GLOBALIZÁCIA A KRÍZA V MODERNEJ EKONOMIKE

Časť I.

VÝCHODOEURÓPSKA AGENTÚRA PRE ROZVOJ n.o.
EASTERN EUROPEAN DEVELOPMENT AGENCY n.o.

GLOBALIZATION AND CRISES

IN MODERN ECONOMY

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Monografia

GLOBALIZATION AND CRISES
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Introduction

Over the recent decade, globalization issues have turned out to be a considerable focus of attention for both all kind of researchers, and also public at large and mass media. Endless disputes have been on in view of its contents, extent, causes, impetus, social (and other) consequence, forms of expression and prospects. Scientific approach has transformed into subjective evaluation to imply concern of interest and activity motivation of various social groups. Positive or, in particular, negative approach of the mankind on the globalization consequences has been provoking social conflict. It is therefore apparent that the significance of globalization analysis and research, either **theoretical** or **practical**, at least in the nearest future will not likely diminish.

The financial crisis that began in August 2007 and intensified in the fall of 2008 pushed the global economy into a severe downturn that some have called the Great Recession. World trade collapsed at a pace unseen since the Great Depression of the 1930s. The decline in trade and the protectionist instincts that invariably come to the fore in difficult economic times have raised concerns that today's crisis may lead to deglobalization—a reversal of the globalization that has characterized the past three decades. With the economy mired in the deepest recession in decades – a drop in economic activity that has been compounded by continuing mortgage defaults, a historic decline in housing prices, falling equity values, illiquid credit markets, declining consumer confidence, and enormous and rapid job losses – attention has shifted away from problems of fiscal balance. This economic crisis is a seismic global event.

Why did it happen? Awhat are its likely economic consequences?

The economic crisis is severely affecting many areas of people's lives and livelihoods, including employment, food prices, interest rates and the money people earn abroad and send back home. Governments in the world's wealthiest nations are trying to weather the storm through large-scale economic stimulus packages for their economies.

Though it began in rich countries, the crisis is hitting developing countries hard. As a result of the [food](#) and financial crises, the pace of poverty reduction has slowed, threatening the 1st Millennium Development Goal of halving extreme poverty by 2015.

How globalization influenced the crisis and how the crisis is reshaping globalization? Will globalization be derailed by the world financial crisis?

Globalization is a highly dynamic process. It has produced tremendous benefits. In many countries, poverty levels have fallen. Increased trade has been transformative. But historically, globalization is also vulnerable to terrible and costly backlashes. We might think of the phenomenon as cyclical.

It is now clear that the global economic crisis will have far-reaching geopolitical consequences.

This collection of scientific works of the Czech, Lithuanian, Polish, Slovak and Ukrainians scientists presents their collective investigation of interaction between globalization and economical crisis and submits its views on the consequences of problems caused by this interaction. In future there is intention to continue researches on current economic problems.

The publication was reviewed by the Czech, Lithuanian, Russian and Slovak scholars.

CONTENT

INFLUENCE OF TIME FACTOR TO COMPETITIVE DECISIONS UNDER GLOBALIZATION CONDITIONS

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Abstracr

Globalization challenges of the late century beginning are described in scientific literature in levels of macroeconomics and microeconomics concentrating on competitiveness of products in world markets for which the following requirements are raised: high quality, consumers' satisfaction, constant improvement and availability to sell in international space. While economic conditions change, priorities of research remain the same: environment of activity and efficiency of resources usage. Every institution irrespective of its size and activity type seeks to ensure proper quality of products and to reduce costs of resources. Need of tangible resources and economical their usage is continually studied using various logistic methods but costs of manpower due to their particularity are evaluated from various aspects such as time, skills etc. Theory of learning-curves in practice is used since 1936. Scientists of various fields admit importance of learning and experience, analyze specific situations and deliver recommendations for issues of manpower economy.

Results of research, accomplished in companies of Lithuania, on application of learning-curves in manufacturing (the furniture trade) and services sector (audit) are presented in this article. Research accomplished in manufacturing sector proves practical use of application of mathematical models of learning-curves. In the area of professional services attention is paid to regulation of audit under national legislation. The received results are unique and indicate downtrends of audit duration within 5 years intervals. Audit duration increases after change of team composition but decline of duration is observed comparing to beginning of last time interval.

Introduction

Learning-curve is one of quantitative analysis methods, and success of application of this method essentially depends on correct conception of this method, managers' experience and ability to interpret results of calculations needed for decision making. For example, after applying learning-curves theory to management of audit risk, it is possible to determine downtrend of audit duration while work quality increases. This ensures competitive advantage of professional services companies. Strategies of knowledge management are created using theory of learning-curves. These strategies suggest providing services, whose result would be unique to consumer orienting organizations towards projects which create surplus value; separating intellectual projects including complex problems of clients for which a new solution must be found. Theory of learning-curves is widely used in manufacturing sector since beginning of last century (Wright, 1936).

Conception of learning-curves is associated with ability of organization to make repeated tasks better and within shorter period of time. Learning-curves theory was first of all applied in manufacturing sector. In 1936 T.P. Wright described how labour expenses of airplanes manufacturing in Curtis-Wright Corporation had declined due to the fact that employees had learned to do all the works faster. Veracity of this theory had later appeared to be true in other companies manufacturing airplanes. Irrespective of how long the first airplane was manufactured learning-curves fit in manufacture of other planes even in case when construction and purpose of airplanes have changed. For example, the first airplane is a liner and the rest are freighters. If company or discrete manufacturer produces more products then factory costs of these products decline under negative exponential curve.

Various organizations and different products have different learning-curves. Peculiarities of application of these curves show up when analyzing concrete examples in

manufacturing and services sector.

Application of learning-curves theory in manufacturing. Learning-curve in manufacturing is based on doubling of production: i.e. when production doubles, decline of time needed to make a production unit reflects rates of learning-curve (Adler, 1974; Cherringto, 1987).

For example, if learning-curve rate was 80% then manufacture of second production unit will take 80% of first unit's manufacturing time; manufacture of fourth production unit will take 80% of second unit's manufacturing time; manufacture of eighth production unit will take 80% of fourth unit's manufacturing time etc. This is expressed in formula:

$$T * L^n = T_r \qquad (1)$$

Here:

T – *first unit's manufacturing time,*

L – *rates of learning-curve,*

n – *number showing how many times amount of producible production had doubled,*

T_r - *time, required for making r^{th} unit (product, work).*

Authors had studied variation of time costs in furniture trade. Herein are presented results of research of just one product manufacturing time. It was determined that manufacturing of first unit of analyzed product took 10 hours, and learning-curve rate was 80%. Applying learning-curves theory every time when amount of made products doubled, manufacturing time of one product is calculated using formula (1) (table 1).

Table 1. Calculated time of products manufacturing

First unit's manufacturing time (h)		10
Learning-curve rate		80%
How many times amount of made products doubled (n)	Running number (r)	Time, required for making r_{th} unit (T_r)
-	1	10,0
1	2	8,0
2	4	6,4
3	8	5,1
4	16	4,1
5	32	3,3
6	64	2,6
7	128	2,1
8	256	1,7
9	512	1,3
10	1024	1,1

Curve of manufacturing time decrease of production unit (fig. 2) proves that manufacturing time declines under negative exponent while doubling production amounts.

Manufacturing
time
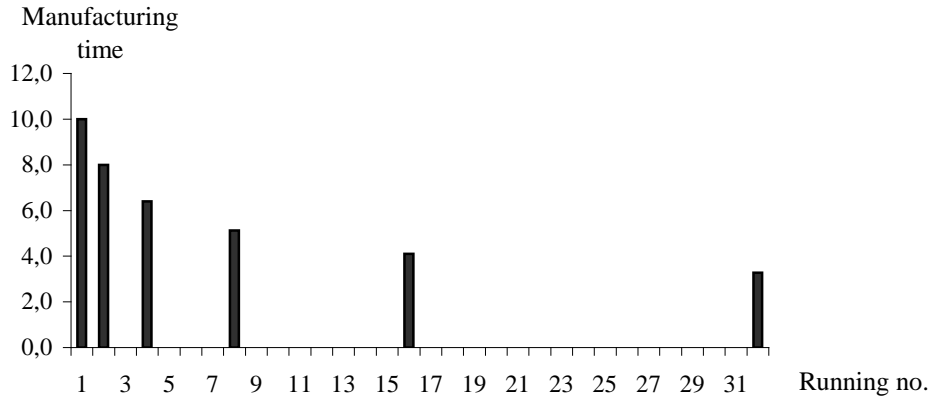
Fig. 2. Manufacturing time of production unit

However, calculations of time costs decrease using formula (1) are possible only when manufacturing amounts regularly double. Practically other method (Teplitz, 1991) is more suitable where labour expenses are calculated using formula (2):

$$T_N = T_1(N^b) \quad \text{or} \quad ,$$ (2)

Here:

N – product range number,
T_N – N product manufacturing time,
T_1 – time of manufacturing the first product,
L – rates of learning-curve.

Coefficient b is called learning-curve slope and it is calculated using formula or chosen from the tables. Values of coefficient b when learning-curve rate varies are presented in table 2.

Table 2. Values of learning-curve slope

Learning-curve rate (L)	Learning-curve slope (b)
60%	-0,737
65%	-0,621
70%	-0,515
75%	-0,415
80%	-0,322
85%	-0,234
90%	-0,152
95%	-0,074

Since manufacturing of analyzed product takes 10 hours and learning-curve rate is 80%, manufacturing time of every other product is calculated (table 3).

Table 3. Time of products manufacturing

Running number (N)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
Manufacturing time according formula 5.1		8,00		6,40				5,12								4,10																3,28
Manufacturing time according formula 5.2	10,00	8,00	7,02	6,40	5,96	5,62	5,34	5,12	4,93	4,77	4,62	4,49	4,38	4,28	4,18	4,10	4,02	3,94	3,88	3,81	3,75	3,70	3,64	3,59	3,55	3,50	3,46	3,42	3,38	3,35	3,31	3,28

Calculations made using formulas (1) and (2) are compared in table 3. It is obvious, that formula (2) is general-purpose and therefore it is suitable not only when manufacturing amounts increase but also when unitary products are made in sequence.

Decline of products manufacturing time is figured in graph (fig. 2) made according to data of table 3. It obviously proves veracity of hypothesis concerning decline of manufacturing time under negative exponent.

Fig. 2. Graph of decline of products manufacturing time

Majority of experts admit that application of learning-curves in manufacturing is efficient only when managers comprehend advantages of their application and learn to model manufacturing processes according to downtrends of resources need (Pfeffer, 1998; Niebel and Freivalds, 2006; Marwell, 1982).

Manufacturing time of one product usually is indicated as fixed value when preparing manufacturing graphs. Suppose that 7 products must be made and manufacturing time of each of them is 10 hours. Then all products will be made in 70 hours (7*10=70). Applying learning-curves theory manufacturing time of every product must differ according to such actions as increase of competence, faster assimilation of technologies etc. (Arthur et.all, 1998; Argote et.all, 1990, Towill, 1973; Honcock, 1967; Wiersma, 2007; Reagans and Brooks, 2005; Shilling et. all. 2003; Zangwill and Kantor, 1998). Learning-curve rate and manufacturing time of every product is calculated constantly observing process of manufacturing. Experts often are interested only in how long it is going to take to make the noted amount of products while learning-curve rate varies. According to learning-curves theory the following are calculated in table 4: i) manufacturing time of unit according to formula of learning-curve; ii) total manufacturing time of noted amount of products; iii) constant manufacturing time.

Table 4. Variation of products manufacturing time

| No. | Learning-curve rate | | | | | | | | Constant manufacturing time | |
| | 75% | | 80% | | 85% | | 90% | | | |
	Time of one product	Total time	Time of one product	Total time	Time of one product	Total time	Time of one product	Total time	Time of one product	Total time
1	10	10	10	10	10	10	10	10	10	10
2	7,50	17,50	8,00	18,00	8,50	18,50	9,00	19,00	10	20
3	6,34	23,84	7,02	25,02	7,73	26,23	8,46	27,46	10	30
4	5,63	29,46	6,40	31,42	7,23	33,45	8,10	35,56	10	40
5	5,13	34,59	5,96	37,38	6,86	40,31	7,83	43,39	10	50
6	4,75	39,34	5,62	42,99	6,57	46,88	7,62	51,01	10	60
7	4,46	43,80	5,34	48,34	6,34	53,22	7,44	58,45	10	70
8	4,22	48,02	5,12	53,46	6,14	59,36	7,29	65,74	10	80
9	4,02	52,04	4,93	58,39	5,97	65,33	7,16	72,90	10	90
10	3,85	55,89	4,77	63,15	5,83	71,16	7,05	79,94	10	100
11	3,70	59,58	4,62	67,77	5,70	76,86	6,95	86,89	10	110
12	3,57	63,15	4,49	72,27	5,58	82,44	6,85	93,74	10	120
13	3,45	66,60	4,38	76,65	5,48	87,92	6,77	100,52	10	130
14	3,34	69,94	4,28	80,92	5,39	93,31	6,70	107,21	10	140
15	3,25	73,19	4,18	85,11	5,30	98,61	6,63	113,84	10	150
16	3,16	76,35	4,10	89,20	5,22	103,83	6,56	120,40	10	160
17	3,09	79,44	4,02	93,22	5,15	108,98	6,50	126,90	10	170
18	3,01	82,45	3,94	97,16	5,08	114,05	6,44	133,34	10	180
19	2,95	85,40	3,88	101,04	5,01	119,07	6,39	139,74	10	190
20	2,88	88,28	3,81	104,85	4,95	124,02	6,34	146,08	10	200
21	2,83	91,11	3,75	108,60	4,90	128,92	6,30	152,37	10	210
22	2,77	93,88	3,70	112,30	4,84	133,76	6,25	158,62	10	220
23	2,72	96,60	3,64	115,94	4,79	138,56	6,21	164,83	10	230
24	2,67	99,28	3,59	119,54	4,75	143,31	6,17	171,00	10	240
25	2,63	101,91	3,55	123,09	4,70	148,01	6,13	177,13	10	250

Variation of manufacturing time depending on learning-curve rate is figured in fig. 4. When learning-curve rate is less, time for manufacturing of every other product shortens faster. It is logical that L=100% if product manufacturing time does not vary.
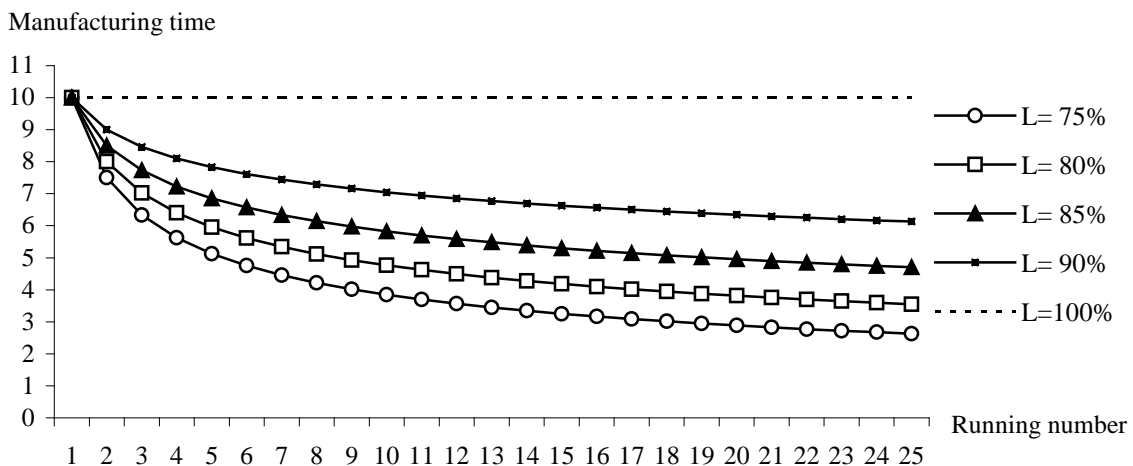

Fig. 4. Manufacturing time of one product

Total products manufacturing time grows in proportion to products amount. It is obvious that products manufacturing takes longest when learning-curve rate is maximal – 100% (the same time is needed for manufacturing of every product). Total manufacturing time declines while learning-curve rate decreases (fig. 5).
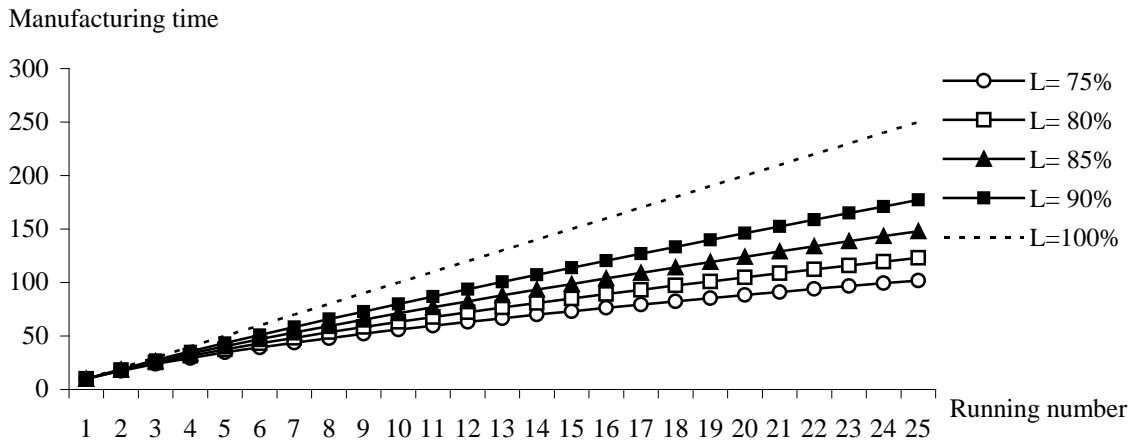

Fig. 5. Total products manufacturing time

It is determined that less learning-curve rate parallel with faster decrease of expenses when repeating products manufacturing. The first product is made in 10 hours in the analyzed case. Manufacturing of second product will take 7.50 hour and third product will be made in 6.34 hours if learning-curve rate was 75%. If learning-curve rate was 85% then second product will be made in 8.50 hours and manufacturing of the third product will take 7.73 hours etc.

Analysis of calculation results of time costs needed for manufacturing of total products amount allows better evaluation of efficiency of learning-curves application. The last line of table 10.4 shows how long would take manufacturing of all twenty five products if learning-curve rates were taken into consideration. Analysis data of these results are presented in table 5.

Table 5. Analysis data of total manufacturing time

Learning-curve rate	$L=100\%$	$L=90\%$	$L=85\%$	$L=80\%$	$L=75\%$
Total manufacturing time	250,00	177,13	148,01	123,09	101,91
Decreasing of manufacturing time	-	29,15%	16,44%	16,84%	17,21%

If it was determined that learning-curve rate is $L = 90\%$ then total manufacturing time of all products would decrease by 29.15% ($(250 – 177,13)/250 = 0,2915$) comparing to calculated manufacturing time if every product would be made in 10 hours. Time decrease is found in the same way when comparing various manufacturing options according to learning-curve rates.

Results of presented calculations answer the question: "*What would happen if learning-curve rates were 75, 80, 85, 90 or 100 percents?*"

Conformity of learning-curve theory was practically verified in companies of furniture trade of Lithuania. Herein is presented the example of research of just one product manufacturing time. The first product was made in 10 hours and the second product was made

in 11.5 hours. It was observed that manufacturing time of every other product decreased marginally. When comparing manufacturing time of the first and second product it was estimated that manufacturing time of second product formed 95.8% of first product's manufacturing time. Applying learning-curve theory it was calculated how long manufacturing of every product would take if the chosen learning-curve rate was 95.8% (table 6).

