up with millennium hopes and started with economic revival, but this situation could be defined as "a state of well-being before death". After two harmful events in 1999, the economy was shrined by 6%. Inflation figures reached 70%, budget deficits increased, and the average compound rate of treasury interest rose to 106%. Thus, the IMF has implemented a three-year program with stand-by support [ibid].

This crisis is recorded as the largest economic disaster of the Republic of Turkey, it showed the effects rapidly. On February, 21, overnight interest in the bank market increased to 6200%, on average it became 4018.6%. The Central Bank's foreign exchange reserves reached 27.94 billion USD on February 16, decreased to 22.58 billion USD on February, 23. The reserve loss was recorded as 5.36 billion USD. There were some harsh rules against the Turkish lira; the government had no power to control it. While foreign exchange reserves were decreased, the government left in surge on February, 21. It was the end of Inflation Reduction Program of November, 2000. The dollar rose by 40% in one night and rose from 680,000 to 960,000 liras. Official devaluation was not enough; it rose to 1.2 million in the following 2 weeks on February, 22. The loans were restricted, and new credit facilities were abolished. For this reason, both the financial and the real sector became the most violent part of the crisis (Okumus, Altınay & Arasli, 2005).

### **MARKET RESPONSE**

Right after 19 February of 2001, when the financial crisis officially happened, economic indexes instantly started to reflect the damages of the meltdown. Initially, the stock prices in the Turkish markets sharply decreased over 14% (Cizre & Yeldan, 2005). The interest rates also were fallen to their minimum level because of the deep recession. The interest rates unbelievably increased by 7500% overnight. That high rates pushed lira holders to change currency (Özatay & Sak, 2002). Both, internal and external markets were affected by the situation. As a result, trade deficit has increased to its record maximum level, 9.8 billion USD. Pulling of unexpired credits out of the country by foreign banks also forced overnight interest rates to reach the top on November, 22 and that day was remembered as Black Wednesday. The money market also responded negatively to this crisis. The dollar rate was 0.67 before crisis, but after the crisis, it reached over 1. This recession caused lira to lose over 40% of its value. Citizens who had credits in foreign currencies, especially in USD and EUR, were faced with troubles to pay back. Difficult circumstance in private business sectors forced companies to decrease costs by hiring their employees. Such activities caused an increasing rate of unemployment (Managing the Crisis. A Comparative Assessment of Economic Governance in 14 Economies, 2010).

### **STATE RESPONSE**

The crisis, which caused by poor economic and political situation in Turkish government, must not be allowed to continue. Therefore, the government decided to reconstruct the economic policies with the help of Turkish economists. Therefore, in March, 2001, the Prime Minister, Ecevit, called Dr. Kemal Dervish to the country. Dr. Kemal became the Minister of Economy and started to find solution programs to handle the lost economic situation in the country. He came up with a three steps stimulate plan: regulations in banking sector, stabilizing both exchange and interest rates, and building the economy again. The Banking Regulations and Supervising Agency to normalize the poor performance in banking sector released the restructuring program. By restructuring the banking sector, it was also aimed to stop the increasing

rate of inflation. To normalize the poor performance of other business sectors, the Turkish congress accepted 15 economic rules. Some of them were sugar production rules, telecommunication rules, banking rules, taxation rules, electricity rules, Turkish aviation rules, union rules and the rules about the treasury owned lands. The main purpose of these regulations was rebuilding private sector and privatizing some of state properties and increasing competition (Fisunoğlu, 2001).

## **RECOVERY**

After the financial crisis, recovery is the crucial part in every government and economy, therefore the Turkish Government invoked Dr. Kemal Dervish to adjust the situation. The "transition to a strong economy program" announced by Kemal Dervish in May 2001, which was supported by the stand-by arrangement signed with the IMF and the World Bank loans and was instrumental in controlling the decline in production. Making most of the legal amendments envisaged in the IMF program helped to relieve the crisis. The aim of the Central Bank is to achieve stability in the monetary policy and to ensure vehicle independence, making the country's macro-politics a better way of designing (Klijn, 2012).

In April, 2002, the law on the Regulation of Public Finance and Debt Management No. 4749 was enacted in order to establish an effective debt and risk management infrastructure and ensure transparency and discipline in the field of public finance. With this law, disorganized regulated legislation aimed at ensuring fiscal discipline has been gathered under a single law and a permanent legal framework has been targeted. Moreover, the system of market drafting, which was implemented within the framework of the active debt management policy and which was interrupted due to the economic crisis, was repeated in September, 2002 (Dafflon, 2002).

With the publication of the law, eight regulations have been issued in order to facilitate implementation. These regulations provide a new legal infrastructure for borrowing transactions including treasury guarantees, debt management and risk management.

The Public Finance and Debt Management introduced innovations through the law on the regulation as important terms of the borrowing policy to see shortcomings in Turkey.

The innovations brought by the law No. 4749 are: (1) borrowing the formation of a single authority and the collection of the legislation under a single roof; (2) the borrowing limit; (3) the guarantee limit; (4) the limit of the loan; (5) the permission of treasury guaranteed credits; (6) foreign project loans; (7) short-term borrowing; (8) grants; (9) public debt management report; (10) informing the TGNA; (11) increasing transparency and fiscal discipline; (12) risk management; (13) debt management.

As a result, the principles adopted by the law No. 4749 are mainly focused on fiscal discipline. The phenomenon of fiscal discipline naturally results in an increase in debt stock. In this respect, law No. 4749 has been an important discipline that disciplines policy makers to establish fiscal discipline. This framework aims to reveal the measures amendment taken in the structure of the debt stock (Awadzi, 2015).

## CONCLUSION

Regarding the facts and statistics, we can divide the consequences of the crises into two categories. In one category, we can group the consequences, which were painful for the economy, and another group we can place the consequences, which had valuable consequences for the economy when the crisis was over. Now, we are going to start to investigate the most significant consequences one by one. Therefore, Turkey confronted serious macroeconomic difficulties and concerns over its sensitive banking sector. When there was a sharp decline in the inflows of cash or capital in the country, the crises over banking sector deepens, and currency crises followed it. One of the reasons for currency crisis was, that during 2000 and 2001 they used currency peg. After that, the monetary policy has been changed by the central bank. As a result, currency pegs were abolished, and the lira was replaced or moved by a free-floating currency regime. The Central Bank of Turkey had occasional power and involvement in the process of defining the value of the lira. In the worsened time of the crises, The International Monetary Fund (IMF) assisted Turkey' economy with almost 30 billions USD and prevented the crisis to become more lethal for the economy. The IMF provided Turkey with more funds for declining interest rates and stabilizing exchange rates to increase the speed of economic recovery.

On the other hand, this financial support did not rescue the Turkish economy to become smaller by 5.3% in 2001, and the GDP per capita went down by 6.5% at that year as well. If we analyze the statistics after one year, we can observe that the economy was able to recover itself very quickly and raised its confidence level at that period. In 2002, the GDP increased by 5.7% and regulations in the bank sector became more strong and stable. However, the Turkish government was faced with difficulties to control and bring down unemployment, because during the years of crisis the unemployment rate rose from 6.5% to 10.4% between 1999 and 2002.

As a conclusion of these consequences, the Turkish Economic Crisis in 2001 was a powerful lesson for all sectors of economy and the whole country, because it put a pressure on economy how to recover and behave in difficult situations.

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**JEL: E410**

## **STATIONARY DYNAMIC PROGRAMMING IN THE CRYPTOGRAPHIC CURRENCY RESEARCH**

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***Abstract:** The article is dedicated to the issue of applying a money search theoretical Kiyotaki's & Wright's (1993) model and its application by Hendrickson, Hogan & Luther (2014) to the cryptographic currency field. The main method for the analysis is a numerical implementation of the model, which allows to understand the model better and dwell on its adequacy. Although cryptomoney has been closely followed by an Internet-community, the main focus essentially belongs to financial engineering, market position, legal status and political economy of cryptographic money. In current research an emphasis is made on the quantitative macroeconomic side of the cryptocurrency and its co-existence with fiat money.*

***Keywords:** cryptocurrency, money search model, Bellman equation, value function iteration, Bitcoin, virtual currency.*

### **INTRODUCTION**

At present, opponents of fiat currencies discuss virtual currency and payment project Bitcoin as a practical form of critique of the current monetary and payment system (Weber, 2014). The political economy of Bitcoin and modelling co-existence of cryptomoney with legal tender money have become an interesting research topic. Cryptographic currency is a virtual or digital currency in form of a computer file that is highly encrypted for security reasons (Miller, 2015). Bitcoin occupies the leading position among over thousands of cryptocurrencies (viz.  $\frac{3}{4}$  of this market).

Since it might be difficult to follow the model's description for an unprepared reader, it is worth mentioning that solving dynamical problems in macroeconomics is advanced field of researches. In general, there is a function with parameters, state and jump variables; jump variables are being unknowns, which need to be found to solve the equation. The function is called often a value function or Bellman equation. Elements of a value function have an economic meaning. But Bellman equation problem is that the unknown jump variables are spread over time; thus, it is impossible to find a closed-form solution. Therefore, different numerical methods are used to approximate the jump variables value, such that the equality of the value function holds. E.g., a value function iteration on a grid has been used to find numerical solution of the model.

### **MONEY SEARCH MODEL**

Basically, the search dual currency model (Hendrickson, Hogan & Luther, 2014) has been developed on the basis of classic Kiyotaki's & Wright's search model (1993),

who proved the possibility of equilibria with multiple currencies. The authors have constructed the model with a fiat currency and Bitcoin, where they have analyzed the equilibrium states and conditions for the cryptocurrency blocking by the state. The economic and technical cryptocurrency features have been analyzed in our previous research (Boiko, 2018).

The economy is populated by a set of agents  $A = [0,1]$ , which is divided into  $G$  types. The number of goods equals the number of types  $G$ . These goods are indivisible and come in instorable units of size one. Each type of agents consumes a subset of goods of the same quantity denoted by  $n$ , but not quality, i.e. the consumption goods subset varies by type. A good belonging to such a subset is referred to as a consumption good. Consuming one of the consumption goods generates utility  $U$ . The production cost for each agent is  $C$ . Agents cannot consume their own output. The model assumes two types of indivisible, storable currencies: money and Bitcoin. The storage cost of money is  $\delta_m$  and the storage cost of Bitcoin is  $\delta_b$ . At the beginning of time, a fraction of agents  $M$  is endowed with one unit of money per agent; a fraction of agents  $B$  is endowed with one unit of Bitcoin and  $1-M-B$  agents receive no endowment. Because of normalization of currencies to 1,  $M \in (0,1)$  and  $B \in (0,1)$ ,  $M$  also represents a total supply of money and  $B$  represents a total supply of Bitcoin. Since an individual must consume before producing, there will trade either through barter, money or Bitcoin.

It is worthy to note that a matching rule is not random like in the original paper (Kiyotaki's & Wright's, 1993), but agents choose deliberately with whom to trade. In the first stage, there is a non-random deliberate pairwise matching process and there is a random trading process on a second stage. The probability that a given agent wants to consume at the shop is  $\rho = 1/n$ . The authors compare it with situation, where agents, who wish to consume arrive at a place where they would like to buy, but might decide not to purchase (Hendricksen, Hogan & Luther, 2014). On the other hand, the agent in a shop has a choice whether to accept money, Bitcoin or consumption goods. This decision determines currencies' demand introduced via a probability of a random agent accepting money  $\pi$  and Bitcoin  $\theta$ . These probabilities depend on solving a double-coincidence problem. Finally,  $\Pi$  and  $\Theta$  are the best responses of the goods holder on whether to accept money and Bitcoin.

In the search model, agents demand money as an exchange medium. When highly acceptable, money can facilitate trade by increasing the number of matches between trading parties. In a barter economy, an exchange is possible only if an agent holding good  $i$  and willing to consume good  $j$  ( $ij$  agent) meets an individual holding good  $j$  willing to consume good  $i$  ( $ji$  agent). Money trade could occur in two steps. First, if agent  $ij$  trades with an agent  $mi$  (i.e. someone holding money  $m$  and willing to consume good  $i$ ), he thereby becomes  $mj$  agent. Second,  $mj$  agent trades with  $ik$  agent (i.e. someone holding good  $i$  and willing to accept money  $m$  in order to trade for good  $k$ ), thereby becoming an  $jj$  agent. Finally,  $jj$  agent consumes good  $j$  and derives utility. Lastly, one more probability variable needs to be introduced. It would correspond to Poisson arrival rate  $\beta$ , which measures probability of a pairwise meeting of agents in the original environment (Kiyotaki & Wright, 1993). Instead, the probability that monetary exchange takes place is used in a directed matching setting of this model.

For a money holder it is represented by  $a_m$ , for a Bitcoin holder by  $a_b$ . In addition, since a goods holder may decide between money and Bitcoin, he can experience both money monetary exchange with probability  $a_{0,m}$  and Bitcoin monetary exchange with probability  $a_{0,b}$ . The probabilities of monetary exchange for money, Bitcoin and goods holders depend on the respective fractions of these agents  $M$ ,  $B$  and  $1-M-B$ , which is shown as follows.

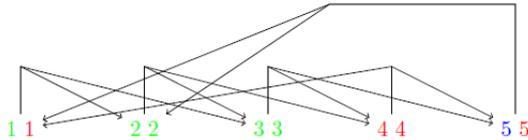
$$a_m = \min\left\{1, \frac{1-M-B}{M}\right\}$$

$$a_b = \min\left\{1, \frac{1-M-B}{B}\right\}$$

$$a_{0,m} = \min\left\{1, \frac{M}{1-M-B}\right\}$$

$$a_{0,b} = \min\left\{1, \frac{B}{1-M-B}\right\}$$

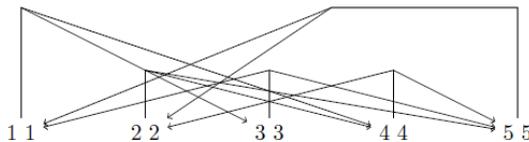
One more assumption is that once matched, each agent receives a preference shock regarding the qualitative goods preference in his consumption set. This assumption turns out to be crucial for the probabilities to hold monetary exchange. *Figure 1* depicts a small example economy populated by 10 agents, who are divided into 5 types  $G$ , each type having the same goods preferences.



**Figure 1: Endowment and preferences before the preference shock**

Source: created by author

The number of consumption goods of each type is 2. Preferences are shown with arrows. 40% of the agents are endowment with money (shown in red), 10% with Bitcoin (blue) and 50% hold the goods (green). Directed matching means that preference arrows point to the right agents to go to. For instance, agent type-2 will go directly to agent-types 3 and 4. However, these preference arrows are not constant and subject to a preference shock after each match. The actual decision to buy is random. That is why the allocation of money, Bitcoin and goods is not depicted in color (*Figure 2*).



