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Table of Contents

International Entrepreneurship Review

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Greece's economy during the crisis 2007-2008 and its development prospects

Ewa Szymanik

ABSTRACT

Objective: The aim is to assess the situation of Greek economy during the crisis and the problems have affected it up until now.

Research Design & Methods: Descriptive analysis and analysis of main economic and foreign trade indicators (e.g. GDP growth, unemployment rate, UE trade balance).

Findings: The reforms and deregulation of the economy are gradually becoming a positive factor, but these changes are taking place too slowly to give the country an impetus for faster development, even if the unemployment rate has fallen down, the GDP grows up and the budget surplus is observed during the last 4 years. The strength of the actual negative impact that the coronavirus pandemic will have on the Greek economy remains is out of question, especially on the tourism.

Contribution & Value Added: The analysis of the negative crisis and coronavirus pandemic impact on the Greek foreign trade and the all economy which shows that the crisis results were almost over-came when the pandemic began and the Greek government expects a deep recession, reaching up to 10 percent of GDP.

Article type: research article

Keywords: Greek economy; crisis; coronavirus; foreign trade; tourism

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INTRODUCTION

When the crisis began in 2007, it was not known how long it would last or which countries would be most affected. It turned out quite quickly that when it comes to the European Union, those were the countries which did not have the strongest economies at the time of the introduction of the euro and did not carry out reforms aimed at strengthening development. Then the problems of Greece began, which was a classic example of how economic policy should not be pursued.

The problems resulting from many years of neglect, the misunderstanding of the role of the welfare state and ill-considered social policy led to a deep economic collapse. The European Union granted Greece help to cope with the enormous economic debt, on condition of the implementation of the programme of large cuts in budget expenditure. The results turned out to be modest, restrictions on state spending caused a wave of protests and a significant impoverishment of the society and the Union has been accused of introducing that drastic programme of restrictions which has caused a significant slowdown in the country's recovery from the crisis. The first signs of the improvement in the economic situation, visible at the end of 2019, were put in question in the face of another collapse caused by the pandemic, the duration and effects of which are difficult to estimate at the moment.

The aim of the article is to assess the situation of Greece during the economic downturn and the problems that have affected it up till now. That is why the research hypothesis may be formulated as: the financial help for a country in crisis is not enough to improve it without structural reforms of the economy. The methods adopted are: descriptive analysis and analysis of indicators.

THEORETHICAL BACKGROUND AND METHODOLOGY

These problems were shown in many articles but unfortunately there are no one publication describing the full theme. This is why the full literature review was done inside the article. For example Szymanik (2003) wrote about historical problems, Samitas and Tsakalos (2013), Mavridis (2018), Lapavitsas (2019) and Górniewicz (2014) about economical problems (affection the European economy). Main info are published in the reports of the international organisations (Eurostat, 2020; OECD, 2020; Societe Generale, 2020).

The main method of the research is the descriptive analysis and analysis of indicators, such as GDP and its growth rate, public debt, unemployment rate, budget deficit, main foreign trade indicators and the others. The chosen indicators give a good basic to the review of the economic situation in Greece. The text below shows the analysis of them.

RESULTS AND DISCUSSION

Historical causes of the problems in the Greek economy

From the beginning of its way to the structures of the European Community, Greece was somewhat favoured. The important strategic position and strong left-wing influence meant that encouraging it to join the EU was an important goal of Western economies, hence official negotiations on this issue began in the late 1950s. Greece was then the easternmost European country belonging to capitalist countries and was a natural counterweight to the Turkish influence in the region.

The negotiations resulted in the signing of the Association Agreement in 1962, which brought about a three-fold increase in exports. Although the functioning of the Agreement was suspended during the military rule of the "black colonels" (1967-1974), after their fall the efforts to deepen integration processes were intensified. Even the Cypriot conflict did not destroy it. Finally, after long negotiations, full of unexpected twists, Greece became a member of the European Community in 1981.

Since the beginning, the country had stood out unfavourably compared to other members of the EU. It had a much lower level of GDP per capita, in which structure as much as 20 percent was agriculture (it was six times more than in the Community – 3.3 percent) (Szymanik, 2003). Due to the favourable political situation, the Greek government, claiming the argument about the insufficient consideration of development disparities, received a significant support for the country from the Structural Funds in the following years.

Unfortunately, most of those funds were misused – instead of developing new branches of economy, they were spent, for example, to support outdated industries, which caused the petrification of the unfavourable structure without improving its efficiency. The assumptions of fiscal and monetary policy were not strictly observed, which resulted in a significant deficit and high inflation reaching even 20 percent in the 1990s.

The consolidation of the unfavourable economic structure also translated into foreign trade – the export of agricultural products was replaced very slowly by highly processed products (although this was the result of, among others, the terms of the Association Agreement), the low competitiveness of exported products caused the shift of domestic demand towards better prices and quality of EU goods, which translated into a growing foreign trade deficit.

After joining the Union, Greece was developing quite slowly, which could be related to the recession in other EU countries, but it was also the result of an unfavourable monetary policy pursued by the government, which did not support the inflow of foreign capital and, thus, the development of the economy. Greece has a poorly developed industry and is still perceived mainly as a tourist and food selling country.

Funds from the EU were also allocated to finance the budget deficit, which led to the above-mentioned inflation. It began to decrease only when the country began intensive preparations for membership in the Economic and Monetary Union, i.e. in the second half of the nineties. At that time, most of the economic parameters improved – the GDP growth rate, falling inflation and the public finance deficit. However, a high public debt remained a problem.

Despite those difficulties, Greece announced compliance with the convergence criteria in the early 2000s. The basis for success was a drachma-stabilizing policy, which was supposed to reduce inflation, consolidate the budget by reducing the public debt servicing costs and increasing revenues achieved thanks to an improved tax collection, as well as a restrictive wage policy.

However, it quickly turned out that the success was mainly achieved on paper. Greece had the low GDP, low productivity and growth rate, as well as high unemployment and inflation. In conjunction with low credit rating and a lack of transparency, an excellent base was built on bad conditions (Siek, 2017). Even if low interest rates led to wage increases, that increase was merely illusory. In fact, the countries that made up the core of the zone benefited most because the capital flow came from the peripheral countries that today have the biggest problems, the so-called PIIGS. As a result, the low cost of loans reduced the competitiveness of those economies, resulting in the need for various recovery programmes, with Greece's biggest problem being the high public debt-to-GDP ratio of 109.4 percent in 2008 (Mavridis, 2018). The costs of organizing the 2004 Olympic Games, high corruption and low export value also contributed to those problems. The combination of

all those factors forms the basis of the collapse that destroyed the economy to such an extent that it cannot recover even today.

Greece during the crisis

The outbreak of the global crisis showed how fragile the foundations of Greek prosperity were. There was a sudden decline in creditworthiness, a reduction in ratings by global rating agencies and almost complete stoppage of financial flows, which significantly affected the economy which had been accustomed to the constant inflow of funds.

The table below presents the basic economic indicators for Greece since the outbreak of the crisis.

Table 1. Basic macroeconomic indicators of the Greek economy in 2007-2019

Economic indicator	2007	2008	2009	2010	2011	2012	2013
GDP (mln EUR)	232695	241990	237534	226031	207029	191204	180654
GDP growth (%)	3.8	-0.25	-4.31	-5.43	-9.19	-7.32	-3.19
Public debt (% GDP)	-	109.4	127.6	146.2	172.1	159.6	177.4
Unemployment rate (%)	8.4	7.76	9.62	12.72	17.87	24.44	27.47
Employment rate (%)	60.88	61.42	60.85	59.1	55.1	50.8	48.8
Inflation rate (%)	2.9	4.15	1.21	4.71	3.33	1.5	-0.91
Budget deficit/surplus (mln EUR)	-15607	-24625	-35981	-25309	-21280	-16951	-23765
Budget deficit (% GDP)	-6.7	-10.2	-15.1	-11.2	-10.3	-8.9	-13.2
Economic indicator	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	
GDP (mln EUR)	178656	177258	176488	180218	184714	187456	
GDP growth (%)	0.77	-0.49	-0.26	1.44	1.92	1.8	
Public debt (% GDP)	178.9	175.9	178.5	176.2	181.2	176.6	
Unemployment rate (%)	26.49	24.9	23.54	21.49	19.29	17.31	
Employment rate (%)	49.42	50.8	52.02	53.5	54.9	56.5	
Inflation rate (%)	-1,31	-1,74	-0,83	1,12	0,63	0	
Budget deficit/surplus (mln EUR)	-6355	-9952	853	1290	1835	2745	
Budget deficit (% GDP)	-3.6	-5.6	0.5	0.7	1	1.5	

Source: own elaboration based on (Elstat, 2020; OECD, 2020).

As the table above shows, the initial weakness of the economy during the crisis has only deepened. The budget deficit increased from 6.7 percent of GDP in 2007 to 15.1 percent in 2009, until the breakthrough moment in 2014 when it ceased to be double-digit. It turned out that for many years fraud and statistical manipulation had taken place with the help of the American bank - Goldman Sachs. The disclosure of such a high deficit resulted in a loss of the global market confidence towards the Greek economy. The budget cuts did not help, especially because they were insufficient. Faced with the threat of bankruptcy, the government asked the so-called "Troika" (European Union, ECB and IMF) for help in May 2010. The result was the signing of three memoranda on funding to help the economy.

The next rounds of negotiations and assistance for Greece (in 2010, 2012 and 2015) were conditioned by the introduction of drastic budget cuts, an increase in taxes and reduction in public investment. They caused mass protests in the country and also contributed to the increase in unemployment, especially among people under 30, where it reached 50 percent, and the escape of many companies abroad, which further weakened

the economy[1]. There are also accusations that such large restrictions are causing the country to recover more slowly from the collapse.

It should be mentioned that creditors slightly eased the original conditions for granting aid to Greece. The repayment period was extended and the interest rate reduced by one point. Therefore, a new term appeared – "reprofiling", which means extending the repayment deadline or reducing the interest rate (Górniewicz, 2014).

The negative significance of the period 2008 - 2016 for the economy cannot be overestimated, not only due to the drastic reduction of the GDP level (by 25 percent) (Darwish, 2015), which can be compared only with the time of the war but also the uncertainty of economic and social prospects, which led to the threat of Grexit, which means leaving the Eurozone. Those threats intensified especially after the introduction of capital controls in June 2015.

After a sharp increase in 2008, Greek public debt was growing, although relatively slowly, but that was an illusory stabilisation. In 2011, it increased sharply and since 2013 it has been consistently well above 170 percent, in 2018 exceeding even 180 percent. This is partly due to a feedback effect because the high financial assistance granted to the country has shaken the stability of the entire euro area which translates into a slower recovery of Greece. It was originally planned that in 2020 the approved financial instruments were to help the country reduce its debt to 121 percent (Słojewska, 2012), but both current trends and the situation in the world clearly show that this will not be possible because the funds allocated to Greece have been allocated first of all for the debt service and not for the economic development. In this area, the country must manage alone.

An important indicator is that after the years of the decline, since 2017 a slight increase in the GDP can be seen which may mean that the economy is slowly stabilising. However, this fact should not be overestimated. The increase in the tax rate caused, apart from many escapes of companies abroad, an additional increase of the financial burden for companies and prices for customers. The impoverished Greek society could not afford higher consumption. The situation was partly saved by the tourism sector, although higher prices caused some tourists to choose other countries as their destination. This fragile upward trend this year may worsen due to the coronavirus pandemic and drastically reduced the tourist traffic (it must be remembered that about 20 percent of the Greek GDP constitutes the revenues from this sector).

A factor that could also indicate a slow improvement in the country's situation is the gradual decline in the unemployment rate. While in the years 2008-2014 it was growing rapidly (from 8.4 percent to 26.5 percent), it has been slowly decreasing since 2015, although it is still close to 20 percent. However, one should not think that this has been a clear symptom of improvement – many people, especially the young ones and educated abroad, after completing studies either have not returned to the country at all or left it in search of work. This brain drain does not serve the economic development. The truth of this reasoning is also evidenced by the low employment rate, only in recent years ranging above 50 percent, which means that half of the working-age population is still unemployed. Since tax avoidance is widespread in Greece, it can be assumed that some people may work in the grey zone, but the lack of work and related problems on both macro and

[1] The author's own study.

micro scale are severe, and, therefore, the official statistics do not reflect the full complexity of the issue and optimism can only be moderate.

A phenomenon that the country dealt with quite quickly was the inflation. The sharp rise in prices in 2008 and the repetition of that situation in 2010 was stopped. As early as 2013 the country recorded a decline in prices (by 0.9 percent) and that trend continued until 2017, when the trend reversed again. Fortunately, those increases were small and in 2019 the inflation rate was 0 percent. Unfortunately, it is difficult to determine whether this phenomenon will prove permanent - in the face of the coronavirus pandemic and climate change (droughts and fires devastating the Greek economy) it may turn out that prices, especially those of food, will rise again.

A positive trend has been a small but steadily growing budget surplus that has been appearing since 2016. This is another thing that shows an improvement in the economy. Undoubtedly, that is also the result of budget cuts and slow changes that have taken place thanks to the use of subsequent tranches of financial assistance, although they were intended mainly for the repayment of foreign debts and not for the development of the country. It is possible, however, that due to that it was possible, at least temporarily, to relieve the Greek economy. However, it is difficult to predict how the situation will shape in the future, all the more so because high taxes cause that many companies operate in the grey zone, which the government cannot (and may not quite want to) fight (it should be remembered that the grey economy, although unfavourable for the tax system, partly improves economic development, especially during the crisis, generating additional workplaces).

Foreign trade

Changes in the economic situation have also been reflected in the foreign trade. The evolution of basic indicators over the period considered is shown in Table 2.

The data presented above show that exports have started to increase since 2010, reaching pre-crisis values, while imports have decreased significantly as far as the value is considered. This is in line with the above conclusions about the impoverishment of the Greek society, which translated into a decline in purchases, especially of foreign goods. In the time of the deepest crisis that translated into a reduction in the value of the trade deficit. The improvement of the economic situation is somehow confirmed by its re-increase in the years 2017-2019.

The exchange with the European Union countries accounts for half of Greece's total trade, which should not come as a surprise, given its historical links and geographical distance. The crisis has also affected this area – the share of EU partners in exports has been gradually decreasing; this trend was reversed only in 2015, when the economic situation slightly improved. Shares in imports changed similarly.

Table 2. Foreign trade of Greece in 2007-2019 – basic indicators

Economic indicator	2007	2008	2009	2010	2011	2012	2013
Total export (mln EUR)	19317	21228	18015	21161	24243	27478	27223
EU countries export (mln EUR)	12223	12696	10166	11570	12549	12185	12849
EU countries export rate in the total export (%)	63.3	59.8	56.4	54.7	51.8	44.7	47.2
Total import (mln EUR)	61859	65529	53138	49648	47888	47967	45823
EU countries import (mln EUR)	36127	36665	30249	27389	25131	22733	22199
EU countries import rate in the total import (%)	58.4	56	56.9	55.2	52.5	47.4	48.5
Total trade balance (mln EUR)	-42542	-44302	-35123	-28487	-23646	-20488	-18600
Total trade balance (% GDP)	-18.3	-18.3	-14.8	-12.6	-11.4	-10.7	-10.3
Trade balance EU countries (mln EUR)	-23904	-23969	-20083	-15819	-12582	-10548	-9309
Trade balance EU countries (% GDP)	-10.27	-9.9	-8.46	-7	-6.08	-5.52	-5.15

Economic indicator	2014	2015	2016	2017	2018	2019
Total export (mln EUR)	27086	25754	25446	28863	33451	33844
EU countries export (mln EUR)	13103	14026	14334	15503	17672	18980
EU countries export rate in the total export (%)	48.4	54.5	56.3	53.7	52.8	56.1
Total import (mln EUR)	45695	42211	42317	47356	54061	55601
EU countries import (mln EUR)	23309	23090	24156	26187	28402	29554
EU countries import rate in the total import (%)	51	54.7	57.1	55.3	52.5	53.2
Total trade balance (mln EUR)	-19610	-16458	-16871	-18493	-20610	-21757
Total trade balance (% GDP)	-11	-9.3	-9.6	-10.3	-11.2	-11.6
Trade balance EU countries (mln EUR)	-10205	-9065	-9823	-10682	-10768	-10574
Trade balance EU countries (% GDP)	-5.71	-5.11	-5.57	-5.93	-5.83	-5.64

Source: (Eurostat,2020) and the author's own calculations.

Greece sells its goods (petroleum products, medicines, aluminium products, fresh fish, oil) mainly to Italy, Turkey, Germany, Cyprus, Bulgaria and the United States, and mainly imports crude oil and its derivatives, medicines, ships and cars and its most important import partners are Germany, Italy, Russia, Iraq, China and the Netherlands (Observatory of Economic Complexity, 2020). The foreign trade generated 72.5 percent of the GDP in 2018 (Societe Generale, 2020).

Insufficient development of the economy and, what is more, its high nationalisation in many sectors are reflected in the value of the index of economic freedom. According to the Heritage Foundation (2020), in 2019 Greece was in one hundredth place in terms of economic freedom in the world and in forty-fourth (out of 45) in Europe, and the index value is 59.9. There has been an improvement compared to the previous year, mainly due to the greater reliability of the government. Unfortunately, the overall result is much lower than the regional average. A significant decrease in results has been recorded since 2012.

The Heritage Foundation analysts predicted that the government would most likely focus on activities aimed at maintaining a favourable image of Greece as a tourist country, which would translate into increasing tourism revenues as well as improving competitiveness. Unfortunately, the outbreak of the pandemic put these actions into question.

The chart below presents the changes in the economic freedom index since reaching the lowest level in the period considered and its gradual improvement in recent years.