Table 6. Calculation results of manufacturing time of furniture trade product

Factual manufactuting time		Calculated manufactuting time		Deviation (factual - calculated)	
Time of one product	Total time	Time of one product	Total time	Time of one product	Total time
12,00	12,00	12,00	12,00	0,00	0,00
11,50	23,50	11,50	23,50	0,00	0,00
11,20	34,70	11,21	34,71	-0,01	-0,01
11,15	45,85	11,01	45,72	0,14	0,13
11,00	56,85	10,86	56,58	0,14	0,27
10,60	67,45	10,74	67,32	-0,14	0,13
10,60	78,05	10,64	77,96	-0,04	0,09
10,50	88,55	10,55	88,51	-0,05	0,04
10,45	99,00	10,47	98,99	-0,02	0,01
10,35	109,35	10,41	109,39	-0,06	-0,04

Comparing results of calculations with factual data (table 6 and fig. 6) conclusion can be made that denoted value of learning-curve rate agree with reality: deviation of every product manufacturing time from factual values is not high and fluctuate from 0.14 to -0.14 hour. It means that the fourth and fifth products actually are made 8 minutes faster than estimated and the sixth product is made 8 minutes later than estimated. Total manufacturing time of all products differ only 0.04 hour or 2 minutes.
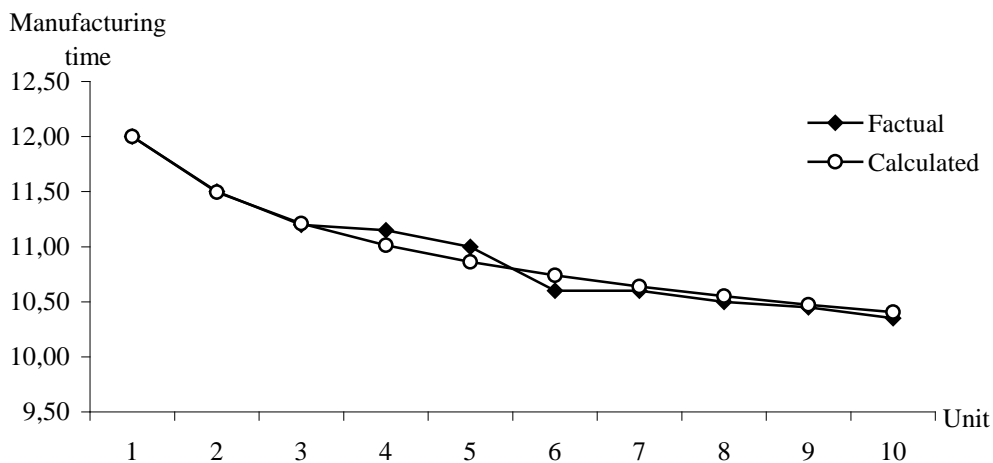

Fig. 6. Calculation results of products manufacturing time

This example should convince experts to use learning-curve theory in practice. Accomplished calculation and analysis of its results help to answer the question: "*How long manufacturing of every product would take if factual value of learning-curve rate was known?*"

Learning-curves in services sector. Knowledge management encourages employees to integrate learning processes and to apply results of learning processes in daily activities. It is necessary to predict what knowledge is the most important to organization when seeking for strategic goals to avoid vain learning. It might be professional knowledge which is the base for creation of products and services, information about clients (often such initiatives are called management of relations with customers) and markets, knowledge about organization and its processes. Such approach validates learning need as the main regulator of price and quality while company which provides services maintains its competitive advantage and manages services risk. Various organizations and different products have different learning-curves. Learning rates depend on management quality and possibilities to accomplish task of certain work. Therefore any change in work process or variation of employees destroys learning-curve.

As service is interaction of provider and customer, relations of providers and customers are natural to services organizations (Muller-Stewens and Droshammer and Kriegmeier, 1999). Volumes and variety of provided services increase in international audit companies. It does not happen by accident. Higher management costs require for larger income and expanded supply better satisfies needs of customers. But customers will be back only in case of professional services. Professional services have the following attributes: 1) services are intangible comparing them to goods which have material form, i.e. clients incur difficulties while analyzing different proposes to buy the service. Higher risk is observed because personal experience or recommendations (experience value) are used as references and the price is used as explanatory criterion of service quality (Wittreich, 1966; Palmer, 1998); 2) service offering is inherent from its use; client participates in service offering (Palmer, 1998; Freidson, 2001); 3) services are very dedicated. Applying services to individual customer unwanted deviation from quality is possible (Palmer, 1998; Freidson, 2001); 4) services cannot be stored (Lewis, 1996); 5) Client hasn't got ownership of the achieved result (Palmer, 1998; Freidson, 2001); 6) majority of services are sensitive to time (Lovelock and Vandermerwe and Lewis, 1996).

Other authors (Muller-Stewens and Droshammer and Kriegmeier, 1999; Kriegmeier, 1999) separate the following attributes of professional services companies (herein after referred to as PSC): (i) knowledge intensity, i.e. significance of people, their comprehension and experience to process of value creation; (ii) company is not open; (iii) supply of professional services. There is an interesting idea of authors (Kriščiūnas and Daugeliene, 2006) to append this list with such attribute as wisdom. As audit client of PSC participates in service supply, service duration at most depends on both audit team and professionalism of client's employees. If services are supplied within limited period of time it is relevant standardize their technology at the maximum. Different distribution channels can be used for preparation of services. These channels are not direct contacts with clients but also electronic services (Lewis, 1996). Pursuit of competitive advantage also plays quite important role. Competence risk can be decreased by personal relations (Wittreich, 1996; Freidson, 2001). Besides, service suppliers must seek for efficient coordination and flexibility of organization activity (Freidson, 2001). Complexity of services requires formation of multifunctional employees groups, which use common resources, in horizontal organizational structures but these inter-functional relations integrate total activity of organization (Ostroff and Smith, 1992). Various forms of relations (short-term or long-term, regular or episodic, individualized or impersonal) are separated which use different strategies on purpose to decrease business risk (Meister, 1977; Freidson, 2001). Relations management circuit is based on ideas of value circuit (Palmer, 1998) and business system (Greenwood and Hinnings and Brown, 1990; Smith, 1998). Relations indeed create value but this can only be seen after management components of external and internal markets were separated. These circumstances and factors

separated by authors in audit form need of PSC activity integration when creating knowledge management strategies for every audit client. Essence of audit expectations concept comprises from expectations of auditors and audit information consumers related to audit. Auditor expects to receive correct statements and client look forward to positive conclusion and recommendations for choosing accounting policy and consolidation of inner control. If consumers were banks, committee of securities or investors, expectations would be related to business continuity, validity of evaluations, and riskiness of direction and competence issues. Any inadequacy of expectations of auditors and audit information consumers is called expectations gap. The bigger is expectations gap the higher is risk of conflict states rise. Conflict states have negative influence on audit environment (relations of auditor and consumer during service supply and after that) and audit quality and therefore wisdom is needed in such cases.

Two steps are separated in modified scheme of wisdom pursuit process by Kriščiūnas and Daugeliene (2006): i) upbringing of intuition and inner plenitude (morality involving religious, ethic and metaphysical knowledge and conception of analytical knowledge of inner perception); ii) step of development of scientific education and practical competence. Attention is also paid to the following factors when separating risks of professional services management: (i) services are very dedicated. Applying services to individual customer unwanted deviation from quality is possible; (ii) relations create value but this can only be seen after management components of external and internal markets were separated; (iii) service suppliers must seek for efficient coordination and flexibility of organization activity.

Both theoretical and empirical research shows that not always auditors manage to reveal significant distortion of financial statements. This only affirms need to manage audit risk. Organizations where a lot of attention is paid to knowledge management have better possibilities to work successfully in unpredictable and quickly changing environment. One of critical environment factors is globalization processes. Scott M. C. (1998) notices that PSC while supplying services have to refer to knowledge and skills of their employees. Essentially success of PSC depends on proper use of these resources. After market makers understood significance of specific professional knowledge PSC can enlist new clients by offering desirable projects reflecting in positive economical result and are more attractive to present or future employees (Muller-Stewens et. all., 1999; Maister, 1999). "Knowledge" in larger meaning means not only legal info about facts expressed in written form but also practical info shared among people. For example, how efficient conversation with client is conducted; how confidence is contended; how expectations of clients are recognized and expectations fulfilled (Maister, 1999). According to authors opinion the following perceptions of knowledge management in audit risk management should be separated (table 7).

Table 7. Perceptions of knowledge management in audit risk management

Attribution	Risk
Accumulative knowledge by critical substantiality	The activity can be destroyed after employ left
Continual search for new payable ideas	Employees don't know what are other dooing; Jobs are dublicated; Resourses are wasted; Experience is ignored.
Good ideas are nor shared	Activity cost is not decreasing; More effective practice is not spread.
After action review is not available, because dominate the mind it is the waist of time	Repearting of mistakes prevent the use of facility
Not safeguarded qualitative selling process	The knowledge needed for decisions is not available.
Organization learning is too late	Novelties are not implemented

Research, accomplished by Lithuania Auditors House, showed that strong competition exists in audit market in Lithuania. So quality requirements might be ignored under conditions of audit price dumping as the main goal is quantity. Audit quality depends not only on Audit Company but also on client riskiness. Theoretic provisions of services management indicate ratio of quality and price for consumer as the main element of competitive advantage. Audit risk management models such as expanded (Dodz, 1992; Robertson, 1990; O'Reilly, 1999) and risk-based audit (Bayer, 1999; Beatie et all., 2002) partially identify risks of audited organization and therefore it is necessary to model situations of employees' knowledge management in audit companies on purpose to form proper audit strategy for every client of Audit Company. It is noticed that the main principles of auditors' activity are: independence, honesty, professional competence, confidentiality and responsibility to society. Auditor can do audit only when he/she is independent from customer, client and audited company and cannot palter with facts purposely. Besides his/her opinion should not be influenced by other opinions. Auditor must have professional knowledge and skills enabling to provide professional services and must conceal information entrusted by client (auditor has no right to give information to the third parties). Maintaining normal business progress audit results can be used by credit institutions, state institutions, employees and employers, consumers of business and finance society and other consumers who trust in impartiality and honesty of auditor.

Calculations using formula (1) are limited in professional services companies (audit) due to small volumes of performed works, therefore it is considered appropriate to use general purpose formula (2). Mathematical approach to learning-curves is the simplest and helps understanding the essence of these curves.
Assessing aspects of audit services regulation in Lithuania and using general-purpose formula (2), 10 years long results were modelled with reference to observation data of performed audit duration for the same clients for five years. According to duration of the first and second audits and also to rates of learning-curves it was estimated that learning-curve rates were 86 %. As it was observed that modelling results for 5 years are marginally different comparing to factual data, situation was modelled for 10 more years (Table 8 and Fig. 7).

Table 8. Estimated audit duration

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Factual duration	92	80,0	70,0	67,5	65,0										
Calculated duration	90,0	78,0	72,0	67,0	64,0	78,0	67,0	61,0	58,0	55,0	67,0	58,0	53,0	50,0	48,0
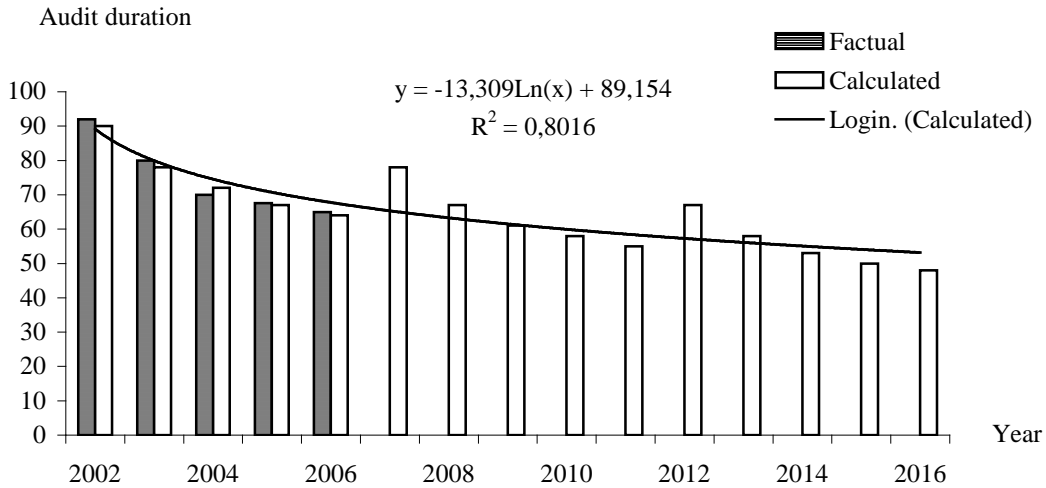
Fig. 7. Graph of audit duration

Modelling is based on statistics of clients of four major audit companies which had done audits of financial statements of committee of securities of the Republic of Lithuania for year 2005. As instructed in survey statistics of committee of securities of the Republic of Lithuania for year 2005 (interactive: www.vpk.lt), 16 audit companies have had audits of financial accountability in 2005 done by audit companies. Audit activity in Lithuania is regulated by Audit Law of the Republic in Lithuania. Part 4 of article 35 of this law limits rights of audit companies and indicates that auditor cannot audit the same client for more than five years in a row. After this period was over auditor cannot audit the same client for two years".

Alternative qualitative and quantitative research does not allow valuating credibly the influence of experience factor in the context of audit risk. Usage of learning (experience) curves in management of significant distortion risk is based on the presumptions that: work amount with clients is the same, turnover (rotation) of the teams (groups) is steady, and competence of the teams to audit is similar. Experience factor is very important: the same team next time would do analogous work faster and with higher quality. Although teams renew over and over, progress is possible because of stayed more experienced members of the team (group): the longest audit will be the first one performed by the team; later time should marginally shorten while level of risk of significant distortion should stay acceptable and qualitative characteristics of audit should also remain. Experimental research of time decline ratio of the first audits showed that learning-curve rate in manufacture is higher comparing with professional services sphere. This conclusion appends researches made by the main authors (Wright, 1936; Taylor, 1961; Hall and Howell1985; Smith, 1998) and it was implemented in manufacture since 1936, and later – in areas of cost control and planning. Practical modelling affirmed thesis that companies, which continually do the same task, learn to do it more efficiently. It means that both time and expenses of doing task and risk of undetected mistakes declines.

Knowledge management strategies ensuring audit risk management and enlargement of efficiency of audit company activity. Analysis of modeling situations allowed confirming presumptions that knowledge management is a part of general competence of organizations management and use of learning-curves help to plan time better: more work can be done within limited time with the same knowledge resources. It allows not only managing audit risk but also competing in the market.

According to the main mission of professional services companies Staliuniene and Stungurienė (2008) suggest three strategies of knowledge management for professional services companies: (i) exceptional (unique) result should be presented for the client. Therefore PSC activity is oriented towards profitability; (ii) to orient organization towards the projects as the task of PSC is to work with interesting problems of clients, those solution provide value added for the clients and challenge professionals; (iii) to separate intellectual projects (complex clients' problems, for whose a new solution must be found) from the other projects such as: "grey hair" (solution is adapted orientating to similar problems known from experience) and procedural (standard problem solution orientating to efficiency of service supply). Hogan and Jeter (1999) compares strategy with innovative activity and states that goods, technologies and processes can be patented as innovative but new services provide surplus value for client (consumer) and therefore they are innovative subjectively. Czerniawska (1999) and Freidson (2001) suppose possibility to make strategies and contravene strategy following the norm that the biggest part of PSC profit must be earned from procedural projects (tasks) where efficiency of service supply could be increased. However possibility of using learning-curves has showed that not only downtrends of time cost ensure competitive advantage but necessary condition from perspective of consumer remains ratio of price and quality. According to opinion of authors surplus value for client created by highly qualified employees (professionals) does not define audit service as new (innovative) but increasing qualitative characteristics convince to use the service again with reasonable price.

Research of learning-curves theory application in audit companies accomplished in Lithuania had proved hypothesis that learning-curves can be used not only in manufacturing but also in sphere of professional services. According to fact that audit methodology based on risk management does not change when adapting it for a new client but the client is different and changes in audit team are possible the calculations were made for 15 years with reference to factual data of five years.
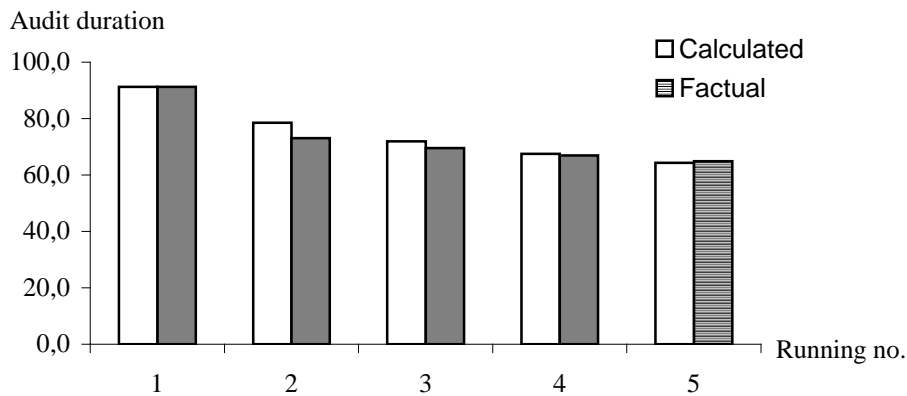

Fig. 8. Factual and calculated data of audit duration

Accomplished calculations and their graphical representation confirm that chosen precision of learning-curve rate is sufficient. Therefore audit duration is calculated for 10 more audits (table 9).

Table 9. Calculations of audit duration

Running no.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Audit duration	91,3	78,5	71,9	67,5	64,3	61,8	59,8	58,1	56,6	55,3	54,2	53,2	52,2	51,4	50,6

Calculation results are graphically presented together with trendline (fig. 9). Deduced $R^2 = 0,882$ using formulas of learning-curves because use of regressive equations better works under uncertainty conditions.

Audit duration

$$y = 81,077e^{-0,0357x}$$
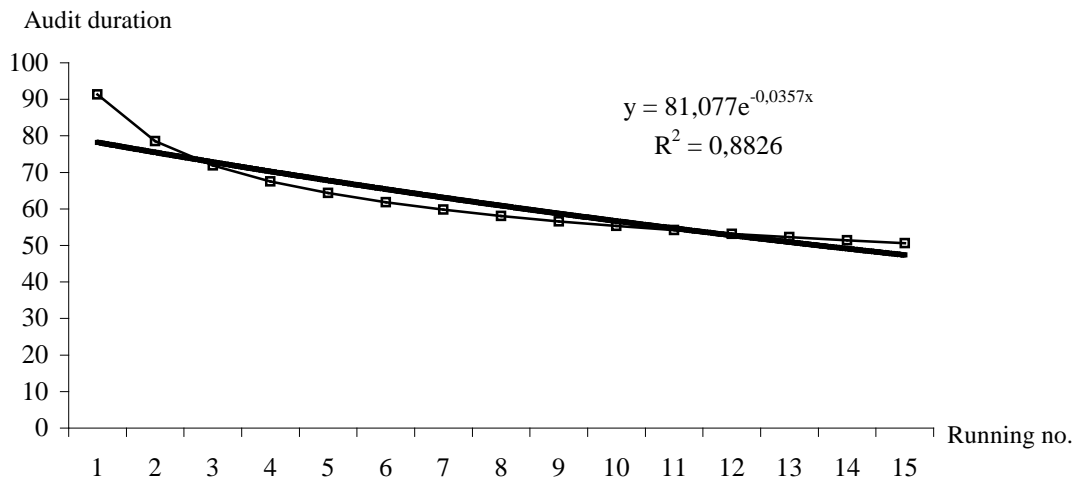$$R^2 = 0,8826$$

Running no.

Fig. 9. Audits duration and trendline

It is possible to predict duration of every other audit practically applying calculation results. While analyzing peculiarities of audits execution, limitations of learning-curves application had showed up. For example, audit in the company is done once a year. Audit team is changed after five years and therefore audit duration in sixth and eleventh year will be longer comparing to calculated duration using learning-curve formulas. New calculations were accomplished after possible audit duration in days was adjusted together with audit experts in case when teams change but skills of employees to do work faster remain (table 10).