**Figure 2: Preferences after the preference shock**

Source: created by author

Formally,  $G = 5$ ,  $n = 2$  and the probability that any given agent wants to consume once bilaterally matched is  $\rho = 1/n = 1/2$ . By looking at currency supply  $M = 0.4$ ,  $B = 0.1$  and  $1 - M - B = 0.5$ , we can determine probabilities of monetary exchange according to abovementioned formulas, i.e.  $a_m = 1$ ,  $a_b = 1$ ,  $a_{0,m} = 0.8$  and  $a_{0,b} = 0.2$ . Since there is fewer money and Bitcoin holders than goods holders, the probability of a goods holder to make a money exchange  $a_{0,m}$  or enter a Bitcoin monetary exchange  $a_{0,b}$  is less than 1. Before looking at value functions of each state, remember that  $\pi$  is the probability that a random agent in the economy accepts money and  $\theta$  is the probability that a random agent in the economy accepts Bitcoin. Moreover,  $\Pi(\pi)$  and  $\tau(\theta)$  are best responses of a goods holder on whether to accept money and Bitcoin. The following are Bellman's Equations that are the value function equations for goods holder  $V_0$ , money holder  $V_m$  and Bitcoin holder  $V_b$ :

$$rV_0 = (1 - a_{0,m} - a_{0,b})\rho^2(U - C) + \max_{\pi \in [0,1]} a_{0,m}\Pi(\pi)\rho(V_m - V_0 - C) + \max_{\theta \in [0,1]} a_{0,b}\Theta(\theta)\rho(V_b - V_0 - C);$$

$$rV_m = a_m\pi\rho(U + V_0 - V_m) - \delta_m; \quad rV_b = a_b\theta\rho(U + V_0 - V_b) - \delta_b.$$

Table 1 summarizes different variables from the search model.

**Table 1**

**Parameters and variables of the dual currency search model**

<i>Symbols</i>	<i>Definitions</i>
$V_0$	value function of a goods holder
$V_m$	value function of a money holder
$V_b$	value function of a Bitcoin holder
$r$	discount rate
$a_{0,m}$	probability that a goods holder is matched with a currency holder
$a_{0,b}$	probability that a goods holder is matched with a Bitcoin holder
$\rho$	probability that any given agent wants to consume a good
$U$	utility generated by consumption
$C$	production cost
$\pi$	1) probability that a random agent in the economy accepts money 2) fraction of agents willing to accept money
$\Pi(\pi)$	best response of a goods holder on whether to accept money
$\theta$	1) probability that a random agent in the economy accepts Bitcoin 2) fraction of agents willing to accept Bitcoin
$\Theta(\theta)$	best response of a goods holder on whether to accept Bitcoin

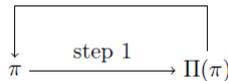
Source: summarized by author

The gain of accepting money for a goods holder is represented by  $V_m - V_0 - C$  and when weighted with probability  $a_{0,m}\rho$  it becomes an expected value of accepting money for a goods holder. Gain of accepting Bitcoin is  $V_b - V_0 - C$  becomes an expected value of accepting Bitcoin when weighted with the probability  $a_{0,b}\rho(V_b - V_0 - C)$ . If there is a gain of accepting money, i.e.  $V_m - V_0 - C > 0$ , then each goods trader will accept it. If there is no gain of accepting money, that is  $V_m - V_0 - C = 0$ , then goods traders are indifferent of accepting. If the gain of becoming a money holder is negative, a goods trader will never decide to do. The same holds for accepting Bitcoin (see equations below).

$$\pi = \Pi = \begin{cases} 0 & \text{if } V_m - V_1 - C < 0; \\ 1 & \text{if } V_m - V_1 - C > 0; \\ [0; 1] & \text{if } V_m - V_1 - C = 0. \end{cases}$$

$$\theta = \Theta = \begin{cases} 0 & \text{if } V_m - V_1 - C < 0; \\ 1 & \text{if } V_m - V_1 - C > 0; \\ [0; 1] & \text{if } V_m - V_1 - C = 0. \end{cases}$$

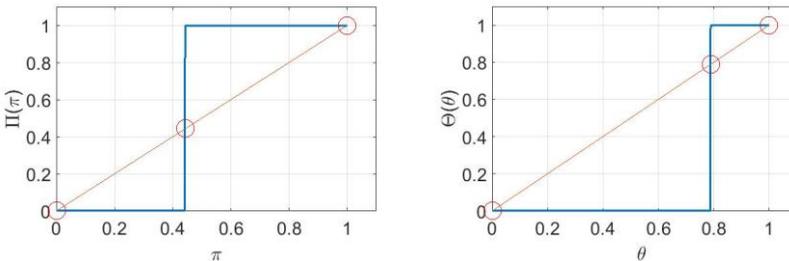
Steady states are primarily determined by the gain of accepting money  $V_m - V_0 - C$  and Bitcoin  $V_b - V_0 - C$ . In symmetric equilibrium, the best response correspondence accounts for the path to the steady state. It implies that  $\Pi(\pi) = \pi$  and  $\tau(\theta) = \theta$ . That is in equilibrium the probability that a random agent in the economy accepts money  $\pi$  equals to the best response of a goods holder of whether to accept money  $\Pi$ . Thus, the probability that a random agent in the economy accepts Bitcoin  $\theta$  equals to the best response of a goods holder of whether to accept Bitcoin  $\tau$ . Since population is normalized to 1,  $\pi$  may also be viewed as a fraction of agents willing to accept money and  $\theta$  is a fraction of agents willing to accept Bitcoin. The system achieves equilibrium in a "one-step" procedure shown in *Figure 3*.



**Figure 3: Path of  $\pi$  to the steady state**

Source: created by author

When the system is out of the stationary state, a goods holder takes in consideration  $\pi$ , forms its best response  $\Pi$ , which than becomes  $\pi$  because all agents are supposed to form identical best responses. The same is for  $\Theta$ , which will equal  $\tau$  in equilibrium. As it is suggested by Kiyotaki & Wright (1993), the set of equilibria for  $\Pi$  is the set of fixed points of the best-response correspondence. In original paper with only one currency, the set comprises 3 elements. But in the model extended with cryptocurrency both set of equilibrium values for  $\Pi$  and  $\tau$  need to be taken into account (*Figure 4*).



**Figure 4: Best response correspondence for money and Bitcoin (equilibria are marked with red circles)**

Source: created by author

Critical values in Figure 4 are  $\pi = 0.443$  and  $\theta = 0.789$ . The model implies that the relation of probability that a random agent in the economy accepts money to its

critical value indicates the equilibrium of  $\pi$  value. The reason for this is that a threshold probability is probability of accepting currency when the gain for doing so is zero. When  $\pi \geq \hat{\pi}$ , then it becomes partially/fully accepted. When  $\pi < \hat{\pi}$ , then nobody accepts it. When  $\theta \geq \hat{\theta}$ , then Bitcoin becomes partially/fully accepted as well, but nobody will accept it in case  $\theta < \hat{\theta}$ . As it can be seen from the graphs, there are 9 possible equilibria, which are grouped into 4 groups: (1) money equilibrium, where money, but not Bitcoin, is accepted; (2) Bitcoin equilibrium, where Bitcoin, but not money, is accepted; (3) coexistence of money and Bitcoin, in which both money and Bitcoin are accepted in exchange; (4) non-monetary equilibrium where neither currency is accepted (Hendrickson, Hogan & Luther, 2014).

Determining threshold values is important for the equilibrium. According to Hendrickson et al, the unique value of  $\pi = \hat{\pi}$  that sets  $V_m - V_0 - C = 0$  is then a threshold value for accepting money. Equivalently,  $rV_m - rV_0 - rC = 0$  combined with Bellman's Equations yields (see formula below).

$$\hat{\pi} = \begin{cases} \frac{(1 - a_{0,m} - a_{0,b})\rho}{a_m} + \frac{\delta_m + rC}{a_m\rho(U - C)} + \frac{a_{0,b}(V_b - V_0 - C)}{a_m(U - C)} & \text{if } \theta = 1; \\ \frac{(1 - a_{0,m} - a_{0,b})\rho}{a_m} + \frac{\delta_m + rC}{a_m\rho(U - C)} & \text{if } \theta < 1. \end{cases}$$

The core insight here is that a critical value for accepting or not accepting money  $\pi = \hat{\pi}$  depends on whether Bitcoin is commonly accepted. It shows the competing nature of money and Bitcoin. When  $\theta = 1$ , the critical value  $\hat{\pi}$  is higher. It means that equilibrium value for  $\pi = 0$  is more likely than the other two equilibrium values. On the contrary, when  $\theta < 1$ , the critical value  $\hat{\pi}$  is smaller. It means higher chances that in out-of-equilibrium state  $\pi > \hat{\pi}$  and the resulting equilibrium is complete acceptance of money by all agents.

Combining  $V_b - V_0 - C = 0$  with Bellman's Equations for the threshold probability of a random agent accepting Bitcoin  $\hat{\theta}$  yields (see formula below).

$$\hat{\theta} = \begin{cases} \frac{(1 - a_{0,m} - a_{0,b})\rho}{a_b} + \frac{\delta_b + rC}{a_b\rho(U - C)} + \frac{a_{0,m}(V_m - V_0 - C)}{a_b(U - C)} & \text{if } \theta = 1; \\ \frac{(1 - a_{0,m} - a_{0,b})\rho}{a_b} + \frac{\delta_b + rC}{a_b\rho(U - C)} & \text{if } \theta < 1. \end{cases}$$

It is very unlikely that a system can settle at interim equilibria of partial acceptance probabilities  $\pi = \hat{\pi}$  and  $\theta = \hat{\theta}$ . Partial acceptance equilibrium requires that gain from holding currency is zero as well as the fraction of agents willing to accept that currency exactly equals threshold probability.

## CONCLUSIONS

Presented model of exchange captures core features inherent for cryptographic money. It addresses double coincidence of wants problem, bilateral and directed nature of exchange in digital environment and predominance of generally accepted

fiat money. The competing position of cryptocurrency Bitcoin according to the fiat money is reflected in that the acceptance of one currency makes more difficult to be also accepted for the other. Although the model shows 9 possible equilibria, we have to note that partial acceptance equilibrium seems very unlikely for any currency. Indeed, a fraction of agents willing to accept each currency is important for the acceptance decisions in equilibrium.

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**JEL: J20, J28, J68**

## **MODERN MECHANISMS OF LABOR POTENTIAL EVALUATION**

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**Abstract:** *The article is devoted to the generalization of methodical approaches to the development of an effective mechanism for evaluating labor potential in modern conditions. As part of the study, key aspects of the labor potential evaluation have been identified; peculiarities of labor potential are analyzed; innovative methodology based on index and multiplicative approaches based on an assessment of the human development index (HDI) is proposed.*

**Keywords:** *labor potential, evaluation, socio-labor potential index, demographic component, economic component, intellectual component, psychophysiological component, social component*

### **INTRODUCTION**

The current state of both socio-economic and demographic development affect significantly the formation of the labor market and its main characteristics. The modern stage of society's development shows rapid losses of labor potential. The consequences of economic crises, unemployment, significant decline in the life level quality have had a very negative effect on its reproduction and the effectiveness of its use. Rational use of labor potential influences the social production efficiency and living standards. The result of any economic activity, the growth rate of the social and cultural life level of employees and employers, as well as the formation of full-fledged relations of social partnership depends on the rational labor potential. A key element in the labor potential formation is its economic assessment and determination of ways of its productive use.

The *aim of our research* is to synthesize methodological approaches for an effective mechanism development for the labor potential estimation under modern conditions. The *main tasks of our research* are: (1) definition of key aspects of the labor potential estimation; (2) analysis of peculiarities of labor potential estimation; (3) development an effective mechanism for the labor potential evaluation in modern conditions.

### **MATERIALS AND METHODS**

The researches of the nature, characteristics and conditions for the labor potential development have been done by Ukrainian Scholars O. Amosha, B. Danylyshyn, M. Dolishniy, S. Doroguntsov, P. Zhuravlev, V. Zakharchenko, I. Maslov, G. Mishchuk, O. Novikov, V. Onikienko, T. Pepa, I. Petrova, S. Pyrozhkov, I. Bazhan, I. Bondar et al. In the scientific papers of the abovementioned researchers, factors that influence its

formation and use are studied. However, an effective mechanism development for the labor potential estimation taking into account peculiarities of the economy under modern conditions requires further research.

During the research, the following *methods* were used, viz. abstract-logical, statistical-economic, general economic methods of analysis and synthesis, induction and deduction.

## RESULTS

The labor potential development in the EU has certain distinctive features, viz. (1) the free labor movement; (2) strong system of social protection and social security; (3) professional mobility promotion; (4) interaction in the field of training qualified staff. The main directions of the EU social policy's implementation are ensuring a high employment level, reducing unemployment, stable living standard and social protection, as well as settling migration issues. At the same time, the improvement of the system for the labor potential estimation is becoming actual. The mechanism for the labor potential assessing at the country's and regional levels is a series of consistent interconnected stages. The results of the labor potential estimation at the microlevel are the basis for developing a set of measures to improve the efficiency of the labor potential management of each economic entity, reconciling the interests of each employee with the aims of enterprise development (Yarmosh, 2010). An overview of existing methods has shown a wide differentiation of different approaches to the labor potential assessing at various levels, including regional ones. Greater scientists' concentration on the labor potential study requires the development of a special method for the socio-labor potential assessing as a specific socio-economic category with more active manifestations in the social interaction environment. Therefore, we have proposed own view based on the multiplicative and index approaches to the human development index (*HDI*) assessment. According to this methodology, the Socio-Labor Potential Index (*SLPI*) will be calculated by means of the formula (1) proposed by S. Paseka (2012) with our modernizations, where  $I_i$  is a partial index of the socio-labor potential (specific characteristic);  $w_i$  is the weighted coefficient of the  $i$ -th partial index.

$$SLPI = \sum w_i \times I_i \quad (1)$$

To calculate partial indices in terms of demographic, economic, intellectual, social and psychophysiological components, appropriate indicators were selected with the distribution as stimulants and destimulants (*Table 1*). Each of them was assigned the appropriate weight, determined by the expert method.