It should be noted that the data presented in the chart are confirmed by other indicators discussed above. Although Greece is not highly ranked in terms of economic freedom, the gradual improvement of the indicator shows the slow entry into force of the planned reforms and their positive impact on the economy, but the general economic weakness of the country and high social resistance mean that the positive effects will only be visible to society in the future.

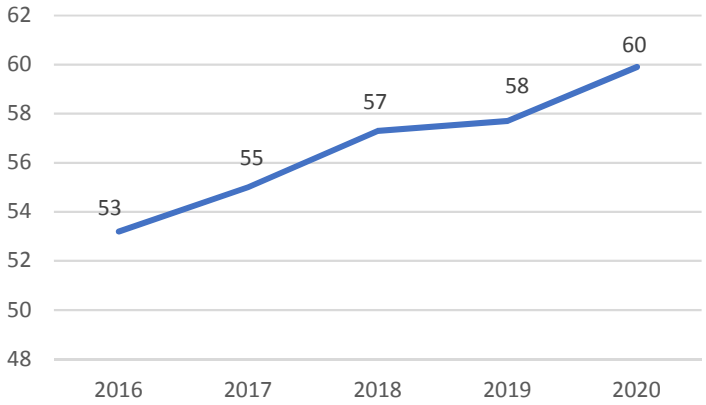

Figure 1. Changes in the economic freedom index in 2016-2020
Source: author's own description based on (Heritage Foundation, 2020)

However, the improving situation cannot be the basis for an overly optimistic view of the future. Since the outbreak of the crisis, various institutions have lent Greece almost 320 billion euros, out of which only 41.6 billion euros were repaid by December 2019. The total debt repayment is planned for 2060 (Amadeo, 2019), which means that only then the country could begin to develop freely, while now almost a third of the population lives below the poverty line. The grey economy is estimated to produce 21.5 percent of the GDP (Amadeo, 2019). This means that fewer people pay higher taxes, many people, especially young people, are employed part-time, and private investment is small, also due to difficulties in obtaining loans, which is due to the lack of funds in banks (low income results in low savings).

At the beginning of 2020, the situation seemed to be stabilising. The value of imports in February 2020, compared to the previous year, increased by 1.5 percent, exports fell by 2.1 percent, while the foreign trade deficit increased by 7.8 percent. It is worth noting, however, that the growth rate of both components of trade during the two months of 2020 increased compared to the previous year (imports 2.1 percent, exports 5.3 percent) (Hellenic Statistical Authority, 2020), which may indicate a slow recovery from the collapse, therefore, the announcements of the Greek government on this subject could prove to be true. It is not known, however, how the current pandemic will affect the Greek economy. Undoubtedly, a positive phenomenon is the reduction of the trade deficit in this period by 2.3 percent. It is also worth noting that the turnover with the EU countries is growing, while the increase in exports is faster than that of imports (9.6 percent and 5.4 percent respectively) (Hellenic Statistical Authority, 2020). In addition, at the end of 2019, another inflow of investment capital began, allowing the government to announce the end of the

crisis. The same opinion gave IMF (Thomsen, 2019) – Greece has achieved a considerable measure of macroeconomic stability needed to implement the fundamental reforms for it to prosper within the euro area.

Coronavirus

On 27 February 2020, the day after the first coronavirus case was identified, the Greek authorities cancelled all carnival events. Since 10 March further restrictions were gradually introduced – schools and service facilities were closed, including the broadly understood food sector and cultural institutions. Strict protective measures on citizen movement were introduced. Those measures were among the most restrictive in Europe and were introduced much earlier than in other countries, which allowed to limit the size of the pandemic (Giugliano, 2020).

The outbreak of the coronavirus pandemic called into question the further development of economy, both global and Greek. The European Union countries are trying to limit the impact of the epidemic on their economies by introducing various aid programmes, but their effectiveness may vary, because they depend both on the economic strength of a given country and the development of the disease. Undoubtedly, the impact on the Greek economy will be significant, because one of its largest partners is Italy – the country most severely hit by the pandemic, which will have to deal with its consequences and which already had economic problems before. Export of Greek products may decrease, tourism revenues are likely to drop significantly. A certain solution to improve the balance and development of Greece may be a decrease in the value of imports, primarily due to the low prices of crude oil, which is the main imported commodity (27 percent). However, the question arises as to how long this situation will persist and whether such compensation will be sufficient to alleviate, yet not to stop, the effects of the pandemic on the Greek economy, taking into account that the IMF also predicts an increase in unemployment up to 22.3 percent (Amaro, 2020).

Since 30 April 2020, 2,576 cases of the coronavirus have been confirmed in Greece, out of which 139 people died and 577 recovered from the disease. That means that in terms of the number of cases the country ranks sixty-second in the world, and nineteenth in the European Union (Worldometer, 2020). Therefore, it is not the country most severely affected, also thanks to the introduction of appropriate ordinances. In addition, the country is struggling with the influx of large numbers of refugees from the Middle East, which also has a negative impact on the economy (the need to maintain refugee camps, difficulties in providing them with proper living conditions, the threat of spreading diseases), all the more so because five immigrants were found to have the coronavirus infection (UN, 2020), which, in the condition of overcrowded camps, especially on the islands, may deepen the difficulties.

It is expected that coronavirus influences mostly on six parts of the Greek economy: growth (will fall down), budget (lower surplus or even deficit), unemployment (will grow up again),prices' growth, investments (less FDI) and capital markets (Antonakos, 2020). The IMF(2020) reports that the economy is expected to contract by 9.5 percent in 2020, before gradually recovering over the medium term. Greece's heavy reliance on tourism makes it particularly vulnerable. A rebound is expected in 2021-22 to reach an average 5 percent growth annually, backed by the Next Generation EU (NGEU) funds and a recovery in foreign demand. As the NGEU gradually phases out, growth is projected to

return to its long-term potential rate of 1 percent. The similar opinion gives OECD in its survey (OECD Economic Survey, 2020).

Perhaps after the end of the pandemic, the European Union countries will consider a joint assistance programme for the countries most severely hit by its effects, but this is a rather distant case for now, as it is not yet known how long the pandemic will last and what the losses will be. For now, the European Commission has approved (under the provisional legal framework adopted by the Commission on 19 March 2020 and applicable until the end of December 2020) the Greek aid programme worth 1 billion EUR to support companies hit by the pandemic, which is to ensure a sufficient liquidity of the Greek economy (European Commission, 2020). Although the Greek Minister of Tourism invited British tourists to come, because Greece is safer than Great Britain, he also announced that security measures would be maintained. Despite everything, the government expects a deep recession, reaching up to 10 percent of domestic production (Scotto di Santolo, 2020).

CONCLUSIONS

The crisis in Greece was mainly caused by the weakness of the global financial system and mechanisms of the Eurozone, for example, the centralisation of decision-making processes in the hands of stable countries of the Eurozone to which the Greek economy did not belong. However, that was not the only reason.

Undoubtedly, one of the reasons for such a long duration of the crisis in Greece is also, apart from the initial bilateral (EU and national) negligence in inspiring economic development, the fact that after the adoption of the euro the country lost the possibility of free shaping of its monetary policy. What worked well in times of prosperity, painfully revealed its weakness during the breakdown. It can, therefore, be concluded that there should be no rush to enter the Eurozone; it should be more consolidated and checked in the crisis conditions. The European Central Bank did not have and does not have the right policy tools for every country with a single currency, and its rigid standards do not result in effective long-term operations, what confirms the research hypothesis formulated above. It would be worth considering an introduction of new solutions what is recommended for the decision-makers from many countries and international organisations.

Would Greece's departure from the single currency be a better solution that would allow the country to recover more quickly as suggest some authors (e.g. Lapsavi tsas, 2019)? Probably not. Admittedly, some economists believe that it would also be possible to introduce a parallel currency to the euro (Papadimitriou, Michalis, Gennaro, 2015), but there is no unambiguous opinion as to the long-term effects of such actions on the economy. A return to drachma would give the country the desired flexibility in shaping the monetary policy, but at the same time could contribute to fiscal instability. Perhaps the competitiveness of Greek exports would improve, but at the same time it would be associated with a large devaluation. Unemployment might fall, but inflation would increase and difficulties in purchasing goods, especially from abroad, would increase. Thus, the crisis could deepen, and one of the repercussions of such a drastic step could also be isolation from the global banking system, caused by the lack of confidence of international markets in the new – old currency.

The reforms and deregulation of the economy are gradually becoming a positive factor, but these changes are taking place too slowly to give the country an impetus for

faster development. The strength of the actual negative impact that the coronavirus pandemic will have on the Greek economy remains under question. However, since Greece reacted faster than other countries, it may also turn out to be recovering sooner. Unlike previous rounds of quantitative easing, the European Central Bank has decided to include Greek bonds in the 750 billion EUR asset purchase programme, which aims to support the Eurozone economy during a pandemic. It has also relaxed the rules so that banks could establish Greek state debt as a collateral to restore the liquidity of banking systems. These decisions have been wise and will provide the additional stability in the financial markets in the country (Giugliano, 2020), which should contribute to improving the condition of the Greek economy. Unfortunately, the full results will be known after the pandemic' end, so this is very important to collect the economic data as soon as possible for the further decisions.

The further researches on the development conditions of the Greece's economy are recommended, especially after pandemic's end. This is important to know how does the economy being a part of EU work after such a specific situation – which reforms helped, in which parts the economy faced the biggest problems, what was the role of the EU structures in the development of the Greek economy. Unfortunately, time is the main restriction – it is necessary to wait until the pandemic will gone.

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Economic policy towards the challenges of the COVID-19 pandemic in selected European Union countries

Martyna Żak, Jakub Garncarz

ABSTRACT

Objective: The aim of the article was to investigate the impact of various policies to reduce the spread of epidemics on the functioning of key areas of the economy.

Research Design & Methods: The study was constructed as an analysis of the development of epidemics in selected countries over time. Data was collected on the development of the epidemic, adopted models of fighting the epidemic, both in the area of restrictions and restrictions, as well as economic support measures. In order to find an answer to the question of which model of fighting the epidemic is the most effective, countries that used different methods of fighting were compared. The study used a quantitative method to present data on the scale of the epidemic crisis and also to present the economic crisis: the size of the unemployment rate, production volume in industry, and retail trade in the countries studied. A partial literature query, comparative method and case study method were also used.

Findings: The study showed no clear links between parents counteracting the spread of the epidemic, accessible to infected and diseased people, and the economic economy. The observations presented in the article may constitute an introduction to further research on the policies applied during the epidemic. in order to present clear correlations and benchmark models, it would be necessary to obtain daily data for the individual indicators and conduct research over a longer period.

Contribution & Value Added: This article as a whole compiles and analyses what actions were taken by national governments to limit the spread of the coronavirus epidemic. The article also describes how the economies of these countries responded to the actions taken.

Article type: research article

Keywords: coronavirus; epidemic; economic policy; economic crisis; society;

JEL codes: E29, E69

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INTRODUCTION

Crisis situations are always for politicians and economists a kind of verification of the accuracy of their policies or implemented economic models. Such a test can be called the coronavirus epidemic and the socio-economic crisis that followed. The specificity of the pandemic crisis is the difficulty in predicting the development of events that are developing extremely dynamically. The article aims to present the development of the epidemic in selected European Union countries and to present economic solutions proposed by governments. Five European Union countries were selected for the study: Germany, Poland, Sweden, Italy and the Czech Republic. The selection of countries was dictated by different ways of fighting the spreading coronavirus epidemic and the different course of the COVID-19 epidemic in these countries.

By June 27, 2020, 9919525 cases of infection were diagnosed worldwide, of which 497255 people had died (WHO, 2020). In addition to the threat to life and health, the virus also disrupted economic relations between countries, which were forced to limit the transmission of the virus by closing many workplaces.

The study used a quantitative method to present data on the scale of the epidemic crisis: data on the number of infections and deaths caused by COVID-19, as well as to present the economic crisis: the size of the unemployment rate, the volume of production in industry, and retail trade in the countries studied. A partial literature query, comparative method and case study method were used to present ways to combat the epidemic and economic crisis in selected EU countries.

The introduction to the article presents the background to the article and the purpose of the research paper. The specificity of the crisis mentioned in the article was also suggested - the economic crisis caused by the epidemic. It then reviews the literature on the development of COVID-19 around the world, the elements causing the economic crisis, and presents the theoretical framework of selected policies to prevent an epidemic and economic crisis. By reviewing the literature, the current findings on the effects of actions taken by selected countries in the face of the pandemic in 2020 have been collected. Attention was paid to the effects that the crisis may bring to countries, households, workers and enterprises.

The next chapter on research methods shows the methods used in the research. The research that was carried out is presented below. Quantitative data are presented to determine the course of the epidemic in selected countries, including in Poland, Germany, the Czech Republic, Sweden and Italy, the choice of states was dictated by a different development of the epidemic and other methods of struggle adopted by state governments. The number of the infected and those who died as a result of coronavirus infection in the period March - July 2020 was presented. Actions taken both in the sphere of health services and in the area of the economy are described. Changes in the employment rate, production volume and economic activity of entities in the analysed countries were shown in order to check the impact of the epidemic on the economies. The conclusions of the authors of the article on the obtained results are presented in the summary.

LITERATURE REVIEW

COVID-19 is an acute respiratory contagious disease observed for the first time in December 2019 in the Chinese city of Wuhan. Typical symptoms of the disease are fever, dry cough, fatigue and shallow breathing. On February 11, 2020, WHO officially called the disease COVID-19. The disease is characterized by low mortality at the level of 2-5%, and transmission occurs by droplet route as a result of coughing or sneezing (Wu & McGoogan, 2020). A characteristic feature of the COVID-19 virus is that it also spreads through surfaces or objects with which it has been infected (Li & De Clerq, 2020). Unlike influenza, the COVID-19 virus takes about 15% of those infected to be acute and 5% to critical, which can result in death 2 to 8 weeks after the onset of symptoms, according to a WHO report (WHO, 2020).

The scientific literature emphasizes the fact that, unlike previous crises, the COVID-19 crisis has many dimensions. In order to limit the spread of the pandemic, the governments of countries decided to confine millions of people to their homes, which turned out to be an effective way to slow down the increase in new infections, but it brought significant economic costs, such as the collapse of many enterprises or the depletion of a large part of societies destitute. Research has shown that short-term economic losses were greater in countries with fewer fiscal stimuli and with more limited use of monetary policy tools (Deb et al., 2020). In the corporate sector, small enterprises are in the most difficult situation, due to their limited cash resources, they have little chance of waiting out the hard time of the crisis. In the US, small businesses employ nearly 50% of all employees, and due to the coronavirus, 43% of small businesses have been shut down in the retail sector, laying off around 40% of employees. In companies dealing with In gastronomy or tourism, revenues have dropped to almost zero, which, combined with the long duration of the crisis, means that many of them may not reopen (Bartik et al., 2020).

In order to limit the economic consequences caused by the crisis, the need for easy and cheap access to advanced technologies by small enterprises is emphasized. Until now, a significant percentage of enterprises claimed that many technologies are too advanced to be used, but the crisis situation means that the use of many technological solutions may be a necessary condition for the development and even survival of enterprises. The most important of modern solutions are crowdfunding platforms, creating marketing innovations using social media, commercializing ideas for entrepreneurship or using visual analysis technology and big data analysis (Akpan et al., 2020). In the context of the economy as a whole, the literature clearly states that stable and decisive leadership and the implementation of immediate remedial measures are now needed in those sectors of the economy that have been most affected and require recovery as soon as possible. It is also necessary to support entrepreneurship, especially that based on solid and sustainable business models. Social support cannot be ignored either, as it is estimated that during the pandemic the number of calls to the hotline dealing with domestic violence increased by 25% (Nicola et al., 2020).

Among the employees, people who were not employed under a contract of employment, but earned their earnings under civil law contracts or in other informal ways, are in a particularly difficult situation. However, even during the recession, the re-employment rates of the temporary unemployed are higher than they were during previous crises. This fact is used in more optimistic forecasts of the effects of the current crisis. They assume that most of the unemployment caused by the COVID-19 crisis will be temporary, not long-

term, as many studies report. Researchers also predict that even assuming that job vacancy rates will return to pre-recession levels in two years, unemployment rates should decline sharply (Gallant et al., 2020).

However, forecasts were also made of how much the suicide rate may increase in the world, almost 9,000 additional people may take their lives due to unemployment, while loneliness may result in up to 40.7 thousand additional suicides, which in total gives the number of nearly 50 thousand additional suicides (Weems et al., 2020). The scientific literature also touches on the problem of digital exclusion, which is of particular importance in the context of remote work or distance learning. The problem of digital exclusion is not only the lack of access to a stable and fast Internet, but also due to the lack of knowledge of the English language, lack of sufficient computer equipment such as a laptop or camera, and the lack of sufficient skills to use modern technologies fluently. Only in Poland, due to infrastructural shortages, approximately 2.5 million Poles could not work remotely or take part in e-learning. This indicator does not take into account the digital divide related to poverty or the lack of skills. It is emphasized that in order to solve this problem, systemic solutions are important, because the market is not able to do it effectively, while in the case of further expansion of remote work, the inability to perform it by many people may result in job cuts, impoverishment of the society and deepening of digital exclusion (Kuc-Czarnecka, 2020).

It has also been observed that epidemics affect societies by changing the way they organize, people's lifestyles, the way people think and make decisions. The crisis caused by the COVID-19 virus has so far destroyed long-standing institutions, transformed global supply chains, and changed the flows of knowledge and capital between countries (Zahra, 2020).

The crisis caused by the spread of the COVID-19 virus also triggered the mass spread of fake news. Many of them did not meet the standard criteria for describing fake news because they came from sources generally considered credible, and the main objection to them was that the information disseminated was imprecise, prompting people to draw hasty and false conclusions (Orso et al., 2020). The main reason for spreading fake news on pandemic-related topics is altruism, people want to share information that can help their loved ones through social media. However, researchers also mention other factors such as: ignorance, unawareness, peer pressure or seeking attention that affect the popularity of sharing false information (Apuke & Omar, 2020).