Table 10. Adjusted audit duration

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Audit duration	91,3	78,5	71,9	67,5	64,3	78,5	67,5	61,8	58,1	55,3	67,5	58,1	53,1	49,9	47,6

Fig. 10 presents exponential regression function whose coefficient of determination R^2 is smaller comparing to the one in fig. 9. It is logic because exponential trend cannot very precisely reflect consistent patterns of audit duration decrease every five years.
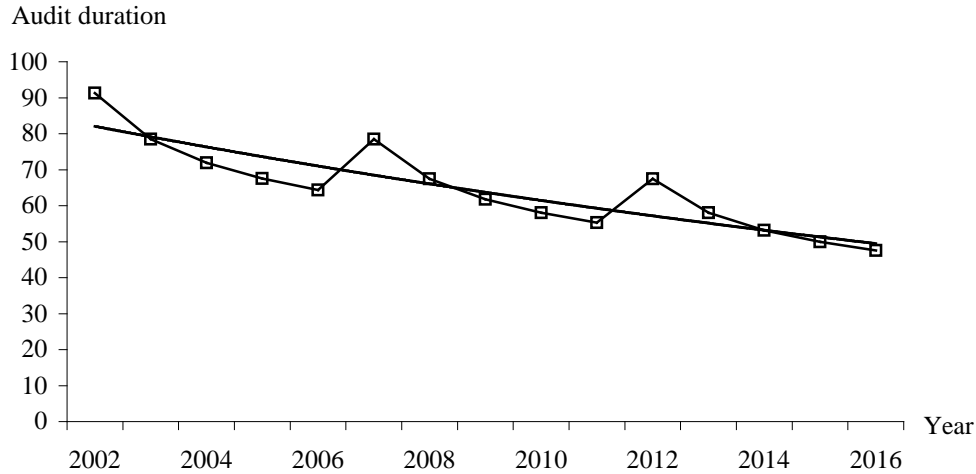
Fig. 9. Graph of adjusted audit duration

Alternative qualitative and quantitative research does not allow valuating credibly the influence of experience factor in the context of audit risk. Usage of learning (experience) curves in management of significant distortion risk is based on the presumptions that: work amount with clients is the same, turnover (rotation) of the teams (groups) is steady, and competence of the teams to audit is similar. Experience factor is very important: the same team next time would do analogous work faster and with higher quality. Although teams renew over and over, progress is possible due stayed more experienced members of the team (group). The longest audit will be the first one performed by the team; later time should marginally shorten while level of risk of significant distortion should stay acceptable and qualitative characteristics of audit should also remain. Experimental research of time decline ratio of the first audits showed that learning-curve rate in manufacture is higher comparing with professional services sphere.

Practical modelling affirmed thesis that companies, which continually do the same task, learn to do it more efficiently. It means that both time and expenses of doing task and risk of undetected mistakes declines and the quality improves.

Strategic significance of learning-curves application under globalization conditions. Accomplished research indicates how managers can predict need of working hours to make the product or accomplish service. Method of learning-curves can be used not only for calculation of time need in manufacturing or service sector. This method can be successfully applied in strategic planning. For example, company can evaluate self-price of its production according to industry price (fig. 11).

Learning-curves in fig. 11 are presented as straight lines because both learning-curves are calculated in logarithmic scale. If company is sure that straight line of its prime cost match with straight line of "firm prime cost" and industry price (lined horizontal line) is known then products manufacturing should be organized in the way that product prime cost would be lower then industry price – point *a* or *b*. If prime cost is above lined line then company will incur losses.

Company is interested in as lower as possible prime cost of its products. However decrease of prime cost is not a spontaneous process. It can be only achieved as results of application of complex means of good management. For example, important factor of prime cost decrease is decline of work time needed for making one product and increase of manufacturing volume.
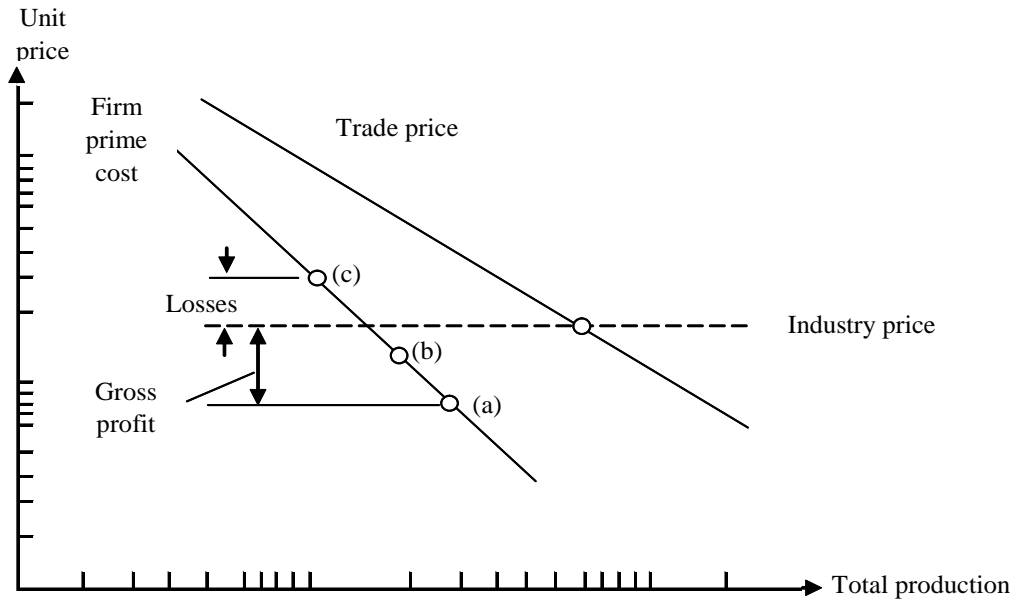
Fig. 11. Learning-curves of industry price and company's prime cost

Proper strategic company's decision (to seek that prime cost curve would be righter than industry curve) can be implemented using the following means: 1) pursuing aggressive price policy; 2) seeking for constant decrease of prime cost and increasing work efficiency; 3) efficiently using cumulative experience; 4) rate of capacity increase must exceed increase of demand; 5) volume of manufactured production is increased.

Essential condition that company's activity would follow learning-curve is the existence of this curve. But learning-curve only exists if volume of manufactured production increases. Besides, managers of every company have to evaluate their competitors before they start applying learning-curves strategy. Most often weak competitors are recognized under the following attributes: i) they have too little capital; ii) high prime cost of products; iii) they do not understand logic of learning-curves. On the contrary, strong and dangerous competitors are those who control prime cost of products, have good financial position for large investments, have understood and apply aggressive learning-curves strategy (table 12).

Table 12. Evaluation of competitors

	Competitors	
	Strong	Weak
Aggressive price policy	+	-
Cost control	+	-
Effective cumulative experience adoption	+	-
Capacity increasing rate overtakes demand increasing	+	-
Increasing production amount constantly	+	-

Therefore strategy of learning-curves basically can be useful when choosing methods of company's prime cost management according to industry price.

Strategic significance of learning-curves application under globalization conditions oversteps conception of company's and industry's limits, and research of efficiency of these curves application should be done in the direction of evaluation of regional competitiveness according to time costs for the product.

CONCLUSION

Learning-curve is a powerful tool for operations manager. It can be used to estimate level of prime cost for both manufactured and purchased products. However peculiarities of learning-curve application should be taken into consideration:

1. Learning-curves of various companies and various activities differ. Industry curves are also different. Therefore it is necessary to calculate learning-curve rate in every organizational system and to reject common recommendations to apply analogous examples.

2. Any change of personnel, activity model or procedure might influence variations of learning-curve.

3. Manufacturing time of the first products is most often used for calculations of learning-curves and therefore these data must be accurate. It is necessary to recalculate learning-curve rate every time when data was corrected.

4. The same learning-curves can do not agree with reality after manufacturing process or employees' qualification had changed if these changes are not directly related to working time or used materials.

5. Environment of working place can also change learning-curve. For example, interest of employees and work efficiency at the end of project can decrease (progress of learning-curve is deviated).

6. In the sphere of professional services rises in learning-curve are possible if team of employees is changed periodically.

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ECONOMIC GLOBALIZATION: THEORY AND PRACTICE

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ABSTRACT

Globalization is the incentive of the business, supported by the conviction, that the world is becoming more and more homogenous. World economic can be considered as the reflection and conductor of the globalization. Globalization trends differ according to the level of economic growth, foreign direct investment. It has led to demand for various international regulations. Globalization is a contradictory process which is considered as positive, so negative.

The concept of the economic globalization is quiet common and is studied by Levitt (1984), Yip ir Sloan (1989), Czinkota, Ronkainen, Moffett ir Moynihan (2001), Hines ir Bruce (2001), Terpstra ir Sarathy (2000), Johansson (2003), Keegan ir Green (2003), Hollensen (2004) and other scientist. Czinkota, Ronkainen, Moffett ir Moynihan (2001) define, that globalization is the incentive of the business, supported by the conviction, that the world is becoming more and more homogenous. This homogeneity is determined by the dissapearance of the diferences between countries. Therefore enterprises are constrained to globalize their international strategies in the way to achieve the competitive advantage. In the opinion of Pugaciauskas (2000), globalization is the process, when the nets, which merge countries borders and divisions emerge and inegrate countries to the comunity in some level, where common priciples and values function. Dicken (2003) confirms, that economic development of the countries, changing technological environment, global changes in the production and services sectors, intensification of the global competition, uprise of the new global finansial market systems have influenced the process of the economic globalization. Declining trade barriers and the objectives of the international organizations (EU, NAFTA, WTO and etc.) to reduce international tariff trade restrictions have strenghtened globalization of the markets and possibilities of the enterprises to operate in the global market.

World economic can be considered as the reflection and conductor of the globalization. This process influences significant the international capital markets, markets of the goods, macroeconomic (budget) policy, industry relations and the regulation of the labour market. Three globalization levels can be excluded (Makarychev A. S., Sergunin A. A., 2000, p. 401):

- cross-border transactions;
- open-border transactions;
- transborder transactions – most often taken as an example of the „internet century".

As far back as in the year 1989 Yip and Sloan have distinguished four groups of factos, which determine the globalization process:

- market factors (convergence of the consumers needs, global resources, marketing posibilities);
- environmental factors (decline of the trade barriers between countries, countries economic integration, rapid foreign trade and investment growth rates, growing international financial market, international strategic alliances development, technological advances);
- competitive factors (increased competition, rise of the global competitors);
- expenditure factors (production economies of scale, optimization of the logistic functions, decrease of the R&D expenditure, differences of the personell qualification and earning levels in different countries, accelerating learning and experience accumulation).

In the XXI century other factors of economic globalization arrise. Attention should be payed to the change of the qualitative character of the international competition, which causes the rise of the new forms of interorganizational business – clasters, strategic alliances and etc.

It creates new economic relations in the world. In the last 20 years the fastest growth was observed in the economies where it was managed to generate the export of new industries. Export oriented economies developed faster then those, which were trying to protect domestic market with high trade barriers. On the other hand, the new international division of labour does not necessary mean that one side of defeat (though not necessarily the same benefits or symmetrical): most advanced countries in the globalized economy have access to larger markets for innovative products, developing countries - to participate in the global production of the transnational corporations and use the results of innovation. (Tkachenko S. L., 2000, p. 173 - 174). The researches show that the most advanced countries are for the liberalization of trade and capital (trade is more important for their citizens) and globalization in long run (maybe in the most long run) will contribute to the equalization of the income level (Pugavičius, V., 2000).

Eventhough some theorist of the globalization confirm that nowadays economy phenomenons, qualitatively estimating, have istorical precedents, especially in the begining of the XX century, least quantitavely the growht of the capital and goods markets in the last twenty years seems to have no precedents. Applying qualitative measure – the trade structure: the flow of seconary production and services, the growth of transnational corporations and trade inside the transnational corporate and these procesess reflecting differences between investments into appropriate sectors we can doubt in this „antiglobalizational" viewpoint. Eventhough growth of the return in the last decade depended on liquidity, therefore currency trade, portfolio investments grew fastest, then – direct investments and lastly trade (Garrett G., 2000, p. 947- 949).

Moreover, the globalization trend is different, depending on the level of economic development. Although the trade of the richest for Economic Cooperation and Development (OECD) and the poorest countries differed slightly (the ratio to gross domestic product was 0.67 and 0.66, respectively), it can be assumed that the trade structure was completely

different. Assuming that the advanced countries have more incentives to reduce the import tax: higher income per capita associated with an increased number of owners of capital and higher-quality labor and specialization. In addition, it is likely that in countries with greater income, median voter consume more imported goods, which also raises the pressure to liberalize trade. Budget revenues in such countries can also ensure citizens and taxes, without the marketing fees. Moreover, the OECD countries are decreasing labor junionization level, and since the union is bound less frequently in the international market competitive corporate workers, it can be attributed to the shrinking of protectionism and the need for globalization of trade (Garrett G., 2000, p. 973 - 974).

Foreign direct investment in OECD countries was almost double that for the poorest countries in the portfolio - nearly 25 times higher. Extremely varied and sales taxes - the OECD countries, their income is 0.9% of revenues from trade and the relatively small difference between (standard deviation - 1.3%), while the poorest countries these figures are respectively 25.7% and 13.8%. Approximately ten times the difference and openness to capital indicators (Pugavičius, V., 2000).

There is no strong corellation neither between trade and investment, especially portfolio nor between trade and capital market regulation – so the variation of the countries regulation policy was not strongly correlated with variation of trade and capital flows. Therefore we can guess, that globalization procesess really influence the growth of trade and investment, despite the govermental policy, which are very different even in the countries of like level of the development (Pugavičius, V., 2000).

However it does not answer the question if liberal governmental policy is only the response to the „necessary" globalization, or unerforced choise of the governments. On the one part the formation of the european "dollar market" shows, that governmental institutions were forced to react to the inevitable financial market globalization (Gilpin R., 1998, p. 376 – 379). On the other hand, while leaving control of the capital is almost impossible, Asian and Russian crisis in 1997 and 1998 strengthened the critics, requiring at least to regulate capital inflows, so as to mitigate the effects of instability in capital markets (in fact, modern information technology such regulation, in some cases make Bever), and because the state, and developing countries in opening up capital markets, capital flows are formed in the first the last liberal market conditions could destabilize not only economic but also political systems.Globalization has led to very strong need for international rules - the GATT and later the World Trade Organization's interest in growth. Competing on the world market share in almost any field of trade, national governments are forced to accept the multilateral trade rules. The growth of the demand for world trade liberalization rools and trade globalization may be explained also by the creation of new small countries during the last decade. The depletion of international trade and other economic activity costs, increasing economic openness of small countries is justified, because an increasing number of players in the world market in favor of reducing trade barriers. On the other hand, trade barriers are generally reduced in favor of the great powers.

But the goods and capital markets have significant difference: trade regulation stays in the hands of governments, because it is possible to controll the fisical traffic of the goods and ytsggiv of services by bookeeping.Also it is possible to controll the actions of the transnational corporations in the country. Therefore the economic policy, regulating traffic of the „fisical" goods and services over the countries borders can bring real results, differently as in the case of finansial flows. Therefore necessary capital mobility creates incetives to pursue the for the market usefull policy. Moreover, financial market liberalization is more a symbolic step, while the import tax reduction can actually answer all walks of well-being. It is true, and we should not rule out the possibility that satisfied their "power" to regulate commerce, the government also believes in the ability to control the capital markets - or at least to show that voters trust the expense of capital owners.

CONCLUSIONS

Summarizing it could be stated, that one of basic tendencies, which characterize world economy in the modern development stage is its globalization. Globalization is a complex process, integrating different fields of world economy, politic and society, enhancing their integration, reinforcening their interdependance and creating patterns of common operation. Globalization, although touched many areas of life, it has not eliminated the traditional borders of the restricted economic, political and cultural division, and in some cases, has created a strong negative reaction. Moreover, even in areas where the effects of globalization are clear, it gets uneven and unequal nature of the degree. Globalization is a contradictory process which is considered as positive, so negative. In any case, to deny the impact of globalization is pointless, and try to prevent it - economically useless.

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DEVELOPMENTS IN THE FINANCIAL MARKETS OF LITHUANIA, LATVIA AND ESTONIA IN THE PERIOD OF ECONOMIC DOWNTURN

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Abstract

The present article analyses the developments in the causality in the financial markets during the 2008-2009 financial crisis with a clear focus on the changes and developments in the financial markets of the Baltic States in the period starting from 2008. The survey showed that in view of the financial crisis the Latvian market showed the greatest degree of slow-down despite it being most active in the pre-crisis times, likewise, Estonian market also showed a somewhat higher degree of passiveness. Thus, it was the Latvian and Estonian markets that the financial downturn had the most painful impacts upon. While the Lithuanian market was, on the contrary, much more active and therefore outlived the equity crash period with least painful after-effects, thus producing confirmation that in the face of a crisis the interests and expectations of most investors are largely related to major markets normally viewed as more reliable and showing a higher degree of resilience.

INTRODUCTION

The explosive changes in the global equity markets are assessed by financial analysis and researchers from different viewpoints with some focusing on the consequences, and others – on the reasons. Such material sudden changes often offer a chance to test and validate different capital market theories on investor behaviour, asset valuation methods and mechanisms, market valuation, fluctuations, etc. Most market research exercises have been undertaken and research papers concerned normal market functioning conditions with observable usual capital market developments. These theories, presumptions and findings have been found, however, hardly applicable under extreme, or even catastrophic market conditions (Arbel *et. all.*, 1988, Dubinskas, 2009). It might be partly justifiable to conclude that such research works have lost their true value.

Most authors designate financial turmoil as the main reason moving financial markets worldwide. The reasons for the appearance of such turmoil are most often divided into two categories: macroeconomic and microeconomic. The reasons of macroeconomic character are ordinarily related to the changes in the State budget, interest and inflation rates (Pilinkus and Boguslauskas, 2009; Paškevičius and Dubinskas, 2009, Wang, Yang and Li, 2007). Insurance of investment portfolios, speculative operations on derivative financial instrument markets, risky acquisitions and "bubbles" caused by long-lasting speculations are attributed to microeconomic reasons (Malliaris and Urrutia, 1992, Chuang et al., 2009). And nevertheless, this point of view has received some criticism referring to the impossibility to verify the

reliability of the conclusions (Dong and Liu, 2007; Roll, 1988). Since the reasons for the financial turmoil have not yet been ultimately clarified, it has become a really challenging task to identify the impact of such shocks in the financial markets upon the efficiency of capital markets which is often perceived as the response of financial instrument prices to publicly accessible information. It if often concluded that the price of a company's share reflects the entire information about the company. Still, there might be cases where capital markets become volatile even without receiving any material information. This raises doubts as the existence of any link between the financial turmoil and the market efficiency (Friedman, 1990).

The present article focuses on the changes and developments of the equity markets in the three Baltic States – Lithuania, Latvia and Estonia starting from 2008. The authors of the present article have advanced a hypothesis that the trends of an abrupt plunge and subsequent stabilisation of equity prices that were clearly discernable during the 1987 crisis are also characteristic for the current financial crisis. The survey underlying the present paper was conducted on the basis of the following assumptions: 1) both crises affected financial markets of several states; 2) a characteristic feature for the inception of the crises is an abrupt fall in equity prices; 3) indications of stabilisation in financial markets become observable before financial experts conclude the end of the financial crisis.

RESEARCH METHODOLOGY

To confirm the hypothesis on the similarities of the general trends during the two major international financial crises, the authors employed empiric tests developed on the basis of Granger causality tests: 1) Granger causality tests, and 2) cointegration tests.

Granger causality tests are the principal tests used in forecasting methods by applying time series. One time series $\{Y_t\}$ has an impact upon another time series $\{X_t\}$. Granger has proved that the value of the variable X is best forecasted using the lagged values of the Y time series. This definitely requires the appropriate information and the lagged values of the $\{X_t\}$ time series be known.

The link between the corresponding values of Y and X time series is recorded as follows:

$$Y_t = \delta_0 + \sum_{i=1}^{m} \alpha_i X_{t-i} + \sum_{j=1}^{m} \beta_j Y_{t-j} + \mu_t \qquad (1)$$

An assumption is then made that the X value affects the corresponding Y value only if $a_i \neq 0$:

$$Y_t = c_0 + \sum_{i=1}^{m} a_i X_{t-i} + \sum_{j=1}^{m} b_j Y_{t-j} + e_t \qquad (2)$$

The appearance of both events is followed by concluding the presence of a feedback loop (Schmidt, 1976; Pierce and Huge, 1977; Geweke, Meese and Dent, 1983; Gulkey and Salemi, 1982; Gao and Tian, 2009). The F-statistics value computed for the purpose of the causality test assesses the equation presented above (2):

$$(3)$$

where:

SSE_r - (*sum of the sguarded error*) squared error in simplified model;

SSE_f - (*sum of the sguarded error*) squared error in the full model;

T - number of observed samples;

m - number of lags;

In the most general case the squared error SSE shall be computed as follows:

$$(4)$$

where:

Y - actual value;

$\hat{Y}$ - computed value.

An assumption is made that F_1 corresponds to χ^2/m and Wald test (Boguslauskas V., 2007; Studenmund A. H., 2006).