## CONCLUSIONS

*SLPI* calculation is allowing to investigate general tendencies of its components development. It is expedient to make corresponding calculations for a longtime period, comparing with tendencies of other spheres of the country's (region's) public life. Such comparison will provide an integrated approach to manage the socio-labor potential, tracking its indicators' interactions with other socio-economic indicators

**Table 1**

**List of indicators characterizing the social and labor potential components**

Partial index	Weighting share	Indicators characterizing the components of the socio-labor potential of the region
Index of the demographic component (0,23)	0,17	Stimulants: X1 – number of available population;
	0,16	X2 – coefficient of natural population growth;
	0,15	X3 – balance of migration per 1000 people;
	0,20	X4 – average life expectancy at birth
	0,16	Destimulants: X5 – median age of the population;
	0,15	X6 – demographic load on the population of working age
Index of the economic component (0,22)	0,15	Stimulants: X7 – average monthly salary;
	0,13	X8 – employment level of the population aged 15-70;
	0,12	X9 – number of economically active population aged 15-70;
	0,10	X10 – labor demand;
	0,14	Destimulants: X11 – unemployment rate according to the ILO methodology;
	0,12	X12 – level of involuntary part-time employment;
	0,08	X13 – load on one free workplace;
	0,08	X14 – average time for job search;
	0,08	X15 – proportion of staff who worked under the harmful factors influence
Index of the intellectual component (0,20)	0,16	Stimulants: X16 – number of creators (inventors, innovators);
	0,15	X17 – number of creators (inventors, innovators) for 10 thnd employees;
	0,15	X18 – specialists, who carry out scientific and scientific-technical works;
	0,13	X19 – share of employees in the Ukrainian economy, who are specialists of the highest qualification (candidates and doctors of sciences);
	0,11	Destimulants: X20 – students of higher institutions of III-IV accreditation levels;
	0,10	X21 – proportion of full-time employees who have full higher education;
	0,10	X22 – specialists, who carry out scientific and scientific-technical works in the amount of 10 thnd employees;
	0,10	X23 – proportion of employees, who increased their qualifications
Index of the social component (0,18)	0,21	Stimulants: X24 – ratio of average wages to the subsistence minimum;
	0,06	X25 – doctors availability for the population
	0,05	X26 – population security of housing;
	0,17	Destimulants: X27 – poverty level on the all-Ukrainian standards;
	0,16	X28 – poverty depth on the all-Ukrainian standards;
	0,14	X29 – crime rate;
	0,11	X30 – mortality rate for external causes excluding mortality from self-harm;
	0,10	X31 – number of deaths from self-harm per 100 thnd population
Index of the psycho-physiological component (0,17)	0,21	Stimulants: X32 – probability to live up to 60 for males;
	0,20	Destimulants: X33 – disability level of the population;
	0,14	X34 – number of inactive people aged 15-70;
	0,16	X35 – number of inactive people aged 15-70 years due to despondency in the job search and the conviction that there is no suitable work for them;
	0,16	X36 – morbidity level of the population for active tuberculosis;
	0,13	X37 – harmful substances emissions into the atmosphere from stationary and mobile sources per sq. km

Source: created by authors based on the scientific researches of S. Paseka (2012)

(Bondarevska & Zaika, 2015). It is important that at the state level, the sustainability of the statistical information collection on the indicators reflecting the development of socio-labor potential has been declared. It would make the calculations more correct and available, including the proposed methodology.

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**JEL: M210**

## **ENTERPRISE'S INNOVATIVE POTENTIAL EVALUATION**

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***Abstract:** The components of innovative potential are considered, indicators of the labor, scientific and technical property, the enterprise's organizational and financial potential are presented. Based on the factor analysis, the most significant indicators of the enterprise's innovation potential are determined, the influence of the most significant factors on the innovative potential of the enterprise is investigated. The quantitative estimation method of the enterprise's innovative potential based on the integral approach is developed. The comparative estimation of enterprise's activity on the building materials manufacture of Dnipro region based on the calculation of integral indicators of their innovative potential has been done.*

***Keywords:** innovative potential, strategy of economic development, deterministic factor analysis, indicators of the enterprise's activity, integral index*

### **INTRODUCTION**

In an unstable external environment, enterprises should focus their efforts on maintaining a competitive market position. Under such conditions, they are looking for a new, more efficient management methods to find reserves for development, new markets and to work on the implementation of various innovations that can ensure survival of the enterprise in a competitive environment. In order to operate efficiently and ensure enterprises' competitiveness, it is necessary to develop innovative potential. At the same time, it is the maximization of the innovation component that can be considered a condition for sustainable enterprises' development in modern conditions.

An important role in increasing the enterprises' innovative activity is played by the selection and implementation an appropriate strategy for the innovative enterprises' development. It requires information on the size of the innovative potential and its use level. Monitoring and evaluation of the level of innovation potential is an urgent task, since its solution enables to take strategic and tactical decisions regarding the enterprises' innovative development and its sustainable competitive advantages.

### **METHODS**

The purpose of this study is to identify the components of the mechanism for assessing the enterprises' innovative potential. Innovative potential is considered at the enterprise level that requires to determine the impact of innovative potential on its economic development. Comparative and deterministic analysis have been used.

### **RESULTS**

In order to calculate the innovative potential, it is necessary to select indicators characterizing each its component. They are as follows: labor potential, scientific

and technical potential, property potential, financial potential and organizational potential (Nizhnik, 2011). Each component is selected by a group of indicators that most characterize enterprises' innovative potential (Ill'yashenko, 2015). *Table 1* shows the groups of indicators characterizing the labor, scientific and technical, property, financial and organizational potential of the enterprise.

**Table 1**

**Ingredients of the innovative potential of the enterprise**

<i>Potential</i>	<i>Indicators</i>
1. Labor	The share of workers studied by new professions
	The share of workers who increased their qualifications in the reporting period
2. Scientific and technical	The share of investment in innovations in the total investment in fixed assets
	The share of innovative products in the total volume of shipped products
3. Property	Ratio of fixed assets
	Fixed asset refresh rate
4. Financial	The coefficient of financial stability
	The coefficient of autonomy
	Absolute liquidity ratio
	Return on total capital
5. Organizational	The share of enterprises participating in the implementation of innovative projects in their total number
	The share of employees participating in the implementation of innovative projects in the total number of employees of the enterprise

*Source: created by author*

On the basis of these indicators, we construct a matrix that includes the value of the abovementioned indicators belonging to the same industry, e.g. the building materials production. Such enterprises in the Dnipro region are OJSC Dnipro Silicate Plant, LLC Nizhnedneprovsky Building Materials Plant, LLC BPI Bazis, LLC Dnipro-Briquet. Once the matrix is built, a template is created with which the comparison will be made. To do this, all considered partial indicators are divided into two groups: indicators-stimulants and indicators-de-stimulants. For the first group, the reference is the maximum, and for the second group as the minimum value of all indicators.

In order to determine the innovative potential, it is necessary to use an integral indicator, which will include the most significant indexes of innovative potential. To calculate it, we use the systemic methods and factor analysis (Sheremet, 2011).

The main stages of the factor analysis are the construction of the purpose of the analysis, selection of determining factors, their classification and systematization in order to provide an integrated and systemic approach to the study of their impact on the results of the enterprises' economic activity, definition of the relations between factors and performance indicators, modeling of interrelations between selected indicators, calculation of the factors' influence and its evaluation and work with a factor model. Depending on the type of the factor model, two main types of factor analysis are considered, viz. deterministic and stochastic. Deterministic factor analysis is a method of studying the influence of factors, the relations of which with the result is functional. A stochastic analysis represents a method of studying the factors whose relations with the result indicator differs from the functional is incomplete, correlation (Vozhzhov, 2014).

The use of the factor analysis is not limited to the initial stages of the study. Being a fairly flexible quantitative method, to a greater extent than other statistical methods, it can be used to test complex hypotheses. Using factor analysis, we can check whether there is a dependency and determine its degree. Factor analysis allows to get information about the number of factors in this situation, their nature and relations (Rudenko & Kabachenko, 2014).

There are two main directions of possible factor methods use, i.e (1) the inclusion of factor analysis as an auxiliary tool in the process of developing problems of fundamental theoretical nature (in this case, factor methods are quite expensive and in some cases even lead to resolving disputes); (2) practical application (here, factor analysis can help to solve practical problems).

Thus, to use factor analysis in our research we use STATISTICA 6.0 package software. According to the rules, only those factors that account for at least 75% of the variance are involved, for the analyzed companies, five factors that explain 75% of the accumulated dispersion are involved. For the enterprises analyzed, the greatest significance is the first factor, which explains 28.12% of the total dispersion. In the factor itself, the following indicators have the *greatest weight*: X5 (factor of fixed assets suitability), X7 (absolute liquidity ratio), X8 (coefficient of financial stability), X9 (coefficient of autonomy). In this regard, the first factor can be interpreted as a financial potential. The *second factor* explains 14.49% of the total dispersion. Its composition determines the most significant indicators, such as X11 (the share of enterprises participating in the implementation of innovative projects in their total number) and X12 (the share of employees involved in the implementation of innovative projects in the total number of employees of the enterprise). Therefore, the second factor characterizes the organizational potential. In the *third factor*, which explains 12.99% of the total dispersion, the most important indicators were X3 (the share of investment for innovations in total investment in fixed assets) and X4 (proportion of innovative products in total volume of shipped products), which allows us to consider it as a scientific and technical potential. The *fourth factor*, which is 10.68%, judging from the index of X6 (coefficient of fixed assets renewal), characterizes the property potential of the enterprise. The *fifth factor* explains 8.67% of the total dispersion and contains one indicator X10 (profitability of aggregate capital). In detail, we highlight the calculation peculiarities of the proposed indicators (Kabachenko, 2006; 2010).

The results of the research carried out on the totality of the enterprises of the Dnipro region make it possible to conclude that in the process of assessing the innovative potential of enterprises engaged in the building materials production, the attention should be paid to the financial performance indicators. Indicators of the labor potential when assessing the enterprises' innovative potential are not significant and will not be taken into account. In order to assess the innovative level of enterprises, we have to use statistical data. Therefore, a methodology for quantifying the enterprises' innovative potential is developed by us based on the integral indicator (Kabachenko, 2015). The quantitative integral indicator of the enterprises' innovative potential is formed by help of components that characterize such resources as: labor, scientific and technical, property, financial and organizational resources.

To the partial indicators that characterize the labor component of innovative potential, the proportion of workers trained for a new professions and the share of workers who increased their qualifications in the reporting period are attributed.

To analyze the scientific and technical component, it is proposed to use: the share of investments in innovations in the total volume of investments in fixed assets, the share of innovative products in the total volume of shipped products.

The indicators characterizing the property component of the innovative potential were classified as the coefficient of suitability of fixed assets and the coefficient of renewal of fixed assets.

The indicators characterizing the financial component are: the coefficient of financial stability, the coefficient of autonomy, the coefficient of absolute liquidity, the return on total capital (Gritsenko, Deineka & Boyarko, 2015).

Partial indicators that characterize the organizational component of innovative potential are the share of enterprises participating in the implementation of innovative projects in their total number, the share of employees involved in the implementation of innovative projects in the total number of employees of the enterprise. Proposed set of partial indicators was used to assess the components of the innovative potential of enterprises in the Dnipro region. Based on the factor analysis having determined the indicators that are significant for the innovation potential, we can estimate it using the integral indicator. In accordance with the method of multivariate taxonomic analysis, the integral index  $R$  is determined by the formula (1), where  $x_{ej}$  is the value of  $j$ -th indicator-standard;  $x_{ij}$  is the value of  $j$ -th indicator;  $n$  is number of indicators.

$$R = \sqrt{\frac{\sum_{j=1}^n (x_{ej} - x_{ij})^2}{n}} \quad (1)$$

The lower the value of the indicator, the greater the innovative potential of the enterprise. The results of calculations of the integral index of innovative potential of the analyzed enterprises are presented in *Table 2*.

## CONCLUSIONS

For enterprises with low innovative potential, it is expedient to propose such measures as: implementation of the methodology for assessing the enterprise' innovative potential; attraction of leading specialists for development innovations.

Implementation of the methodology for assessing innovative potential will allow to assess it, find reserves to increase the enterprise's innovative activity and its functioning in common. Additionally, an attracting leading specialists in the field of development and implementation of innovations will contribute to the continuous enterprise's development in the innovative direction. The transition to an innovative model of economic development is the most characteristic feature of the modern stage in developed countries, which is becoming a decisive factor in economic growth. Activation of innovative development is one of the main factors of survival of domestic business entities in the face of violent competition.

**Table 2****Integral indicators of the innovative potential**

Name of enterprise	Years	Value integral indicator
OJSC "Dnipro Silicate Plant"	2012	1,42
OJSC "Dnipro Silicate Plant"	2013	1,38
OJSC "Dnipro Silicate Plant"	2014	2,44
OJSC "Dnipro Silicate Plant"	2015	2,45
OJSC "Dnipro Silicate Plant"	2016	2,7
LLC "Nizhnedneprovsky Building Materials Plant"	2012	0,74
LLC "Nizhnedneprovsky Building Materials Plant"	2013	0,98
LLC "Nizhnedneprovsky Building Materials Plant"	2014	1,5
LLC "Nizhnedneprovsky Building Materials Plant"	2015	1,84
LLC "Nizhnedneprovsky Building Materials Plant"	2016	1,06
Open Society VKP "Basis"	2012	2,42
Open Society VKP "Basis"	2013	1,38
Open Society VKP "Basis"	2014	0,7
Open Society VKP "Basis"	2015	1,28
Open Society VKP "Basis"	2016	1,05
Dnipro-briquet LLC	2012	0,75
Dnipro-briquet LLC	2013	1,03
Dnipro-briquet LLC	2014	0,47
Dnipro-briquet LLC	2015	0,72
Dnipro-briquet LLC	2016	0,66

Source: calculated by author

Thus, enterprises in Ukraine should pay more attention to the study of the essence and components of their own innovative potential, to monitor changes constantly in the innovative climate and to work systematically on the formation and improvement of their own innovative culture. In addition, successful management of the innovative potential in the modern conditions should be considered as a priority for ensuring a high level of the enterprise competitiveness and its existence as well.

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**JEL: D23**

## **MODELS OF ORGANIZATIONAL BEHAVIOR: AN OVERVIEW**

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**Abstract:** *In an organization is an entity of behavioral form. Its activities, successes or failures depend on a very large extent. New approaches to the organizational management are required, as there is an increase in production conditions, i.e. the innovative acceleration, the search for high-skilled staff, the interaction of political, technological and socioeconomic processes; their global impact on the economy including HR management. Therefore, organizational management is, first of all, the management of people. It is the art of managing people's behavior that becomes a decisive condition in the modern society ensuring the competitiveness of enterprises and stability of their development. In addition, principles of HR management and the use of research results are one of the ways to improve the enterprise's activity. By its properties, human resources are different from any other resources used by enterprises; they require special managing methods. The scientific foundations of organizational behavior and their application in practice through HR management are an important direction in the field of management.*

**Keywords:** *management, HR, organization, organizational behavior*

### **INTRODUCTION**

Organization has stable forms of behavior, on which all activities depend on. New approaches to the organizational management are required because of changes in the production conditions, viz. the innovative acceleration, the search for high-skilled staff, the interaction of technological, socioeconomic and political processes, their global influence on the economy including HR management. Thus, organizational management is based on HR management. It is the art of managing people's behavior that becomes a decisive condition in the modern society ensuring the enterprise's competitiveness and their stable development.