MATERIAL AND METHODS

Preliminary analysis of pandemic data in individual EU countries and in the USA is possible thanks to the availability of detailed data on COVID-19 by the European Center for Disease Prevention and Control. ECDC information has allowed the creation of a panel-type database (data collected in a group of people at various times - over time). The collected data are quantitative data because they contain variables relating to the number of infections, deaths, and active cases of coronavirus. The quantitative method was used to describe the state of COVID-19 incidence and the response of selected areas of the economy to the pandemic. Quantitative data have been processed in order to obtain interesting conclusions on the effectiveness of some methods of fighting the pandemic and the economic crisis.

The desk research method was also used to analyze the materials related to the studied phenomena. The literature was reviewed presenting the available data. The

case study method was used to show the various actions taken by governments in times of crisis and pandemic.

RESULTS

The course of the epidemic in individual countries

The first cases of coronavirus in Europe were detected in France on January 24 (Spiteri et al., 2020). Since then, the virus has quickly spread to all European countries, leading to more than a million infected people across the continent.

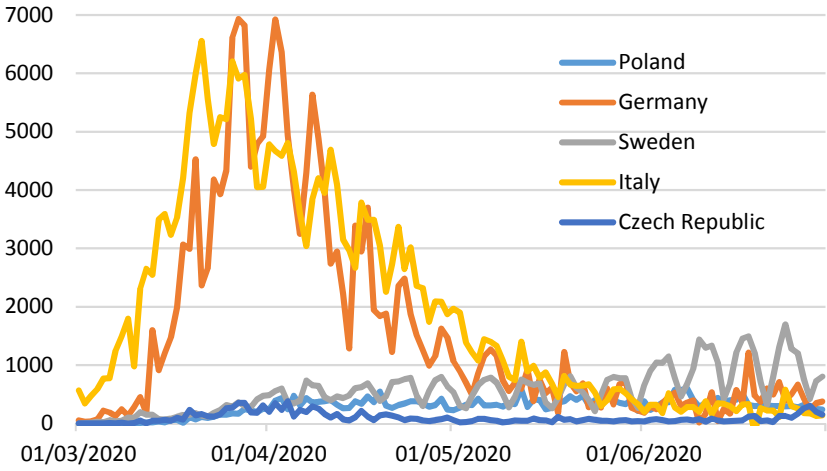

Figure 1. The number of daily cases of COVID-19 infections diagnosed in selected EU connections during the period: 01.03.2020- 27.06.2020
Source: Our World in Data (2020).

As it results from Figure 1, the course of the COVID-19 epidemic and its intensity varied in Europe depending on the country studied and the period adopted. The curve illustrating the number of daily occurrences in Italy in the period March-April is characterized by an upward trend, with slight decreases. After reaching the highest daily number of cases, a downward trend is observed, from May to the end of June the curve gradually flattens. Similarly behaves the curve illustrating the number of daily cases for Germany, which, however, reaches the highest daily number of cases a little later. A slightly different course of the COVID-19 epidemic can be observed in the other countries studied. According to Figure 1, the daily increase in incidence in Sweden, Poland and the Czech Republic in March-June does not exceed 1,000 people. The curve showing the number of new COVID-19 infections in the Czech Republic takes on a flattened form, with slight deviations at the beginning of April. More daily cases were recorded in Poland (which is also associated with a three times larger population), for which the daily infection curve is also flattened in March-June. In Sweden, the number of new infections is steadily increasing over the period considered, with a clear increase in the infected population since June.

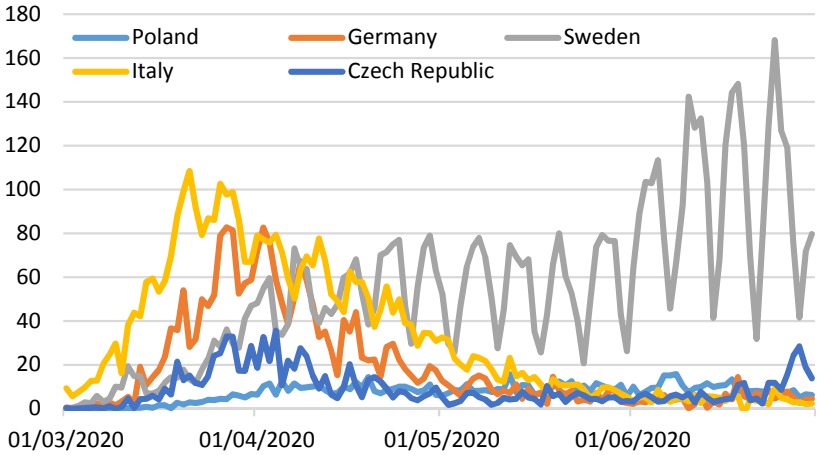

Figure 2. The number of daily cases of COVID-19 infections diagnosed per million inhabitants in selected EU countries during the period: 01.03.2020- 27.06.2020
Source: Our World in Data (2020).

When comparing the number of COVID-19 infections in different countries, it is important to indicate the population size of each of them, so that the results give a reliable picture of the scale of the epidemic in a given country. Figure 2 uses the COVID-19 infected rate indicator in relation to the size of the population of selected countries. According to the Chart, the most dramatic epidemic was observed in March-April in Italy and Germany. In Italy, at the peak of the epidemic, there were just over 100 new cases per million inhabitants per day. The data presented in Figure 2 shows that in the Czech Republic and Poland the number of infected for the total population remains low, while in the case of Sweden the percentage of infected in the population is characterized by numerous deviations from April to early June, and then rapidly increases, at its peak, assuming the value of nearly 300 infected per million inhabitants.

The study also used data on the daily number of deaths due to COVID-19 infection in selected European Union countries. According to Figure 3, the highest number of daily deaths was recorded in Italy in March-May, with the highest number of almost 1000 deaths per day. The curve showing this value for Italy grew rapidly from March to April, after reaching the highest value shows a gradual downward trend.

More detailed information on mortality in selected European Union countries is provided by the indicator of the number of daily deaths compared to the size of the population (per million inhabitants). As shown in Figure 4, the daily mortality resulting from COVID-19 in the Italian population at the peak of the pandemic is 15 people per million inhabitants. Only Sweden shows a higher value among the countries surveyed, reaching 18 cases per million inhabitants a day.

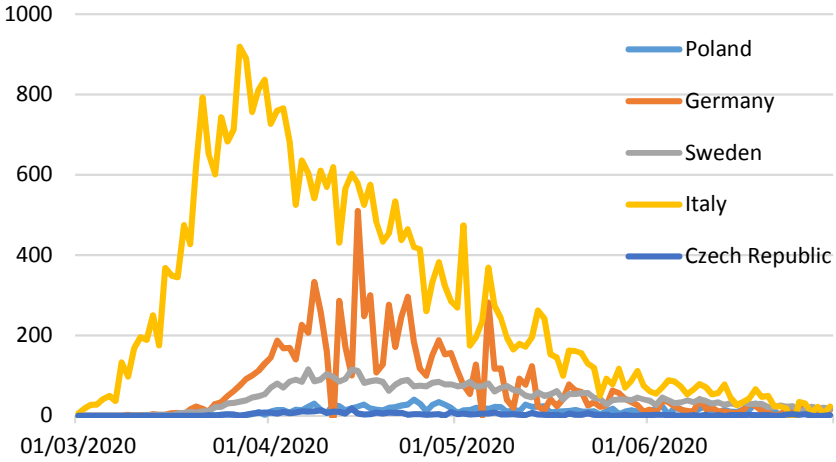

Figure 3. Number of daily deaths due to COVID-19 infection in selected EU countries during the period: 01.03.2020- 27.06.2020
Source: Our World in Data (2020).

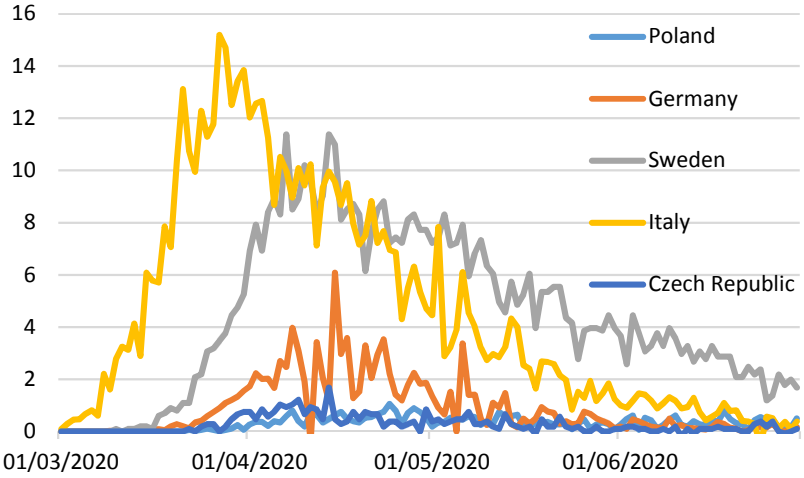

Figure 4. Number of daily deaths due to COVID-19 infection per million inhabitants in selected EU countries during the period: 01.03.2020- 27.06.2020
Source: Our World in Data (2020).

Strategies for managing the epidemic and economic crisis by selected European Union countries

In the face of the dynamically developing situation related to the spread of COVID-19 and the following economic crisis, governments of many countries had to develop economic plans.

In Poland, legislative solutions regarding economic assistance during the pandemic were called the "anti-crisis shield", which – adopted in a hurry, was subject to several

amendments. The shield's solutions include state aid in the form of wage subsidies for employees, lifting restrictions on employment for a specified period, postponing the date of payment of ZUS contributions. Subsidies to loans, which are forced by the crisis, entrepreneurs operating in the area of agricultural production, which, in addition to the crisis caused by COVID-19, will also face the effects of drought (Bartosiewicz, 2020) are also a proposed solution. In the anti-crisis shield, the government also proposes to protect Polish enterprises against hostile foreign acquisitions, which will be controlled, among others by the President of UOKiK (Ministry of Development, 2020). For local governments that incurred significant costs associated with adapting the health service to fight a pandemic, the provisions of the anti-crisis shield allow, among others relax debt rules, the possibility of shifting some budget items. Interesting solutions have been introduced in regulations strictly regulating the employment relationship, e.g. enabling the reduction of the employee's working time or extending the employee to economic downtime in the event of a significant increase in the employer's pay load, or temporary suspension of the obligation to collect overdue leaves until 30 September 2020 (Kulpa & Białecka, 2020). This is a solution that gives a bit of an advantage to the employer, who, due to the crisis caused by the coronavirus, sometimes had to completely suspend his activity. However, this raises doubts about the position of the employee in this situation, to what extent such solutions do not violate the rights of the employee. According to the latest data, less than half of the companies benefited from the assistance offered under the shield. There are many voices suggesting that a tool to stimulate demand would be lifting the trade ban on Sunday. In addition to the hotel and catering industry, which is most often mentioned, the arts industry has suffered as much as a pandemic, which even in the current - fourth stage of defrosting the economy has little chance of returning, because the requirement to fill the rooms in 50% causes unprofitable opening of the theatre or cinema (Szymański, 2020).

Similar solutions to Polish ones were introduced in Italy - the focus was on transferring funds to companies and employees. As it is a country that derives huge profits from tourism, the government has supported this sector with monetary compensation for losses suffered during the epidemic. As in Poland, tax payments have been deferred in Italy. An innovative solution is the introduction of a voucher for a childminder in the event that an employee cannot take a longer holiday - this seems to be a sensible solution from the point of view of the necessity of employees to work and providing care for children in the event of school closure, at the same time creating new jobs for childminders (Rosińska, 2020).

German solutions aimed at combating the economic crisis are criticized for insufficient assistance to micro enterprises and offering assistance only to the largest companies. On the other hand, Germany was one of the few who decided to cover the costs generated by the coronavirus from budget surpluses from previous years, which indicates a wise, responsible austerity policy (Siemionczyk, 2020).

It is also worth analyzing economic solutions in response to the crisis caused by the coronavirus also in Sweden, which used a completely different tactic to fight the disease than other European Union countries and did not block social and economic life. Economic data indicate that in the first quarter of 2020 the Swedish economy was doing much better than other European Union countries, recording a 0.5% increase in GDP compared to the first quarter of 2019. For comparison: in Italy, the GDP decline in the first quarter of this year amounted to 4.7%, in Spain 5.2%, in France 5.8% However, after two months of the epi-

demic, according to the Swedish Ministry of Finance, in 2020 Sweden's GDP will shrink by as much as 7%, and around 40% of companies will declare bankruptcy (Wolska, 2020). The Swedish government has proposed to keep the reference zero interest rate, which it considers an effective measure to stimulate demand. However, the future effects of the Swedish government's liberal policy are puzzling. The high number of COVID-19 infections in Sweden and the number of deaths suggest that this country - already struggling with the demographic crisis - may have even greater problems in the future after coronavirus (Rząsa, 2020).

Impact of the crisis on macroeconomic variables

In order to verify the impact of the crisis on the economy and its response to solutions in the area of economy proposed by governments, it is necessary to analyze the variability of such indicators as e.g. the unemployment rate, the volume of industrial production, the development of business activity in the area of retail trade and the financial situation of consumers.

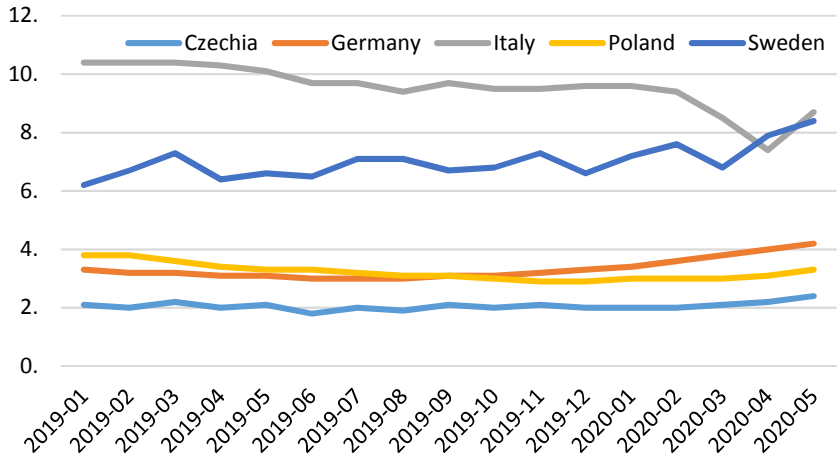

Figure 5. Unemployment rate from January 2019 to April 2020
Source: Eurostat (2020a).

As it results from the data presented in Figure 5 among the EU countries surveyed, in January 2019-April 2020 the highest unemployment rate is recorded by Italy (at the highest point it is about 11%). Despite the dramatic course of the coronavirus pandemic in Italy, the unemployment rate dropped significantly at the beginning of 2020, in April 2020 it amounted to 6% (against the previous 10% in December 2019). This is due to the fact that the decrease in the unemployment rate is associated with a decrease in the number of people seeking employment, which was caused by social unrest related to the pandemic, quarantine coverage, as well as waiting for the resumption of production in the workplace (Żuławiński, 2020). As the data from Figure 5 show, in Poland, Germany or the Czech Republic there is no clear impact of the COVID-19 crisis on the employment rate, in each of these countries it takes the form of a flattened curve, with slight deviations. The increase in the unemployment rate in Sweden (which has introduced the least restrictions on socio-economic life) can be explained by a high dependence on exports, representing 50% of GDP (Sikorski, 2020).

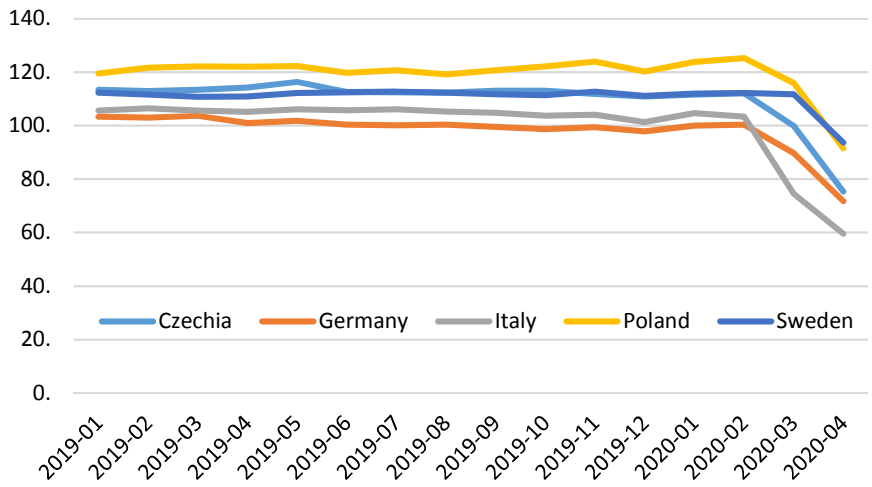

Figure 6. Production in industry from January 2019 to April 2020
Source: Eurostat (2020b).

The graph above shows production in industry, where the base value for 100 was 2015. As shown in Figure 6, in February 2020-April 2020 the curves showing the volume of production in industry show a downward trend for each of the five selected European Union countries. The largest decrease in production in industry is observed in Italy, where in the period from February to April a decrease of nearly 40% was noted, which is related to the fact that Italy was the region most affected by the COVID-19 pandemic in Europe. The downward trend in industrial production in Germany is confirmed by data from the Federal Statistical Office, according to which in March 2020 industrial production in Germany fell by over 9%, which was associated with a decrease in domestic and international demand. The drop in production in industry in the Czech Republic by more than 30% is, in turn, caused by a lack of supply from China and the difficult situation in Italy, which is an important trading partner for this country.