Since errors may be both positive and negative there is a possibility that the average error is equal to zero, despite significant observable deviations in both directions. Squared deviations are computed with a view to avoiding this situation. The best regression straight (tiesė) is obtained when the total of squared deviations is the least. For this reason the regression analysis is sometimes also referred to as *least-squares regression*.

Based on this calculation methodology American researchers have been examining potential dependences between different international equity markets under financial crisis conditions (Malliaris and Urrutia, 1992; Aktan et al., 2009, Blume et al., 1989; Horobet and Lupu, 2009; De Gooijer and Sivarajasingham, 2008; Ruxanda and Stoenescu, 2009).

Cointegration tests are used in the cases requiring identification of the relation between changes in prices in individual markets. For instance, Engle and Granger (1987) have proved that in the case two non-stationar variables are coinegrated, the autoregression vector in the first differences is not fixed. Suppose, natural logarithms at one stock exchange and another stock exchange, respectively, LnP_{1t} and LnP_{2t} non-stationar, and the firs differences

of the natural logarithms of each price are stationar, it might be concluded that the prices are integrated from the first line that is recorded as $I(1)$. The first differences of the logarithms are recorded:

$$\text{or} \quad Ln\frac{P_{1t}}{P_{1,t-1}} \quad \text{and} \quad \text{or} \quad Ln\frac{P_{2t}}{P_{2,t-1}}$$

Where each price is from the first line $I(1)$, and the linear stationary combination between the prices of the two stock exchanges is established, it shall be recognised that both price sets are cointegrated. The cointegrations have a direct influence upon the equations (1) and (2) of the Granger causality tests. Where conintegration is fixed the calculations according to the equations (1) and (2) become meaningless. Therefore, prior to starting using causality tests in the theory of econometrics it is highly recommended to verify the cointegration between the primary data sequences (Kedaitis, 2009; Lapin, 1987; Adams, 1993; Bloomfield, 1993; Booth, 1993; England, 1993).

Having established the data cointegration it is necessary to seek to identify other research methods or accordingly adjust the models already created. For instance, a number of cointegration testing methods were proposed by Engle and Granger (1987). They developed statistical tests, compiled tables of critical values and compared the applicability of the different tests.

The simplest cointegration test is the Durbin-Watson regression cointegration CRDW suitable to be used in first series systems. But the critical values of the test are extremely sensitive to parameters the values whereof are below zero. In practice, CRDW is not a recommended method for the examination of economic data, however, the test is still applied in certain cases, the results obtained are analysed, summarised and presented in research papers (Malliaris and Urrutia, 1992).

Rather worthy of notice is the Dickey-Fuller cointegration test that was applied for the purpose of examination of the price changes in the markets during the 1987 financial crisis. The test was based on the regression cointegration idea: initially performed calculations according to the formula (5) were followed by an examination of the residual errors of the Dickey-Fuller regression (6).

$$(5),$$

$$(6).$$

This method is based on the hypothesis, that $b_1 = 0$, and LnP_{1t} and LnP_{2t} are not cointegrated. This method is recommended for the investigation of price developments in the pre-crisis period, since the examination of financial markets during the crisis or in the post-crisis period requires the identification of models specifically tailored for the situation, or requires creation of new models (Christopoulus and Leon-Ledesma, 2008; Gelper and Croux; 2007; Rublikova, 2003; Dufour and Jouini, 2006). In the event of no cointegration between the variables, clearly Granger causality tests should be prioritised and regression equations

must be adjusted simultaneously according to the peculiarities of the problem addressed (equations 1 and 2). Therefore, where, in Dickey-Fuller statistics zero is rejected, the conclusion is drawn up that the variables cointegrate and the Granger regression theory is not applicable. Therefore it is necessary to adjust the regression equations (1.2) by supplementing them by residual errors of the adjusting regression. The residual regression error in the Granger regression equation is recorded as an additional independent variable (7, 8):

$$Y_t = \delta_0 + \sum_{i=1}^{m} \alpha_i X_{t-i} + \sum_{j=1}^{m} \beta_j Y_{t-j} + \gamma \hat{\varepsilon}_{t-1} + \mu_t \quad (7)$$

$$X_t = c_0 + \sum_{i=1}^{m} a_i Y_{t-i} + \sum_{j=1}^{m} b_j X_{t-j} + d \hat{\varepsilon}_{t-1} + e_t \quad (8)$$

Where $\hat{\varepsilon}_{t-1}$ is the residual error of regression equation (5).

Many other researchers for the purpose of examining the phenomena of the same crisis used the regressive analysis methods (Roll, 1988; Gennotte and Leland 1990; Arbel et al. 1988). For instance, R. Roll established that the major plunging on the Asian markets (except Japanese) started on 19 October 1987. The latter fall was caused primarily by minor slumps in the markets of some European states, later on in the Northern America and finally, in Japan (Roll, 1988).

Practical experience has shown that the application of different mathematical methods for investigation of the same economic phenomena yields different results which, in addition, may be differently interpreted.

SURVEY OF THE DEVELOPMENTS IN THE BALTIC FINANCIAL MARKETS

In relation to any survey of the developments in financial markets, and specifically under extraordinary conditions it is of vital importance to provide a description of the initial data collected and the appropriate interpretation of the same. For example, Malliaris and Urrutia (1992) presented the data about six equity markets (New York S&P 500, Tokyo Nikkei, London FT-30, Hon Kong Hang Seng, Singapore Straits Times and Australia All Ordinaries), with specific focus on the developments in the period from 1 May 1987 to 31 March 1988. All data was divided into three periods: a) prior to the crisis; b) during the crisis; c) the period after the crisis. Having established the cointegration degree, and considering the results obtained, the authors selected an appropriate causality test. Similar surveys were performed by other authors too (An and Zhao, 2008; Pan and Dai, 2008; Beine et al., 2008).

The beginning of the financial downturn in the Baltic States (Lithuania, Latvia and Estonia) should be marked as the end of Q3, 2008 that was characterised by most prominent negative changes in the capital market; while the beginning of Q3, 2009 should be considered the start of the way to recovery. The data used for the survey of the situation in financial markets are divided into three periods: 1) the pre-crisis period (01-02-2008 – 31-08-2008), 2)

the crisis period (01-09-2008 – 30-05-2009); 3) and the post-crisis period (01-06-2009 – 31-12-2009).

Based on the precedent survey of the financial crisis of 1987 (Malliaris et al., 1992), the authors of the present article chose to use the Granger causality testing methodology. To be able to apply the Granger causality test first it was necessary to verify the degree of cointegration of the indices of the main equity markets in each of the country (OMX Vilnius, OMX Riga, OMX Tallinn). For that purpose the authors used the Dickey-Fuller and Johansen testing methodology. Both methodologies demonstrated a strong cointegration between the changes in the indices of all equity markets irrespective of the period analysed (i.e., pre-crisis, during the crisis, post-crisis). In all cases the T-statistics exceeded the critical value. The strongest cointegration was observable in the crisis period, and the weakest – after the crisis (the specific data of the cointegration survey are presented in Annex 1).

Since the data cointegrate the Granger causality test may be used only having accordingly adjusted the regression equations (1,2). The equations were supplemented by residual errors of the cointegrating regression (7, 8): the vector error adjusting type was chosen by developing the vector autoregression model by means of the EViews application. The exercise was based on the assumption that the zero hypothesis on the absence of causality is confirmed, where χ^2 does not exceed the critical value. In the opposite case the existence of causality between the financial markets concerned is concluded.

The results of the survey demonstrated, in the period preceding the financial downturn, the OMX Vilnius index was specifically affected, and in particular by OMX Riga (see Annex 2). No causality was established between the Latvian and Estonian markets. The assessment of all three Baltic markets has led to a conclusion that the Lithuanian equity market was the most passive, while Latvian market was most active. This might justify a conclusion that the financial downturn of the Baltic States that started in September 2008 was primarily initiated by the Latvian financial market.

In view of a financial crisis cases of existence of causality between markets become more frequent. In this respect, specifically noticeable is the Latvian market – the most active in the period preceding the market and the most passive of the three during the crisis, though the Estonian market lost some of its activity either. Therefore, it might be presumed that it was there markets that were mostly affected by the outburst of the financial downturn. Furthermore, in view of a financial crisis most investors relate their interests and expectations with larger markets, that under crisis conditions are considered more reliable and tend to recover quicker. This is clearly evidenced by the case of the Lithuanian financial market that was the most passive in the period preceding the downturn, became the most active in the mid of the crisis and survived the equity plunge period comparatively painlessly. Taken all these factors and considerations into account it is highly probable that the end of the financial downturn started in Lithuania initiating the recovery trends in the smaller Baltic States (Latvia and Estonia).

The end of the financial downturn restored the initial situation. The Latvian market is gaining its activity (even exceeding the Estonian), and the Lithuanian market is less active than in the crisis period, however, more active than at the time preceding the crisis.

The authors of the present article examined and researched the causality of the capital markets of the three Baltic States belonging to the same OMX group. The selection of the object for the survey is advantageous in the sense that the Lithuanian, Latvian and Estonian economic areas are often conceived as a single economic region. However, in this respect it is necessary to take into account the conditionality of the definition of the region and assess the causality of the Baltic markets in respect of the capital markets of other States, such as Russia, USA, Sweden and Finland.

CONCLUSIONS

1. The survey concluded that in all cases the developments in the period prior to the financial downturn affected the OMX Vilnius index that was mostly influenced by OMX Riga index (see Annex 2). No causality was established between the Latvian and Estonian capital markets. The assessment of all three Baltic markets yields a conclusion that the Lithuanian financial market was most passive, while the Latvian market was most active. In the opinion of the authors, the financial downturn trends of the Baltic markets that started in September 2008 originated in the Latvian financial markets.
2. In the mid of the financial crisis the Latvian market was most passive, though noted for its activity in the pre-crisis times. The results of the survey also showed that the Estonian market had lost some of its activity. Thus, the financial downturn to the largest extent affected the Latvian and Estonian markets. This is clearly evidenced by the case of the Lithuanian market that became the most active in the mid of the crisis and survived the equity plunge period comparatively painlessly, thus confirming that in view of a financial crisis the interests and expectations of most investors are related to larger markets that are normally considered more reliable and resilient.
3. The end of the financial downturn restored the initial situation: the Latvian market is gaining its activity (in some respects even exceeding the Estonian), and the Lithuanian market is less active than in the crisis period, however, more active than at the time preceding the crisis.
4. The results of the causality of the financial markets of three financial markets confirmed the hypothesis that the analysis of the 2008-2009 financial crisis may employ the econometric methods applied for the analysis of the 1987 crisis by identifying the change in the trends of the pre-crisis, crisis and post-crisis causality.

Annex 1

Determination of cointegration according to the Dickey-Fuller method. The significance level is

5 %, while critical values – in the pre-crisis period (– 2.882); during the crisis (- 2.877); in the post-crisis period (- 2.881).

Period before the crisis (01-02-2008 – 31-08-2008)			
Dependant variable	Independent variable	T-statistics	Results
OMX Vilnius	OMX Riga	-10.837	cointegrate
OMX Vilnius	OMX Tallinn	-11.261	cointegrate
OMX Vilnius	RTS	-10.707	cointegrate
OMX Riga	OMX Vilnius	-16.127	cointegrate
OMX Tallinn	OMX Vilnius	-9.703	cointegrate
RTS	OMX Vilnius	-11.167	cointegrate
OMX Riga	OMX Tallinn	-16.161	cointegrate
OMX Riga	RTS	-16.181	cointegrate
OMX Tallinn	OMX Riga	-9.324	cointegrate
RTS	OMX Riga	-11.336	cointegrate
OMX Tallinn	RTS	-9.225	cointegrate
RTS	OMX Tallinn	-11.027	cointegrate

During the crisis (01-09-2008 – 30-05-2009)			
Dependant variable	Independent variable	T-statistics	Results
OMX Vilnius	OMX Riga	-12.920	cointegrate
OMX Vilnius	OMX Tallinn	-13.015	cointegrate
OMX Vilnius	RTS	-12.959	cointegrate
OMX Riga	OMX Vilnius	-14.929	cointegrate
OMX Tallinn	OMX Vilnius	-12.998	cointegrate
RTS	OMX Vilnius	-12.439	cointegrate
OMX Riga	OMX Tallinn	-14.317	cointegrate
OMX Riga	RTS	-14.857	cointegrate
OMX Tallinn	OMX Riga	-12.380	cointegrate
RTS	OMX Riga	-12.342	cointegrate
OMX Tallinn	RTS	-12.772	cointegrate
RTS	OMX Tallinn	-12.272	cointegrate

The period after the crisis (01-06-2009 – 31-12-2009)			
Dependant variable	Independent variable	T-statistics	Results
OMX Vilnius	OMX Riga	-10190	cointegrate
OMX Vilnius	OMX Tallinn	-13139	cointegrate
OMX Vilnius	RTS	-10106	cointegrate
OMX Riga	OMX Vilnius	-11500	cointegrate
OMX Tallinn	OMX Vilnius	-14038	cointegrate
RTS	OMX Vilnius	-10824	cointegrate
OMX Riga	OMX Tallinn	-11540	cointegrate
OMX Riga	RTS	-11434	cointegrate
OMX Tallinn	OMX Riga	-10935	cointegrate
RTS	OMX Riga	-10846	cointegrate
OMX Tallinn	RTS	-11370	cointegrate
RTS	OMX Tallinn	-11383	cointegrate

Determination of cointegration according to Johansen method

Period before the crisis (01-02-2008 – 31-08-2008)			
Number of cointegration equations	Trace statistics	Critical value	Result
0	116.11	47.85	cointegrate
1	75.34	29.79	cointegrate
2	39.98	15.49	cointegrate
3	14.48	3.84	cointegrate
During the crisis (01-09-2008 – 30-05-2009)			
Number of cointegration equations	Trace statistics	Critical value	Result
0	133.40	47.85	cointegrate
1	86.94	29.79	cointegrate
2	Vas.51	15.49	cointegrate
3	19.49	3.84	cointegrate
The period after the crisis (01-06-2009 – 31-12-2009)			
Number of cointegration equations	Trace statistics	Critical value	Result
0	150.80	47.85	cointegrate
1	90.66	29.79	cointegrate
2	44.19	15.49	cointegrate
3	17.69	3.84	cointegrate

Annex 2

Assessment of the causality of the Lithuanian, Latvian and Estonian financial markets

Causality direction	Period before the crisis (01-02-2008 – 31-08-2008)	During the crisis (01-09-2008 – 30-05-2009)	The period after the crisis (01-06-2009 – 31-12-2009)
	χ^2 statistics (critical value is 5.99)		
Latvia → Lithuania	13.92	0.15	6.44
Estonia → Lithuania	6.54	4.75	1.97
Lithuania → Latvia	5.04	8.62	8.65
Estonia → Latvia	5.98	13.96	13.76
Lithuania → Estonia	5.47	16.37	2.60
Latvia → Estonia	3.19	1.03	21.49

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INTERCULTURAL COMMUNICATION COMPETENCE IN TOURISM

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Abstract

Tourism is generally and globally acknowledged as one of the few economic sectors that has more than significant growth prospects and is characterized as a world economy problems solving tool. At the same time this sector is known for its turnover of staff, persistent lack of qualified personnel and rapidly changing skill ability needs. The paper shows the importance of communication process in nowadays tourism but particular attention is paid to the significance of the diversity of communication during the interaction of people from different cultural areas and justifies the need for intercultural communication competence for the tourism sector staff activities. Also paper presents intercultural communication model in tourism with required knowledge, skills and abilities system.

Key words: tourism, communication, intercultural communication competence.

In recent year, globalization and its associated economic repercussions have taken place within a wider context of the world economy. Macroeconomic policymakers have been concerned to decrease barriers which impede international flows of goods, services and financial capital. Done well, tourism and its development can be a powerful tool resolving these problems.

Tourism is the phenomenon of great social and economic importance, the biggest and the fastest growing trade which is developing 1.5 faster than the other industries. It incorporates many of the features of information society as globalization, mobility and information richness and provides support to development in many developing as well as developed countries. This phenomenon can stimulate development in terms of income, employment, foreign exchange earning and taxation as well as have multiplier and spillover effects. Being a labor intensive industry has the potential to be a major source of employment. Besides the direct economic benefits tourism can be a mechanism for social change and progress as it introduces new ideas, values and lifestyles and provides stimuli for both economic and social progress through direct contact between hosts and visitors (Williams, Hall, 2000, Lee, Chang, 2008).

People from all nations, social rank, professions become potential tourists so tourism links to a worldwide supplier community with consumers, equally distributed worldwide. It's physical and virtual networks enable worldwide travelling, bringing together very distant cultures and habits and increase the number of social interaction between the people. Various social interactions usually occurring as a communication between suppliers and consumers. This process has an impact both product quality and the same for tourism and the changes taking place there (Macleod, 2004).

1. COMMUNICATION PROCESS AND THE IMPORTANCE OF TOURISM

Communication is one of the most important conditions of human existence as social creatures. It is a process with occurs natural between and among people whenever meanings is attributed to behavior or the residue of behavior. Commonly communication is defined as two-way process of continuous exchange of information between human beings by common systems of codes and behaviors for the purpose of understanding. However, some argue that the communication not only for the purpose of understanding. For example, within cognitivist and structuralist research the communicative act is portrayed as unproblematic as it engages objectified meaning structures embedded in the structures of texts, symbols, and social practices, which remain independent of the interpreting mind. In contrast, in postmodernist research, communication is regarded as implausible as meaning is uniquely created by the receiver.

Tourism is an area in witch communication take place and, according to Kielbasiewicz-Drozdowska, Radko (2006), in the communication process and in tourism there are elements witch determine the correlation between these two areas:

- Communication is a social process and always takes place in a social context and tourism depends on the change of social environment, getting to know other environments, entering interactions with new surroundings. Therefore, it can be argued that each interaction implies the process of communication. In tourism it is inevitable because of a high frequency of making contacts and entering interactions which usually take place on an interpersonal level.

- Also communication serves the purpose of getting to know the world, and acquiring the knowledge about it, helps to build interactions and group relations being the existential foundation of each society and one of the main reasons for a tourist trip is the desire to know the world, people and different cultures, to compare one's own culture with a foreign one. So going abroad is particularly conducive to making contacts with people from different cultural circle. The cognitive nature of such trips is the greater and closer is contact with the culture and inhabitants of the visited country.

- Communication uses symbols and a sign depends on the exchange and reading of symbols in the context of the culture known us and tourist visiting a given country first notices the material products of its culture, being a reflection and materialization of the accepted beliefs, views, ideas and standard symbols. Then each culture has shaped its own system of symbols and meanings, usually comprehensible only to its representative. Tourism understood as a meeting of representatives of different cultures creates a chance to know and understand other people and their cultures by way of exchanging information, beliefs and views in the content of the culture's announcements.

- In order to reach full agreement between the participants in the interaction, a semiotic community is necessary, i.e. using the same signs, symbols and meanings. Total communication between the representatives of different cultures is nearly impossible, so the awareness of the existence of differences between cultures, their acceptance and the attempt

to understand them is very important. Tourists are most often people from outside the cultural circle of a visited country, using a different repertoire of symbols and signs that the natives. The divergence is not, however, a sufficient criterion for assessment of a given culture as better or worse. So symbols and signs define the ways of thinking specific to a given culture; they define meanings and establish the sense of events and phenomena. The lack of knowledge about symbols, signs and meanings constituting the culture of the visited country contributes to difficulties in communication ant to incorrect interpretation of the announcements, leading very often to the lack of agreement, discomfort of interlocutors, and being the grounds for the negative assessment of other cultures. (Kielbasiewicz-Drozdowska, Radko, 2006)

Many changes in tourism according to Macleod (2004) largely due to communication. This process plays an important role in sustainable tourism development: can create and facilitate a system that allows stakeholders to exchange opinions and arrive at consensual solutions. Effective use of communication tools can also link products to markets and can contribute to visitor's safe and positive experience. Moreover, tourism has been considered as a vehicle for promoting better understanding between nation (Grenna et al. 2006).