### **MATERIALS AND METHODS**

To competently manage employees, firstly, it is necessary to learn their behavioral styles and patterns. Our research is built on the descriptive analysis of existing managing achievements.

### **RESULTS**

There are four models of organizational behavior: authoritarian, trusteeship, support and collegial (Newstrom & Davis, 1997). The authoritarian model relies on power; it is focused on the authorities giving the head of any level to force employees to carry out orders, sometimes subjecting. Employees are focused on subordination

and depend on. In general, the HR involvement into the labor process is minimal. In other words, employees with rare exceptions do what they need to do. The weak side of this model is large costs for HR. If to look from the point of HR using, staff involvement into the labor process, initiatives, reliance degree and their internal incentives, then it is easy to find out that all these factors are ignored. Of all HR, only the leader resource (time, motivation, health) is used fully. Some subordinates still show higher performance due to some internal motives (e.g. they feel sympathy for the leader). But in general, the "voting rights" lack among employees generates frustration, uncertainty and sometimes aggression towards the leadership. Albeit subconsciously, the leader sees company as a family and himself as the head of this family with all the ensuing consequences. Internal incentives work poorly; the main motivator for action is the "must". This model relies on the economic resources and management as a process is focused on their distribution. The labor efforts are on the potential opportunities verge, and one can count only on passive cooperation. What does this model cost? Cozy at first glance for employees, it does not contribute to the full HR use and is extremely costly and effective only in crisis or inadequate resources.

In the framework of trusteeship, albeit subconsciously, top manager tries to have as much information as possible about everything that happens to subordinates, about all their personal problems and even their decisions. In response to such care, staff will conscientiously treat duties. Frequent complaints of staff are possible. It can lead to the fact that workers manipulate the authorities. Subordinates lack initiative and responsibility. Internal incentives are poor. This model relies on the resources (time, workload, convenient schedule, access to information, relations, finance etc.) and qualitative HR management. It does not contribute to the full HR use, since it requires large nervous efforts and does not allow relying on the system of internal incentives of subordinates. The model is effective only in conditions of insufficient resources.

Support model has certain circumstances. This model is based on a management oriented toward the supportive relations. Staff is focused on the specific tasks and has an opportunity to participate in management and decision-making. At the same time, staff needs for status and recognition are met and internal incentives' reliance arises. Support model requires a minimum amount of resources (informational, financial, legal, etc.). It is characterized by an individual growth climate; it is effective at a relatively "decent" level of life, but its implementation requires a serious breakdown in the views of top managers (Walker, 2010).

Collegial model of organizational behavior cannot be realized under existing conditions, since it depends on the resource surplus; it seems absolutely unreal. This model is, rather, theoretical, because its implementation is rare.

An authoritarian, power-based model of organizational behavior dominated the era of the industrial revolution. In the conditions of autocracy, managers are focused on formal power delegated through the right to give orders. In this case, staff should be forced to work that is the main management task. It causes strict management control over the work process. This model has high efficiency during the crisis, in the absence of alternative approaches, with a strong and wise leader, in a business that inherently has a bureaucratic form of existence (e.g. bank).

The success of the trusteeship model depends on economic resources. Efforts of the organizational management are aimed at providing the necessary funds to pay wages and provide benefits. Since the employees' needs are satisfied, it keeps a safety as a main motivating factor (Filippovskiy & Shmarova, 2006).

The support models implementation becomes an urgent. But at the moment it takes some difficulties, as it is accompanied by a change in some important attitudes of top managers (management group).

The collegial model is very well described by the formula: "We were consulted, and I have decided". For advanced management, this model may turn out to be a kind of training ground between authoritarianism and democracy, where staff gets used to participate in decisions making with some given freedom. However, a negative scenario is almost always realized, since it opens some scope for speculation for the management. Companies, where the collegial model has existed for a long time, are usually psychologically crushed (Morozova, 2006).

### CONCLUSIONS

By classifying and considering all four models of organizational behavior, it can be concluded that in the same organizational environment different people behave differently. A person always has the freedom to choose the forms of his/her behavior, to accept (or not) the existing forms and/or norms of behavior. Staff can accept (or not) organizational values, share (or not) business goals and philosophy.

Nowadays, researches focus on HR factor in the organization. In the organizational management, a new approach is needed.

As a result, organizational behavior today is connected with special areas of psychology, sociology, pedagogy and other sciences. There are managerial features in the organizational behavior in different countries and cultures, e.g. American, European or Japanese management styles. Azerbaijani style of management mixes features of different models. Hence, it is of great importance studying both the practice of own management and organizational behavior on an international level.

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**JEL: C11, C38, C53**

**AN APPLICATION OF BAYESIAN PROBABILISTIC NETWORK  
MEASURING OPERATIONAL LOSS IN INDIAN BANKING INDUSTRY**

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***Abstract:** The present study intends to identify the most significant factors of operational losses and their influencing level with special reference to Indian Banking Industry, to establish a framework to standardize one or more causal risk factors, to analyze its impact on the loss estimate and finally aspires to conduct an extended research to frame a model to minimize operational losses. After collecting data from 362 bank employees from all four regions of India through questionnaire survey and personal interviews of the chief risk officers, heads of operational risk and other operational risk practitioners at financial services firms, including banks, insurers and asset managers. Principal Component Analysis with Varimax rotation is conducted on 10 items; Reliability Analysis has been done with the help of Cronbach Alpha to check the Test Reliability. Multiple Regression Analysis has been used to identify influence level of those influencing factors and to frame an equation on the basis of the same. Bayesian Probabilistic Network is performed to establish a framework to calibrate one or more causal risk factors and analyze its impact on the loss estimate; and to conduct an extended research to frame a model to minimize operational losses.*

**Keywords:** *Bayesian Probabilistic Network, operational losses*

**THEORETICAL BACKGROUND**

Increasing complexity, dependence on technology and rapid expansion of bank operations, increasing vulnerability of financial institutions, poor modelling was amongst the causes of this meltdown. All these causes have a striking resemblance with operational risk events. Following observations are reviewed for this purpose: Correa & Raju (2009) made a study on the operational risks in the banking sector and found that operational risks generate potential losses and this potential loss can be viewed occurs a cost to the bank. When operational risk exists and needs to be valued, the prime objective should be on the elimination of operational risk rather than on its measurement. But, in reality, the costs involved in the elimination of operational risk could be much higher than the probability of a loss that may occur due to malfunctioning in operation. Raman (2008) studied the status of operational risk management in the Indian banking operational system with reference to Basel II. He studied the expected coverage of banking assets and the approach adopted for operational risk in capital computation and made comparison with the position of the banking system in Asia, Africa and the Middle East. Hussain & Shafi (2014) reviewed various issues of the operational risk management concept in banking industry. This study describes management approaches, measurement models and imposition of regulatory capital charge that may lead to operation risk. Tandon & Mehra (2017)

performed a survey that the financial crisis and resulting failure of large banks due to improper management of operational risk has shaken the whole world. They made a research on the operational risk management practices and compared them with the banks all over the world taken into consideration the impact of size and ownership of banks.

Now an effective risk management program is required in banking industry for a holistic risk measurement for operational losses. In this regard, an empirical research has been performed on Indian banking industry to minimize operational losses (*OL*).

*Objectives of the study:* Our research aims to identify the most significant factors of operational losses and their influencing level with special reference to Indian Banking Industry. Further, it intends to establish a framework to calibrate one or more causal risk factors and analyze its impact on the loss estimate. Finally, our study aspires to conduct an extended research to frame a model to minimize *OL*.

## RESEARCH METHODOLOGY

A descriptive research has been conducted with the help of personal interview and close ended questionnaire (for consumers) with respect to 10 factors identified by the chief risk officers, heads of operational risk and other operational risk practitioners at financial services firms, including banks, insurers and asset managers. After collecting data from 362 bank employees of all four regions of India through questionnaire survey to identify the most influencing components among these 10 factors with respect to operational risk in banking activities, Principal Component Analysis with Varimax rotation has been conducted. Reliability Analysis also has been used with the help of Cronbach's alpha to check Test Reliability. Multiple Regression Analysis has been used to identify influence level of those factors and to frame an equation on the basis of the same. Finally, Bayesian Probabilistic Network is performed to establish a framework to calibrate one or more causal risk factors and analyze their impact on the loss estimate; and to conduct an extended research to frame a model to minimize *OL*.

## ANALYSIS AND DISCUSSION

*Reliability Test:* To start with the first phase, reliability has been checked for each dimensions, Cronbach's Alpha value in each case varies from 0.764 to 0.881.

*Principle Component Analysis (PCA):* *KMO* and Bartlett's Test.

Here, Bartlett's test of sphericity is significant, as p value is 0.000, which is less than 0.05. Thus, from the perspective of Bartlett's test, *PCA* is feasible. As Bartlett's test is significant, more discriminating index of factor analyzability is *KMO*. High values (between 0.5 and 1.0) indicate that *PCA* is appropriate. Values below 0.5 imply that *PCA* may not be appropriate. For this data set, it is 0.822 (very close to 1.0), which is very large, so *KMO* also supports *PCA*. From *PCA* of 10 items, 5 factors are extracted explaining 88.954% of *OL* significantly. The most significant factors are as follows (*Table 1*). From *PCA*, it is revealed that Complexities of Banking activities is the principle component with factor loadings 0.881 followed by Volume of Banking activities, Processing systems of Banking activities, Staff efficiency and Data source of Banking activities with factor loadings 0.825, 0.818, 0.792 and 0.764 respectively.

**Table 1****PCA Output in a Summarized Form**

<i>Item Labels</i>	<i>Variance explained</i>	<i>Cronbach Alfa</i>	<i>Number of items</i>
Factor 1: Complexities of Banking activities	34.342	0.881	2
Factor 2: Volume of Banking activities	20.123	0.825	1
Factor 3: Processing systems of Banking activities	15.078	0.818	1
Factor 4: Staff efficiency	13.116	0.792	2
Factor 5: Data source of Banking activities	6.295	0.764	1
Cyber risk and data security			
Total variance explained 88.954%			

*Source: calculated by author*

Multiple Regression Analysis (*MRA*): To investigate the influence level of the aforesaid factors identified by *PCA*, *MRA* is applied. The regression equation and the associated values are as follows (*Table 2*):

**Table 2****MRA Output in a Summarized Form**

<i>Multiple Regression Equation</i>
$OL = 0.856 + 0.322 \times \text{Complexities of Banking activities} + 0.271 \times \text{Volume of Banking activities} + 0.208 \times \text{Processing systems of Banking activities} + 0.150 \times \text{Staff efficiency} + 0.080 \times \text{Data source of Banking activities}$
$R^2 = 0.467$ , Adjusted $R^2 = 0.459$ , Standardized beta coefficient = 0.74

*Source: calculated by author*

The *R* value represents the simple correlation and it is 0.589. The  $R^2$  value indicates the total variation in the dependent variable. In this case, 46% variance can be explained. The significance value is 0.000, which indicates that the regression model is statistically significant and it predicts *OL* in Indian Banking Industry. It represents an overall good fit for the data. Hence, the regression equation has been established accordingly.

*Bayesian Probability Network (BPN)*: The basic structure of *BPN* consists of nodes that represent random variables and links that represent causal influence. *BPN* is to be regarded as the analyst's view of process flows and how the various causal factors interact. It is to be noted, therefore, that there is no unique *BPN* to represent any situation (*Table 3 & Figure 1*).

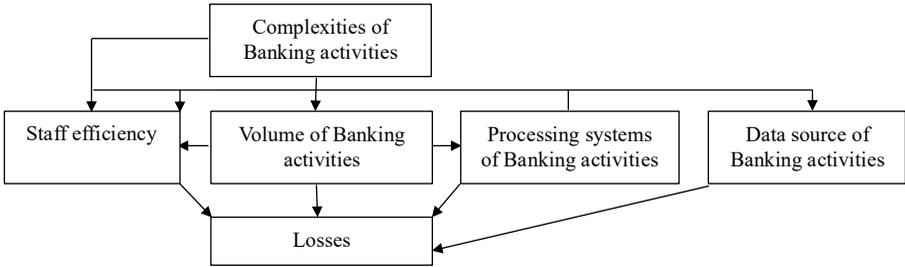
**Table 3****Summarized Data Table to Frame BPN**

Processing system of Banking activities	Probability	Complexities of Banking activities		Low		High	
				Low	High	Low	High
Good	0.7	Volume of Banking activities		Low	High	Low	High
Bad	0.3	Efficiency	Low	0.25	0.40	0.40	0.55
			High	0.75	0.60	0.60	0.45

Processing Staff efficiency		Good				Bad			
		Low		High		Low		High	
Data sources		Good	Bad	Good	Bad	Good	Bad	Good	Bad
Losses	0-1 millions	50	20	60	30	30	10	50	20
	1-2 millions	30	50	30	40	40	50	40	50
	2-3 millions	20	30	10	30	30	40	10	30

*Source: calculated by author*

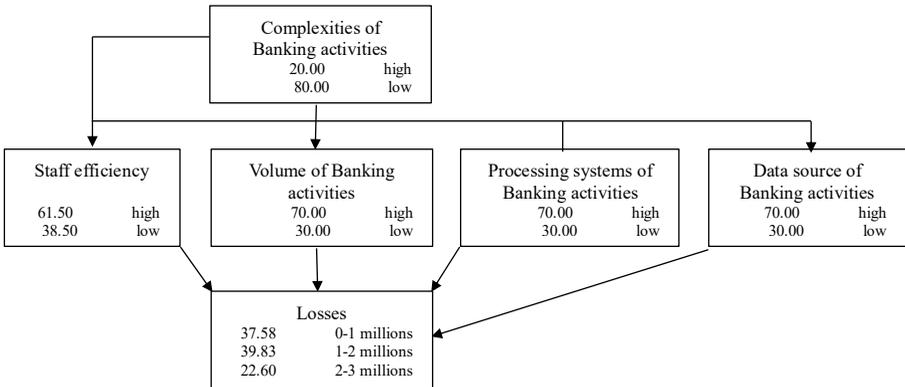


**Figure 1: BPN on Banking Operational Losses**

Source: created by author

From the collected dataset, above framework has been developed, where nodes represent causal variables and links show causal influence.

*BPNs* are causal networks; they are particularly useful for analyzing causes that contribute to operational risks. Under causal analysis, new *OL* evidence is used to calculate updated probabilities (aka posterior probabilities) of all causal factors. In other words, additional loss information is propagated to all nodes in the network. This evidence technique (new loss data) propagation is extremely useful for analyzing the causes that impact operational losses (*Figure 2*).