Chart 7 illustrates the development of business activity in the area of retail sales in the period January 2019 - May 2020. Among all the compiled countries, the effects of the crisis are most visible in Poland, where this indicator decreased by nearly 120% compared to the period before the first detected case of infection in this country. An equally severe decline was observed in Italy, while the smallest reduction was recorded in the Czech Republic.

The last of the indicators presented is the financial position of consumers. As in the case of the indicator on retail sales, Poland turned out to be the most affected country, where the situation of consumers in relation to the period before the pandemic deteriorated by more than 150%. However, consumers in Sweden and Germany suffered the least from the effects of coronavirus.

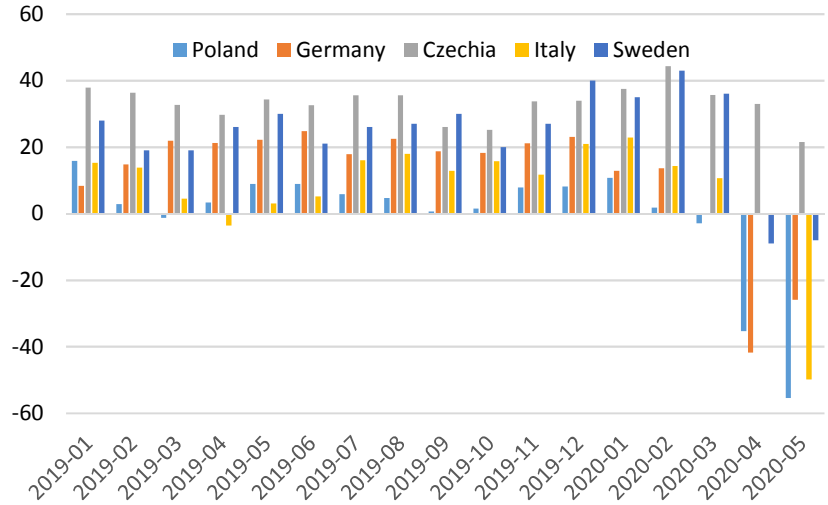

Figure 7. Business activity development - retail sales from January 2019 to May 2020
Source: Eurostat (2020c).

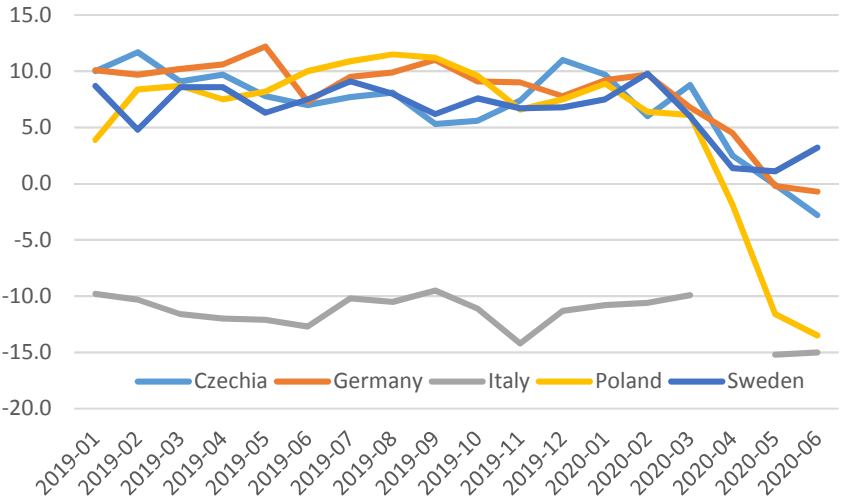

Figure 8. Financial situation - consumers from January 2019 to June 2020
Source: Eurostat (2020c).

CONCLUSIONS

The effects of the COVID-19 pandemic are visible not only on the plane of the epidemic, but also on the economic plane. In a report on selected methods of fighting the European Union against the epidemic and summoned by it against the Economic Commission.

In the first part of the article described the scale of the epidemic in Italy, Poland, Sweden, the Czech Republic and Germany. The inventory, the liberal approach of Swedish epidemiologists translated into a high percentage of those infected in groups, and despite the need to limit the scope of measures, Sweden may use declines in GDP, like the other countries studied.

COVID-19 should be used with caution and the unemployment rate should be assessed, the number of indicators for the countries studied in the period January - May 2020 should be taken into account, should be taken into account. with the suspension of many labour services.

The study showed that a decrease in production in the analysis was observed in Italy where in the period from February to April a decrease of nearly 40% was recorded. Lists of other surveyed countries - the Czech Republic, Germany, Sweden and Poland report clear declines in production by several dozen percent in the group in the period under review.

The crisis affecting the decline in activity in the analysis of retail sales in the period January 2019 - May 2020. From among all sets of markets in terms of activities visible in Poland, where this indicator decreased by nearly 120% depending on the period before detecting the risk of accidental infection in this country.

Further research recommends extending the research carried out to include the long-term effects of the policies applied in various countries, as well as extending the research to other countries, in particular the USA and China.

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Boundary conditions for the implementation of smart management systems in tourist destinations

Magdalena Kachniewska

ABSTRACT

Objective: Purpose of this paper is twofold: (1) to indicate the business and technological foundations of smart tourism, as well as prospects for its further development; (2) to indicate factors and barriers to the development of smart tourism management system in Poland. The paper then discusses a series of challenges currently neglected in the practical smart tourism agendas and the academic literature.

Research Design & Methods: A combination of 3 methods was used: mind mapping, STEEP analysis and semi-structured interview with 48 experts, representing tourism industry new-tech sector. All the interviewees were interviewed in Jan/Feb 2020.

Findings: The article presents the general concept of the smart tourism and smart tourism destination (STD) development and identifies opportunities and threads to the development of smart tourism in Poland.

Contribution & Value Added: The article is an important value from the point of view of tourism industry practitioners (destination managers). The study contributes with valuable insights on how the chances of implementing smart tourism assumptions are perceived in Poland. The final diagram gives the idea of big data availability and usability in tourism and its impact on management efficiency.

Article type:	research paper
Keywords:	smart tourism; big data; STEEP analysis; data-based tourism experience; Internet of Things; IoT; tourism market
JEL codes:	M31, R58, Z32

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INTRODUCTION

The concept of "Territorial Intelligence" (smart city, smart region) has emerged, based on three-element dynamics including: sustainable development; network-based management

and the use of intelligent technologies to collect, process and diffuse information. The aim of the article is: (1) to connect the concept of territorial intelligence and tourism; (2) to analyse the state of research on smart tourist regions; (3) to present the results of a semi-structured expert interview, conducted to understand business and technological foundations of smart tourism destination in Poland.

The first part reviews current scientific research and brings to the concept of smart tourism destination (hereinafter called STD), as well as the components of implementation of solutions that make up the smart tourism system. In the second part, the review of the literature was used to discuss the most advanced and promising technological achievements and the possible framework of their application in tourism. The third and fourth parts present the methodology and results of the empirical research carried out with the participation of Polish tourism market experts. They presented not only their own opinions on the concept of STD and prospects for the implementation of technological solutions in tourism practice, but also the basic requirements for integration and standardization for the efficient use of these technologies (see the final diagram).

LITERATURE REVIEW AND THEORY DEVELOPMENT

The concept of smart tourism destination (STD)

The analogy between the goals of the development of the city and the tourism destination as well as the possibility of achieving these goals with the support of modern technologies, obviously arises. Komninos (2008) believes that a smart city/commune/cluster/region is an area consisting of four main elements:

- creative population carrying out intensive use of knowledge,
- effective institutions and procedures for creating knowledge that enable it to be acquired and adapted,
- developed broadband infrastructure, digital spaces, e-services and online tools for knowledge management,
- documented ability to innovate, manage and solve problems that appear for the first time, as innovation and management are crucial to assess intelligence under uncertainty.

The terms ‘intelligent tourism’ and ‘intelligent tourist destination’ are already commonly used in literature (Baggio& Del Chiappa, 2014; Gretzel *et al.*, 2015). A number of researchers undertake to formulate the technological foundations of this concept and analyze case studies of cities/regions (Femenia-Serra & Perea-Medina, 2016; González-Reverté, 2019) that more or less correspond to the concept of intelligent destination. Numerous studies have been undertaken on STD assessment framework (Baggio & Del Chiappa, 2014; Femenia-Serra & Perea-Medina, 2016; Gretzel *et al.*, 2015; Vasavada & Padhiyar, 2016; Masseno & Santos, 2018). The concept of a STD refers to the development of ICT infrastructure, which is flexible and service-oriented as its purpose is to meet the needs of all stakeholders: local authorities, entrepreneurs, tourists and residents. The data stream is no longer merely an illustration of real processes, but through intelligent technologies it has a real impact on the operation of the entire system. As long as these two spheres (online and offline) do not begin to permeate, there will be no structurally strong, uniform, evolutionary system of the intelligent region (Baggio & DelChiappa, 2014; Gretzel *et al.* 2015).

STDcould be defined as "tourism supported by integrated efforts at a destination, to find innovative ways to collect and aggregate data derived from physical infrastructure, social connections, organizational sources and human bodies/minds in combination with the use of advanced technologies to transform that data into enhanced experiences and business value-propositions with a clear focus on efficiency, sustainability and enriched experiences during the trip" (Gretzel *et al.*, 2015, p. 180) or "an innovative tourist destination, built on an infrastructure of state-of-the-art technology guaranteeing the sustainable development of tourist areas, accessible to everyone, which facilitates the visitor's interaction with and integration into his or her surroundings, increases the quality of the experience at the destination, and improves residents' quality of life" (Lopez de Avila, 2015, p. 27). STDs are characterized by the ability to transform large amounts of data into enhanced tourist experiences and increased destination competitiveness thanks to the interconnection of the different stakeholders through latest ICT advancements, which allow a better decision-making (Femenia-Serra & Perea-Medina, 2016).

The sources and benefits of using big data in tourism

The information intensive nature of tourism make it an ideal match for use of ICT (Kachniewska, 2014; Olsen& Connolly, 2000). The amount of underdeveloped tourist data results from the frequency of online transactions, a large number of Internet searches, the use of price comparators and social networks. The data is irrelevant when it is isolated from the context - it becomes the basis for management decisions when it is analyzed together with the entire data set (Frederiksen, 2012; Hendrik & Perdana, 2014;Manyika *et al.*, 2011).

Records of credit card transactions, search engine traffic statistics, and user-generated content (UGC) on social media can reveal trends and complex patterns and provide useful patterns of tourists' behavior and desires, enable forecasting of certain phenomena, provide the basis for business decisions, and more effective forecasting (Mariani *et al.*, 2018). Many studies have used structured search-engine data for tourism now casting and forecasting (Artola *et al.*, 2015; Jeng & Fesenmaier, 2002: Yang *et al.*, 2015).Particularly high hopes are associated with the development of wearable devices and the Internet of Things (IoT), which is already heavily used in the field of tourism industry: e.g.to personalize various settings of the environment (temperature, lighting, water flows, etc.) in hotels, to access control or verification of the operational status of individual elements, to optimize repairs and maintenance).In tourist destinations, IoT helps to monitor visitor flows, enables traffic management in the city or region, provides personalized information about the location and available transport connections, attractions, shopping (on the basis of mobile applications and e-guides, or based on beacons) (Guttentag, 2010; Kurilovas, 2016). Cellphone roaming data and Bluetooth tracking data can also help understand the pattern of tourist flows at different scales. A group of researchers from Estonia utilized a nationwide roaming mobile dataset of the Estonian GSM network to study the spatial-temporal pattern of inbound tourists (Ahas *et al.*, 2008). Bluetooth tracking technology enables to understand tourists' spatial-temporal movement patterns (Versichele *et al.*, 2012).

The availability of information allows taking action to counteract the negative aspects of concentration of tourist traffic (relocation of tourist streams to less burdened places), which in turn brings both improvement of economic efficiency and better feelings of tourists. The advantage of this type of solution over the traditional tourist information system (maps, folders, labeling of facilities) lies mainly in the fact that they can

stimulate tourist decisions ("push" messages displayed on the monitor of a mobile device) (Cooper & Macneil, 2005; Kachniewska, 2014). This is especially valuable in those places where no forms of personal support are available (e.g. remote areas, tourist routes), but also in facilities where the scale of tourist traffic exceeds the possibilities of personal contact between staff and visitors (huge events).

Wearable devices move us towards the data-driven "sensor society" where an individual leaves a huge data footprint during the course of his/her everyday life, which creates opportunities for business development (Swan, 2013). Some of these devices can exchange stored information via wireless, NFC, and iBeacon technology. They enable to track physical behaviors from the external information provided by tourists and to guess quite accurately the emotional state of tourists at a specific moment (Swan, 2013).Song and Liu (2017) introduced a framework that incorporates big data produced by tourists themselves that increases knowledge of the target market into tourism demand forecasting.

Main advantages of tourism big data over traditional methodologies include:

1. Reliability: big data are based on users' real actions, not on surveys (Meeker & Hong, 2014).
2. New information flows: information is produced by tourists themselves; it enriches the knowledge of tourism businesses' target market and is very useful for analyzing the consumers' demand for different tourism products and services (Hendrik & Perdana, 2014).
3. Real-time data and now casting: i.e. the use of real-time data to describe contemporaneous activities before official data sources are made available (Bollier& Firestone, 2010).

Altogether they are quite useful when designing tourism experience and promoting the destination.

Data-based tourism experience

From a visitor perspective, the availability of mobile tools equipped with the big data solutions and the provision of new personalized information can enrich a tourism experience. An important factor is the strength of the relationship between the message and the context of the tourist's activities at a given time (time of day, location, activity, company of other people, etc.). The system could use the location(extracted from GPS receivers, or through Wi-Fi, cell-id, RFID, etc.), time of day, current weather conditions and forecast, user profile information (in some case extracted from social networks), user constraints and preferences, attractions already visited, location and opening hours of tourists attractions, collaborative user-generated content (e.g., comments, attractions ranking, photographs/videos (Gavalas & Kenteris, 2011). A tourist might be assisted with attractions, routes and tours recommendations, tourism services and personalized multiple-days tour planning.

Monitoring and understanding of the spatial-temporal pattern of tourist movement provides crucial insights for destination planning and capacity management (Shoval *et al.*, 2013). With the development of reliable and accessible smartphones with built-in GPS, tourists are able to share their user generated contents (UGC) with geo-referenced data (Hawelka *et al.*, 2014) and geo-tagged photos (Hawelka *et al.*, 2014; Shoval*et al.*, 2007; Vu *et al.*, 2015) or to monitor travel routes of tourists (Ahas *et al.*, 2008). Li and Yang (2020) used the geo-tagged Sina Weibo data to understand the nation-wide Chinese domestic tourist movement patterns during the National Day Golden Week in 2014. Several studies have demonstrated how to use big data sources to explore tourists' experience, predict tourist demand, and understand expenditure patterns.

Ka´da´r (2014) highlighted tourist hotspots in Vienna, Prague and Budapest using geo-tagged photos and found a high level of correlation between this data and tourism statistics. Vu *et al.* (2015) introduced a Markov chain model for travel pattern mining on the geo-tagged photos in Hong Kong, and highlighted the travel behavior difference between Asian and Western tourists. Big data analysts capture information of consumer interests from photos posted on social networks: e.g., a tourism provider could push information about local biking routes when they obtain a picture of a mountain bike (Song & Liu, 2017). Girardin *et al.* (2008) applied analytical tools to disclose tourist travel routes based on geo-referenced photos during their travel. Social media coverage is proven to impact destination image and to influence international tourism flows (Scharl *et al.*, 2020).

According to Govers *et al.* (2007), tourists' cultivated images are considered as the first of the travel decision-making process. Predictive analytics can relate to weather phenomena, natural disasters and technical problems (e.g. in aviation) – near-field communication (NFC) allow quick contact with travelers and rapid distribution of information (warnings and evacuation tips).Modern tourists like to change the route during travel and combine different travel aims, such as business, vacation, entertainment and education (Kachniewska, 2014). The changing surrounding environments may cause changes in decision-making and behavior (Lamsfus *et al.*, 2014). Travelers often re-negotiate specific details of a trip when a flight is delayed; due to physical fatigue etc. Changes in context and subsequent behavior can transform the way travelers interact and/or experience the destination (Kim & Fesenmaier, 2015).For tourists themselves, an updated information can be critical in some specific situations: while navigating the destination, looking for specific information or planning their activities.

Profiling customers with big data assistance is beneficial as it provides better services. However, it also possesses a significant thread to users' privacy (Masseno & Santos, 2018). Gaining concern over users' privacy; users want control over who has access to their private data and feedback on the use of their data.

RESEARCH APPROACH AND METHODS

As the aim of this study is to understand business and technological foundations of smart tourism destination and how this complexity affects the outcomes when realizing destinations' ambitions, the combination of three qualitative and interpretative methods was used: mind mapping technique, STEEP analysis and a semi-structured interview with48experts: 26 representatives of tourism industry (11 hotel managers, 2 OTA representatives, 3 incoming travel agents, 7 museum/art gallery managers, 3 employees of tourism information centers), 12 DMOs representatives, 1 NTO representative and 8 ICT experts. All the people were interviewed in February 2020.

The purpose of the STEEP analysis was to identify the external environment factors that are opportunities and threats for smart tourism development in Poland, and to determine the strength of this impact. The criteria covered by the STEEP analysis normally include: (1) socio-cultural factors (values, lifestyle, demographic growth, education, employee qualifications, population income, society's attitude towards a given industry), (2) technological factors (scientific discoveries, patents, technology level in a given industry, impact of new technologies, changes in the organization of production), (3) natural environment (environmental protection, pollution, climate change, renewable energy, recycling), (4) economic factors

(GDP, inflation rate, unemployment rate, budget deficit, market size, interest rates, taxation, exchange rate currency, trade and payment balance, level of wages) and (5) political factors (regulations regarding economic/tourism activity, attitude of the authorities towards the industry, socio-economic ideology of the government, stability of governments, stability of legal regulations, (re) privatization processes, EU membership). The first step of the analysis process was aimed at identification of factors constituting opportunities or threats to smart tourism development in Poland, while the second one was devoted to the quantitative assessment of the importance of the enumerated STEEP factors.