2. THE ROLE OF INTERCULTURAL COMMUNICATION COMPETENCE IN GLOBAL TOURISM

According to Vujic, Becic, Crnjar (2008) „without high-quality personnel there is no high-quality tourism"(p. 206). Is therefore the most important assets in tourism are well-trained staff, especially in staff-customer contact zones (Baum, 2006). It means that very important role in structure of employee's professional competence play not only basic knowledge and skills with regard to tourism products, target areas, marketing, selling, electronic data processing of bookings via the Internet but ability to interact, communicate and work with other people too. According to Iždonaitė-Medžiunienė, Žalys, Žalienė (2008) employees communicative competence – speaking, reading, writing, listening, socio-cultural environment skills, communicative flexibility, critical and creative thinking, conflict management, are the key to the success of nowadays service-sector and tourism.

In the recent decades according to the data of World Tourism Organization and World Travel and Tourism Council the number of foreign trips has increased twenty five times in the last fifty years so field of communication in tourism has changed sharply. Tourism has become an area where communication with representatives of different cultures takes place frequently. These interpersonal contacts and interactions, both verbal and non-verbal, most commonly are defined as intercultural communication process. According to Kielbasiewicz-Drozdowska, Radko (2006) intercultural communication can be distinguished into the following types: intercultural communication, with is communication between representatives of different national or ethic cultures and cross-cultural communication, which is communication between members of different groups within one national culture. In both cases, if individuals represent different cultural groups, they have different communicative

behavior: they interpret and respond differently to the same issues or tasks because they have distinct perceptions of environmental opportunities and threats and internal strengths and weaknesses. As Hall said: „the more culturally different is the environment in with a tourist communicates, the more difficult the communication process is". (Kielbasiewicz-Drozdowska, Radko 2006, p.83).

With the development of mass tourism the knowledge and ability to deal with others representing different cultures for tourism sector employees has become significant. The rapidly growing tourism requires them to not only elementary communications skills but also ability to manage new situations and respect cultural differences. Without these communications may in general fail for a number of reasons, including inadequate information, poor-quality information, information overload, poor timing, problems with communication channels, different styles of communication, and lack of feedback. Intercultural communication may also fail because of conflicting perceptions, i.e. different world views, lack of similar life experiences, and cultural differences in nonverbal communication (Byram, 1997, Zakaria, 2000).People ability to deal with others representing different cultures show their intercultural communication competence, which can be understand as part of individual communicative competence. Importance of this type of competence in tourism is significant. However companies do not usually include intercultural communication competence in professional qualifications when recruiting employees.

In intercultural communication the importance of understanding and feedback is emphasized. According to Zakaria (2000) there are many individual attributes associated with success in intercultural communication: cognitive flexibility, adaptability, tolerance for ambiguity, positive self-image, outgoingness, extroversion, non-ethnocentrism, cultural sensitivity. Some nonverbal dimensions, such as approachability, poise, attentiveness and touch and some verbal dimensions, such as language adaptability, interpersonal inclusion and assertiveness are important too (Lecler, Martin, 2004). Also this competence entails not only knowledge of the culture and language, but affective and behavioral skills such as empathy, human warmth, charisma, and the ability to manage anxiety and uncertainty.

CONCLUSION

The political, economic, cultural, social changes caused by globalization have made an impact on communication in general and on communication among different groups of people in particular. Nowadays, globalization in tourism means openness to new opportunities for intercultural communication. With on ongoing increase in the cultural diversity of the customers and workforce, all employees in tourism sector must be effective intercultural communicators in order to act effectively. It depends on employee's interpersonal skills, cultural uncertainty and cultural empathy - dimensions of person intercultural communicative competence.

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IMPROVEMENT POSSIBILITIES OF THE EUROPEAN AGRICULTURAL MODEL IN GLOBAL ECONOMICS

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Abstract

Two basic agricultural models used in global economics are discussed in the article: European and liberal (of Keirns). Each of them has some positive aspects; however negative aspects are faced there too. In Lithuania major attention is paid to the European agricultural model, since on the basis of this model the general policy of agriculture is formed.

In the article, despite the highlighted positive aspects of the European agricultural model, the ways of how to improve the weak points are searched for, as well as to improve agricultural policy in Lithuania taking into account the globalisation processes.

Keywords: European agricultural model, support for agriculture, globalisation of agricultural business.

INTRODUCTION

State's management of agriculture under the circumstances of globalisation may be of two types: 1) it may stimulate and control agricultural business (Kuodys ant others 2006; Droždz, 2005; Ribašauskienė 2004), 2), it may warrant a free market, which by its „invisible hand"would realise the decisions of politicians and experts of economics (Mises, 2006; North, 2003; Degutis, 1998). With reference to this, two agricultural models now prevailing may be accentuated: the European and liberal (the latter sometimes is called Keirns' agricultural model). These models are not perfect, besides, they are constantly changing. After Lithuania had entered to the EU, it has contributed to the formation of general agricultural policy, where the European agricultural model prevails.

Aim of research – to determine the means of the European agricultural model improvement.

Object of research – improvement possibilities of European agricultural model in the global economics.

Method of research– in order to determine the improvement possibilities of the European agricultural model, the analysis of scientific literature was carried out.

1. Features of agricultural models

In 1997, in Luxemburg, the EU Council defined the conception of the European agricultural model. According to this conception the European agriculture as the sector of economy, to better sustain internal and global competition, should be multifunctional, versatile, stable, competitive and encompassing entire EU territory including also the regions having some specific problems (Čiakas, 2009).

Two agricultural models now prevailing are accentuated: the European and liberal (Table 1) (LAEI, 2005; Laužadytė, 2004; Paulikas, 2002).

In many countries, including Lithuania, the great part of support resources is allocated to agriculture. Many scientists (Schumpeter, 1998; Beijerse, 1999; Strazdas, 2003; Vilpišauskas, 2004; Kriščiūnas, 2006) state, that the competitive ability of the country in the global economics depends on the branches of economy, which generate great surplus value. Due to this it is the most logical, that the state's government first of all would promote the knowledge susceptive branches generating high surplus value, however in the European agricultural model the support is provided for respectively not so knowledge susceptive branch, i.e., for the traditional agricultural business. Of course the great changes in the value generated by agriculture may be provided by wide usage of biotechnologies, genetic engineering, but in the EU these technologies, compared to other countries of the world, are used carefully.

Table 1. Features of the European and liberal agricultural models

Features of the models	European agricultural model	Liberal agricultural model
Positive features	Based on harmonious development values, i.e., considering not only economic, but also social and ecologic (environment protection) principles.	Based on economical values, i.e., production is controlled by the market mechanism.
Negative features	Support related to production leads to overproduction and market perversion. Dependence of agricultural subjects on the governmental support. Expensive model to the state's budget. Higher than worldwide prices.	Manufacture methods non-sparing the environment. Production of genetically modified products. Non-production of public goods in countryside. Low income of agricultural workers.
The weakest aspects of the model	Non-competitive agriculture. Poor assimilation of the support means due to the support receivers' mistakes, which decreases efficiency of this model.	Non-harmonious development of agriculture. Disregard of social and ecological standards. Complexity of planning due to almost not impossible to prognosticate the situation in agricultural business.

In Lithuania the European agricultural model, based on equilibrium between economical, social and ecological values, is functioning (LAEI, 2005; Laužadytė, 2004; Paulikas, 2002). This conditions the multifunctionality of the activities of countryside areas, which means not only the production of agricultural products, but also the preservation of countryside environment and landscape, balanced expansion of countryside regions.

Features of liberal (Keirns) agricultural model are absolutely opposite to the European model: a gross farming dominates, the countryside traditions have no significant influence on the national identity, the ecological consciousness is poorly developed, liberal attitude to wellbeing of animals and food ethics, the manufacturing technologies of genetically modified products are propagated (Stonkutė, 2004), which may be dangerous to the health of human. This model dominates in the countries of South America, Australia and New Zeeland (LAEI, 2005). The features of this model show up because it is grounded on the value of free competition (market mechanism), i.e., the future of business is determined by the comparative advantages.

In the European agricultural model, in order to obtain harmonious development, the principle of economic rationality is contravened, therefore agricultural prices exceed the worldwide ones, high support expenses, and the market is perverted. Due to neglect of the economical rationality principle in the European model, the lack of competitive ability in the global markets, as well as inability to compete without state's support in the global markets has shown up. Each of the models mentioned, has some disadvantages, which are necessary to eliminate in order not to destabilise the economics of states.

The level of support for agriculture in the world still remains high. One of the motives to further support the agriculture is social and environmental purports, therefore the European agricultural model is superior in comparison to the liberal one, since the external costs of production are internalized. Anyhow in the European model the biggest attention should be paid to the increase of competitive ability. In the European agricultural model the support is vindicated, since it warrants public interest (harmonious development, production of public goods in countryside, higher income of agricultural workers, external costs, benefit, etc., are internalized). However it is very important, that such support would help to enhance the competitive ability of agricultural business on a world scale.

2. Enhancement of weak points of the European agricultural model

During the process of globalization the European economy of food and agriculture as well as countryside development policy await for challenges: further liberalization process and due to it constantly growing competitive constraint in domestic and foreign markets; increasing necessity of innovative ideas and need for their implementation; countryside development; constantly changing consumer-oriented environment and public attitude to economy of food and agriculture as well as to the countryside not only as the producer of food products, but also as the creator of public values, as the conservator of landscape; possible further EU expansion; limited natural, human and budgetary resources (Čiakas, 2009).

Table 2. Enhancement of weak points of the European agricultural model

Weak points	Current enhancement of weak points	Improvement possibilities
Non-competitive agriculture.	Support means for enhancement of competitive ability.	1. To liberalize the global trade of agricultural products. 2. Orientation towards the market refusing from relating the direct support means with the scopes of the production manufactured. 3. Reduction of direct payoffs for account of investment support, the key purpose of which is to increase the competitive ability of agricultural businesses.
Poor assimilation of support means due to the mistakes of support receivers, which decreases the efficiency of this model.	Increase of support assimilation without abortion of support due to non essential mistakes, but by sending requests.	1. Constant monitoring of mistakes in support means' assimilation. 2. Information to support receivers about these mistakes.

The weak points of the European agricultural model are already attempted to reduce. As per order of the Ministry of Agriculture the studies are carried out regarding the possibilities of improvement of the European agricultural model and support efficiency. After the analysis of „Review of studies and research of Lithuanian General programming document 2004-2006 " (ŽŪM (Ministry of Agriculture), 2008), in Table 2 the possibilities of improvement of the European agricultural model are highlighted.

The studies carried out as per order of the Ministry of Agriculture (ŽŪM, 2008), shows, that with a help of investment support means the competitive ability may be enhanced, but global trade should not be perverted as in such a way unfair competition is stimulated (the rather that reproducers take export subsidies received for the export, e.g., of milk).

Another important aspect of improvement is that in the European agricultural model the farmers would be more oriented towards the market, if payments of direct benefits were completely dissociated from the amount of production manufactured. Direct benefits in such a case would perform only the role of income maintenance, and in this case the European agricultural model would retain its orientation towards the development of works. Also the European agricultural model could be improved by decreasing the amount of direct benefits, and to remit the part reduced for financing the means of countryside expansion (for investments, to improve life quality, for observing the standards).

The receivers of support are allowed to correct non-essential mistakes of support assimilation, however when correcting mistakes the efficiency of support assimilation decreases, since the payoff of support gets slower and work of specialists administrating the support gets more complicated. The best way to evaluate the support assimilation efficiency would be in respect of support administration time, however such information officially is not provided. The European agricultural model would function better if the support means were assimilated more efficiently. Earlier studies (Jasinskas and Kazakevičius, 2008) showed, that the farmers most of all lack information about the support, therefore to improve the European agricultural model, the constant monitoring of mistakes in support means' assimilation as well as presentment of information about these mistakes to the support receivers are necessary.

CONCLUSIONS

1. The European agricultural model is based on the values of harmonious development considering not only economic, but also social, and ecologic (environmental) values. However its negative aspect, compared with liberal agricultural model, is low competitive ability of agriculture. To eliminate this disadvantage of the European agricultural model, the support means, which are intended to increase the business competitive ability, are applied. When the support assimilation slackens, due to the mistakes of the support receivers, the efficiency of this model gets lower.
2. The means of improvement of the European agricultural model are the following: liberalization of international trade in agricultural products, orientation towards the market by refusing the relation of direct support means with the scopes of the production manufactured, reduction of direct benefits on the account of investment support, constant monitoring of mistakes made in assimilation of support means, and information presentment.

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CORPORATE SOCIAL RESPONSIBILITY IN THE ECONOMIC CRISIS

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Abstract

The global financial crisis has a direct impact on corporate social responsibility. The global recession has brought companies to a crossroad, depending on how to go on with their CSR activities. One possible direction - to cut budgets especially for CSR. But the numerous and wide-ranging past crises have increased the awareness of many companies for the need of serious and genuine CSR. This way for companies to go, namely to integrate CSR even more into their core business so that it will be accepted as responsible business practice and therefore critical to business success. CSR is important for business and must not be abandoned if times get tough.

INTRODUCTION

The current financial crisis has caused many of us to question the motives and actions that drive the business world. Even the basic notion that firms should be run so as to maximize shareholder value has come under increasing scrutiny. The failures of some of most venerable financial institutions have called into question the very premise of value-based management. Moreover, by being paid out at a time when rank-and-file employees, suppliers, and other corporate stakeholders are suffering, excessive CEO compensation has produced public outrage.

The **object of research** in this article is – the position of corporate social responsibility during modern global economic crisis.

The **aim** of this article is to explore and to evaluate the priorities in strategically managing corporate social responsibility during tough times.

Methods of research - systematic and critical analysis, generalization and synthesis methods.

TWO DIRECTIONS OF CORPORATE SOCIAL RESPONSIBILITY

The financial crisis which has grown into a global crisis and a crisis of trust in the financial institutions and governments will have a direct impact on corporate social responsibility (CSR). The global recession has brought companies to a crossroad, depending on how to go on with their CSR activities.

One possible direction many companies already take is cutting their budgets especially for CSR as public relations and therefore showing that CSR was nothing more than a passing fashion from good financial times.

The research of economic crisis impact on Lithuanian SME's CSR indicates that the economic crisis effect on CSR in SME's most often is evaluated negatively, still for various reasons, with the leading one, that firstly small business should address the issue of survival, so this is hampering the deployment of CSR in Lithuanian SME's (Bernatonyte, et al., 2009).

But the numerous and wide-ranging past crises have increased the awareness of many companies for the need of serious and genuine CSR. The percentage of implementation of CSR in some highly developed countries are as follows: the U.S. 50 percent, the UK 40 percent, Germany 51 percent and France 30 percent. (CSR instrumental in a company's future…, 2009).

Even if the business outlook is not promising at the moment and resource situations seem to be pretty tough, there is a strong likelihood that companies with solid CSR strategies will come through the economic crisis on a sound footing and that they might even be able to demonstrate clearly the strong contributions that CSR practices have made and can make to business success.

This way for companies to go, namely to integrate CSR even more into their core business so that it will be accepted as responsible business practice and therefore critical to business success. This behavior would finally also help to tackle the other parts of this universal crisis, it would appear as a major factor in social cohesion, in saving the environment and decreasing poverty and finally leading to general prosperity.

SOCIAL RESPONSIBILITY IN BUSINESS

CSR programs are basically a company's policy and activities related to the stakeholders as well as owners, values, abiding by the law, rewarding society/community and the environment as well as a company's contribution to sustainable development.

Although the term „corporate social responsibility"(CSR) is widely being used in nonfiction the meaning of it been approached differently in various contexts. Very often CSR conception is not even given that is why to study the content of this concept and to measure it is quite complicated. One of the most quotable CSR researcher's S. Sethi noticed: „Devoid of internal structure and content, it has come to mean all things to all people (Sethi, 1975, p. 58).

Leading scholars in the "business in society" field periodically indicate the lack of consensus regarding terminology. To describe business and society relationship compatibility are used various terms: „corporate social responsibility", „corporate performance", „corporate citizenship", „corporate social responsiveness", „corporate social relationships", „corporate community involvement", „corporate social obligations" and etc. By trying to identify the content of above mentioned categories appears that the authors quite often are trying to describe the same or very close phenomenon. Researchers have noted that for instance „corporate citizenship"has been considered as synonyms to „corporate social performance"(Jacobs and Kleiner, 1995). "Corporate citizenship" is commonly employed by

business practitioners and the notion of „social performance "indicate more of outcomes than of actual corporate activities and processes. D. Wood defines corporate social performance as: „A business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships"(Wood, 1991, p. 693).

Not researching further above mentioned categories conceptions shadings will be using the most common „corporate social responsibility", term which Commission of the European Communities describes like this: „Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs"(Implementing the Partnership...2006).

In nonfiction CSR conception during last three decades did not changed fundamentally. One of the most quotable corporation's behavior researchers A. Carroll in his three-dimensional conceptual model of corporate performance CSR described shortly: this is „responsibilities above and beyond economic and legal obligations"(Carroll, 1979). The author in his model marked three-side set of responsibilities: economic, legal, ethical, and discretionary responsibilities. As suggested by Carroll, the main social responsibility of businesses is economic: commercial organizations are expected to produce the goods and services that society desires, and thereby to create sustainable economic wealth. Businesses also have to follow the rules of behavior considered appropriate by society, whether these rules are stated in laws or are defined by ethical standards. Finally, discretionary responsibilities reflect society's desire to see businesses participate actively in the betterment of society beyond the minimum standards set by the economic, legal, and ethical responsibilities. Providing work-family programs, offering pleasant work aesthetics, or giving donations to charities are examples of some activities undertaken by businesses to meet their discretionary responsibilities.

The world economic crisis has raised many questions to which international organizations and major research centers are trying to find an answer.

They talk about many causes and ways out of the current situation. Several Western experts think that major companies could ease their plight, even avoiding bankruptcy and redundancies, if they observed the norms of corporate social responsibility

Corporate social responsibility may have become a popular concept in the business world but will it survive the present economic turmoil? Until a year ago, no one would have questioned the possibilities of CSR. But things changed once the financial crisis hit the global economy. Experts are of view that the current economic scenario has led several companies to keep their CSR and sustainability efforts for the future. The focus has shifted from social causes to profit making. However, they feel that even though companies are finding it difficult to keep going green and good work has taken a back seat, CSR should not be removed from the business agenda

A. recent survey of global management consulting firm A. T. Kearney, found that corporations with a focus on sustainability performed on average 15% better than their counterparts during the financial crisis (Global Champions..., 2009). This shows once more that CSR is important for business and must not be abandoned if times get tough.

The viability of corporate social responsibility goes beyond its acceptance in only good business conditions. It can be a valuable aspect whether the business is running good or bad. Currently, when consumers are becoming aware and demanding more transparency in the information being provided to them, companies cannot afford to lose their commitment to CSR. Many companies believe that tough economic conditions should result in tough decisions and not in losing out on hard earned sustainability credentials. But with everyone busy making profits; it will be a challenge to see how many companies stay committed to making a difference and whether they consider CSR as a business essential or a fringe activity. CSR consultants agree to the fact that recession is affecting sustainability issues but they also feel that a business can save money if the sustainable policies are in place. From saving electricity with low-energy light bulbs to reducing landfill sites with the help of local councils, companies can continue making a difference with minimal investment. These initiatives will require investment in the initial stages but if they are well thought out, any business can reap long term benefits.

Economic downturn will have less impact on organizations that understand the importance of developing a sustainable business. Effective CSR events will become an effective tool for them to sail through rough times. The present need for companies is to keep following green ways of doing business and take little steps within their financial constraints.

CORPORATE SOCIAL RESPONSIBILITY AS A WAY TO OVERCOME CRISIS

The European Commission's most recent Communication on CSR was published in 2006. It emphasizes the importance of CSR and challenges business to take leadership in this field. It also outlines ways in which the Commission intends to continue to promote CSR as a voluntary concept, with an emphasis on dialogue between stakeholders. In March 2010 the Commission made a commitment to "renew the EU strategy to promote corporate social responsibility as a key element in ensuring long term employee and consumer trust". In a Communication entitled "Europe 2020 – a strategy for smart, sustainable and inclusive growth" and published on March 3rd, the European Commission announced that "At EU level, the Commission will work to renew the EU strategy to promote corporate social responsibility as a key element in ensuring long term employee and consumer trust." This is included in Chapter 2 on "Smart, Sustainable and Inclusive Growth" and is one of the 7 Flagship Initiatives dealing with "An industrial policy for globalization era" (Europe 2020 …p. 15).Strategically managing CSR during tough times requires a bold and aggressive approach. What should be done? Better yet, what are some things you can do to reduce the likelihood of facing this situation in the first place?