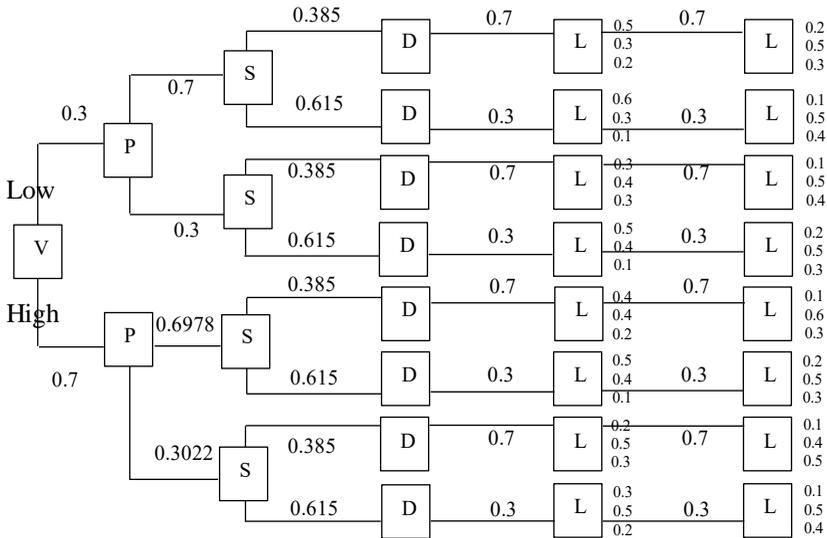


**Figure 2: Hugin-Lite Output**

Source: calculated by author

The next step of our research is consideration of *BPN* with the help of Scenario and Causal Analysis. Scenario Analysis show, we can regulate one or more causal risk factors in the network and analyze their impact on the loss estimate. Causal Analysis makes possible to build a decision tree to select one branch from each choice node the expected value of which is optimal. The people involved in constructing a decision tree have the responsibility of including all possible choices for each choice node.

Hence from Corresponding Decision Tree (*Figure 3*), Operational Loss (*OL*) may be calculated in USD and percentage as follows (*Table 4*):



**Figure 3: Corresponding Decision Tree**

Note: V (Volume of Banking activities); P (Processing systems of Banking activities); S (Staff efficiency); D (Data source of Banking activities); L (Losses)  
 Source: created and calculated by author

**Table 4**

**Operational Loss Calculations**

Operational Loss (OL) in USD	Percentage, %
0-1 millions	37.58
1-2 millions	39.83
2-3 millions	22.60

Source: calculated by author

Expected Operational Loss is  $(0.5 \times 0.3758) + (1.5 \times 0.3983) + (2.5 \times 0.2260) = 0.1879 + 0.59745 + 0.565 = 1.35035$  USD.

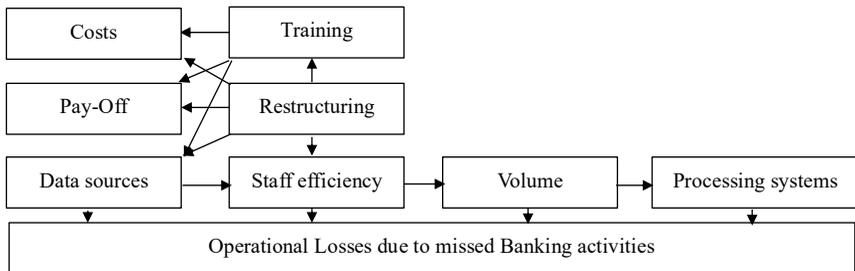
**CONCLUSION**

PCA has shown, such factors as Complexities of Banking activities followed by Volume of Banking activities, Processing systems of Banking Activities, Staff efficiency and Data source of Banking activities are the most significant ones influencing of banking operational loss. Further, the results of MRA corroborate, with the findings of PCA showing high influence level of the aforesaid factors towards the operational loss. As in general, Bayesian process of statistical estimation is one of continuously revising and refining the subjective beliefs about the state of the world as more data become available. Bayes' rule is applied to distributions about model parameters and it becomes as:  $Prob(Parameters | Data) = Prob(Data | Parameters) \times Prob(Parameters) / Prob(Data)$ . In present study Expected Operational Loss (OL) is 1.35035 USD.

Thus, Bayesian Probability Networks (BPN) provides an elegant solution the OL problem. It combines both qualitative and quantitative information for arriving at loss estimates. BPNs are causal networks particularly useful for analyzing causes that

contribute to operational risks. As with Scenario Analysis, we can calibrate one or more causal risk factors in the network and analyze their impact on the loss estimate; under Causal Analysis, new evidence of *OL* is used to calculate updated probabilities (also referred to as posterior probabilities) of all the causal factors. Bayesian process of statistical estimation is one of continuously revising and refining our subjective beliefs about the state of the world as more data become available.

Both Scenario Analysis and Causal Analysis lead towards policy intervention. In Scenario Analysis with 100% of high or low Complexities of Banking activities, Processing systems of Banking activities, Staff efficiency and Data sources of Banking activities, it shows changes in other variable, which capture the simultaneity. This is just a framework of *OL* estimating. On the contrary, Causal Analysis is the evidence-based. It reverses the whole thing. It helps the policy makers to understand, how much focus to be given on those five causal variables to avail high, low or medium operational risk/loss. For example, 100% low *OL* information is propagated to the causal variables. Afterwards performing the same procedure once again, the policy makers may specify the strategies to minimize *OL* in Indian Banking Industry. In this regard, *BPN* may be augmented with decision nodes (e.g. restructuring, training, etc.) and utilities (e.g. costs, pay-offs, etc.) thereof. Thus, the probable strategic model may be framed as follows (*Figure 4*):



**Figure 4: Proposed Strategic Model to Optimize OL**

*Source: created and calculated by author*

*Future Scope:* Our research establishes the groundwork for future determinations in Global Banking Industry's development. This continuing research plans develop a plan, which will include (1) access to the loss data of central banks in possession and (2) advice/deliberations from BIS/central/relevant bank authorities on construction of model (Bayesian Probability Network) through appropriate questionnaire and collection of relevant qualitative data. This research predicts the creation of unified database covering participating banks, as well as conducting research to profile the operational risk faced by the Global Banking Industry.

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JEL: M31, M37, L86

## THE ROLE OF MEDIA COMMUNICATION & SOCIAL NETWORKS INFLUENCE ON THE BUSINESS ENVIRONMENT IN GEORGIA

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***Abstract:** Nowadays modern media is very significant in the business success. At present, 90% of consumers always look for the information on interesting companies (including Facebook or Instagram pages) before purchasing their products/services. Any company is able to be successful thanks to its properly planned marketing strategy. Modern media apply the outcomes of the scientific and technological progress to the maximum extent. This process is characterized by specific peculiarities: (1) the indirect character of media users and business operators; (2) the existence of feedback; (3) a simultaneous interaction of diverse audiences; (4) the message content universality; (5) the frequency information transfer; (6) the regularity; (7) a variety of technical capabilities. These days, the Georgian media are deemed as a powerful means of social activity and comprise a wide range of the latest technologies, viz. computers, video equipment, satellite television and Internet. Their influence on the society and business is the subject of mass media sociology. Currently, most companies communicate with consumers through the social media. In our case, they have chosen Facebook on the Georgian market.*

***Keywords:** mass media, communication, business environment, social network*

### INTRODUCTION

A large audience is involved into the process of the systematic distribution of the mass media information. This process has entered a new stage. For the past several years, companies worldwide avoid conventional methods of communication with consumers and chose the social media as an important element of integrated marketing communication (Ryan & Jones, 2012). This trend is also obvious in Georgia (Tsiklauri, 2011), where most of the existing businesses are satisfied with Facebook advertising. Less attention is paid to the other types of media outlets, which is inadvisable. It is interesting to define, how the media itself is developing in Georgia as a business? What can make media a successful business? In this case, the answer is: a high quality ensured by a good editorial composition that requires finances (Enukidze, 2014). Financing can be provided by consumers (Parker, 2012) and the advertiser (i.e. a business entity that is responsible for the consumers' audience), as well as the content and quality of media outlets. TV, radio, press and Internet media audience are natural users (Bianca, 2013). In this case, major financiers of these types of media are business entities, which make the accent to the relevant ratings,

since they regard the content and quality of media outlets as the determining factors of the type and number of potential users. Business started his history in Georgia along with the market economy. "Market Economy", "Liberal Economy" and other modern forms of economy have been officially declared here. However, as relevant studies indicate, market rules do not work. The Georgian media is undeveloped as a business, uncompetitive and dependent. When the media encounters such problem, it means that other businesses, which are not associated with the Georgian government and the people close to it, are deprived of the free market' advantages.

## MATERIALS AND METHODS

The analysis has been used to study scientific papers and Internet resources discovering mass media effectiveness and social networks.

## RESEARCH METHODOLOGY

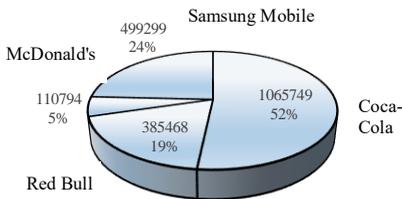
The study of the connection between the modern media and Georgian business is done in both qualitative and quantitative terms. Face-to-face interviews were conducted with marketing and media experts. Their viewpoints on the peculiarities of the media use in Georgia have been analyzed, the users' activeness, as well as businesses on social networks, mistakes made by companies and the types of monitoring applied on the marketing campaigns planning.

*Research Strategy:* Research data are provided by the Georgian insurance and banking companies as well as growing trade entities, which are becoming active on social networks and have entered an active communicational phase with consumers. In Georgia, as well as throughout the world, the insurance markets grow intensively. Consumers communicate constantly with insurance companies; and their interaction on *Facebook* is characterized by interesting indicators, e.g. companies *GPI* and *Aldagi* are active in terms of the posts. Noteworthy that brand positioning requires continuous activeness on websites, where consumers wait for the interesting news from them. If consumers approve of the company's social media activity, if they are loyal to it and sure in its competitiveness, there is small probability of any changes in their interests. E.g. 79.896 is the highest rate of *Facebook's* fans among the existing *Smart* supermarkets in Georgia. The same network has the most active chats (2.260 fans). Hypermarkets *Goodwill* demonstrate a similar trend; they have gained great interest and loyalty of customers. *Carrefour* supermarkets, which entered the market through the low-price strategy, follow after *Smart* supermarkets in terms of social media indicators.

Generally, Georgian consumers are sensitive to low-cost products. However, we can analyze consumers' content in the social media. If we will focus on the quality of the supermarkets' Facebook profiles, the frequency and regularity of providing information, *Smart* is the leader on all indicators in the social media. There are a lot of examples, which demonstrate successful sales of other well-known supermarkets by means of the social media. For instance, *Kroder* sales goods for 97 bln USD annually due to the stimulation through "*Free Friday Digital*" coupons in the social media.

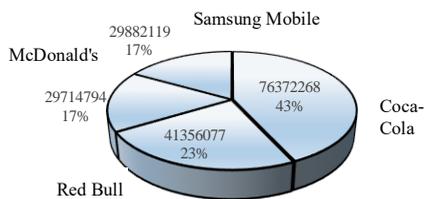
In the practice, we can see a range of mistakes when making a functional distinction between social media and other elements of integrated marketing communications.

Marketing experts try to differ media accordingly with a companies' segments or target groups. *Georgian Marketing Positioning* has chosen *Facebook*; it is due to the growing interest of the population towards the aforementioned social network. According to statistics, 70% of the population with Internet access has a Facebook account. *PTA* is one of *Facebook* estimating parameter. It indicates the number of users who have liked, shared, commented or participated other way in the social communications during a certain period of time. The vast majority of respondents defined *PTA* as interesting indicator. Many Georgian companies are very interested in observing the competitors' steps in the social media to keep update. This kind of behavior can be considered as an additional motivator for the company. Also our survey involved studying the users of the social media and their reasons for the approval of a certain company. As a result, 41% of respondents indicated the social network as a reason why users use the computer at all. Some examples are indicated in *Figures 1-2*.



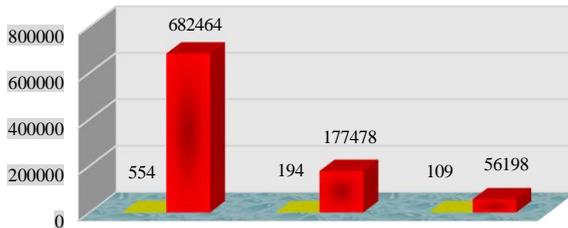
**Figure 1: Companies and users according to the PTA**

Source: researched by authors



**Figure 2: Companies and number of their fans**

Georgian companies actively using Facebook as a social media were studied in the Georgian social media like the world analogues' comparison within the framework of quantitative research. It is interesting to see the list of world companies, which are active on the social network and have reached the highest rates (*Figures 1-2*). Demonstration of the degree of media communication engagement of the networks in Georgia is possible to see through *Figure 3*:



**Figure 3: Subscribers (yellow) and uploaded (red) video viewers**

Source: researched by authors

*Research Outcomes:* Our research has shown that famous worldwide companies start active involvement in the social media from the choice of media channel. There

is a wide choice worldwide. As for Georgia, the choice is made on the social network which has no alternative, i.e. *Facebook*. After various applications, advertisements and frequently purchased "*Likes*" the company starts a dialogue with the consumers. Our research has shown that despite the low involvement of consumers, companies tend not to change their strategy and rarely identify the shortcomings, which prevent them from creating a better image (brand) in the social or common media space. Some entrepreneurs point out that the media does not contribute to the business development in Georgia. They note that the media do not cover actual business information or they do it superficially. In case of large players on the Georgian market, the efficiency coefficient is still low as statistical indicators are heterogeneous.

## CONCLUSIONS

Georgian companies can follow the optimal model for the social media use. To determine media channels for using, it is necessary to define and to improve their quality of networking activity. Nowadays Facebook is the advanced social media for Georgian users. There are many parameters, which measure the quality of communication on the network (Warner & Yeomans, 2012). The software used for our research (*Social Bakers*) is one of the most effective tools for obtaining statistical material in the social media space. Social media channels should be selected by using of different criteria (Schepp & Schepp, 2011). Every industry has own preferences for the social media outlet. If a company has rich archive including photo/video materials, YouTube-like multimedia is suitable for its microblog or Instagram. The choice of social media is based on the company's mission, strategy and marketing. All Georgian companies analyze competitors' activity. Ones, who succeeded in the social media space can be stimulators for their competitors. When the company starts networking, it automatically gets involved in the constant process of research and discovers customers' needs. Intermittent and inconstant communications hinder to the business development, that is why monitoring of return on investment in the social media are becoming strategically important.