The scale adopted for the purpose of the analysis (1-5) indicated:

5 – a very encouraging environment;
4 – encouraging environment;
3 – neutral environment;
2 – non encouraging environment;
1 – strongly discouraging environment.

Interviewees were also asked to mention the three most negative impacts (outcomes) or unsustainable features of today's tourism development system in their regions/cities and then, rank them by order of importance from the most influential (1) to the least influential (5). On the last stage of the interview they were asked to suggest (or report) the possible solutions to the addressing the most pressing issues of smart tourism destination development process. The interviewees were asked to consider a social/industry perspective in their responses instead of their personal preferences.

FINDINGS

The research of the opportunities and threats of implementing smart tourism postulates has shown quite different opinions on the importance of different factors. First, the experts have indicated smart tourism development factors, enumerating two groups. They include business and citizen participation, destination leadership and infrastructure, as internal factors. The external factors cover: the availability of data sources, the idea of data-based management and decentralized approach to innovation.

The main stakeholders of a smart tourism destination (STD) include: residents and guests (tourists), local government and destination management organization (DMO), budgetary units, municipal companies, educational units, universities and research centers, business entities. They all should be offered a promotional campaign to build a "front" of interest and support. Destination managers are the main actors in building STD and delivering services to citizens, tourist and local businesses, while urban residents, travelers and enterprises should become the most direct beneficiaries: citizens and tourists benefit from the improved quality of life and better experience, while local enterprises can benefit from creating new profits by leveraging STD infrastructure and reliable municipal services. Indirect stakeholders group include providers of smart technology, infrastructure services and applications' developers.

The most important postulates of the experts concerned the following issues:

1. Residents' (including local businesses) participation in STD decisions.
2. The leadership of the destination management organization or local governor. The success or failure of a smart tourism initiative depends on the pace of implementation

and diffusion of technological solutions. The inclusion of an IT director into the team responsible for developing a STD (digital solutions, appropriate allocation of expertise, employee education, the standardization and interoperability of systems, data sources development and liquidation of data silos).

3. Data-based management. The development of intelligent infrastructure that allows data generation, acquisition, exchange and real-time analysis.
4. The "data center", automatically fed by different destination stakeholders: destinations managers, hoteliers, restaurants, transport companies, museums and other cultural attractions, entertainment and recreation sector, banks, technology companies, etc., and could be the base for making decisions "on-the-go".

The interviewees identified a comparable number of favorable and unfavorable factors, but clearly assigned a higher weight to threats (Table 1).

On the opportunities side, the interviewees pointed mainly to environmental issues and socio-cultural changes. Lower hopes are associated with economic issues (they perceive them mainly in terms of increased costs at the first stage of implementation), political and – the least – technological factors (see Figures 1 and 2).

Within the political factors, interviewees paid attention to public policies, especially developing of a coherent strategy for green energy systems and smart mobility development on a national scale (indicating priority development directions and European guidelines). The overall assessment of these efforts, both at the local and national level, was very low, which reflects the lack of public confidence in the actual involvement of the Polish government in environmental projects. Meanwhile, the development of STD in Poland should first of all be oriented on the issues of sustainable development, because they (1) determine the quality of life and rest of local residents and tourists, (2) are an important element of tourist experience, (3) limit the field of conflicts between visitors and local residents, which is particularly important in regions threatened with over tourism.

Higher weights were given to threatening factors, including: technological, economic and political factors, which – in general – covered insufficient technological competence, low governance transparency, inefficient public-private partnership in destinations, no incentives for launching commercial enterprises with a large "know-how" contribution, and lack of funding for research in the field of smart tourism (Figures 3 and 4).

The most blocking economic factors covered low businesses awareness and ICT readiness, new market structures malevolence (the dominance of new business models based on the disruptive innovations), lack of funding of smart solutions, and low implementation rate and commercialization of innovative technologies. The main obstacle to implementing future-proof solutions is the lack of sufficient funds and the inability to communicate and cooperate with various institutions. Therefore, the implemented projects usually are not based on a holistic approach.

The most optimistic observations of the interviewees concern social and cultural factors. On the opportunities side, they were given very high importance, while on the threads side they were rated as one of the least blocking the development of STD. However, this does not mean that interviewees are not aware of the growing information and technological overload, the growing privacy concern, uneven ICT literacy across the society, digital gaps (young vs. senior tourists; developed vs. developing countries), as well as diversity of contexts, needs and preferences of visitors and local residents, which

Table 1. Opportunities and threats to the implementation of STD

Factor	Opportunities	Threats
Socio-cultural	- experience economy/tourism trends - interest in mobility solutions - improved safety and quality of life - social interest in smart city solutions - modern lifestyle - education level and creativity - health awareness - participation in decision-making - interest in public and social services - cosmopolitanism/open-mindness - actual enjoyment assessment	- privacy concerns - low ICT literacy - diversity of contexts, needs and preferences - lack of public confidence in modern solutions - psychological effects of smart tourism experiences - obsolescence and adaptation capacity - digital gaps: young vs. senior tourists; developed vs. developing countries
Techno-logical	- capacity of data - new technologies development path - available ICT solutions - patents, inventions and intellectual property protection - level of digital literacy in society - growing acceptance and interest in modern solutions in the field of urban mobility systems	- dependence on data providers - property and access to data (governance) - real value of data - business opportunism - SMEs' low ICT literacy - connectivity limitations - long Internet response time - poor technical base
Environ-mental	- attractivity of natural conditions - sustainable resource management - smart systems of tourism flow relocation - reduction of environmental losses - lower energy consumption - reduction of water and air pollution - reducing the number of vehicles - technology that does not use harmful substances	- potential increase in environmental risk by introducing unknown solutions - the increase in energy consumption associated with new needs - production of harmful waste during the operation of equipment
Economic	- innovative spirit/entrepreneurship - flexibility of labour market - international embeddedness - development of (small and medium) high technology enterprises - availability of funds for the development of environmentally friendly technologies - growing indicator of implementation and commercialization of new technologies - market size	- low businesses awareness and ICT readiness - new market structures malevolence - the cost of experts and programmers - funding of smart solutions - low implementation rate and commercialization of innovative technologies - shortage of qualified staff
Political	- political strategies and perspective - developing a coherent strategy for the development of green energy systems and smart mobility on a national scale (indicating priority development directions) and European guidelines - increase in development financing - national scientific and research base	- inefficient public-private partnership in destinations - low governance transparency - no incentives for launching commercial enterprises with a large "know-how" contribution - lack of funding for research

Source: own elaboration based on the results of STEEP analysis.

requires exceptionally advanced technological solutions and complex algorithms capable of handling a complex system of human behavior.

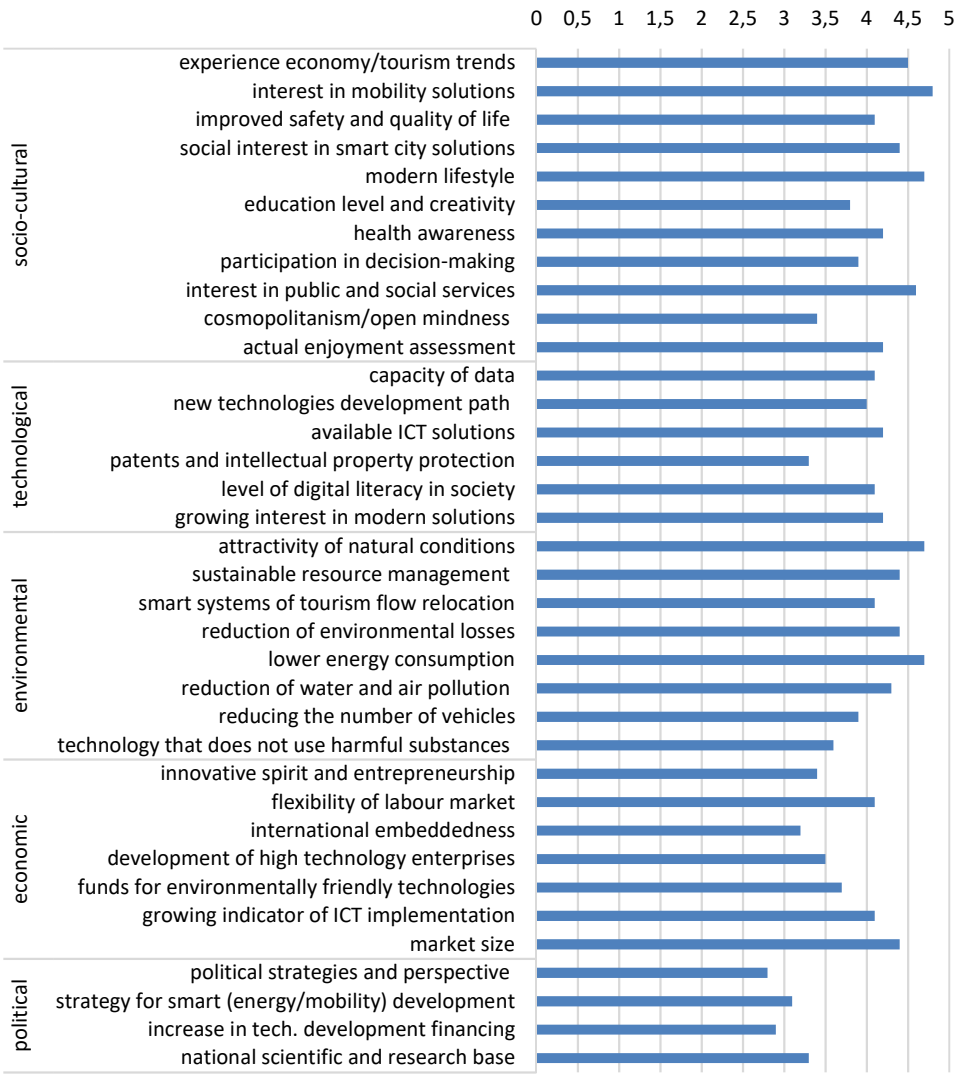

Figure 1. Opportunities of the implementation of smart tourism system in Poland
Source: own elaboration based on the results of STEEP analysis.

Interviewees also noticed a certain area of potential threats and adverse changes in the natural environment as a result of using STD solutions. In particular, representatives of national parks paid attention to this, fearing the installation of new devices necessary for data acquisition (beacons, Wi-Fi routers). Undoubtedly, new devices mean environmental costs associated with their production and operation (energy consumption).

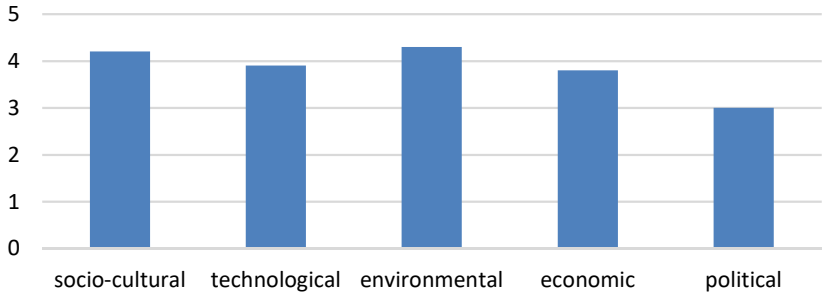

Figure 2. Key categories of opportunities of the implementation of smart tourism system
Source: own elaboration based on the results of STEEP analysis.

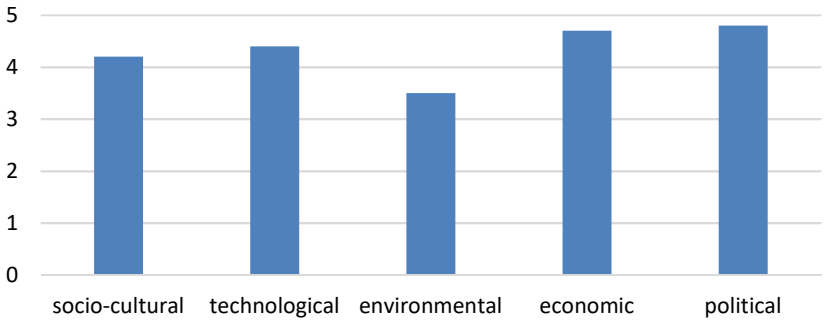

Figure 3. Key categories of threats to the implementation of smart tourism system
Source: own elaboration based on the results of STEEP analysis.

The most desirable solution, suggested by the interviewees, would be cooperation with telecommunications operators in the scope of analyzing the whereabouts of users of a given network and their mobility route (GPS signal). Nowadays, femtocells enable the location of mobile phone users, so one can visualize and interpret traffic within the city/region. These data should be combined with data from other sources (hotel reservation systems, ticketing tourism attractions, tourists discussions on social media platforms etc.). Wireless Internet in public transport, tourist attractions, galleries etc. is an additional source of data, which should supply the mobile application informing, e.g. about the location of the nearest points of interests, the best available configuration of transport connections or available parking space (with the possibility of paying a fee).

Due to the negative aspects of mass tourism dynamic development, sustainable transport is one of the most important elements constituting the STD. Even small agglomerations face many problems that did not seem so large a few decades ago. Neglects in the quality and availability of public transport services in the small urban centers in Poland have strongly influenced the mobility behavior of residents and tourists. However, this can be seen as an opportunity: the creation of smart mobility frameworks should at the same time assume appropriate technical and digital infrastructure as well as simultaneous actions to change the communication behavior of residents and tourists.

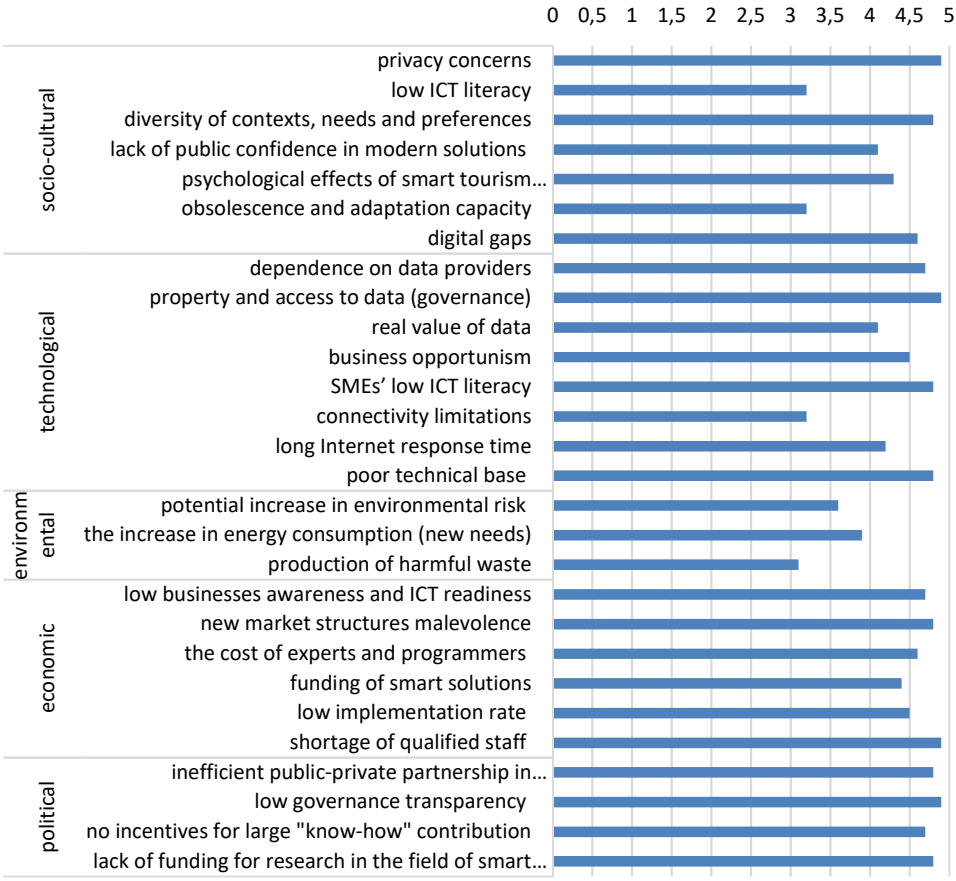

Figure 4. Threats to the implementation of smart tourism system in Poland
Source: own elaboration based on the results of STEEP analysis.

The combined results of the literature review and the discussion with panel participants enabled the development of a complex diagram (see Fig. 5) of connections between the elements of the big data system (including all the data available within the digital tourism environment) and smart tourism goals (taking into account wellbeing of the local community, tourists' experience as well as elementary breakdowns regarding business efficiency economic and sustainable development).

The use of digital technologies and their combination with effective organizational models can promote cooperation, knowledge sharing and diffusion of innovation, and as a result provide visitors with innovative integrated tourist-oriented services, highly personalized, which is a source of unique experience and determines the ability of a given tourist region to achieve competitive advantage. At the same time, modern automated methods would allow the better understanding of visitors' desires and behavior, using huge amounts of data made available through the intensive use of online environments and new technological models of effective tools to achieve their goals (AR, robotics, IoT, blockchain applications, etc.).