Some conclusions for companies managing through difficult turns in the market:
* Sharply align CSR efforts with core business objectives: Which CSR activities can be "dialed up" to support the company's cost-saving efforts? Which programs help manage

the employee- and reputation-related challenges that often come with a downturn? Rising energy and material costs create ample opportunity for CSR to be a significant part of the cost-control agenda, which helps avoid the need for painful headcount reductions. Companies from 3M to Wal-Mart credit their CSR-related efforts with total cost savings in the tens to hundreds of millions of dollars.

To take advantage of CSR opportunities, make sure your business portfolio is broad enough to encompass activities that contribute to tangible - and material - business success. One approach to achieving this level of focus is to conduct a formal materiality assessment of your company's CSR issues and efforts, as business social responsibility has done recently with companies such as GE and AT&T. In each case, the CSR agenda has been clearly focused around two or three key themes that directly support broader corporate priorities.

* For the rest, "think R&D": For those CSR priorities that don't provide the near-term relief of cost savings, create and communicate credible links to long-term success and profitability. Like R&D, CSR is about disciplined action and capability-building that sustains and increases the value of core company assets - your products, your people and trust in your brand - over time. The last thing any company wants to do to weather a temporary downturn is cut back efforts in areas deemed critical to the firm's future competitiveness. Indeed, great companies - from GE to Toyota to Novartis - have been hailed by analysts and management experts for finding ways to increase R&D spending, including in new CSR initiatives, during hard times. Your employees and other stakeholders will notice, too, as it is during hard times that corporate values show through and loyalties are built.

* Always be ready with clear and compelling measurements of CSR benefits: CSR's tangible and intangible benefits are important drivers of success in CSR at the best of times. When business is bad, it can make the difference between continued internal support for your CSR efforts versus having them cut back or eliminated altogether.

* Build partnerships across important business units and functions: CSR is, by nature, radically cross-functional. Business units and functions that are the primary drivers of value creation in your business need to be involved. Most of the top CSR issues and opportunities can be properly assessed and addressed only by cutting through the "silo" structure prevalent in many large companies. By making CSR a strategic imperative, you can also multiply its impact companywide. For instance, saving tens or even hundreds of thousands of dollars at an individual facility through energy saving and waste reduction efforts is a good thing. However, the impact could be much greater - identifying and capturing over $300 million in savings across the enterprise qualifies in every respect as a strategic imperative deserving of the personal attention and support of your CFO as well as his/her boss.

* Find champions and allies where you least expect them: In two recent cases with clients in the electronics and business services industries, the head of enterprise sales emerged as a key champion for CSR. Despite - or, as it turned out, because of - significant pressure to grow revenues in a tough market, these leaders saw their companies' CSR efforts as important and relatively low-cost ways to differentiate the companies in the marketplace. And they have strengthened their businesses as a result. When engaging your colleagues in marketing and sales, it is always worth asking: "What can CSR do to help you help our customers?"

If all goes well, the next time you are questioned about whether the company can afford to maintain its commitment to improve CSR performance, you - or better yet, your CFO - will say: "We can't afford not to"(Olson, 2008).

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SOCIO-ECONOMICAL CRISES AND MODERNIZATION WAYS OF SPORT MANAGEMENT IN LITHUANIA: THEORETICAL APPROACH

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Abstract

Alongside with acquiring the experience of the institutional, administrative and political process of the European Union by a direct participation in the activities of institutions and the process of creation of the European Union policy the administrative abilities of the Lithuanian State are sure to improve. This urges one to contemplate also on the issue of universality and specific-ness of the essential changes taking place in sport management since in conditions of economic and social crises, crucial importance falls on the formation of systems of new type capable of directing the changes occurring in the structure of the Lithuania State and society. The system of organization and control of sport management, likewise its subsystems of different levels, in conditions of economic and social crises frequently function as closed systems that only partially serve their purpose. Therefore the solution of problems connected with developing the potential should be conceived as the essential factor and aim in the modernization of the system of sport management in Lithuania.

Key words: globalization, economic and social crises, sport management, sport organizations, modernization.

Proper management and transparent activities of the government is a prerequisite of the rapid progress of the country. Alongside with acquiring the experience of the institutional, administrative and political process of the European Union by a direct participation in the activities of institutions and the process of creation of the European Union policy the administrative abilities of the Lithuanian State are sure to improve. The index of the quality of management is the trust the society has in the government that has been rather low recently. The trust held in the government by the society is a major value possessed by any particular country.

This urges one to contemplate also on the issue of universality and specific-ness of the essential changes taking place in sport management since in conditions of economic and social crises, usually brought about by modernization, globalization and various processes of integration of countries the world over, crucial importance falls on the formation of systems of new type capable of directing the changes occurring in the structure of the Lithuania State

and society, as well as capable of coordinating the cooperation of activities corresponding to the developmental requirements and new strategic objectives of sport management.

The aim of the paper is to discuss the factors of sport management and the alternatives available due to the processes of economic and social crises.

Frequently during economic and social crises or their manifestations the urgent problems of sport management come to light when an attempt is made at discussing the quality of life, the norms and standards of health the estimates of priorities given by the Lithuania State to its political, social, economic and technological development the implementation of which is directly associated with the spreading and qualitative evolution of the social life of each country.

From the standpoint of management consistent and continuous coordination of the priorities mentioned above is of special importance. This is obligatory for ensuring the harmony essential for the development of sport; society and Lithuania State at times even in circumstances of uncertain and indefinite social and economic crises.

It might by asserted that problems of sport management considered in the light of economic and social crises are typical for most countries and sport society of those countries. Still in various countries there are also likely to be revealed certain specific problems characteristic of separate regions and typical for a particular period of time.

Speaking about the activities of institutions of sport organization and management and the trends of their improvement, also with regard to the structure and content of management on the Lithuania State scale in conditions of the same economic and social crises the most urgent subsystems of sport management are analyzed most frequently. No doubt to this category should be attributed subsystems of Lithuania State power, sport management and self-government on the national, regional and local level of sport management and self-government, as well State and non-State organizational structures providing for the social, economic and cultural development of society.

The adequacy of functions, potential, organizational structures and interrelations should be typical for any system of sport organization and management. This adequacy would enable to achieve the inner harmony of the system that might be understood as a prerequisite of the efficiency of the system of sport organization and management.

On the basis of the abovementioned factors confirmed by the science of management and practice the appraisal of the efficiency of the system of sport organization and management, during economic and social crises in particular, would help to determine the possibilities of its optimization and further modernization. Most frequently the priority trends in the modernization of sport management in Lithuania State might be as follows: coordination of the system of legal acts regulating the organization and management of sport in Lithuania and the respective legal acts on sport in the countries of the European Union that enables the restoration and strengthening of the economic potential by obtaining investment; promotion of the social and political importance of the system of sport organization and management; optimization of the social and economic development of separate regions owing to decentralization of sport organization and management structures, the ones of the local level included.

After reviewing the potential of the system of sport organization and management and the trends of its development certain basic problems become apparent. Their essence lies in the fact that the system of sport organization and management in Lithuania State, likewise its subsystems of various levels, in conditions of economic and social crises usually function as closed systems generating and carrying out merely their inner objectives and interests. Such inner objectives frequently are but partial and short-term ones and, in some cases, they may contradict the course of the development of the State and the society. In order to avoid this it is advisable to initiate the establishment and appraisal of the practicable and top-priority resolutions to be taken in the course of the development of the Lithuania State and the society. It is obligatory that these resolutions be transferred into the subsystems of sport organization and management, also into working out the various methods of the appraisal of coordination of these resolutions as applied to the course of development of the Lithuania State and the society. This would contribute to changes in the culture of the organization process as such, would encourage the creation of various methods of stimulating this process, as well as would contribute to coordination of strategies of sport organization and management and resolutions to be followed as far as the course of the development of the society is concerned. This coordination in its turn would create conditions for the change of objectives and modernization of processes of management in conditions of predominance of social and economic crises.

The circumstances outlined above reveal the structure of the process of coordinating the strategies of activities within the system of organization and control of sport management

with resolutions what regards the course of the development of the society. The potential of resources of organization and control of sport management, however, the potential of human resources in particular, frequently does not correspond to the requirements set for the aspirations of the State and the society to be accomplished. The basic problem lies in the fact that quantitative and qualitative characteristics are not in accord with the regulations of the development of the State and the society. From the standpoint of systematic changes it is important that the system of continuous qualification improvement of specialists be modernized or formed anew. This is, however, the problem issue of another study.

Taking into account what has been said above it might be asserted, in defining the requirements for the institutions of sport organization and management and in establishing the priority trends in the modernization of their activities it is advisable to take into consideration the fact that these activities are numerous and varied. Complex objectives and orientation towards an active participation in the development of the Lithuania State and the society are characteristic of them and therefore an improvement of the quality of the process of communication is a pre-requisite of modernization.

Finally, the system of organization and control of sport management, likewise its subsystems of different levels, in conditions of economic and social crises frequently function as closed systems that only partially serve their purpose. Therefore the solution of problems connected with developing the potential should be conceived as the essential factor and aim in the modernization of the system of sport management in Lithuania.

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LITHUANIAN BALLOON PILOTS' TRAINING STRATEGY UNDER CONDITIONS OF GLOBALIZATION

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Abstract

The objects of this study are human resources in balloon sport using knowledge management systems for an increase in competence of regional staff. The improved model of training strategy for Lithuanian balloon pilots was proposed. According to this theoretical model we recommend to improve all the subsystems of human resources system of competence increase.

Economic growth and economic competitiveness in the globalization process of Lithuania, a small country of the European Union, which gained its statehood only twenty years ago, can only be achieved by obtaining an experience of new technologies from the most developed western countries and focusing on the international intelligence for a progress in various fields of science. Sport is one of such potential areas as in order to keep a high level is necessary to focus on training or active leisure. Western experience shows that investments in this area are increasing (for example, a general turnover of sport and leisure equipment in the United Kingdom is about 3 billion pounds per year). In addition to the analysis and modeling of interaction between human and technical means it is important to assess a state of our constitution, to perceive the physiological and psychological adaptability. Under the situation of globalization it is important for sport specialists to adopt achievements of developed countries on training methodologies and modern training systems, which correspond to the current requirements. Balloon sport in Lithuania is an area where the level of specialists' training is far behind the level of the developed European countries. Therefore, it is necessary to reorganize the current system implementing models on preparing and training of balloonists, organizing of competitions.

The problem is that there are no training methodology of an unrestricted aerostat pilots, which would meet the requirements of the Federation Aeronautique Internationale (FAI) and safe financial basis for pilots' training; the current qualification of instructors for pilots' training does not meet requirements for international flight training; the trained pilots have not enough knowledge about air traffic safety in accordance with European Union standards and directives.

The aim – to analyze the experience of balloon sport pilots training of western countries in order to adapt it to the model of balloon pilot training in Lithuania in accordance with the international requirements.

The objects of this study are human resources in balloon sport using knowledge management systems for an increase in competence of regional staff.

Objectives of the study: 1) To analyze the situation in Lithuanian balloon sports; 2) To provide an overview of some western countries balloon pilots training practices; 3) To overview the requirements of FAI and the European Union's on standards and requirements of the directives for balloon sports; 4) To propose a model for Lithuanian balloon pilots training.

Aeronautics has been started to develop rapidly in Lithuania two decades ago, when the country regained independence. New opportunities for closer international cooperation in Lithuania created the possibility to organize national as well as international competitions, and Lithuanian pilots began to compete in worldwide events. Balloon clubs and associations that promote aeronautics as active way of life and as a prevention measure from harmful habits were established. There are 13 balloon clubs in Lithuania, which bring together over 1000 active members, and aircraft fleet consists of over 80 hot air balloons. Balloonists promote, encourage and develop aeronautics in Lithuania, organize sport or entertaining flying, aviation events, train sportsmen and competitions officials, and increase their qualifications. They collect, systematize and share information about Lithuanian and world aviation sports history and sports achievements as well as technical and flight safety information, other aviation-related materials. However, the growing interest in aeronautics sports faces the lack of competent pilots–instructors, absence of methodology on balloon pilot- instructor training, poor possibilities to gain practical skills in aeronautics together with a pilot- instructor. Analysis has shown that qualifications and competence of balloon pilots are not sufficient and there is a lack of knowledge about traffic safety in accordance with European standards and directives. There are a lot of mistakes and because of that Lithuanian pilots cannot achieve the best international results, training methods of balloon pilot are outdated and do not meet the requirements of the FAI.

Because of globalization aeronautics is an activity without geographical restrictions. As balloonists' equipment is technically and morally outdated, this limits possibilities for safe training, preparing sportsmen for international competitions as team that represent Lithuania in international competitions (about 100- 200 balloon sports pilots take part in such events every year). So the level of balloon sports in Lithuania is behind the level of average of European countries and the lack of pilots' competence do not allow organizing many international events in Lithuania. Currently available pilot training methodology does not meet the requirements of the FAI and knowledge of pilots- instructors is not adequate. International relations are not developed because of the lack of cooperation skills all this is holding back this area from a good practice under the globalization situation and further integration of the Lithuanian balloon sports into the general European aviation structures.

In order to create a new pilot training methodology, which meets requirements of the FAI, the long lasting pilots' training experiences of such countries like USA NASA, the Netherlands, Germany and Norway were used. The model for creation of strategy (See Figure 1) is proposed in order to improve Lithuanian balloon pilots training. The model

includes the teaching content, description of teaching methods and formation of the package for practical tasks. This methodology is for training of pilots and pilots–instructors according to the FAI standards. Proposed Lithuanian pilots' training methodology consists of: firstly, training of the new generation pilots–instructors.

This methodology is based on the most practical aspects of flight analysis, analysis of creation of practical skills and formation of human behavior.

This is a selection of candidates (according to the USA NASA's requirements), the theoretical training and the program of practical exercises, which includes the theoretical education of pilots, pilots' training for a flight with emphasis on security and practical training of pilots-instructors. Each of the trained pilots–instructors will take at least one person (future pilot) and will be training him. The training process will be monitored by the external expert and monitoring commission. In order to improve the theoretical model of Lithuanian balloon pilots' training and to familiarize oneself with the other similar foreign methodologies, to adopt the best practices in pilots' training and to move towards the level of European aviation structures trainings – probation in western counties are recommended (in Germany, Islands, Netherlands and other countries).

Analysis of the task Evaluation analysis of balloonists' training system Formulation of the aim Weak and strong features	Analysis of alternatives and integration of a scenario Probability of happening
Analysis of an Impact Analysis of environmental areas	Analysis of consequences Possibilities and Risks
Projections of tendencies Clear projections	Main Scenario Objectives of a scenario Partial strategies scenarios

Figure1. Draft on improvement strategy of Lithuanian balloon pilots' training system.

It is expected that after implementation of the proposed improvement strategy of Lithuanian pilots' training system favorable conditions and necessary preconditions for training of hot-air pilots in Lithuania will be created in accordance with the international requirements. Lithuanian balloon clubs and associations will have to buy the modern training equipment, which is necessary for the training of hot air balloon pilots; select and train not only a new generation pilots–instructors, but also to train young people in accordance with the methodology of the modern standards; be able to prepare new aeronautical pilots and create possibilities for the best of them to take exercise and to achieve the highest European attainments. It is important that the new generation of Lithuanian pilots' will use the practical experience of foreign partners. The project will have a direct impact on the strengthening of institutional abilities of balloon clubs' and associations'. Creation of safe and modern hot-air balloon pilot's training basis, trust of Association members and other people will increase the number of new members; there will be more pilots, who will not only delight the audience in festivals and events, but will be able to participate in international competitions as sportsmen

and make famous the name of Lithuania. Therefore, in Lithuania there will be pilots having the same knowledge as the pilots abroad and this will enable them to compete in the international competitions equally. Increased number of Lithuanian pilots-instructor, who have international licensees, will increase the number of young people, who want to become pilots, and those pilots will have knowledge based on international requirements; new contacts will be entered into relations and international partnership will be broadened. Taking into consideration the theoretical model of Lithuanian balloon pilots' training strategy we offer to improve all the subsystems of the system on increasing of competence on the mentioned human resources. The main directions for the improvement of the staff development would be: change of point of view to balloon pilots' training, performance of executors' work, organization of career and reserve, education, training, raising of qualification, retraining and identification of need for training, payment according to their merits (See Figure 2).

Directions of the improvement on staff training activities

Change of organisation's point of view to balloonist training	Performance of executors'(pilots-instructors) work	Organization of career and reserve	Education, training, retraining, rotation, adaptation and evaluation of these works	Training needs and setting of payment according to merits
-Dissemination of a mission, a vision and strategic objectives; - Increased improvement of employees into the management: work in teams, participation in planning, decision-making process, providing suggestions and other. - Propagation of importance of balloonists' training at clubs and associations; - Preparation of balloonists' training methodologies.	-Balloonists' training development in order to create a training system, which meets the requirements of adaptive globalization, - Increased involvement of the managing staff of clubs and associations into the development of staff.	-Creation of career-making concepts; - The typical career planning of clubs and associations; -Preparation of individual career development plans, - Planning of reserve for all staff	-Appropriate use and clarifying of personal balloonists' expectations; - Making of improvement plans; - The promotion of regular improvement; - Regular information about the balloonists' training possibilities; - Creation of the self-learning systems; - Creation of a system for staff training evaluation in organization of career and payment.	-Improvement of methods for evaluation of balloonists' competence; Establishment of evaluation centers; - Evaluation of staff development and payment for that; - Creation of a system for identification of balloonists' needs and self-analysis

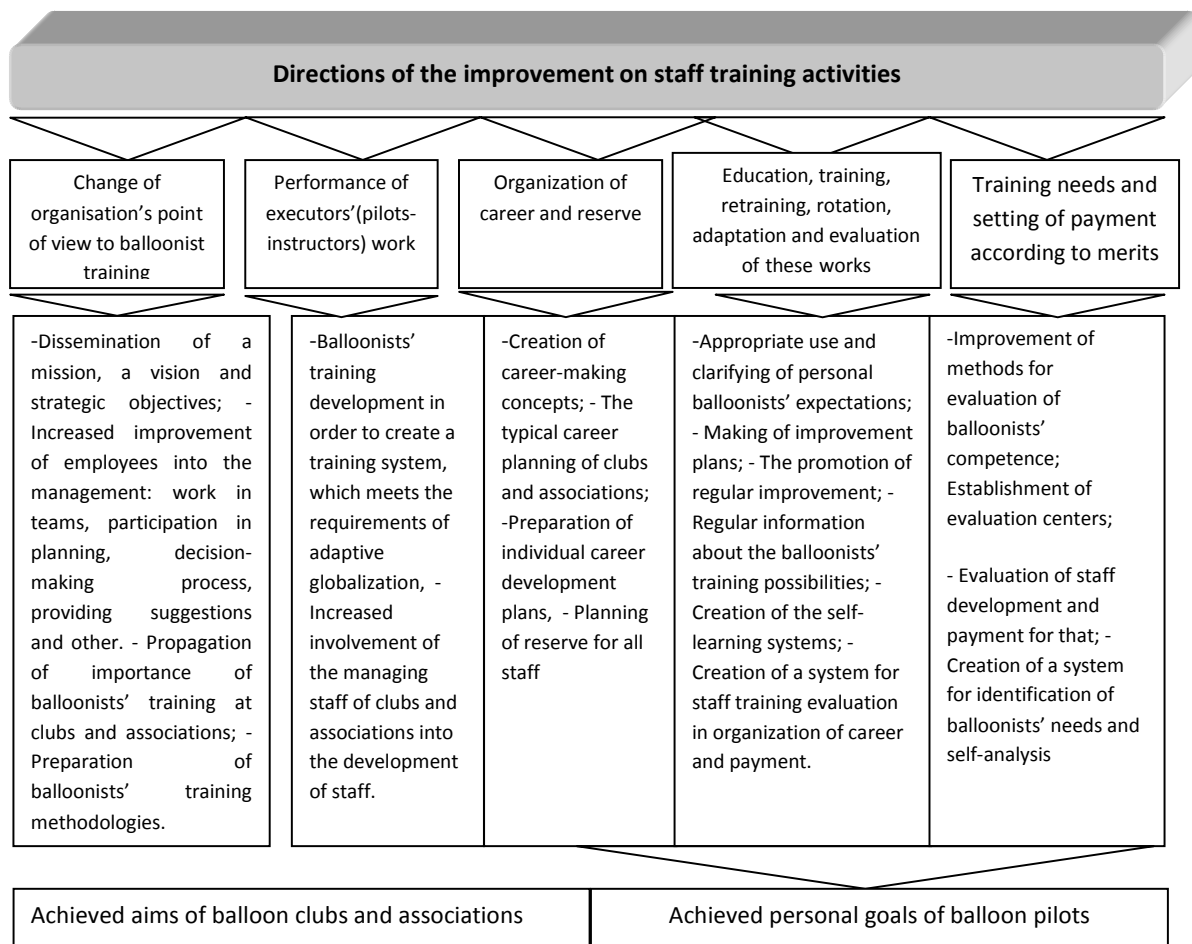| Achieved aims of balloon clubs and associations	Achieved personal goals of balloon pilots

Figure 2. Directions of improvement on Lithuanian balloon pilot training system.