Like in other countries, social media appeared in Georgia instantly and with great prospects for development. Success of social media has been determined by the changed format of communications and changed time management. Online space is the area, where a person can spend minimum time and money to receive needed information, share opinions and impressions with audience and companies, as well as keep in touch with current news of interesting companies. The number of the social media users increases in parallel with the number of Internet users. In Georgia there are no people who have no access to the Internet and do not use the social media. According to our research, the most used social network is Facebook. Ordinary users take great interest in communications via Facebook, that is why there is high degree of the business representation. Based on our research we can conclude: (1) the number of social media consumers is increasing at high speed in Georgia; (2) banking sector, insurance sector and communicational sector take leading positions among the most active Georgian social media business users; (3) the number of their customers is great on the social network, but communications with them are heterogeneous. The majority

of marketing experts do not use monitoring system and analytics. Some respondents are guided by the PTA parameter (i.e. measurement of a company's success in the social media) while other respondents are focused on 87 chargeable sources of collecting fans. Some companies use the virus method to add more "likes" and "fans" to their webpage. Some companies see traditional media are the best branding tool. They prefer a strategy planned in conventional TV space and are less likely to invest in the social media.

It is hard to define future trends. Companies find it difficult to determine social media, which can be established as an effective communicational platform for them. Measuring the business efficiency in the social media space, a large number of companies select the integrated tools. These are Facebook Insights, YouTube 89 Views, Google Analytics, et al. Based on our research it is possible to conclude that social media marketing is at the increasing stage in Georgia. In the process of development, marketing managers make mistakes. They consider the social media as an important communicational tool, but do not monitor and analyze the results. Thus, further stage of our research will be finding effective positioning ways for the company's brand.

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**JEL: D12, D16**

**ATTITUDES DES CONSOMMATEURS A L'EGARD DES ALIMENTS  
FONCTIONNELS INNOVATIFS: REGARD SUR LA BULGARIE**

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***Résumé:** La santé et la nutrition sont étroitement liés. L'effet sain d'une alimentation équilibrée peut être amélioré par l'inclusion des aliments fonctionnels. Le développement de l'industrie nutraceutique positionne les aliments fonctionnels comme un facteur majeur dans la lutte contre les maladies à caractère social. Les allégations de santé des aliments fonctionnels innovatifs en font un élément du régime alimentaire sain et nécessitent l'étude des attitudes et de l'acceptabilité des consommateurs en Bulgarie. Les attitudes des consommateurs à l'égard des aliments fonctionnels innovatifs s'étendent aux dimensions de la santé, de la technologie et de l'écologie. Les résultats de l'étude empirique montrent le scepticisme et la méfiance des aliments fonctionnels innovatifs. Surmonter les tendances négatives dans la perception des consommateurs est une fonction de sensibilisation et d'éducation civile consciente dans une alimentation saine.*

***Mots-clés:** aliments fonctionnels innovatifs, attitudes des consommateurs, santé, technologie, écologie*

## **INTRODUCTION**

Dans le monde contemporain, la nourriture a longtemps transcendé son objectif principal de satisfaire les besoins physiologiques et biologiques de l'individu, provoqué par la faim. La nourriture devient un phénomène social et culturel, une expression de soi et de l'identification personnelle. Le choix des produits alimentaires est caractérisé par les goûts, les émotions, les traditions, les valeurs, les rituels, les tendances, la mode, les suggestions, les technologies, l'écologie, le plaisir, le délice, l'économie, la santé. Sans aucun doute, la nutrition a un impact énorme sur l'état de santé des personnes. L'une des raisons de la prévalence généralisée de maladies à incidences sociales, telles que le diabète de type 2, les maladies cardiovasculaires, l'obésité, l'hypertension, l'altération du métabolisme, est le choix des aliments (Lecerf et Schlienger, 2016). Le fondement d'une alimentation saine est une nutrition équilibrée. Les modes de vie intenses, le stress, la pollution de l'environnement affaiblissent les effets bénéfiques d'une nutrition équilibrée. Graduellement, il perd son efficacité pour la santé. L'effet sain d'une alimentation équilibrée peut être amélioré par l'inclusion des aliments fonctionnels.

Par sa nature, les aliments fonctionnels sont des produits novateurs qui sont plutôt inconnus du grand public. Le développement d'aliments fonctionnels est un processus novateur où l'intersection de la science et des affaires rencontre les intérêts

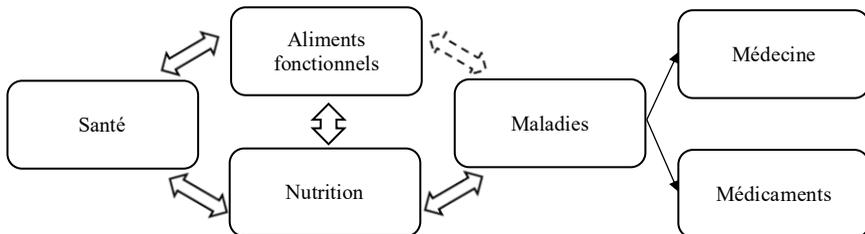
des consommateurs pour des aliments diversifiés, sains, de haute qualité et en toute sécurité. La variété des produits alimentaires sur le marché surestime les attentes des consommateurs et leurs exigences sur le goût, la composition, la consistance et la forme, la sécurité, les allégations de santé de la nourriture. Les effets bénéfiques des aliments fonctionnels sur la santé humaine, le développement de la science alimentaire moderne pour le développement d'aliments sains innovatifs et la tendance croissante à une alimentation saine suscitent notre intérêt pour étudier les attitudes des consommateurs en mettant l'accent sur la réceptivité, la qualité et la sécurité.

*L'objectif de cet article* est de présenter les résultats d'une étude empirique sur les attitudes des consommateurs à l'égard des aliments fonctionnels innovatifs en Bulgarie.

### METHODOLOGIE

Le développement de l'innovation dans la technologie des additifs alimentaires, dans la production alimentaire industrielle et les progrès dans l'agrochimie compromettent progressivement l'impact sur la santé de l'alimentation traditionnelle équilibrée. L'obésité, notamment chez les jeunes et le vieillissement de la population, sont parmi les principaux facteurs de développement des aliments fonctionnels. La prévention des maladies à incidences sociales et le désir de longévité modifient le comportement et les habitudes des personnes à la base du lien entre qualité de vie – la santé et la nutrition. Le développement de l'industrie nutraceutique positionne les aliments fonctionnels comme un facteur majeur dans la lutte contre les maladies à caractère social. Dans une large mesure, ils répondent aux demandes des consommateurs pour éviter les ingrédients alimentaires "mauvais" tels que les lipides, le sucre, le sel, et chercher les nutriments bénéfiques (Doyon et al, 2006, p. 19).

Il est important de noter que les aliments fonctionnels ne sont pas un produit médical. Le régime alimentaire est associé à la santé. Mais, ils pourraient aider à traiter certaines maladies telles que le diabète de type 2, le syndrome métabolique, les maladies cardiovasculaires, l'hypertension (voir la *Figure 1*).



**Figure 1: Relation entre les aliments fonctionnels et santé (adapté selon: Korthals, 2002)**

Les aliments fonctionnels sont développés initialement en mettant l'accent sur les propriétés bénéfiques de certains aliments. De nombreuses catégories sont étroitement liées à la définition des aliments fonctionnels. L'un des critères les plus appropriés est leur "intensité fonctionnelle", c'est-à-dire la concentration de substances actives dans le produit prêt et ses effets physiologiques. Ainsi, les aliments fonctionnels sont

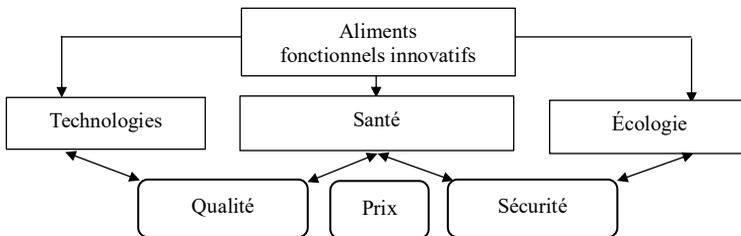
placés entre les aliments enrichis ou améliorés et soi-disant l'aliment, un aliment qui prend soin (Doyon, 2011, p. 5).

Le traitement des aliments fonctionnels comme base d'une alimentation saine est motivé par les fonctions qu'ils peuvent effectuer pour le bien-être santé des personnes. Parmi les fonctions des aliments fonctionnels on distingue:<sup>1</sup>

- Renforcement du système immunitaire, des capacités intellectuelles et physiques – il est applicable des probiotiques et prébiotiques, produits à haute teneur en vitamines A et D, fer et zinc;
- Réduire le risque de maladie cardiovasculaire, de diabète et de cancer – il est applicable des probiotiques, prébiotiques, oméga-3 et oméga-6, fibres, antioxydants, caroténoïdes et polyphénols;
- Surmonter le problème de déficience et d'excès de certaines substances – il est applicable des aliments enrichis en zinc, sélénium, calcium, acide folique, sel iodé;
- Restauration de l'organisme – il est applicable des probiotiques.

Les avantages des aliments fonctionnels pour la santé, la mise au point de produits novateurs sains et l'efficacité de leur intégration dans l'alimentation quotidienne d'une alimentation équilibrée suscitent notre intérêt pour l'étude des attitudes des consommateurs.

L'étude a été réalisée avec une carte adaptée (Doyon, 2011; Lukác, 2011), une interview face à face du principe de la réponse à l'utilisation de l'échelle de Likert et n'a aucune revendication de représentativité. L'objectif l'étude est d'identifier les attitudes des consommateurs à l'égard des aliments fonctionnels innovatifs dans le spectre avantages-sécurité et leur volonté d'acheter ces produits régulièrement. Il vise à identifier les aréales problématiques qui serviront de base à une future enquête représentative. Les attitudes des consommateurs à l'égard des aliments fonctionnels innovatifs s'étendent aux dimensions de la santé, de la technologie et de l'écologie (voir la *Figure 2*).



**Figure 2: Attitudes envers les aliments fonctionnels innovatifs**

La relation entre les aliments fonctionnels innovatifs – la santé est liée à la qualité et à la sécurité des aliments (Grunert, 2005). Malgré l'action du Règlement (CE) Nr. 1924/2006 concernant les allégations nutritionnelles et de santé portant sur les denrées alimentaires, l'étiquetage de produits alimentaires tels que "sans sucre", "sans sel", "sans agent de conservation" ou "huiles non hydrogénées" ne fournit pas

<sup>1</sup> Adapté selon: (Doyon et al, 2006, pp. 14-15, Gill et Rowland, 2003, Rastall et al, 2000, Roberfroid, 2000, Deckere et Verschuren, 2000)

toujours des informations fiables au consommateur. Un facteur important dans ce processus est le lien de causalité entre la nutrition et la santé, le niveau de l'éducation, le revenu et le niveau d'information (Doyon et al, 2006, p. 3). La méfiance des consommateurs au développement industriel moderne de la production alimentaire augmente l'écart entre la science nutritionnelle novatrice et la commercialisation des aliments fonctionnels (Jonesa & Jew, 2007).

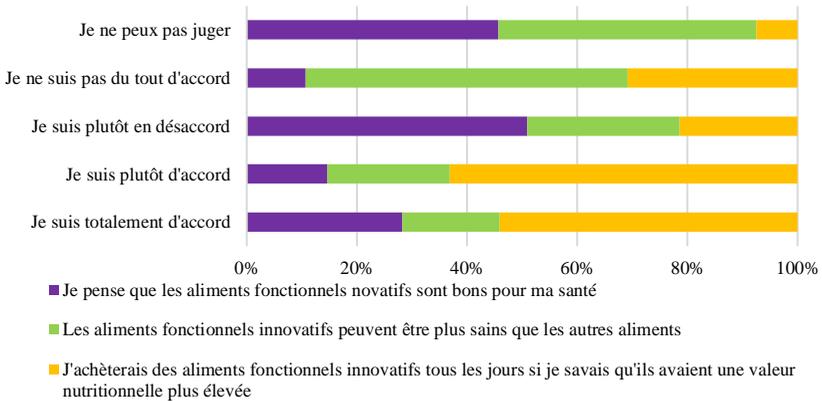
La dimension des aliments fonctionnels – technologies affectent l'application des matériaux innovatifs et des technologies de production expérimentales dans le développement de produits sains. Les doutes et les exigences des consommateurs sont liés à la qualité et à la sécurité des aliments innovatifs. La relation entre les aliments fonctionnels et l'écologie fait partie des tendances du développement de la bioéconomie. Le principe de base de la bioéconomie est la réalisation d'une production propre, dans laquelle les sous-produits sont transformés en matières premières. Il a été scientifiquement prouvé que les déchets de tomates, d'oignons et de lavande (Nikolova et al, 2017; Prokopov et al, 2018; Vasileva et al, 2018) peuvent être utilisés avec succès dans la production d'aliments sains innovatifs. Cela non seulement enrichit le spectre des matières premières avec des allégations de santé, mais étend également la diversité des produits et le choix du consommateur.

## RÉSULTATS

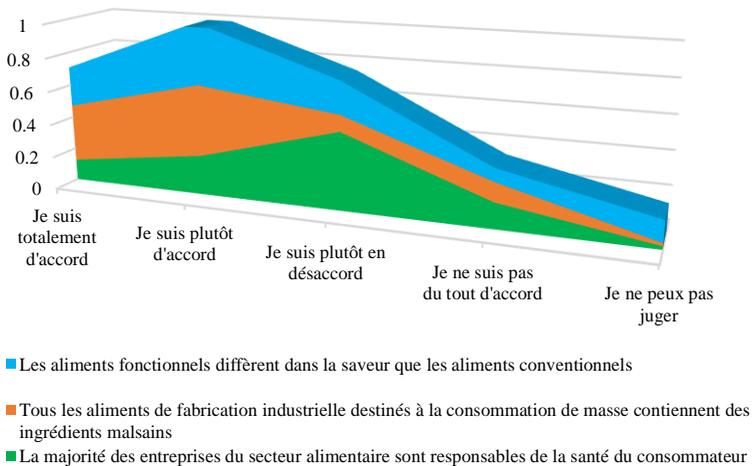
Le point de départ pour l'étude des attitudes des consommateurs envers les aliments fonctionnels innovatifs est l'auto-évaluation de l'information sur le sujet. Environ 70% des répondants reconnaissent qu'ils ne sont pas suffisamment informés sur la nature et la disponibilité des aliments fonctionnels. Les principales sources d'information sur l'alimentation saine sont Internet, les médias et les étiquettes des produits alimentaires. Moins de 30% des personnes interrogées pensent que les aliments fonctionnels innovatifs ont des allégations de santé et peuvent en être plus sains que les autres aliments. Il est intéressant de noter que plus de 70% des répondants achèteraient des aliments fonctionnels chaque jour s'ils avaient une valeur nutritionnelle plus élevée (voir *Figure 3*).