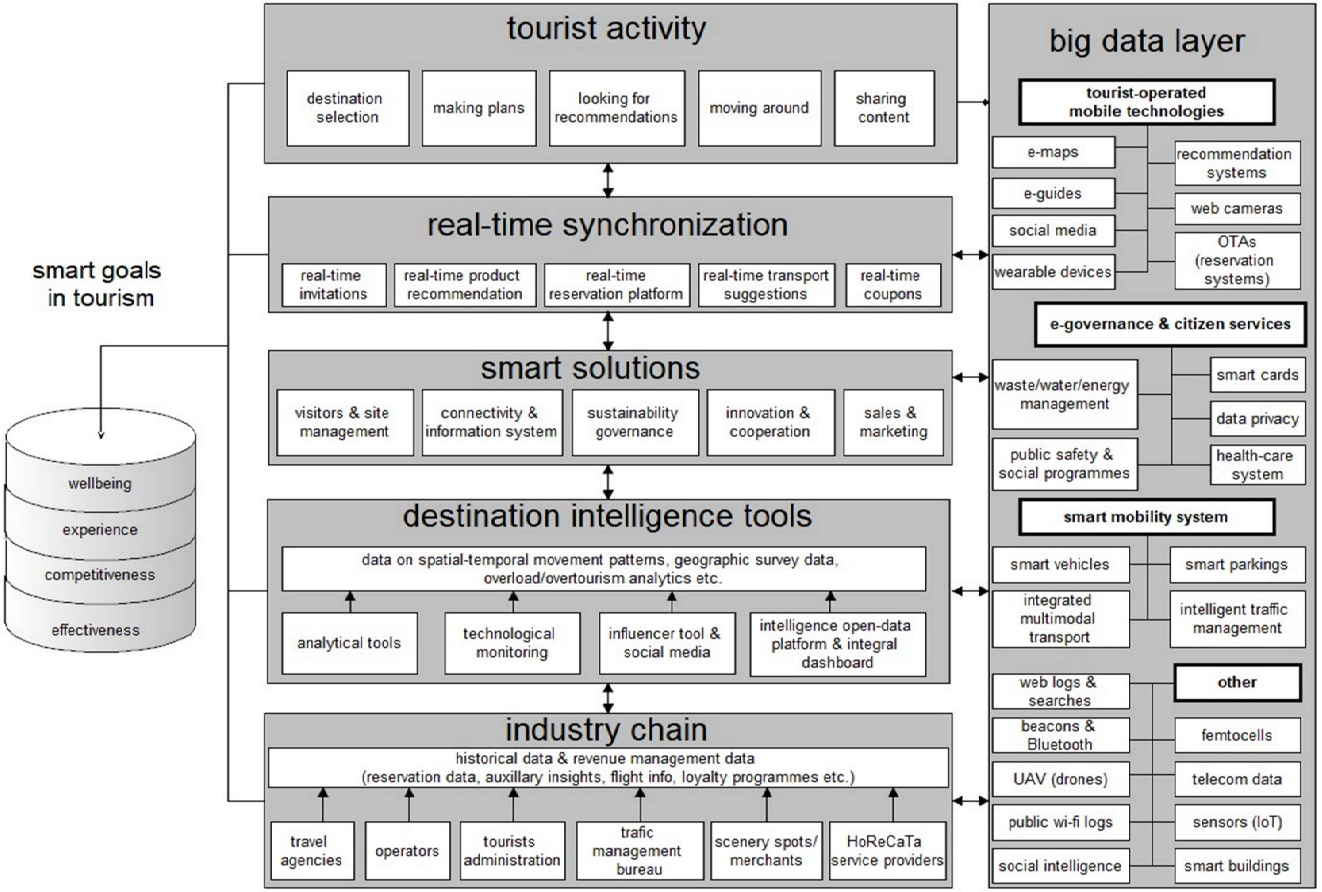

Figure 4. Threats to the implementation of smart tourism system in Poland

Source: own elaboration based on the results of STEEP analysis.

DISCUSSION AND IMPLICATION FOR FUTURE RESEARCH

Similarities between the results of this study and the results of previous studies could clearly be identified. In smart tourism, business builds on an extensive "infostructure" and the big data however smart service ecosystems require new alliances and new value chains/networks to share risk and circulate knowledge (Anttiroiko *et al.*, 2014; Gretzel *et al.*, 2015; Tachizawa *et al.*, 2015). There is great competitive pressure to be cost-effective and innovative in (re)configuring services. The resulting smart ecosystems are complex with high transaction costs that probably favour informal governance. The necessary creative mutuality and cooperation in these systems might be more difficult to manage than traditional competitive rivalry. On the other hand, it might open up structural holes that can be exploited by businesses.

Intensive use of data is the most important element connecting modern technological solutions, all the more so because nowadays data can be available in huge quantities because they are generated by the widespread use of online applications. They include not only software available to tourism enterprises (e.g. databases, internet traffic statistics) and tourists (e.g. mobile applications, wearable technologies), but also Internet of Things, where every object equipped with a sensor and capable of connecting with the so-called cloud, can be used as a source of invaluable data for analyzing tourist flows, and the way tourists use the region's resources (e.g. energy, water, climate, cultural, etc.). However, technological foundations will not bring the expected economic and social effects without a thorough review of operational and organizational processes at the level of enterprises as well as ways of managing the tourist region.

Interviewees (representing both, the Polish tourism industry and the new technologies industry) are moderately skeptical about the prospects for the development of smart tourism in Poland. Their fears relate not only to economic and political issues (including the low involvement of the government and local governments in financing and supporting smart projects), but also to socio-cultural challenges, in particular the digital gap that characterizes Polish society and Polish small and medium entrepreneurs, incapable to face innovative business models. The greatest opportunities for the development of smart tourism should be seen in the changing consumption patterns, increasingly sophisticated expectations of tourists in terms of travel experiences offered to them, and – first of all – the growing amounts of big data, representing huge capital and real market value, which cannot be left aside in the conditions of growing competition on the tourism market.

All the concept relies on an abundance of free information; on an access to open technological platforms and on the assumption that data is willingly shared by consumers. As a result, smart tourism infostructure can lead to new information asymmetries that can be commercially exploited as economic power is derived from control over information flows (Tachizawa *et al.*, 2015). Businesses seeking to operate within smart tourism environments have to consider "value-in-use" (Bick *et al.*, 2012). Privacy is therefore an obvious concern in the context of smart tourism. Especially location-based services, while extremely useful for tourists, also make consumers vulnerable.

CONCLUSIONS

Realization of smart tourism and smart tourists clearly depends on the ability to collect large amounts of data, requisite computing power, smart use of algorithms, and making insights available to specific tourists in real time. The massive scale innovation in deriving insights from big data is crucial in success of smart tourism. STD definitely provides context aware real-time insights but at the same time it creates challenges in privacy concerns, right to co-created value, socio-psychological implications of ubiquitous connectivity, universal and neutral access to technology, evolving suitable business models, role of governments vis-a-vis private players with conflicting objectives. Smart tourism – still in infancy – offers great promise in near and distant future.

Big data has overwhelmed the imaginations of researchers and business practitioners. It is mindlessly captured and information management costs are rarely calculated. Smart tourism concept implementations should force local governments/businesses to carefully think about what data they have and in what way it could be made useful. A major area of research necessary in the context of smart tourism is information management and privacy (ensuring safety and security in open and ubiquitous info-structures).

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Development of human capital in institutions from the Polish financial sector: Towards new technologies and agile business models

Tadeusz A. Grzeszczyk

ABSTRACT

Objective: The objective of this paper is to present challenges associated with human capital development and need to be addressed in order to improve the effectiveness of implementation of new technologies and agile business models in institutions from the Polish financial sector.

Research Design & Methods: The study utilizes both qualitative and quantitative research methods: critical literature review, non-participant observation, unstructured interviews, statistical data analysis and comparative research.

Findings: It was determined how employees of the financial sector are motivated by means of remuneration and what challenges are to be addressed that are associated with implementation of new technologies and agile business models in banking institutions.

Contribution & Value Added: The needs for developing objectively verifiable criteria for assessing the success of AI projects and agile models implementation as well as a lack of knowledge about the real benefits of such projects and models resulting from small expenditures on training of employees have been identified.

Article type: research paper

Keywords: human capital management; intellectual capital; cost of human capital development; labour costs; financial institutions; new technologies; agile business models

JEL codes: G20, J24, O15, O33, O34

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INTRODUCTION

Regardless of the dynamic development of information technologies (ITs) supporting the functioning of financial institutions and an increase in the number of investments in infor-

mation and communication technologies (ICTs) and artificial intelligence (AI) projects, one should remember about human capital, which is the most valuable element of any organization. In the face of growing competition and professionalism, it is necessary to take care of human resources development and incur considerable costs. Digital consumers of financial services, regardless of the need to quickly and relatively easily settle their tasks via ICT devices also require contact with human employees, not just avatars. This is often difficult for the decision-maker to accept because employing a large number of experts and specialists represents a significant proportion of costs borne by financial institutions. Simple restructuring based on reducing employment in bank branches and wider introduction of increasingly sophisticated ICT solutions have their limitations.

Polish employees are characterized by one of the lowest participation rates in various lifelong learning systems in Europe(Eurostat, 2019). Expenditures on education, improvement and retraining of personnel are insufficient. Research conducted in other countries shows that the level of documented education of financial institutions employees has little impact on the effects of their work, while continuous professional training clearly positively affects the growth of their productivity as well as performance, and is necessary for proper human capital development (Khan *et al.*, 2014).

It is important to note the need to increase support for human capital development in the Polish financial institutions. The main research question is as follows: what are the challenges (associated with human capital development) that need to be addressed in order to improve the effectiveness of implementation of new technologies and agile business models in institutions from the Polish financial sector? The search for answers to this question is facilitated by the formulation of three sub-questions that guide the empirical research, i.e.:

- what are opinions of the bank employees about the challenges related to the implementation of new technologies and agile business models in financial institutions?
- are employees of the Polish financial sector properly motivated by remuneration to take on these challenges?
- are the expenditures on developing human capital through training, improvement and retraining of employees at an appropriate level?

In addition to this introduction, next sections include the literature review and presentation of materials and methods applied in the research. The final sections describe achieved results, discussion and in the last one there are conclusions.

LITERATURE REVIEW

In the digital era, advanced economies are supported by knowledge management processes and the development of human capital in financial and nonfinancial institutions (Clarke & Gholamshahi, 2018). Many studies have demonstrated the relationship between knowledge management, education, human capital management and economic growth with fostering socioeconomic prosperity at micro and macroeconomic levels (e.g. Garza-Rodriguez *et al.*, 2018; Mansion & Bausch, 2019). Information, e-knowledge as well as intellectual and brainpower activity together build key economic resources of modern financial institutions (Hafizi & Zawiyah, 2009). Their success depends on this kind of resources and human capital which concerns the competences of employees in organizations and human resources of cooperating external entities.

Due to the fact that the role of employees in all types of organizations can be treated from the point of view of their resources, the terms 'human resources' and 'human capital' are often used interchangeably (Osranek & Zink, 2014). The first term is more traditional, while the second term is more precise (especially for financial institutions) because it clearly indicates the financial benefits of knowledge related to employees.

Human capital approach is not yet widely accepted in environments related to the financial sector. It can often be found in academic considerations and scientific publications. Some argue that in the past, aversion to this approach sometimes resulted from suspicions of treating people as machines (Becker, 2009). In this case, the term 'human resources' is even more associated with it.

Human capital has its own specificity, e.g. it is not tradable (unlike structural capital), it is not owned by institutions employing personnel, because it is the result of the work of minds and depends on the skills of individual employees and the professional knowledge they generate (Shih *et al.*, 2010). Literature analyzes concerning this capital are therefore usually conducted on two levels: individual or organizational (Buzavaite & Korsakiene, 2019). The right approach to human capital management and application of knowledge-based solutions ensure sustainable development of financial institutions, achieving high added value and reaching a constant strategic advantage on the market. Bibliometric analysis of two key concepts of 'human capital' and 'social capital', combination of these concepts and their relationship with sustainability are available in the literature (Garrigos-Simon *et al.*, 2018).

Institutions from financial sector, e.g., banks, credit unions, investment institutions, insurance companies, mutual funds, intermediate in the cooperation of household and corporate sectors. They perform simultaneously or separately the following two functions: brokerage function (agents providing information for transfer of services and transaction services) as well as asset transformation function i.e. purchasing equities, bonds, debts – claims called primary securities and selling financial claims in the form of deposits, insurance policies etc. (Saunders & Cornett, 2007). Bearing in mind these aspects, it seems obvious expenditures on the development of knowledge and human capital are necessary in order to achieve measurable economic benefits of financial institutions, and the source of this type of key capital is systematically educated and trained employees. Investments in human capital as well as an individual's education and training are analogous to business investments in equipment and fixed assets (Becker, 2009). Necessary investment in employment and development of human capital can be discouraging, therefore simple solutions such as reduction of employment arise. However, human capital is a key factor in building competitive advantage and achieving right position on the local and global market. Financial institutions are, above all, social systems in which the importance of human capital is particularly significant.

Financial institutions have knowledge-intense and intellectually-intense character and they do not rely on physical resources but on intangible ones (Mavridis, 2004; Yao *et al.*, 2019). The development, operational success and sustainability of the financial sector are not based on tangible assets, but on human and intellectual capital, as well as on such elements as advanced systems, processes, expertise, supportive culture, skills, knowledge, information and specific environment (Haris *et al.*, 2019).

Human capital is a set of the following elements: knowledge resulting from experience, creativity, social and personality attributes, which together determine the ability to perform tasks leading to the generation of economic value (Goldin, 2016).In every organization, the development of human capital requires increasing outlays and, consequently, increasing labour costs. The development of human capital can be based on improving employees' qualifications, e.g. by organizing training, which usually leads to an increase in their effectiveness as well as efficiency, and is also a strategic factor of the success of financial institutions. This kind of development also contributes to improving the intellectual capital of the organization, which includes total knowledge in the organization providing it with a competitive edge, knowledge, experience, intellectual property, data and information that can be used together to create new value (Dumay, 2016).

Intellectual capital is classified in various ways and it is sometimes referred to as human capital supplemented by structural capital, however, more often it is described as the sum of three types of capital: human, social and organizational (Subramaniam & Youndt, 2005). Research on intellectual and human capital available in the literature is mainly carried out in the following three areas: determinants of disclosure, identification and valuation as well as international reporting comparisons (Bryl & Truskolaski, 2017). Development of these capitals in institutions from financial sector, among others, can be achieved by incurring expenses related to raising professional qualifications, training, education, encouraging greater activity and innovation of employees. Therefore, it is necessary to reserve funds for this purpose at an appropriate level as part of labour costs, because it determines the survival and achieving the right competitive position of the organization on the market.

As a result of dynamic technological progress, turbulent changes in the environment, introduced innovations in IT processes and systems, the requirements for modern financial institutions are constantly elevated and it is increasingly difficult to deal with growing competition in this sector (Joshi *et al.*, 2010). The strategy proposed by the European Commission is an expression of support for the successful shaping of the digital future based on big data and AI technologies, which will be introduced in small and large enterprises in the coming years, taking into account the principles of a fair and competitive economy, open, democratic and sustainable society as well as people's needs (European Commission, 2020).The development of AI and ICT technologies cannot mean giving up on noticing the key importance of human capital in financial institutions, in which people play a fundamental role and by using knowledge resources and financial means support the achievement of the goals of their organizations. Attaining these goals and building a competitive advantage is mainly associated with the development of human capital, for which (in the Polish financial sector) more funds should be allocated than at present.

Economic studies covering long periods of time prove that the introduction of new technologies (including ICT) does not reduce the number of jobs (e.g. in banking) but contributes to the increase in requirements for employees' knowledge and qualifications (Acemoglu & Restrepo, 2016). Properly remunerated and motivated employees willingly use the opportunities provided by IT systems and do not treat them as competition. It cannot be said that people are slowly becoming redundant and are being replaced by computers. Employee participation in financial institutions and the human capital built thanks to them are essential. IT devices can replace people only when car-

rying out relatively simple tasks such as withdrawing money from automated teller machines. Highly qualified specialists are needed to ensure relationship banking in modern institutions (Autor, 2015). The introduction of new ICT technologies on a large scale eliminates staff who are less educated, perform routine tasks (associated with repetitive and codifiable activities) and are poorly motivated (Bosio & Cristini, 2018).

Motivating (in other words: leading) is one of the most important functions of classical organization management and one of the key factors contributing to the effective and efficient use of employees' skills and knowledge in human capital management. This management function should, of course, be analysed on a multifaceted basis, but in some situations, to simplify the demonstrative considerations, incentives can be reduced only to remuneration of employees in cash in accordance with traditional approaches (Griffin, 2018). These remuneration and related employee costs play an important role in the financial results of financial institutions.

Thus, it is worth looking at (based on statistical data) how employees of the financial sector are motivated by means of remuneration, how the labour costs of employees in Polish financial institutions are presented, and what are the important elements in the structure of the labour costs of these institutions. It is also necessary to know the results of research on the training participation rate of employees from various European countries and key literature items in this field (Danvila-del-Valle *et al.*, 2019).

MATERIAL AND METHODS

The scope of considerations concerns mainly the institutions dealing in financial and insurance activities. During the study, research methods appropriate to the discipline of management sciences were used in order to support the collection and analysis of quantitative and qualitative data. The research process applied critical literature review, non-participant observation, unstructured interviews, statistical data analysis and comparative study. This type of literature review was chosen because it allows for a thorough reading of the publications, conducting comparative analyses and their assessments carried out from different research perspectives.

Observation was used to support the preparation of a qualitative description of the phenomena studied and their interpretation consistent with the context and specificity of human capital management in institutions from Polish financial sector.

The search for answers to the three research questions guides empirical research. The interviews assisted in seeking answers to the following first question: what are the opinions of bank employees on the challenges related to the implementation of new technologies and agile business models in financial institutions? Unstructured interviews conducted among several randomly selected employees of Polish banks in October and November 2019 were used to elicit their opinions, wishes, views, attitudes, experiences and openness to implement new technologies and agile business models in the financial sector. The second research question – are employees of the Polish financial sector adequately motivated by remuneration to take on these challenges – is what drives quantitative analyses, the implementation of which was based on data from public information systems at national level named Statistics Poland (formerly known as the Central Statistical Office). The third question - are the expenditures on developing human capital through training, improvement and retraining of employees at an appropriate level – is related not only to analyses based on data

from Statistics Poland, but also to a comparative analysis taking into account other European countries and data from European Statistical Office (Eurostat).