Improved Lithuanian balloon pilot training system would enable to achieve the aims of clubs, associations and their members. The more effective activity, increased international communication, better image of Lithuanian balloon pilots, will give a possibility to compete better in the global market today and tomorrow,– this are the results. To measure the impact

of a developed staff training system is difficult. In this case, qualitative improvement of balloonists' training system is much bigger than the quantitative indicators.

CONCLUSIONS

1. After analyzing the situation, it is to be noted that Lithuanian balloon sports started to develop rapidly during last two decades, when the country got independence. New opportunities for closer international cooperation in Lithuania created the possibility to organize not only national but also international competitions, and pilots of our country began to compete in worldwide events. Balloon clubs and societies have been established and now there are 13 ballooning clubs in Lithuania, which bring together over 1000 active members, and aircraft fleet consists of over 80 hot air balloons.

1. The overview of some western countries balloon sport pilot's training experience was presented. Current Flight Standards Service Airman Training and testing material and subject matter knowledge were taken from U.S. Federal Aviation. Some experiences from teaching techniques of balloon pilots from Netherlands provide aviation instructors with up-to-date information on learning and teaching, and how to relate this information to the task of teaching aeronautical knowledge and skills to students. German Federal Aviation gives fundamentals of instruction.

2. After the overview of the Federation Aeronautique Internationale and the European Union's on standards and requirements of the directives, it has been established that there are no qualified balloon pilots' training methodology in Lithuania. Analysis has shown that existing pilots' qualification and competence are not sufficient, they have not enough knowledge about traffic safety in accordance with European standards and directives; there are a lot of mistakes and high international results are rarely achieved; the balloon pilots' training methods are outdated and do not meet the requirements of the Federation Aeronautique Internationale.

3. The improved model of training strategy for Lithuanian balloon pilots was proposed. According to this theoretical model we recommend to improve all the subsystems of human resources system of competence increase. The main directions for development of staff training would be:: change of balloon pilots' training, performance of executors' work, organization of career and reserve, education, training, retraining and identification of educational needs.

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LITHUANIAN BALLOON PILOTS' TRAINING STRATEGY UNDER CONDITIONS OF GLOBALIZATION

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Economic growth and economic competitiveness in the globalization process of Lithuania, a small country of the European Union, which gained its statehood only twenty years ago, can only be achieved by obtaining an experience of new technologies from the most developed western countries and focusing on the international intelligence for a progress in various fields of science. Sport is one of such potential areas as in order to keep a high level is necessary to focus on training or active leisure. Western experience shows that investments in this area are increasing (for example, a general turnover of sport and leisure equipment in the United Kingdom is about 3 billion pounds per year). In addition to the analysis and modeling of interaction between human and technical means it is important to assess a state of our constitution, to perceive the physiological and psychological adaptability. Under the situation of globalization it is important for sport specialists to adopt achievements of developed countries on training methodologies and modern training systems, which correspond to the current requirements. Balloon sport in Lithuania is an area where the level of specialists' training is far behind the level of the developed European countries. Therefore, it is necessary to reorganize the current system implementing models on preparing and training of balloonists, organizing of competitions.

The problem is that there are no training methodology of an unrestricted aerostat pilots, which would meet the requirements of the Federation Aeronautique Internationale (FAI) and safe financial basis for pilots' training; the current qualification of instructors for pilots' training does not meet requirements for international flight training; the trained pilots have not enough knowledge about air traffic safety in accordance with European Union standards and directives.

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The objects of this study are human resources in balloon sport using knowledge management systems for an increase in competence of regional staff.

Objectives of the study: 1) To analyze the situation in Lithuanian balloon sports; 2) To provide an overview of some western countries balloon pilots training practices; 3) To overview the requirements of FAI and the European Union's on standards and requirements of

the directives for balloon sports; 4) To propose a model for Lithuanian balloon pilots training.

Methods of the study – analytical overview systematic analysis and synthesis of knowledge management of information sources.

Aeronautics has been started to develop rapidly in Lithuania two decades ago, when the country regained independence. New opportunities for closer international cooperation in Lithuania created the possibility to organize national as well as international competitions, and Lithuanian pilots began to compete in worldwide events. Balloon clubs and associations that promote aeronautics as active way of life and as a prevention measure from harmful habits were established. There are 13 balloon clubs in Lithuania, which bring together over 1000 active members, and aircraft fleet consists of over 80 hot air balloons. Balloonists promote, encourage and develop aeronautics in Lithuania, organize sport or entertaining flying, aviation events, train sportsmen and competitions officials, and increase their qualifications. They collect, systematize and share information about Lithuanian and world aviation sports history and sports achievements as well as technical and flight safety information, other aviation-related materials. However, the growing interest in aeronautics sports faces the lack of competent pilots–instructors, absence of methodology on balloon pilot- instructor training, poor possibilities to gain practical skills in aeronautics together with a pilot- instructor. Analysis has shown that qualifications and competence of balloon pilots are not sufficient and there is a lack of knowledge about traffic safety in accordance with European standards and directives. There are a lot of mistakes and because of that Lithuanian pilots cannot achieve the best international results, training methods of balloon pilot are outdated and do not meet the requirements of the FAI.

Because of globalization aeronautics is an activity without geographical restrictions. As balloonists' equipment is technically and morally outdated, this limits possibilities for safe training, preparing sportsmen for international competitions as team that represent Lithuania in international competitions (about 100- 200 balloon sports pilots take part in such events every year). So the level of balloon sports in Lithuania is behind the level of average of European countries and the lack of pilots' competence do not allow organizing many international events in Lithuania. Currently available pilot training methodology does not meet the requirements of the FAI and knowledge of pilots- instructors is not adequate. International relations are not developed because of the lack of cooperation skills all this is holding back this area from a good practice under the globalization situation and further integration of the Lithuanian balloon sports into the general European aviation structures.

In order to create a new pilot training methodology, which meets requirements of the FAI, the long lasting pilots' training experiences of such countries like USA NASA, the Netherlands, Germany and Norway were used. The model for creation of strategy (See Figure 1) is proposed in order to improve Lithuanian balloon pilots training. The model includes the teaching content, description of teaching methods and formation of the package for practical tasks. This methodology is for training of pilots and pilots–instructors according to the FAI standards. Proposed Lithuanian pilots' training methodology consists of: firstly, training of the new generation pilots–instructors.

This methodology is based on the most practical aspects of flight analysis, analysis of creation of practical skills and formation of human behavior.

This is a selection of candidates (according to the USA NASA's requirements), the theoretical training and the program of practical exercises, which includes the theoretical education of pilots, pilots' training for a flight with emphasis on security and practical training of pilots-instructors. Each of the trained pilots–instructors will take at least one person (future pilot) and will be training him. The training process will be monitored by the external expert and monitoring commission. In order to improve the theoretical model of Lithuanian balloon pilots' training and to familiarize oneself with the other similar foreign methodologies, to adopt the best practices in pilots' training and to move towards the level of European aviation structures trainings – probation in western counties are recommended (in Germany, Islands, Netherlands and other countries).

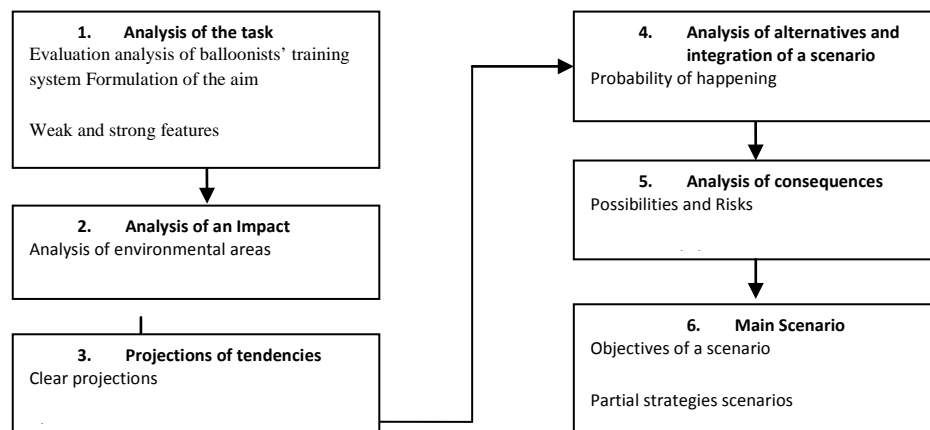| 1. **Analysis of the task** Evaluation analysis of balloonists' training system Formulation of the aim Weak and strong features		4. **Analysis of alternatives and integration of a scenario** Probability of happening
2. **Analysis of an Impact** Analysis of environmental areas		5. **Analysis of consequences** Possibilities and Risks
3. **Projections of tendencies** Clear projections		6. **Main Scenario** Objectives of a scenario Partial strategies scenarios

Figure1. Draft on improvement strategy of Lithuanian balloon pilots' training system.

It is expected that after implementation of the proposed improvement strategy of Lithuanian pilots' training system favorable conditions and necessary preconditions for training of hot-air pilots in Lithuania will be created in accordance with the international requirements. Lithuanian balloon clubs and associations will have to buy the modern training equipment, which is necessary for the training of hot air balloon pilots; select and train not only a new generation pilots–instructors, but also to train young people in accordance with the methodology of the modern standards; be able to prepare new aeronautical pilots and create possibilities for the best of them to take exercise and to achieve the highest European attainments. It is important that the new generation of Lithuanian pilots' will use the practical experience of foreign partners. The project will have a direct impact on the strengthening of institutional abilities of balloon clubs' and associations'. Creation of safe and modern hot-air balloon pilot's training basis, trust of Association members and other people will increase the number of new members; there will be more pilots, who will not only delight the audience in festivals and events, but will be able to participate in international competitions as sportsmen and make famous the name of Lithuania. Therefore, in Lithuania there will be pilots having the same knowledge as the pilots abroad and this will enable them to compete in the international competitions equally. Increased number of Lithuanian pilots-instructor, who have international licensees, will increase the number of young people, who want to become pilots, and those pilots will have knowledge based on international requirements; new contacts will be entered into relations and international partnership will be broadened. Taking

into consideration the theoretical model of Lithuanian balloon pilots' training strategy we offer to improve all the subsystems of the system on increasing of competence on the mentioned human resources. The main directions for the improvement of the staff development would be: change of point of view to balloon pilots' training, performance of executors' work, organization of career and reserve, education, training, raising of qualification, retraining and identification of need for training, payment according to their merits (See Figure 2).

Directions of the improvement on staff training activities				
Change of organisation's point of view to balloonist training	Performance of executors'(pilots-instructors) work	Organization of career and reserve	Education, training, retraining, rotation, adaptation and evaluation of these works	Training needs and setting of payment according to merits
-Dissemination of a mission, a vision and strategic objectives; - Increased improvement of employees into the management: work in teams, participation in planning, decision-making process, providing suggestions and other. - Propagation of importance of balloonists' training at clubs and associations; - Preparation of balloonists' training	-Balloonists' training development in order to create a training system, which meets the requirements of adaptive globalization, - Increased involvement of the managing staff of clubs and associations into the development of staff.	-Creation of career-making concepts; - The typical career planning of clubs and associations; -Preparation of individual career development plans, - Planning of reserve for all staff	-Appropriate use and clarifying of personal balloonists' expectations; - Making of improvement plans; - The promotion of regular improvement; - Regular information about the balloonists' training possibilities; - Creation of the self-learning systems; - Creation of a system for staff training evaluation in organization of career and payment.	-Improvement of methods for evaluation of balloonists' competence; Establishment of evaluation centers; - Evaluation of staff development and payment for that; - Creation of a system for identification of balloonists' needs and self-analysis

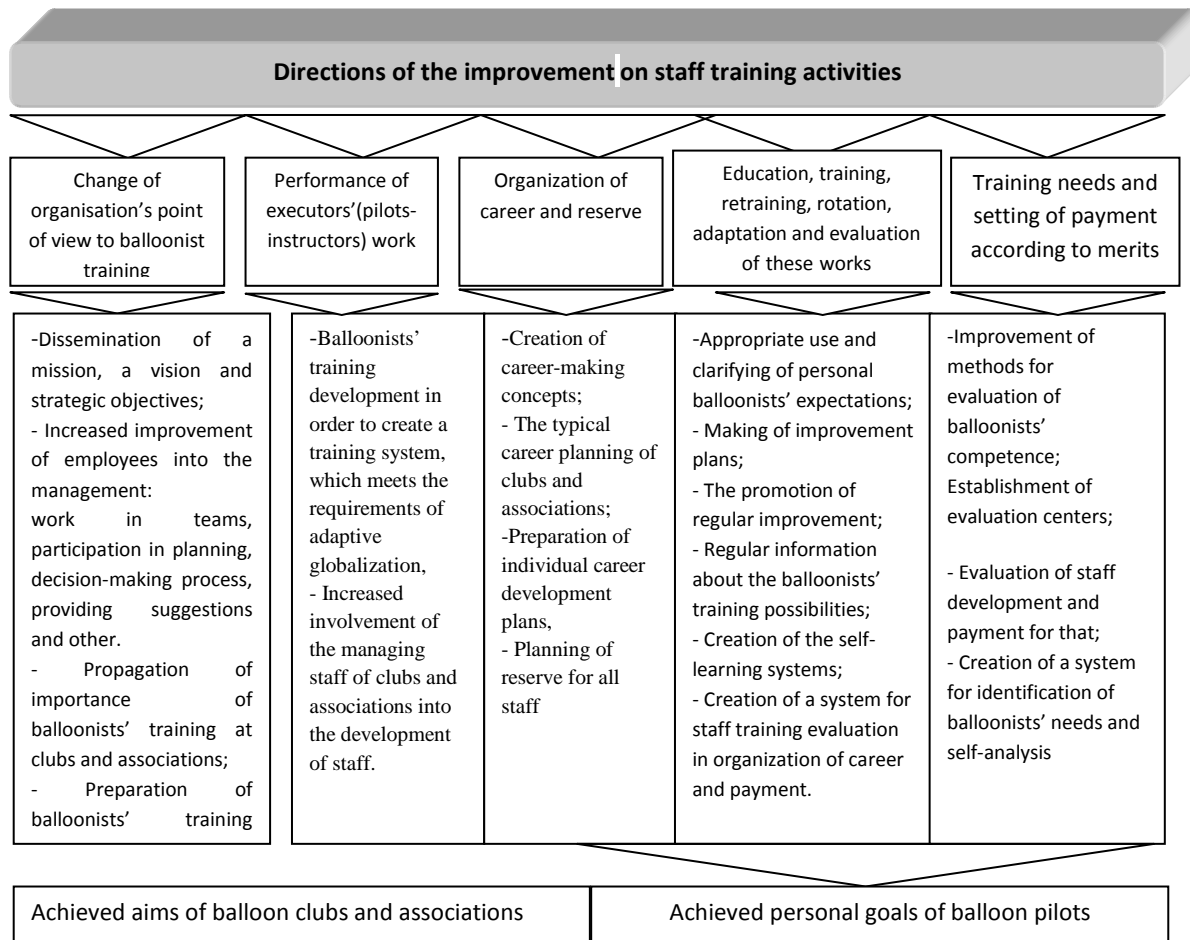| Achieved aims of balloon clubs and associations	Achieved personal goals of balloon pilots

Figure 2. Directions of improvement on Lithuanian balloon pilot training system.

Improved Lithuanian balloon pilot training system would enable to achieve the aims of clubs, associations and their members. The more effective activity, increased international communication, better image of Lithuanian balloon pilots, will give a possibility to compete better in the global market today and tomorrow,– this are the results. To measure the impact of a developed staff training system is difficult. In this case, qualitative improvement of balloonists' training system is much more bigger than the quantitative indicators.

Conclusions:

1.   After analyzing the situation, it is to be noted that Lithuanian balloon sports started to develop rapidly during last two decades, when the country got independence. New opportunities for closer international cooperation in Lithuania created the possibility to organize not only national but also international competitions, and pilots of our country began

to compete in worldwide events. Balloon clubs and societies have been established and now there are 13 ballooning clubs in Lithuania, which bring together over 1000 active members, and aircraft fleet consists of over 80 hot air balloons.

2.   The overview of some western countries balloon sport pilot's training experience was presented. Current Flight Standards Service Airman Training and testing material and subject matter knowledge were taken from U.S. Federal Aviation. Some experiences from teaching techniques of balloon pilots from Netherlands provide aviation instructors with up-to-date information on learning and teaching, and how to relate this information to the task of teaching aeronautical knowledge and skills to students. German Federal Aviation gives fundamentals of instruction.

3.   After the overview of the Federation Aeronautique Internationale and the European Union's on standards and requirements of the directives, it has been established that there are no qualified balloon pilots' training methodology in Lithuania. Analysis has shown that existing pilots' qualification and competence are not sufficient, they have not enough knowledge about traffic safety in accordance with European standards and directives; there are a lot of mistakes and high international results are rarely achieved; the balloon pilots' training methods are outdated and do not meet the requirements of the Federation Aeronautique Internationale.

4.   The improved model of training strategy for Lithuanian balloon pilots was proposed. According to this theoretical model we recommend to improve all the subsystems of human resources system of competence increase. The main directions for development of staff training would be:: change of balloon pilots' training, performance of executors' work, organization of career and reserve, education, training, retraining and identification of educational needs.

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PROFESSIONAL AND PERSONAL ECONOMIC EXPECTATIONS OF CHILDREN LIVING IN DIFFERENT SOCIAL ENVIRONMENTS

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Abstract

The changes are going on in all spheres of society, effecting and changing individuals' every day life and their expectations as well. The economic changes/crises and globalization gives not only new possibilities, but also effects individuals' life to worse side. These changes are particularly painful for people living in social deprivation. The aim of this research was to analyse the factors which influence professional and personal financial expectations of children living in residential care institutions and their peers living in families. The study involved 716 children living in residential care institutions and 908 children living in their biological families in different regions of Lithuania Results showed, that most important and valued *criteria for choosing and selection profession for children living in residential institutions and living in biological families are different. Children living in biological families need less money for their personal demands as they get the thing they need from their parents.*

The changes are going on in all spheres of society, effecting and changing individuals' every day life and their expectations as well. The basis of economical functioning, activities and possibilities of self-expression, life priorities, communication between family and society members, values and attitudes are also changing. The economic changes/crises and globalization gives not only new possibilities, but also effects individuals' life to worse side. These changes are particularly painful for people living in social deprivation. Recently a lot of attention is paid towards social integration of young people leaving institutional care. A lot of studies analyzing integration problems of those children, their preparation for self-support life, social skills have been carried out (Samošonok, 2009, Snieškienė, 2001, Braslauskienė, 2000 and etc.). The main problems were emphasised: self-sufficient and independent life for young people leaving institutional care begins overnight – sharply, because they have to leave the care institution just it turns 18, they do not have time to solidify their daily skills, as the institutional conditions are not applicable for this. Those children are not feeling secure, they feel like nobody cares about them, they do not have person to whom he can turn to in all complicated situations, to get advices, just to be heard by someone at any time they need, as there are not enough specialists working with these children who have enough time to pay exceptional attention to everyone; the children have lack of responsibility, feel impersonalized (Stein, 2006; Taylor, 2006).