La majorité des répondants sont sceptiques quant à l'exactitude des producteurs de produits alimentaires. Une proportion importante des répondants (61.7%) doutent que la majorité des entreprises du secteur alimentaire sont responsables de la santé du consommateur. Pour confirmer ces résultats, 77.1% des personnes interrogées pensent que tous les aliments de production industrielle destinés à la consommation de masse contiennent des ingrédients malsains. Il est positif le fait que moins de la moitié des répondants (41.5%) croient que l'influence négative de la nourriture est délibérément dissimulée. En outre, 60.1% pensent que les aliments fonctionnels ont un goût différent des produits traditionnels (voir *Figure 4*).

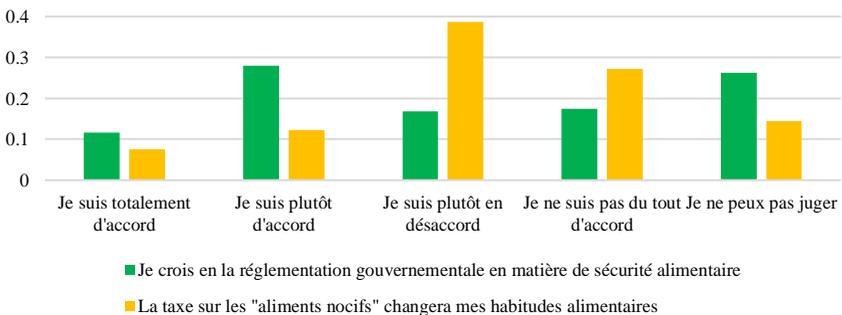
La réglementation gouvernementale est un contrepoint à la méfiance à l'égard des aliments produits industriellement. Près de 40% des personnes interrogées (39.5%) comptent sur le respect des exigences réglementaires en matière de sécurité alimentaire. Cependant, un peu moins de 20% des personnes interrogées (19.8%) pensent que la taxe sur les "produits alimentaires nocifs" modifierait leurs habitudes alimentaires (voir la *Figure 5*).



**Figure 3: Relation entre aliments fonctionnels innovatifs et la santé**

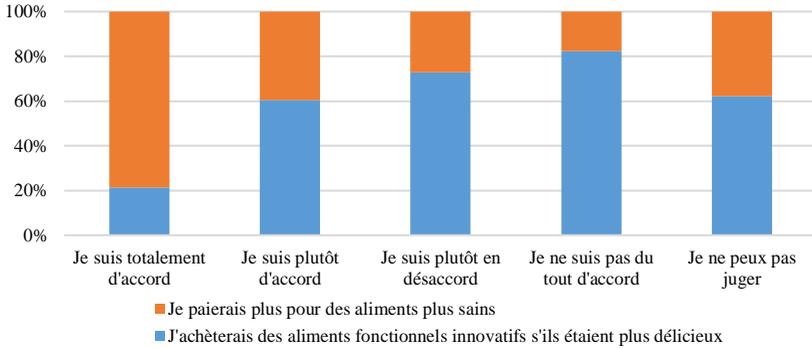


**Figure 4: L'industrie et les aliments sains**



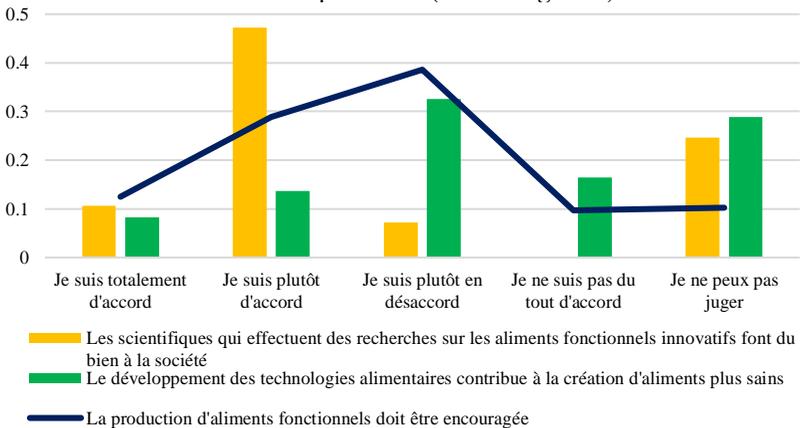
**Figure 5: Perception de la sécurité alimentaire**

Malgré le scepticisme à l'égard des aliments fonctionnels innovants, plus de 80% des répondants (82.7%) paieraient plus pour des aliments plus sains. Conformément à ces résultats, 54.5% des personnes interrogées achèteraient des aliments innovatifs et fonctionnels s'ils sont plus délicieux (voir la *Figure 6*).



**Figure 6: Le marché des produits fonctionnels innovatifs**

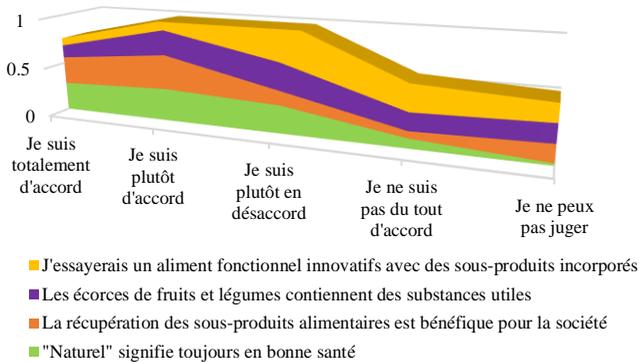
Contrairement au scepticisme à l'égard de la production alimentaire industrielle, plus de la moitié des répondants (57.9%) pensent que les scientifiques qui mènent des recherches sur des aliments fonctionnels innovatifs font du bien à la société. Pour confirmer ces résultats, 41.4% des répondants sont d'avis que la production d'aliments fonctionnels devrait être encouragée. Malgré ces résultats, la plupart des personnes interrogées (49.1%) ne croient pas que le développement des technologies alimentaires contribue à la création d'aliments plus sains (voir la *Figure 7*).



**Figure 7: Science, innovations et bien-être**

La majorité des répondants (60.7%) associent les aliments sains à la nature. Mais moins de 40% des personnes interrogées (37.5%) supposent que les écorces de fruits et de légumes contiennent des substances bénéfiques pour l'homme. Dans cette veine, seulement 16.9% essaierait des aliments fonctionnels innovatifs avec des sous-produits

ajoutés comme matières premières. Malgré ce résultat, 62.1% des répondants estiment que l'utilisation des déchets alimentaires est bénéfique pour la société (voir la *Figure 8*).



**Figure 8: Relation entre aliments fonctionnels innovatifs et l'écologie**

Malgré la méfiance envers les aliments innovatifs et fonctionnels, 63% des répondants sont convaincus qu'ils élargissent le choix des consommateurs. Et, donner un droit de choix constitue le premier pas vers le bien-être.

## DISCUSSION ET CONCLUSION

Dans l'ensemble, les résultats de l'enquête empirique sur les attitudes des consommateurs montrent un scepticisme quant aux allégations santé d'aliments fonctionnels innovatifs. La méfiance des consommateurs est provoquée par le faible niveau de sensibilisation aux produits alimentaires fonctionnels. Le conservatisme dans les habitudes alimentaires favorise également le rejet des aliments innovatifs.

L'orientation vers un mode de vie et un régime alimentaires sains motive la majorité des gens à acheter des produits fonctionnels. Cette tendance positive est atténuée par le scepticisme des consommateurs à l'égard des producteurs de produits alimentaires. La tendance à la baisse de la confiance entre le producteur de l'industrie alimentaire et le consommateur est encore renforcée par les résultats défavorables de double standard dans la nourriture. Les ingrédients malsains des produits alimentaires sont indiqués sur leurs étiquettes Mais souvent, cette information ne change pas les choix des consommateurs en faveur d'aliments plus sains. Cependant, la majorité des personnes interrogées pensent que l'industrie et les régulateurs ont créé un environnement de transparence pour le contenu des aliments. Sans une formation consciente de la société civile sur les propriétés bénéfiques des aliments, l'étiquetage de la composition des produits alimentaires ne peut affecter les habitudes alimentaires des personnes. Le choix des produits alimentaires est une question de préférence, la perception, l'auto-identification et de la culture. L'introduction de contraintes fiscales sur la consommation d'aliments moins utiles n'est pas un outil efficace pour favoriser une alimentation saine. Il y a même un risque que, avec la hausse du prix des aliments similaires, ceux-ci cessent d'être traités comme des produits mineurs par le consommateur et passent à une catégorie de rang supérieur. Ainsi, leur consommation ne peut pas être réduite – plutôt augmenter.

L'orientation vers une alimentation saine et la dynamique technologique actuelle prédéfinissent l'attitude positive de la population à l'égard du développement d'aliments fonctionnels innovatifs. Le scepticisme dans la production alimentaire industrielle jette encore une ombre sur l'utilisation rationnelle des nouvelles technologies alimentaires dans le sens d'une alimentation saine.

Traditionnellement, dans la perception du monde bulgare, une alimentation saine est associée aux dons de la nature. Mais, cette allusion n'approfondit pas encore l'orientation écologique des hommes. Le rythme plus lent du développement durable et bio-économie ne sont pas en mesure de surmonter le conservatisme en termes d'habitudes alimentaires. Les aliments fonctionnels innovatifs élaborés à partir de sous-produits se distinguent par des caractéristiques de santé élevées et un goût irrésistible. Cependant, l'introduction dans la production industrielle et la pénétration sur le marché de masse de ces produits sains se caractérisent par des frais de transaction élevés qui découragent les fabricants. De cette manière, le développement industriel d'aliments fonctionnels innovatifs tombe dans le double piège du manque d'intérêt tant des producteurs que des consommateurs. La sortie de cette situation est de sensibiliser la société civile aux avantages des aliments innovatifs sains.

En conclusion, on peut résumer que les aliments fonctionnels innovatifs sont une source de santé et suscitent l'intérêt du consommateur. Le manque d'éducation civile ciblée en matière de nutrition saine nuit au développement efficace du secteur et renforce l'asymétrie de l'information chez le consommateur. Sans une entreprise de communication et d'éducation multilatérale, la méfiance des consommateurs de masse vis-à-vis des aliments innovatifs grandit.

L'orientation vers la santé et l'esprit technologique des gens prédisent le changement positif dans l'attitude des consommateurs envers les aliments fonctionnels innovatifs. La prise de conscience et l'approfondissement de la responsabilité morale dans le choix des produits alimentaires prédéterminent le développement de la volonté d'éviter les risques pour la santé et l'orientation environnementale des consommateurs. L'innovation en matière des technologies alimentaires dans le développement des aliments fonctionnels sont reconnues comme un moyen de parvenir au bien-être, au développement durable et à la bioéconomie.

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**JEL: O015**

## **STAFF DEVELOPMENT AND KNOWLEDGE MANAGEMENT**

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***Abstract:** The article describes the problem of personnel development planning as one of the components of the personnel planning process and planning of the organization as a whole. Definition of personnel development planning in the context of knowledge management is provided. The development of personnel is shown as an important tool for increasing the company's competitive position on the market. It is emphasized that the modern way of achieving business competitiveness is its innovative development associated with the personnel development. However, there are provided other alternative ways of improving the company's competitiveness. The emphasized issues with personnel development planning in the current conditions of uncertainty due to difficulties with predicting labor behavior, possibility of conflicts, as well as dependence of personnel planning on production plans, finance, investments and sales. The change in interpretation of the "personnel development" concept from the traditional understanding to knowledge economy understanding is described. It is noted that the process of personnel development planning should be embedded in staff remuneration and knowledge management. The scheme of personnel development process in the self-study organization is developed. The principles define and propose the terms for the personnel development planning in the organization implementing the knowledge management system.*

***Keywords:** staff development, development planning, knowledge management, self-learning organization*

### **INTRODUCTION**

Economic success largely depends on the continuous improvement of production. This, in turn, poses certain demands on the staff development. Planning of staff development is one of the components of the planning process of the enterprise activity as a whole. Only when employees have professional knowledge, skills and desire to upscale their abilities in the course of a lifetime, the organization can get strong performance. On the other hand, reducing industrial stability due to periodic economic crises, the need for its rearrangement and binding a quantum of output with demand thereon make it very difficult to plan the staff development, especially for the future. When planning the staff development, employees should be self-confident, interested in the results of personal development and sure of its expediency. Therefore, such a question comes to the fore from among other problems of personnel management as an important tool for the growth of competitive positions of companies on the market.

## METHODOLOGY

The object of the research is personnel management in up-to-date organizations. The subject of the research is generalization of conceptual frameworks of staff development planning within the context of knowledge management. Technique of abstract-logical method with elements of analysis and synthesis is applied in the work. The research is based on conceptual frameworks of the knowledge-based economy as new quality of economic growth on a long-term horizon.

## RESULTS

Planning of staff development is one of the areas of staff planning at the enterprise along with such areas as providing the enterprise with the necessary number of skilled people and staff selection system. Planning of personnel processes as contrasted with planning in the field of marketing or investment, has dual aims: components of social performance are added here to the system of economic purposes. While personnel planning, there are challenges of forming the staff composition of the required quantity and quality, the best use of labor potential and prediction of changes regarding the quantitative and qualification staff structure. Domestic sources on personnel management distinguish the following stages of staff planning: (a) Assessment of existing staff and its potential; (b) Assessment of future needs; (c) Development of a program for staff development.

Traditionally, staff development provides a package of measures, including vocational training, advanced training and retraining of employees. The main forms of development realization include the organization of professional training of staff, personnel's rotation, career growth planning, succession pipeline (Odegov & Labadzhyan, 2014). Staff development planning includes the following steps:

1. Analysis of needs in the development of corporate staff by means of identifying a discrepancy between the actual professional knowledge of the staff and the knowledge that it should possess to achieve organizational objectives. Therewith, the source of information on the needs for professional development are individual development plans; applications and wishes of the employees themselves; business development strategy. The employee development plan should include tasks for a definite period, aimed at moving to the next stage of rank advancement; activities for professional and personal development; advanced training plans for an employee in educational institutions; career growth plan.

2. Formation of the organization budget by means of preliminary estimation of costs for professional development during the future period and correlation of the budget with identified needs with the purpose of prioritizing in training.

3. Defining career goals for each development program.

4. Development of programs and selection of training methods.

5. Assessment of development efficiency with the help of tests for identifying new knowledge, observation over the employee performance, assessment of efficiency of the training program by employees themselves [ibid].

In the absence of clear long-term guidelines for development of the national economy and ambiguous government reforms, it is difficult for employers to conduct strategic planning and coordinate short-term needs with long-term plans for the

organization. This complicates already complex process of staff planning, and is characterized by a high degree of uncertainty conditions by unpredictability of employment behavior, the possibility of conflicts, and the dependence of staff planning on production, finance, investment and merchandising.