RESULTS

Searching for an answer to the first research question, unstructured interviews were conducted among employees from various Polish banks focused on challenges related to their openness to implementation of new technologies and agile business models. Among the tasks requiring a solution, they primarily highlighted the needs for developing objectively verifiable indicators and criteria for assessing the success of IT and AI projects planned to be implemented as well as reliable estimation of the effects of implementing agile business models. The interviewees expressed anxiety about the possibilities of modernizing traditional organizational structures and pointed to the need for strong involvement of the management board and the HR department. They emphasized the fear of managers making important decisions about incorporating agile principles into the organization's strategy. Among the potentially available solutions, they suggested modifying the business strategy, including change agents in the board (responsible for implementing IT and AI projects), providing support of HR departments for the processes of introducing technological changes, cross-functional teams as well as agile and innovative solutions. Interviewees pointed out that not everyone knows the real benefits of implementing new AI technologies and agile business models. They reminded that there was a lack of training in this field financed by employers, who often emphasize the high labour costs incurred.

Then, in connection with the second research question, statistical data was collected on whether employees of the Polish financial sector are adequately motivated by remuneration to take on the challenges of effective implementation of new technologies and agile business models. Apparently, the diversity of labour costs results from the type and size of financial institutions (Table 1).

Table 1. The average monthly labour cost (in PLN) per one employee in Polish financial institutions for the private and public sectors

Specification	Public Sector			Private Sector		
	Total	More than 49 employees	From 10 to 49 employees	Total	More than 49 employees	From 10 to 49 employees
Financial and insurance activities	9 157	9 155	9 241	8 233	8 394	7 101
Financial service activities	8 895	8 905	8 586	8 186	8 331	7 173
Insurance, reinsurance and pension funding	9 487	9 487	No data	9 238	9 148	14 572
Activities supporting financial services as well as insurance and pension funds	14 798	14 827	14 573	7 818	8 152	6 429

Source: (Central Statistical Office, 2017).

The third research question drove the collection of data from the Statistics Poland on expenditure on human capital development through training, improvement and retraining of employees (Table 2). Data from the Eurostat were collected for the purposes of comparative analyses.

Table 2. Selected components (in %) in the structure of labour costs in financial institutions

Specification	Total	More than 49 employees	From 10 to 49 employees	Total	More than 49 employees	From 10 to 49 employees
Total personal wages and salaries	79.9	80.0	77.7	82.0	81.9	82.5
Retirement, pension and insurance contributions paid by employer	13.3	13.3	14.4	13.9	14.0	13.6
Expenditures on training, improvement and retraining of employees	0.8	0.8	0.2	0.6	0.6	0.4

Source: (Central Statistical Office, 2017).

The statistical data presented in Table 3 allow for comparative analyses of adult education in selected European countries.

Table 3. Adult learning in selected European countries (in %)

Country	Total		Male		Female	
	2013	2018	2013	2018	2013	2018
EU	10.7	11.1	9.7	10.1	11.6	12.1
Switzerland	29.3	31.6	30.0	32.4	28.7	30.9
Sweden	28.4	29.2	21.5	22.4	35.5	36.1
Finland	24.9	28.5	21.1	24.7	28.8	32.4
Estonia	12.6	19.7	9.8	16.2	15.3	23.2
Netherlands	17.9	19.1	17.4	18.3	18.4	20.0
Austria	14.1	15.1	12.8	13.7	15.4	16.5
Portugal	9.7	10.3	9.3	9.8	10.1	10.8
Germany	7.9	8.2	7.9	8.5	7.9	8.0
Italy	6.2	8.1	5.8	7.6	6.5	8.6
Cyprus	7.2	6.7	7.0	6.8	7.4	6.6
Latvia	6.8	6.7	5.1	4.8	8.2	8.4
Lithuania	5.9	6.6	5.2	4.9	6.5	8.3
Poland	4.3	5.7	3.8	5.1	4.9	6.3
Greece	3.2	4.5	3.3	4.5	3.1	4.5
Slovakia	3.1	4.0	2.9	4.2	3.3	3.8
Montenegro	2.8	3.2	2.7	3.3	2.8	3.0
Croatia	3.1	2.9	3.0	2.4	3.3	3.4
Bulgaria	2.0	2.5	1.9	2.4	2.1	2.6
Romania	2.0	0.9	2.2	1.0	1.8	0.9

Source: (Eurostat, 2019).

The indicator of adult education is determined by dividing the number of positive responses of people of the said age to the question about their participation in training (during the four weeks preceding the study) by the total number of people in the same age group (for Poland it is 5.7% in 2018).

DISCUSSION

The discussion is structured according to the research questions posed. Regarding the first research question concerning opinions of bank employees, they mainly indicated the need to develop objectively verifiable criteria for assessing the success of AI projects and the implementation of agile models, as well as the lack of knowledge about the real benefits of such projects and models resulting from small expenditure on employee training.

The statistical data collected in connection with the question concerning the appropriate remuneration motivation to take up the challenges allow for the formulation of positive answers. The total labour costs include: remuneration for work performed and for the time of not performing work, all bonuses, social security and health insurance, social benefits, as well as other costs incurred by the employer, such as payments in nature, meals, work clothes, service housing, employee transport, recruitment costs and taxes that are also labour costs. Such costs are fundamentally different depending on the type of ownership sector. In public sector units, they are higher compared to the private sector, e.g., in 2016, in the public sector labour costs related to the employment of one employee were 7.3% higher compared to the private sector (Central Statistical Office, 2017).

In 2018, in Polish banks, employee costs amounted to almost PLN 17 billion, which represents 50.8% of their administrative costs. In comparison with 2017, the 1.2% increase was mainly due to an increase in remuneration for employment contracts (Statistics Poland, 2019). These data confirm that labour and overhead costs have a significant share in the bank budget and therefore play a key role in shaping financial efficiency in institutions from the Polish financial sector. Labour costs vary considerably depending on the given branch of the national economy – the highest labour costs (average monthly labour cost per one employee in 2016) occur in information and communication branch (PLN 9356) as well as mining and quarrying branch (PLN 8967). In turn, consistently for several years, the lowest costs occur in accommodation and catering activities (PLN 3675).

Traditionally, there is some dissatisfaction among entrepreneurs in Poland associated with, in their opinion, high labour costs representing the total costs they incur in connection with hiring employees. They have seen significant increases in these costs over recent years. Still, unit labour costs are markedly lower than the EU average. This situation is used by international investment companies, which often locate outsourcing centres of financial sector services in Poland. Despite the use of automated financial processes, the demand for highly qualified and professional staff does not decrease. A significant challenge facing the Polish financial sector in this context is the current dynamic increase in wages, which in the next few years may cause a significant reduction in the distance in relation not only to the EU average, but also to more prosperous countries. It is not known whether in the future international investment companies will not start moving their outsourcing centres to poorer countries with lower labour costs.

Institutions related to financial and insurance activities have one of the highest labour costs (PLN 8415 PLN), and have been recording relatively high dynamics of labour costs for

years (e.g. in the period 2012-2016, increase of about 12% in the average monthly cost per one employee) (Central Statistical Office, 2017).

The collected data proves that the diversity of labour costs results from the type and size of financial institutions. Previous studies (Grzeszczyk, 2017) showed that labour costs in large organizations exceed those in medium and small organizations, which was caused by the different pay systems, various approaches to the payment of any allowances, bonuses and overtime pay. In recent years, there has been an improvement in the labour market, a decrease in unemployment, an overall increase in wages and better treatment of employees. Labour costs in public institutions were still usually higher than in private ones. Due to the pandemic, employment conditions can be expected to deteriorate in 2020, and sometimes the statements of banking managers indicate that they miss the times when employers dictated employment conditions to a greater extent. The current negative changes on the labour market usually do not relate to the employment of IT specialists and many employees treat it as an opportunity to raise their qualifications in the field of new big data and AI technologies, and even to change their present profession to a more related to this area.

A significant increase in the average monthly labour cost per one employee in Polish financial institutions also results from the need to attract highly qualified specialists in the fields of ICT and AI. At the same time, reductions in less qualified personnel employed in branches of various banks from public and private sector can be observed. Laying off these less-paid employees does not compensate for the increase in salaries of the best IT specialists. The increase in their wages is additionally accompanied by the emergence of new foreign financial and consulting institutions on the Polish market that offer higher wages wishing to attract the best employees. This trend related to the increase in the requirements regarding the qualifications held by staff in human capital management is likely to persist and it is difficult to indicate the reasons for its inhibition.

After collecting statistical data and conducting comparative analyses, it is not possible to provide a positive answer to the third research question regarding the level of expenditure on human capital development through training, improvement and retraining of employees. The research conducted by Eurostat among 37 European countries shows that Polish employees aged 25-64 are characterized by a low value of participation indicator in various lifelong learning systems (Eurostat, 2019). In Polish financial institutions, the costs associated with the development of human capital are still insufficient. For example, expenditures on training, development and retraining of employees do not exceed 0.6-0.8% of total labour costs. In the case of private organizations, the share of this type of expenditure in labour costs is usually lower compared to institutions in the public sector. In small institutions (from private and public sector) it is usually the worst, and employees are forced to obtain the necessary qualifications and skills on their own.

The importance of human capital in financial institutions is visible, regardless of the ICT and AI technologies being developed and their increasingly better applications in banking. Appropriate management of this capital is one of the most crucial factors of sustainable development. People using knowledge resources are the basis for the functioning of these institutions and, above all, thanks to them, it is possible to achieve the organization's goals in an efficient and effective manner. The knowledge and competences of employees of financial institutions determine the ability of this type of organization to transform financial capital into services characterized by high cost-effectiveness and adequate quality.

Appropriate human capital management can also contribute to achieving the desired competitive position. Therefore, it is necessary to allocate more funds to its development than at present. Employees should be encouraged to acquire knowledge, qualifications and skills, and be motivated by allocating funds for training to improve professional skills. The presented research results show that expenditure on human capital development in Polish financial institutions is far too low, and the adult learning rate is generally too low for post-socialist Central and Eastern European countries (except Estonia). It also has a broader meaning associated with developing the intellectual background for socio-economic growth in such countries. Empirical research shows that the basis of socio-economic growth of lower-middle-income countries is proper education, and the main factors determining successful development in social and economic fields are knowledge, erudition, intelligence, creativity, emotions and system thinking of people (Kuzkin *et al.*, 2019).

In addition to increasing expenditures on training and improving human capital, it is desirable to create conditions in the environment of financial institutions conducive to its development. Currently, there are no proper tax breaks granted to employers in the case of expenses related to education and raising qualifications by their employees. In the longer term, such reliefs may bring benefits not only for financial institutions, but also increase funds allocated to, e.g., state social programs. Due to the fact that people participating in lifelong learning systems become more creative, productive and can help their organizations more in obtaining higher revenues from invested capital, as a result they contribute to increasing budget revenues from taxes. Therefore, it is worth proposing appropriate legal regulations supporting the activities of financial institutions related to bearing the costs of human capital development.

CONCLUSIONS

The article presents the challenges related to the development of human capital that should be taken in order to improve the effectiveness of implementing new technologies and agile business models in institutions from the Polish financial sector. Using both qualitative and quantitative research methods, it was determined how employees in the financial sector are motivated by remuneration and what the main challenges in this field are for them. First of all, the need to develop objectively verifiable criteria for assessing the success of AI projects and the implementation of agile models was identified, as well as a lack of knowledge about the real benefits of such projects and models resulting from low expenditure on employee training.

The results of this type of research can be used to improve the personnel strategy as an important element of human capital management processes in financial institutions. Properly qualified and motivated employees can significantly contribute to achieving the goals of organizations of strategic importance and be a determinant of their competitiveness. Increasing expenditures on employee education may not only improve the current efficiency of financial institutions, but also increase their long-term strategic potential.

It is necessary to have adequate human capital management in institutions from the Polish financial sector and to allocate larger funds focused on education and improving qualifications of employees, in accordance with the requirements arising from the agile implementation of advanced ICT and AI projects. Currently, there are times of highly paid specialists able to use technologies resulting from digitization of financial institu-

tions, adoption and applying new ICT and AI technologies by them, as well as by clients and society in general.

Recently conducted research have some limitations and it is worth continuing using more carefully selected research methods, such as: qualitative, quantitative and mixed, which will increase the objectivity and credibility of formulated research conclusions. Future study should be multifaceted and cover a wide spectrum of issues related to human capital management in financial institutions. It would be interesting to identify other effective research methods particularly useful for study in this field.

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Determining factors of international opportunity recognition: A conceptual approach

Eduardo Terán-Yépez, Andrea Guerrero-Mora

ABSTRACT

Objective: The objective of the article is to advance theoretical knowledge on international opportunity recognition by establishing a conceptual model with particular focus on answering why and how some entrepreneurs identify international opportunities (IOs).

Research Design & Methods: This conceptual paper relies on qualitative and explorative research through literature review methodology. The analysis of available literature leads to the formulation of seven theoretical propositions.

Findings: The findings allow us to establish why and how some entrepreneurs recognize IOs, by indicating that prior international knowledge and experience, international entrepreneurial alertness, entrepreneurial creativity and entrepreneurial passion are the determining factors.

Contribution & Value Added: This research integrates in a single conceptual model various factors that have been studied separately. The influence of all these factors simultaneously and the interaction between them seeks to explain why and how an entrepreneur identifies IOs.

Article type:	conceptual article
Keywords:	International opportunity recognition; prior international knowledge; prior international experience; cognitive characteristics; conceptual model
JEL codes:	F23, M16

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INTRODUCTION

Literature states that international opportunities (IOs) are the cornerstone of international entrepreneurship (IE) field (Mainela *et al.*, 2018). In general, it can be said that IE focuses on researching how international entrepreneurs identify, evaluate and exploit opportunities outside national borders (Tabares *et al.*, 2020). Research on this field has been developed mainly in the last 15 years with a clear influence from entrepreneurship and international

business theories (Mainela *et al.*, 2014). International entrepreneurial behaviour driven by IOs has been considered a key factor in IE (Zuchella, & Magnani, 2016), since it is IOs which foster international entrepreneurial action and the consequent creation of international new ventures (INVs) and firm internationalization (Casado-Belmonte *et al.*, 2020).

In other words, the IE field is recognized as the practice of forming INVs or of business internationalization that arise from decisions and actions taken by individuals and/or teams in reaction to the discovery of IOs (Terán-Yépez *et al.*, 2020a). This makes the phenomenon of International opportunity recognition (IOR) an essential factor in this field, since without the discovery of IOs, opportunities cannot be exploited and, thus, INVs would not be formed and companies would not be internationalized (Ellis, 2011; Urban & Wood, 2015). Shane and Venkataraman (2000) and George *et al.* (2016) establish that the requirements for an entrepreneur to discover opportunities are prior knowledge and cognitive characteristics to judge that knowledge. Prior knowledge refers to sources of information developed from work experience, education, social bonds or other means (Shepherd & DeTienne, 2005) and cognitive characteristics help to obtain, organize and process this knowledge in order to identify opportunities (Hajizadeh & Zali, 2016).

Opportunity recognition is an intentional process and intentions are considered a strong predictor of planned behaviour (Peiris *et al.*, 2012). That is why the identification of opportunities must incorporate the cognitive perspective of the entrepreneur (Mainela *et al.*, 2014), i.e., the "intentions", since according to the theory of planned behaviour, without intentions there will not be a process of entrepreneurial behaviour (Ajzen, 1991). In this regard, several scholars have focused their attention on some cognitive characteristics of the entrepreneur as being determinants of opportunity identification, however, the cognitive process is much more complex and while there is general agreement that IOR is the central element in IE, the details of the process are largely unknown (Angelsberger *et al.*, 2017). Previous research has mainly studied the relationship between some cognitive characteristics and IOR separately. The lack of attention to other effective factors and the fact that they are not included as a whole in the process of identifying IOs has led to less precise results that do not offer as realistic a framework as they should. In general, it can be said that the existing literature on IE implicitly assumes that internationalization is preceded by IOR, but provides little explanation of this process or the capabilities individuals need to have to identify these opportunities (Chandra *et al.*, 2009; Terán-Yépez, 2020).

Thus, according to Kraus *et al.* (2017), until now research in the IE field has largely ignored the study of the process of recognizing IOs; this being one of the causes for recent calls for further research on this subject (Terán-Yépez *et al.*, 2020a). This begs the research question, how do entrepreneurs (cognitively) identify international opportunities? Therefore, in order to respond to the limitations of current research, this study establishes a conceptual model that integrates prior knowledge and key cognitive characteristics that help entrepreneurs to obtain, organize and process new information, namely prior international experience, entrepreneurial creativity, international entrepreneurial alertness and entrepreneurial passion. By considering the simultaneous impact of all these factors along with the interaction between them the objective is to identify what characteristics are required by an entrepreneur in order to identify IOs. Consequently, this research should serve as the basis for future empirical research.

After explaining material and methods, this article continues with a literature review of the theory of social cognition and entrepreneurial cognition and how research into the IOR phenomenon has developed. The review allows various cognitive characteristics to be detected as determining factors for IOR. Thereafter, to shed more light on this phenomenon, a conceptual model aims to establish why and how entrepreneurs are able to recognize IOs. Then, it is discussed how the findings could be used by international entrepreneurs and managers to broaden their chances of identifying IOs. Finally, conclusions are drawn and theoretical and practical contributions and recommendations are presented.