That's why it is so important to find as much relatives and family members with whom children could have relations and might satisfy at least some part of demand in searching identity (Garnier, Poertner, 2000). The personnel of care institutions acknowledge that sometimes they are in lack of competence, patience, goodwill, willingness to communicate. There is a lack of specialists who have enough competence to discuss subjects such as future profession, economic well-being creation with children. Usually children receive material support from the aside, but they are eager for emotional contacts, so they seek for any kind of friendship, agree to any friendship terms, cannot say "no. Positive social conditions are needed to ensure the qualitative socialization for these children, such as self-creation, which can be expressed by safety and positive behaviour demonstrated by adults; socialization and civil education, which is expressed by stimulating and encouraging self development environment; seeking for values internalization, the specialists in care institutions have to be ready to listen and to advice children at any time, as it is difficult for the child to create and keep emotional relations, to feel loved and necessary (G. Kvieskinės V. Indrašienės (2008),

Linares, L.O., Montalto, D., Li, M. & Oza, V. (2006) made a research concerning parents who left their children for state care and foster care providers. Foster carers thought biological parents to step by step communication and positive behaviour with their children. Experiment lasted for 12 weeks. As the result of this training, biological parents improved self-esteem, began to communicate with their children more frequently, children anxiety and their external problems has decreased. The conclusion was made that this short term interventional program returned positive results and it's meaningful to go on with problematic parents' education. The personnel of residential care institutions, taking part in children and parents educational program, not only gives an opportunity to learn , to obtain knowledge and competences for parents, but also gives a message that the family can be "cured" and family members can take care about each other (Linares, Montalto, Rosbruch, Li, 2006). This way the double profit could be received, as children feels more save, supported and their self esteem is growing (Mills, Frost, 2007). According to S. Mills and N. Frost (2007) the intentions to creation "family type" residential care institutions are desirable, as foster carers can transfer more true-life experience, pay more individual attention to every child, so he feel special and important.

Recent publications and studies highlights that socialization problems of children who have residential or foster care are getting more and more actual, and a lot of researches being executed having ambitions to find the optimal solution of this problem. There is a lack of different, concrete programmes for preparing young people from foster and residential care to live independently and to chose profession or manage with money. So the intention of our research was to get the answers to following questions: What are the main factors for choosing profession? Do children from different social environments have the same expectation and understanding about their own finances management? *The aim of the article - to analyse the factors which influence professional and personal financial expectations of children living in residential care institutions and their peers living in families.*

RESEARCH METHODS AND ORGANIZATION

The research was carried out in November – December of year 2008. Nested partition method was used for choosing care institutions and comprehensive schools. The study involved 716 12-19 years old children living in residential care institutions from 32 state, municipal and private institutions in different regions of Lithuania. The same interview was conducted with 908 children of same age group living in their biological families. The questioner was agreed with specialists from Ministry of Social Security and Labour. The questioner consists of 11 parts. We analyze one of them concerning children's professions and financials expectations. **Methods of statistical analysis**: The study results were processed with the help of statistical package for social studies (science). We also used tables of Pirson's correlation rate (r), which allowed to determine relationship between the variables. We also used criteria of Chi square (X2) which helped to determine differences between two groups. Differences were statistically reliable, being not higher than 5 percent error (*p*<0,05). (Brotherton, 2008; Паниотто, Максименко, 2003).

RESULTS OF THE RESEARCH

Comparative study of the results showed that 7,9% of girls living in biological families and 15,2% of girls living in residential care institutions don't know what speciality and profession they will choose in a future, corresponding 13% and 8,2 % indicated that they want to develop their own business, 11% and 4,8 % - will be lawyers, 7,4% and 3,9 % - teachers. Data analysis indicated that boys from both groups wanted to develop their own business - 25,3 % of boys living in biological families and 11 % of boys living in residential care institutions, become sportsman – corresponding 9,6 % and 11,3 %, becoming manager – corresponding 7,5% and 3,4 %. The results pointed that children living in residential institutions should like to get profession which doesn't demanding high competencies and skills as well as self-confidence in comparing to those who are living in biological families. For example, even 26,6% of boys living in residential care institutions should like to be a builder and only 6,9 % of boys living biological families are going to get this specialty. The same tendencies were observed between girls living in different social environments: around 10% of girls living in residential care institution wanted to be only salesgirls.

Children were asked to indicate criteria why they decided to get speciality they pointed. More than half (52,8 %) of the girls living in residential care institutions stated that "*I'll have to keep myself*", this answer chose 36,8 % of girls living in biological families. The significant differences between groups were found (χ^2=21,434 (df=1); p<0,001). The same results were found among boys: this statement was more repeated between boys living in residential institution (63%) comparing to boys living in biological families (51,2 %). The significant differences between groups were found (χ^2=13,769 (df=1); p<0,001).

Girls living in biological families more frequent pointed the statement „*the profession is well-paid*" than girls living in residential institutions (corresponding 31,3% and 22,9 %). The significant differences between groups were found (χ^2=7,266 (df=1); p<0,001). Boys living in biological families as well more frequent pointed the same statement than boys

living in residential institutions (corresponding 43,9 % and 35,5 %). The significant differences between groups were found (χ^2=5,068 (df=1); p<0,024).

Girls living in residential institutions (9,1 %) more frequent pointed that „*it is easier to find a work abroad having this profession*" comparing to girls living in biological families (1,9 %). The significant differences between groups were found (χ^2=22,821 (df=1); p<0,001). Boys living in residential institution (16,3 %) also pointed the same statement more often than boys living in biological families (3 %). The significant differences between groups were found (χ^2=37,707 (df=1); p<0,001). 5,4 % of girls living in biological families decided to choose the specialty influenced by their relatives: they pointed this answer „*my parents (caregivers) have this profession*" and only 1,8 % of girls living in residential institutions stated the same. The significant differences between groups were found (χ^2=7,343 (df=1); p<0,007). The same tendency was found among boys: 6,3 % of boys living in biological families and 2,6 % boys of living in residential institutions. The significant differences between groups were found (χ^2=5,337 (df=1); p<0,021).

One of the reasons why children chose one or another profession was: „*this professions is appreciable and prestige in the society*". Such attitude was more important for children living in biological families - 14,4 % of girls and 12,4 % of boys agreed with the statement – and not so important for children living in residential institutions - 8,5 % of girls and 7,8 % of boys agreed with the statement. Statistical analysis showed significant difference (corresponding for girls χ^2= 6,793 (df=1); p<0,009, and boys (χ^2= 3,946 (df=1); p<0,047). Almost half of girls living in biological families (49,2 %) pointed „*I like this activity*" and only about 20% girls living in residential care institutions were thinking the same way. The significant differences between groups were found (χ^2= 76,558 (df=1); p<0,001). In comparing with girls, boys living in biological families and residential care institutions were not so concerned bout their feelings according to their future work: only 35,3 % of boys living biological families and 9,2 % of boys living in residential care institutions noted that they like this activity. Boys living in biological families pointed this statement more frequently and there were significant differences between groups (χ^2= 64,400 (df=1); p<0,001).

The research data analysis showed, that most important and valued criteria for choosing and selection profession for children (girls and boys) living in residential institutions are: "*I'll have to keep myself*",„*it is easier to find a work abroad having this profession*". Children living in biological families had other values while choosing profession: „*the profession is well-paid*",„*this professions is appreciable and prestige in the society*", „*I like this activity*" and „*this profession have my parents (caregivers)*".

The respondents were asked if they need consultations of vocational guidance specialist. Majority of girls in both groups supposed that would need the specialist in vocational guidance at school (χ^2= 15,223 (df=3); p<0,002). However, 13,6 % of girls living in residential institution were not defined about such specialist at school. The same tendencies were observed among boys in both groups (χ^2= 2,850 (df=3); p>0,415).

Research data concerning the opinion about housing possibilities after graduation school showed no significant differences between children living in residential care

institutions and biological families. Quarter of all respondents stated that they will live at students' hostel while studying at university or other high education or vocational school. About 20% of respondents living in biological families stated that they will live in other city and quarter of respondents living in residential institutions thought they will live with relatives.

Children living in biological families are more realistic considering about housing process and possibilities to obtain their own apartment or house. There is necessary to take into consideration that even 40 % of all respondents living in residential institutions hadn't any opinion about how much private apartment or house could cost. About 35 % of children living in biological families thought that 2000 Lt (650 Euro) per month is enough for living and only about 15% of children living in residential institutions were thinking the same. More that 50% of respondents living in residential institutions gave no answer to the question. Analysis of the data showed that respondents living in residential institutions need much more pocket-money in comparing to those who live in biological families. For example, about 50 % of children living in residential institutions need about 250 – 10 Lt (70 – 30 Euro) pocket-money, while 30 % of children living in biological families said that 5-10 Lt (1.5 – 3 Euro) it is enough for them. Children living in biological families need less money for their personal demands as they get the thing they need from their parents. Results of the research showed that 35 % of respondents living in biological families and 10 % of children living in residential institutions spent their pocket money for lunch at school, corresponding 7 % and 25 % - for clothing and footwear. About 35 % of all respondents spent money for recreation and leisure activities. Only 3 % of children living in residential institutions and 4% of children living in biological families had possibility to earn money continually. Children living in biological families more often worked during summer time. Relatives of both respondents' groups give money for children living in residential institutions (30 %) and living in families (40 %). The significant differences were not found among groups.

CONCLUSIONS

The results pointed that children living in residential institutions should like to get profession which doesn't demanding high competencies and skills as well as self-confidence in comparing to those who are living in biological families. The most important and valued criteria for choosing and selection profession for children living in residential institutions are: "*I'll have to keep myself*",„*it is easier to find a work abroad having this profession,* while children living in biological families had other values in choosing profession: „*the profession is well-paid*", „*this professions is prestige in the society*" at the society", „*this profession have my parents*". Children living in biological families are more realistic considering about housing process and possibilities to obtain their own apartment or house. They need less money for their personal demands as they get the thing they need from their parents.

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LEISURE SERVICES QUALITY EVALUATION: THEORETICAL ASPECT

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Abstract

The author overviews in the article "Sports services quality evaluation: theoretical aspect" the sports service concept, features of its oneness. Professional and consumer sports services and their features are distinguished. The main groups of services provided by sports organizations are analyzed: services for participants, services for spectators and sponsorship services. The author also analyzes in the article the ratio of service and quality, how the quality of services is evaluated. Features characteristic to the service quality are distinguished. The author analyzes in the article the reasons due to which problems of evaluation of service quality arise, how service quality influences an organization. In is stressed in the article the main aim of the service quality evaluation, i.e. to determine if the performed activity actually conforms to the expected ideal imagined activity.

Keywords: leisure service, quality evaluation, quality methods

INTRODUCTION

In the modern business in large part consumers determine the service creation decisions. All processes in organization must be directed and be performed in such way that consumer requirements would be satisfied, and expectations exceeded. Value creation is inseparable from product, organization activity quality. Constantly changing business environment also determines quality concept dynamics. Quality improvement in organization is a continuous process; however, it is possible only upon certain defined conditions, implemented using specific strategies and programs.

Constant control of client satisfaction or dissatisfaction helps to notice deviations from the wished quality level and to take necessary actions. It is usually performed analyzing results of company's activity or performing special surveys.

Scientific problem. In order to survive in market conditions, competitive quality and price must be guaranteed for production. Quality is a relative term, which different people perceive differently. The chain of quality concept shows its three important aspects:

- Quality shows in what level organization's goods or services conform to internal technical conditions;

- Evaluates construction quality, in other words quality can conform to construction technical conditions, but construction itself can be of low quality;
- Quality shows in what degree the manufactured production or rendered services conform to customer's needs.

The first step for quality assurance is to determine the objectives. After preparation of plan in order to guarantee quality its measurement must be organized. It is necessary to measure quality and for that objective the statistic control methodology is usually used, the aim of which is to avoid random quality changes. Reasons of such changes must be found and then removed. Various methods are suitable for quality checking; however, are all of them suitable, properly understood, and properly used?

The object of the research. Leisure service quality.

The aim of the research. To disclose theoretical aspects of leisure service quality evaluation and the benefit provided by them.

The methods of the research. The article is prepared according to the methods of systematic scientific literature analysis, general logics, comparison and summarization. The main sources of information are theoretical material.

LEISURE SERVICES

Sports organizations usually provide services, and not manufacture goods. This circumstance allows talking about the new category of human resources – clients or consumers of sports organizations. Most sports organizations provide services to people, i.e. work for people and change them in a specific way. Thus a client or consumer at the same time is assumption and outcome of service proceeding (Pacenka, 2009).

Many authors base by numbers and empirical surveys the differences in organizations rendering services and manufacturing goods, peculiarities of their management (Gronroos, 1990; Lovelock, 1996; Mills & Margulies, 1980; Sasser, Olsen & Wyckoff, 1978). Gronroos (1990) defines service as more or less intangible activity or sequence of activities, which usually, but not necessarily, takes part during interaction of client with employee providing service and/or physical measures and/or service provision systems, intended to solve client's problems.

Unlike good, which is tangible appreciable object, service is appreciable with more difficulty and immediately disappearing phenomenon, rendered and used at the same time (Sasser, Olsen, Wyckoff, 1978). It is needed to remember that certain goods (tangible items) can be used for service provision, i.e. inventory lease, etc., however, we draw our attention to the service provision component, because namely this is mostly related to human resources management.

The following service oneness features are usually indicated in works of various authors (Lovelock, 1996; Sasser, Olsen, Wyckoff, 1978):
- ❖ Intangibleness;
- ❖ Unsustainability;
- ❖ Promiscuity / variability;
- ❖ Sameness / simultaneity.

Often the epithets professional or amateur are used to define sports, sportsman or team, as well as game rating. Equally service completion and degree, how it conforms to individual needs of clients, level of knowledge and special skills, necessary for service provision, are the criteria, which allow classifying services into professional and consumer (Sasser, Olsen, Wyckoff, 1978).

Professional services are the services, individualized for every client and rendered by relatively high qualification workforce (Sasser, Olsen, Wyckoff, 1978).

Sports schools, sports clubs, preparing athletes and teams of high excellence, sports and health clinics, centers, hiring professional instructors, trainers, physiotherapists, medicals and scientists, provide professional services to their clients. Services of such organizations are based on employees` competence and skills. They cannot be standardized because of individuality of needs of every client, therefore the traditional bureaucratic control mechanisms are neither suitable nor sufficient in such organizations.

Sasser, Olsen, Wyckoff (1978) describe consumer services as limited services, provided to the wide market. They are rendered by workforce of a relatively low qualification.

These peculiarities of professional and consumer services and employees providing them determine the differences mechanisms for ways of problem solving and work organization, employee motivation activity. Mills and Margulies (1980), developing this theme, have determined seven variables, describing the interaction of employee rendering service and client: information, solutions, time, problem, changeability, power, affection.

Mills and Margulies (1980) summarize that the differences in consumer and professional services are determined in large part by the volume of information, exchanged between employee and client and degree of employee's competence, disposed by him while solving client's problem.

Table 1. Features of consumer and professional services (Mills, Margulies, 1980)

Measurement	Consumer services (i.e. trade in sports goods)	Professional services (i.e. fitness consulting)
Information basis	Poor	Strong
Nature of solutions	Simple	Complex
Interaction duration	Short	Long
Client knowing	Superficial	Good
Product type	Standard, not qualified	Non-standard, qualified
Employee changeability	Simple	Complex
Employee perception power	Low	High
Employee type	Low qualification operator	Professionally prepared, self-motivating personality
Organization structure	Strict hierarchy Standard procedures Strict control	Expressionless hierarchy Limited control

On the basis of this classification Chelladurai (1994) has classified services rendered by sports and recreation organizations into three groups.

I. Participant services:

o Consumer-pleasure or consumer-health services – these are sports events organization or equipment maintenance and formation of schedule for its use in order to satisfy various needs of physical activity of clients.

o Human-skills or human-excellence service) require professional management and consultation of specialists; client seeks for perfection in a specific sports branch or activity.

o Human-sustenance or human-curative services are provided under physical capability and fitness or physical, psychic and social rehabilitation programs, prepared and performed by specialists.

II. Spectator services

The latter services are direct outcome of perfection seeking services and is directed to direct (spectators in hall) and indirect (TV spectators) client leisure time organization.

III. Sponsorship services

Sponsorship is a monetary or non-monetary support of individuals or groups for one or several proposals submitted by sports organization: access to the market (i.e. sponsorship of Olympic Games, national teams or sports branch federations), connection with perfection (i.e. Arvydas Sabonis sponsorship) and social responsibility and moral obligation (sponsorship of local sports events, children or disabled organizations).

Specific description of sports organization product is an important and necessary condition in the practice of human resources management. Organization firstly must define its business (product) prior to starting implementation of human resources management programs.

SERVICE QUALITY EVALUATION

It is not easy to define service quality, because quality can be objective and subjective. Objective quality is related to the facts of outside appreciable items, which can be measured. Objectiveness is strengthened by calculations, data, errors, defects, spent time, expenses, etc. Quality is evaluated subjectively when consumer's imagination is influenced, personal experiences, emotions, expectations, view. According to Bagdonienė and Hopertienė (2004), one more service quality aspect is important – it can be evaluated only during consumption, because services, unlike goods, are the product of experience, i.e. they can be evaluated only when consuming. Stoner, Freeman, Gilbert (1999) emphasize that quality now means more than just to create better than average product for available price. Today quality means constantly improving products and services in competitive price.

According to the data of researches performed by Bagdonienė and Hopertienė (2005), the following features characteristic to service quality are distinguished:

• good quality is unnoticed, and bad is always noticed.

• quality is decree of conformity between expected and received;

• quality is not permanent – it changes together with the change of environment, social economic conditions, human needs;

• quality essence is to constantly render the clients partners, colleagues services, directly conforming to their needs and expectations, in most favorable price and terms.

According to Dikavičius and Stočkus (2003), quality is a relative term – relation between the set ideals and real activity. In order to determine this ratio, the ideals must be defined or set and the actual activity must be written or measured.

As Kinduris (1998) states, problems in evaluation of service quality appear due to the following reasons:

• quality is defined with difficulty (it can be evaluated both objectively and subjectively);

• due to service heterogeneity services cannot be fully standardized, because client needs and abilities of service providers differ;

• it is difficult to compare and evaluate the influence of separate product elements to quality;

• service quality standards are defined depending upon consumer's perception;

• it is complicated to control and manage service quality.

Ruževičius (2007), provides more specific expanded definition: quality is the entirety of features, determining their suitability to satisfy the expressed and guessed needs of consumer in the defined service consumption conditions.

According to Albrecht (1988), service provision can be defined as any episode, during which consumer makes a contact with a service company and makes impression about the quality of its service. Such contacts are very are very important to service company, because they markedly influence the satisfaction of consumer needs. Though result of many services can be given as a physical item, however, in all types of services the most important is the transformation of consumer's body, mind or information. According to Haksever and others (2002), this transformation is reached by the series of directed actions, due to the so-called technological process. Consumer's opinion about the service depends upon the service rendering process. According to Jurkauskas (2001), quality forms company's image, makes direct influence to activity productivity, user's satisfaction. That is why it is said that good quality does not cost anything, bad quality, on the contrary, costs a lot, because service user is lost. Quality, as it is often believed, is one of the reasons for success. It can be the means to overcome competitors, therefore service quality, its management in the nowadays service economy and service marketing is both the means and the main problem. According to Vitkienė (2004), huge attention should be paid into service quality in all the companies and organizations, because quality creates company's image, makes direct influence to its activity productivity, profit growth, user's satisfaction. Makers of service improvement quality program, following the traditional quality conception, emphasize three main things:

• setting or measurement of service provision rates;

• determining if service provision conforms to the standards;

• improvement of service provision, when it does not conform to the standards.

The main quality evaluation objective is to determine if the performed activity actually conforms to the ideal imagined activity. Therefore the ideals of activity must be determined and defined as criteria, according to which the real activity can be evaluated and compared to the imagined one.

CONCLUSIONS

1. Professional services are the services, individualized for every client and provided by relatively high qualification workforce (Sasser, Olsen, Wyckoff, 1978). Sports schools, sports clubs, preparing athletes and teams of high excellence, sports and health clinics, centers, hiring professional instructors, trainers, physiotherapists, medicals and scientists, provide professional services to their clients. Sasser, Olsen, Wyckoff (1978) describe consumer services as limited services, provided to the wide market. They are rendered by workforce of a relatively low qualification. These peculiarities of professional and consumer services and employees providing them determine the differences mechanisms for ways of problem solving and work organization, employee motivation activity.

2. Huge attention must be drawn to the service quality in all the companies and organizations, because quality creates company's image, makes direct influence to its activity productivity, profit growth, user's satisfaction. The main aim of quality evaluation is to determine if the performed activity actually conforms to the expected ideal imagined activity. Therefore the activity ideals must be set and defined as criteria, according to which the real activity can be evaluated and compared to the imagined one.

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