As previously noted, the modern way to achieve business competitiveness is its innovative nature of development. However, other alternative ways of improving competitiveness with more exhaustive resource potential are known in the literature, for instance:

- Increase in sales through marketing (however, there is subsequently a certain saturation and reduction in the impact of many marketing communications);
- Focus on natural rates of growth in the industry activity (however, the life cycles of state-of-the-art goods are declining);
- Cuts in expenditures, implementation of initiatives that improve the efficiency (however, it is known that reduction of the number of management levels and reduction of staff often lead to short-term improvement of cost indicators, but on a long-term horizon, they may result in loss of competence and competitiveness);
- Traditional product expansion at the expense of new products and services (but in fact new products and new value propositions are still rare, usually more often there are infinite variations on a topic that does not change strategic ones);
- Acquisition and merger of companies (however, as a result, expenditures for capital are paid off by no means always).

Today it is understood that innovative activities, that provide competitive advantages of the company, are associated with the development of an innovation strategy (change of the business model or its essential parts), development and introduction of new products to the market within this strategy, innovations in processes and technologies (Babenko et al, 2016).

As a matter of fact, this is about creating a system of business renewal in the organization, associated with the activities of all key divisions and managers of the company. Presently, the employers are very interested in having high qualified and competent staff capable of creating goods and services that could defy competition with the goods and services of other companies. Training is intended to prepare staff for correct solutions of a larger segment of tasks and to ensure the effectiveness of a high level at work. At the same time, by means of it, it is possible to form precisely such a system of values and attitudes of the workers that corresponds to today's realities and supports the market organizational strategy. It is worthwhile noting that the need to improve competitiveness and conduct organizational changes requires a higher level of professional training of personnel and well-planned, well-organized work on training of personnel. Training should not be limited only to nominal transfer of particular knowledge to employees and development of the necessary skills. The purpose of the training is to provide employees with information about the current state of business in the company and to encourage employees to understand the organization prospects and implement the principal directions of its strategy, to raise the level of motivation, commitment of employees to their organization and dedication to its business (Volkova & Vovkodav, 2016).

Under these difficult conditions, competition for customers becomes more open. The novelty and quality of the product are now of paramount importance and more important than the price. In view of this, in the contemporary market, the winner is the one who will offer better services, forms and selling techniques (Bilyi, 2015). This will obviously affect the quality of personnel, which is needed to provide such services. As a result, companies need either to hire new, more skilled staff, which is often not possible due to lack of personnel, non-competitiveness of the personnel remuneration system, or to train their own personnel.

Within the conditions of the knowledge-based economy, the attitude towards personnel and the interpretation of staff development are changed. It is possible to trace a certain evolution in the interpretation of the concept "staff development". Traditionally, staff development means knowledge transfer, acquisition of skills. In the transition to the knowledge-based economy stage, the programs of staff development are divided into those aimed at the development of certain professional skills; those that contribute to formation of a certain way of thinking and behavior. However, in the knowledge-based economy, the staff development is primarily understood as formation of the necessary *environment*, containing a mechanism aimed at encouraging the aspirations of staff to learning and development. In such an environment, knowledge is formed on a regular basis and is aimed at creating innovations.

Thus, the main process of staff development is not only the organization of occupational training, but also *motivation to self-training*. At the same time, the main role is assigned not so much to traditional training programs, but, first and foremost, to organizational learning aimed at the development of human capital.

According to the concept of the American psychologist Chris Argyris, the staff development stipulates organizational learning, that is, adaptation of the organization to changing conditions and problematic situations of the environment by means of obtaining and processing information necessary for working out and making of optimal solutions. In addition, this scientist defined organizational learning as a process of detecting and correcting mistakes, and in the process of research, he showed the trends of resistance to learning, which made him to assume that people are programmed to paradoxical effects. People oppose the transition from an automatic, trouble-free, socially inert existence to conscious, reflexive behavior in a context of uncertainty and threats. Later, Chris Argyris developed a theory that explained this opposition and allowed forming ways of transition to conscious constructive practice.

At the current pace of research and technology advancement, the knowledge of employees is rapidly becoming obsolete; it becomes necessary to update it significantly. In the United States, there is the concept of "half-life of competence". Half of the acquired knowledge is becoming obsolete for this period. In view of this, in companies that are striving for sustainable development, the idea of knowledge management, which is being implemented in the creation of a system of continuous education of employees (the concept of a "learning organization"), is becoming increasingly popular.

Pacing factor for the economic health of an organization is its ability to adapt to the changing conditions of the internal and external environment. In light of this, in spite of rather dire financial straits of most Ukrainian organizations, the costs associated with training of personnel start to be considered as priority and necessary ones. More and more organizations are conducting large-scale training of personnel and managers of different levels, realizing that only trained, highly qualified and highly motivated personnel will be determinant in the business development and the win over competitors.

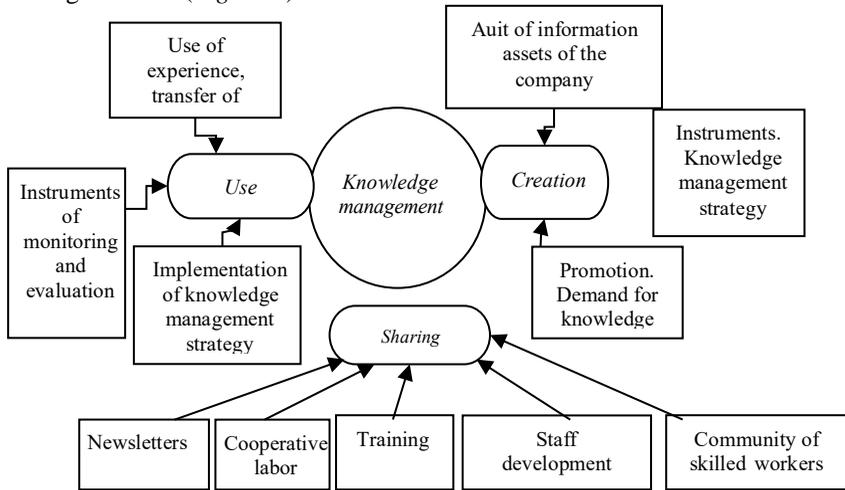
Modern enterprises today operate in a tough competitive environment, for which the issue of competitiveness and knowledge management is not a whim, but a vital necessity. The competitiveness of the output product is determined, first of all, by the competitiveness of the idea behind. It must be borne in mind that everything at present is already outdated, so it is necessary to constantly look for new ideas, open new technical directions, create new products (instead of copying the existing samples). Only by making the consumer interests a priority, it is possible to excite confidence in the products, without which it is not even possible to maintain the level achieved, without mentioning implementation of ambitious plans for business development. Primary objective of the senior management under new conditions is to ensure work organization and increase efficiency of workers' labor "intellectual" as the "brain of the company", and in the long view ate a learning organization. In the difficult conditions of the economic crisis, only mobilization of the intellect, abilities and freedom of each employee will help the enterprise to find new reserves and new solutions for survival and further development.

The staff development planning process should be built into systems of personnel remuneration and knowledge management. After all, formation of motivational conditions for activation of staff self-development is one of the characteristics of a learning organization. Today, knowledge is the most important asset of a modern organization. The ultimate purpose of the knowledge management system is initiation of self-development processes, that is, the creation of a learning organization, in which the staff not only possesses all the necessary up-to-date knowledge, but is also included in the in-house knowledge production process in accordance with the needs of workers and the goals of the organization itself.

Traditionally, knowledge management system includes subsystems of: (a) Record keeping and info-support of subdivisions providing for formalization (description), accumulation and preservation of accumulated knowledge and experience; (b) Training and development, which ensures the transfer of knowledge and experience to new generations of workers; (c) Organization of innovation and rationalization activity of workers, which ensures the creation of new knowledge; (d) External and internal corporate communications, which provide access to knowledge (external and internal sources) and its sharing (Prodan, 2013).

The qualitative work of all subsystems is a compulsory condition for effective knowledge management, but its success cannot be achieved without a cardinal reconstruction of all personnel management processes. Staff development planning within the context of knowledge management shall mean the process of setting goals,

defining tasks and developing organizational and economic activities aimed at revealing the personal potential of employees, developing their professional behavior and progressive worldview, increasing cognitive, creatively labor-saving activity and stimulating self-development for achievement of the strategic objectives of the organization. Staff development in the organization should be a continuous process, which is stipulated by rapid variability of the external environment and staff competition on the market. In view of this, essential prerequisite for effective performance of any organization is formation of a knowledge management system in an organization (*Figure 1*).



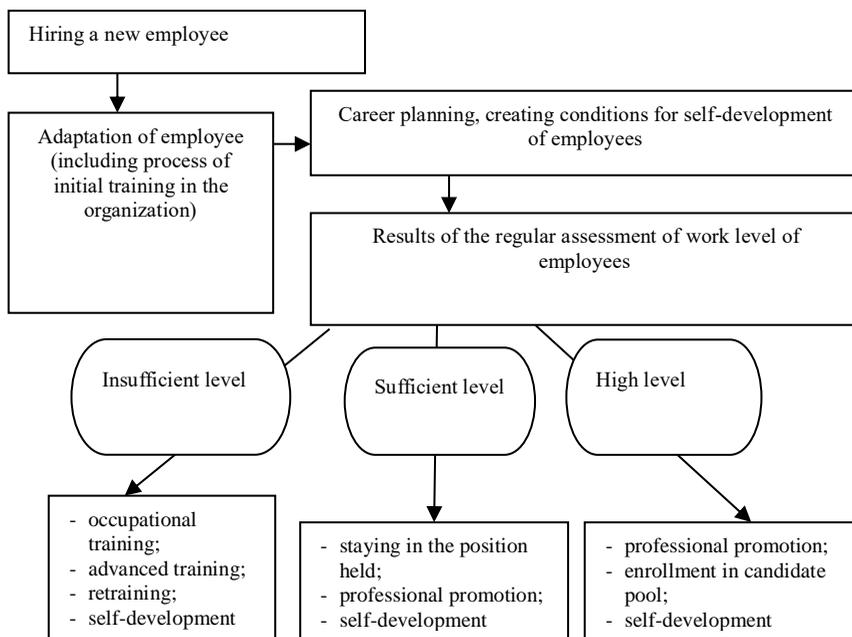
**Figure 1: Place of staff development in the knowledge management system**

*Source: compiled by author*

The above knowledge management system reflects the totality of elements that reveal the essential importance of knowledge management in the organization and is the starting point to identify the nature of staff development as a process and component of the knowledge management system of the organization.

Thus, staff development planning within the context of knowledge management is a deliberate, conscious extension work of specialists, as well as motivation of readiness to use knowledge in work, to make constructive innovative, groundbreaking, creative ideas, thereby improving the efficiency and organization competitiveness, improving the social-and-psychological climate in the labor collective.

Staff development is a continuous process aimed at achieving corporate objectives due to enhancing creative abilities, improving the knowledge and skills of employees, raising the level of organizational culture and, consequentially, raising the level and quality of labor. In light of this, it seems logical to present the staff development from the perspective of the process approach providing for considering the activity of the organization as a network of processes that interact and flow in the middle of its organizational structure and fulfill a purpose of the enterprise existence. Process of staff development in the learning organization is presented in *Figure 2*.



**Figure 2: Process of staff development in the learning organization**

*Source: compiled by author based on (Petrovych & Vynnychuk, 2014)*

Process of staff development in the learning organization begins with hiring a new employee. At initial acquaintance, the employee of the personnel management service finds out the core competencies for holding a vacant post by the candidate and hereafter makes the first assumptions concerning a possible way of the employee just accepted in the organization. Immediately after the employee comes to work, his/her adaptation in the organization, acquisition of organizational knowledge begins. Management practice shows that the adaptation period is a period of intensive uptake of organizational information. Career planning of an employee in the organization is advisable after his/her successful adaptation. Such planning is a process of comparing the person's potential opportunities, abilities and objectives with requirements of the organization, strategy and plans for its development.

To effectively implement the career plan and make timely adjustments, it is necessary to regularly assess the competencies of the employee and compare them with the requirements to the positions that he/she holds or plans to hold in the future. With any assessment of the level of competencies in a learning organization, the employee should have a motivation for self-development (Volkova, 2014).

The process of staff development should flow continuously taking into account the influence of external factors, labor market requirements and organizational changes. If the organization has a knowledge management system, this greatly simplifies the process of development and training of personnel. After all, an organization that

successfully applies knowledge management as a learning organization that applies huge resources to training of staff. While planning the staff development in the organization introducing knowledge management system, it is necessary to:

- Develop and implement appraisal and motivation systems that encourage each employee to achieve strong performance and continuous advanced training;
- Form organizational culture focused on cooperation and mutual assistance that encourage initiative, efficiency drive and innovation;
- Remove internal organizational barriers that prevent the exchange of necessary information and new ideas;
- Create up-to-date information infrastructure, train the personnel in new methods of information retrieving and working with it.

## **CONCLUSIONS**

Within the conditions of intellectualization of the economy and increasing competition, it is necessary to pay many efforts to develop the skills and knowledge required for employees to successfully perform their work, which is a unifying factor in achieving main strategic aims of the organization. Knowledge that employees have quickly becomes obsolete, outlives its usefulness, which within the conditions of staff competition leads to losses of those companies that do not plan and do not implement the staff development. Therefore, it is necessary to create conditions for gradual staff development, taking into account the abilities and interests of those to whom the development activities are directed, to provide for clear goals, tasks, principles and methods of development.

In modern dynamic conditions of running the organization, staff development should be accomplished regularly and systematically and should be directed at training employees to solve new problems determined by the needs of the organization. Within the conditions of the formation of knowledge-based economy, systematic formalized staff development fades into insignificance, but formation of the motives for self-development and self-improvement takes center stage. Such a notion as learning organization becomes relevant. Precisely these companies are most adaptive to modern unstable economic conditions. In order for the company to reach such an organizational level of development, it is necessary to take measures for staff development, to prioritize long-term and constant planning of this development. After all, major problem of many companies is loss of information and knowledge of key staff, or non-dissemination of this knowledge and lack of an information exchange mechanism and lack of personnel training system. Solution to these problems lies in creation of a full-fledged knowledge management system, in which each element will work towards continuous development of employees and the organization as a whole.

Planning of staff development should be based on principles of:

- Systematicity: planning of staff development to improve the enterprise's efficiency;
- Expediency: compliance of the requirements for staff development with its potential;

- Embeddedness of staff development process into system of compensation management;
- Involving employees in the planning process, taking into account their interests and wishes.

Staff development planning within the context of knowledge management primarily involves creating the conditions for self-development of staff. Such conditions are effective only if they are included in the organizational and economic mechanism of reconciliation of compensation package with personal achievements, moral-and-business and intellectual-and-creative qualities of the employee. Compensation package apart from wages has a significant component for creative workers such as programs of professional development, creation of internal communications, encouragement with leisure time and flexible work schedule. Such compensation package should be periodically reviewed as its motivational potential is reduced.

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## NACHTRAG

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