MATERIAL AND METHODS

Identifying key determining factors of IOR is relevant and could provide considerable contribution to the existing scientific literature in IE. Thus, it is vital to assess relevant literature to discover every important factor. In addition, it is important to consider the simultaneous impact of all these factors along with the interaction between them and how can they contribute to identifying IOs. Therefore, this conceptual article by using qualitative and explorative research used the literature review methodology. In this way, firstly, a series of articles from the Web of Science and Scopus databases were exhaustively reviewed, making it possible to detect five key determining factors for IOR. Secondly, from these factors, a conceptual model is derived that contains the development of seven theoretical propositions that illustrates the relationship between the variables. The proposed model is applicable to both INVs and incumbent companies, since literature for both types of business was taken into consideration. In summary, this study is conducted under qualitative and explorative research to disclose the key determining factors of IOR.

LITERATURE REVIEW AND THEORY DEVELOPMENT

Theory of Social Cognition and Entrepreneurial Cognition

According to Baron (2014), it is not possible to understand the behaviour of individuals unless it is understood what and how they think about different social situations. In this sense, the Theory of Social Cognition (Holt & Brown, 1931) introduces the idea of the structure of knowledge; that is, the cognitions that are used to achieve personal effectiveness in certain situations. According to Bandura's Social Cognition Theory (1986), what people think, believe and feel affects their behaviour. In turn, the effects of their actions partly determine their thoughts and emotional reactions. In short, Social Cognition Theory encompasses how an individual absorbs, processes and uses information, conceptually organizes and relates his/her experiences and makes decisions (Sánchez *et al.*, 2011).

Based on this theory, several researchers (Kruger & Evans, 2004; Sánchez *et al.*, 2011) argue that the cognitive characteristics of entrepreneurs should be used to analyse and explain their behaviour, mainly in the process of identifying opportunities. In fact, cognitive characteristics are used to determine certain ways of processing information related to entrepreneurial behaviour (Angelsberger *et al.*, 2017; George *et al.*, 2016). This theory is called entrepreneurial cognition, since entrepreneurs have been attributed with a different capacity to process information, and the concept of entrepreneurial cognition has been created as a distinctive characteristic with which to define entrepreneurs (Mitchell *et al.*, 2002).

According to Sánchez *et al.* (2011, p. 433), entrepreneurial cognition can be defined as: "the knowledge of structures that entrepreneurs use to make evaluations, judgments or decisions that involve the identification of opportunities, creation of joint ventures and growth". In other words, entrepreneurial cognition explains how entrepreneurs use mental models to gather previously unconnected information that will allow them to identify entrepreneurial opportunities (Terán-Yépez, 2020). In summary, it can be argued that the field of entrepreneurial cognition encompasses all aspects of cognition that can potentially play a key role in various aspects of the entrepreneurial process (Sánchez *et al.*, 2011). Therefore, entrepreneurial cognition is becoming increasingly useful to help establish the phenomenon associated with entrepreneurship, since this theory helps us to understand how an entrepreneur absorbs, processes, organizes and relates information (Baron, 2014; Tabares *et al.*, 2020).

The phenomenon of identifying international opportunities

The notion of IOR in IE was introduced by Zahra and George (2002), based on research of this topic within the "domestic" entrepreneurship. This theme has great relevance, since the process of IE begins through the identification of IOs (Ellis, 2011), which are identified by individuals and not by companies (Venkataraman 1997). Therefore, it can be argued that the process of IE is founded and driven by the acts of the entrepreneur (Etemad, 2004). The literature on "domestic" entrepreneurship supports the idea that various cognitive factors are correlated with the identification of opportunities (Ardichvili *et al.*, 2003; Butler *et al.*, 2010). This literary base in entrepreneurship, together with the work presented by Zahra and George (2002) and other researchers, such as the theoretical work of Oviatt and McDougall (2005), which analysed the speed of internationalization, initiated by entrepreneurial opportunity, led to the identification of IOs becoming an emerging theme in IE research, from 2006 onwards (Terán-Yépez *et al.*, 2020a).

Peiris *et al.* (2012) argue that in establishing the entrepreneur as a focal point in the IE process, the identification of opportunities should be highlighted as an integral part of the process. As such, instead of focusing on characteristics at the company level, it is first necessary to identify the entrepreneur as the unit of analysis (Chandra *et al.*, 2012). Thus, the study of the cognitive perspective within the identification of opportunities in IE has been carried out in order to interpret the entrepreneur's mentality, through the impact of the choice of opportunities and the creation of value in international markets (Kiss *et al.*, 2019). Zahra *et al.* (2005), for example, highlights the value of understanding the minds of entrepreneurs, which can guide and shape internationalization decisions. In addition, Acedo and Florin (2006) highlight the relevance of prior experience and entrepreneurial cognitions, as a strong predictor for the identification of IOs. Furthermore, Butler *et al.* (2010) used the cognitive approach to explain why some people can recognize opportunities in international environments, despite high levels of uncertainty, by focusing on the entrepreneur's ability to absorb this uncertainty and use creativity to take entrepreneurial action. In a more holistic view, Hajizadeh and Zali (2016) argue that the entrepreneur's prior knowledge, alertness and entrepreneurial learning could have great relevance in understanding the opportunity recognition process. For their part, Costa *et al.* (2018) and Cardon *et al.*, (2017) propose that within the cognitive style of the entrepreneur, one construct that should be used and studied to further understand the recognition of opportunities is entrepreneurial passion.

Even if some studies have focused on the cognitive characteristics of the entrepreneur as a determinant of IOR, these cognitive characteristics have been studied separately which has led to less precise results and the lack of a holistic framework to outline why some entrepreneurs identify IOs while others do not. Thus, it is necessary to present a broader conceptual model by grouping various characteristics, which were previously studied in a scattered manner, to help understand this phenomenon.

Prior international knowledge and international opportunity recognition

Ardichvili *et al.* (2003) argue that prior knowledge is one of the key aspects for opportunity discovery. On this basis, Tang and Murphy (2012), argue that previous knowledge augments the probability of identifying opportunities, both for product development and service improvement. Moreover, Shepherd and DeTienne (2005) argue that people with prior knowledge tend to emphasize the relevant aspects of existing information, and analyse it in a more efficient way, which leads to the recognition of a greater number of opportunities. Fiet (2007) argues that systematic search is an effective way to increase prior knowledge, since entrepreneurs take advantage of the adjustment between their previous knowledge and new information to identify opportunities. Similarly, according to Corbett (2007), people with greater knowledge relating to industry, technology and the market tend to identify entrepreneurial opportunities more easily. Going even further, Hajizadeh and Zali (2016) demonstrate empirically that an individual's prior knowledge and opportunity recognition are positively related.

In the international context, research carried out by Santos-Álvarez and García-Merino (2010) shows that entrepreneurs' prior international knowledge has a positive influence on the search for information and on the identification of international opportunities. Several researchers (Chandra *et al.*, 2009; Kraus *et al.*, 2017; Tabares *et al.*, 2020; Zahra *et al.*, 2005) argue that prior international knowledge can be acquired through: travel abroad, mastery of a foreign language, life and work experience, education abroad, previous work/commercial experience abroad, international social links, and that the possession of the entrepreneur's prior international knowledge has a positive influence on the recognition of international opportunities. In addition, Galdino *et al.* (2019) and Kiss *et al.* (2019) establish that market and internationalization knowledge help to discover IOs and Lorenz *et al.* (2018) clarify that knowledge acquired in the domestic market may also help when looking for IOs. Thus, recent studies suggest that research on prior knowledge is an important avenue for future research in order to understand IOR (Chetty *et al.*, 2018; Tuomisalo, 2019). Therefore, it could be postulated that prior international knowledge influences the process of IOR.

Proposition 1: Prior international knowledge has a positive impact on the identification of international opportunities.

Prior international experience and international opportunity recognition

The literature argues that prior experience could shape the way an individual confronts their current challenges (Chetty *et al.*, 2018; Lafuente *et al.*, 2019). Thus, recent studies have suggested that to further investigate the antecedents of opportunity recognition, the role of prior experience needs to be studied in depth (Lorenz *et al.*, 2018; Tuomisalo, 2019). These assumptions are based on research such as that developed by Fiet (2007),

who considers that previous experience is the trigger for the process of recognizing opportunities and that this experience could arise from: work activities, the technology used at work, specialized training, social ties and recreational activities.

The results of some previous research support the views that prior international experiences such as living and studying abroad have a positive influence on IOR (Andersson & Evers, 2015). Other studies have also highlighted the importance of the international experience acquired by expatriates after their return from their international assignments (Firth *et al.*, 2014) which could help them identify IOs more easily. Going even further, according to some researchers previous international experience has a positive effect on the IOR process (Chandra *et al.*, 2009; Kiss *et al.*, 2019; Kraus *et al.*, 2017; Lorenz *et al.*, 2018). Tuomisalo (2019) by a qualitative and interpretative analysis, supports the statement that prior experience plays a key role in the opportunity recognition process. Thus, it could be argued that prior international experience influences the process of identifying international opportunities.

Proposition 2: Prior international experience has a positive impact on the identification of international opportunities.

Entrepreneurial creativity and international opportunity recognition

According to Amabile (1996), entrepreneurial creativity is described as the identification of novel opportunities. Brazeal and Herbert (1999) broaden this approach, by postulating that the identification of an entrepreneurial opportunity arises from the imbalance between the potential of something new and its realization, i.e. having the creativity to identify an opportunity that did not exist before. Thus, Gilad (1984) suggests that the identification of opportunities is a consequence of creative behaviour. With a more contemporary approach, Puhakka (2011) postulates that the identification of an opportunity needs a creative vision, creative behaviour and the sensibility about how to combine all the fragmented information that an individual might have. Research by Shane and Nicoloau (2015) asserts that creative personality influences the identification of opportunities and therefore it can be argued that all entrepreneurs need a certain level of creativity to identify an opportunity. Furthermore, they postulate that they believe that opportunity identification and creativity have natural connections. Similarly, Amabile (1996) postulate that, if society sees successful entrepreneurs as those individuals who identify opportunities and entrepreneurial creativity as the generation and implementation of new ideas, successful entrepreneurs should possess some creativity in order to recognize those opportunities.

In a first overview of the international environment, Butler *et al.* (2010) used the cognitive approach to explain why some people are able to identify opportunities in international settings, despite high levels of uncertainty, by using creativity to take entrepreneurial action. It is also interesting to note that recent review papers underline the importance of creativity in the entrepreneurial process. George *et al.* (2016) through a systematic review of the literature on the factors that influence the identification of opportunities, recognize entrepreneurial creativity as one of the cognitive factors that affect this phenomenon. Similarly, Sassetti *et al.* (2018), in a systematic and bibliometric analysis on entrepreneurial cognition, identify entrepreneurial creativity as being linked to the generation of novel and useful opportunities. Furthermore, in relatively recent

studies, Chetty *et al.* (2018) and Tabares *et al.* (2020) identify entrepreneurial creativity as a relevant factor influencing IOR. Therefore, from this review, it can be inferred that entrepreneurial creativity influences the identification of international opportunities.

Proposition 3: Entrepreneurial creativity has a positive impact on the identification of international opportunities.

International entrepreneurial alertness and international opportunity recognition

The notion of a state of alertness was first used by Kirzner (1973) within the field of entrepreneurship, with the aim of describing the way in which entrepreneurs recognize opportunities. For Kirzner, alertness is the capacity of an individual to identify opportunities that others have not identified. Thus, entrepreneurial alertness has been recognized as a cognitive skill that increases an individual's state of alert to the environment and the information around him/her, thereby leading him/her to discover greater opportunities (Hajizadeh & Zali, 2016). As an information processing and cognitive capacity, state of alertness allows entrepreneurs to obtain, associate, and infer information from diverse areas to help them to discover opportunities, thus, there are entrepreneurs who are always alert to recognize opportunities by continuously perusing the environment (Puhakka, 2011). Tang *et al.* (2012) argued that entrepreneurial alertness increases the probability of identifying opportunities over people who are not in a state of alertness. Indeed, being able to be alert benefits entrepreneurs as they can imagine various scenarios, allowing them to recognize more opportunities (Hajizadeh & Zali, 2016).

Besides, even though George *et al.* (2016) have determined alertness as being one the prominent factors for opportunity recognition, there are, as yet, few studies that have raised the existence of entrepreneurial alertness when identifying opportunities in the international market. Lorenz *et al.* (2018), for example, argue that the IOR scale should contain the entrepreneurs' state of alertness, and Rezvani *et al.* (2019) argue that international entrepreneurial alertness should facilitate the recognition of IOs, but do not give explanations of how alertness can affect IOR. Finally, Chetty *et al.* (2018), through a case study approach, and Tabares *et al.* (2020), through qualitative analysis, propose that entrepreneurial alertness is a distinctive factor for IOR. Therefore, from this review it is clear that alertness influences the process of identifying international opportunities.

Proposition 4: International entrepreneurial alertness has a positive impact on the identification of international opportunities.

Entrepreneurial passion and international opportunity recognition

Although little research has yet been done on the relationship between passion and the identification of entrepreneurial opportunities (Cardon *et al.*, 2017; Costa *et al.*, 2018), passion research seems to be a very promising field in which to advance the study of entrepreneurship, as the literature states that the way people feel and the state of mind they have strongly influences various aspects of both cognition and entrepreneurial behaviour (Tognazzo *et al.*, 2020), and this is why entrepreneurial passion has increasingly attracted the attention of researchers as a specific entrepreneurial affective state (Cardon *et al.*, 2013, 2009). According to Smilor (1997), passion comes from that energetic and tireless search for a worthy, challenging and uplifting purpose. In other words, passion emerges when one has the freedom and opportunity to pursue one's dream and this facilitates the recognition of

entrepreneurial opportunities, due to the constant enthusiasm, joy and zeal that passion generates; as well as the persistent desire to succeed.

Entrepreneurial passion implies an intense positive emotion, which contributes to a better understanding of entrepreneurial behaviours and results, and which enables the analysis of how an entrepreneur identifies an opportunity (Cardon *et al.*, 2009). According to Cardon *et al.* (2017) and Tognazzo *et al.* (2020) passion influences many aspects of entrepreneurial cognition and behaviour and is important for the identification of opportunities and the acquisition of resources. Similarly, Baron and Ward (2004) postulate that passion can help entrepreneurs find complex patterns in order to recognize opportunities and entrepreneurs may experience more positive emotions than other people when exposed to such opportunity identification. Furthermore, Shane *et al.* (2003) establish that passion can facilitate the recognition of opportunities, the development of ideas and the execution of opportunities and Ma *et al.* (2020) argue that entrepreneurial passion can enhance an entrepreneur's ability to identify opportunities.

Following this line, Tabares *et al.*, (2020) and Terán-Yépez (2020) state that passion can also be important for the process of identifying IOs, since passion is an emotional and energizing component within the affective cognitive style that can be present for the identification of opportunities both in the local and international market. Therefore, and although to the extent of our knowledge this variable has not yet been empirically proven for international opportunity recognition, it is clear from this review that entrepreneurial passion influences the identification of international opportunities.

Proposition 5: Entrepreneurial passion has a positive impact on the identification of international opportunities.

International entrepreneurial alertness and entrepreneurial creativity as mediators

Knowledge has been recognized as a static concept that is activated and applied through the practical application of cognitive mechanisms (Corbett, 2005), which means that cognitions help individuals to benefit from the acquisition of knowledge (Hajizadeh & Zali, 2016). Entrepreneurial creativity and international entrepreneurial alertness have been pointed out as being two of the most relevant cognitive characteristics of entrepreneurs, enabling them to acquire, organize and process information and consequently their prior knowledge (Chang & Chen, 2020; Rezvani *et al.*, 2019).

Cognitive theories focus on thinking and information processing are particularly useful for a discussion on creative cognition since creativity is one of the cognitive characteristics that helps entrepreneurs to use prior knowledge to identify opportunities (Shane & Nicolaou, 2015). Woodman and Schoenfeldt (1990), state that previous knowledge is one of the individual qualities that affect creativity, that is, the greater the previous knowledge, the greater the creativity; while Chang and Chen (2020) and Sassetti *et al.* (2018) postulate that the creativity of individuals influences the identification of opportunities, therefore, all entrepreneurs need some creativity and some prior knowledge to identify an opportunity. Similarly, Butler *et al.* (2010) argued that some people can identify opportunities in international environments by exploiting their creativity based on their previous international knowledge. Therefore, it can be argued that a higher level of creativity on the part of entrepreneurs results in previous knowledge becoming more efficient which will guide these entrepreneurs to identify IOs.

Moreover, individuals who possess the greatest entrepreneurial alertness use it in order to exploit and develop their previous knowledge, which allows them to identify new opportunities (Chetty *et al.*, 2018). In fact, entrepreneurial alertness permits entrepreneurs to obtain more information associated to their previous knowledge and to use, organize, analyse and infer it more efficiently than non-entrepreneurs; and consequently to utilize it to identify greater opportunities (Tang *et al.*, 2012). Furthermore, according to George *et al.*, (2016) and Tabares *et al.* (2020) prior knowledge and entrepreneurial alertness are both influencing factors of IOR and that interaction between these could enhance the possibility of discovering IOs. Thus, according to Kraus *et al.* (2017) it can be argued that a higher level of entrepreneurial alertness renders greater efficiency from prior international knowledge when discovering IOs.

Proposition 6: Prior international knowledge has a positive indirect impact on the identification of international opportunities through entrepreneurial creativity.

Proposition 7: Prior international knowledge has a positive indirect impact on the identification of international opportunities through international entrepreneurial alertness.

Figure 1 depicts how the interaction and dynamics between entrepreneurial cognitions and prior international knowledge lead entrepreneurs to identify IOs (George *et al.*, 2016; Shane & Venkataraman, 2000). Thus international entrepreneurs can, through their prior international knowledge and entrepreneurial cognitions, amplify their chances to discover IOs and consequently to start the international entrepreneurial process, which could lead to the emergence of INVs or to the internationalization of the firm (Casado-Belmonte *et al.*, 2020).

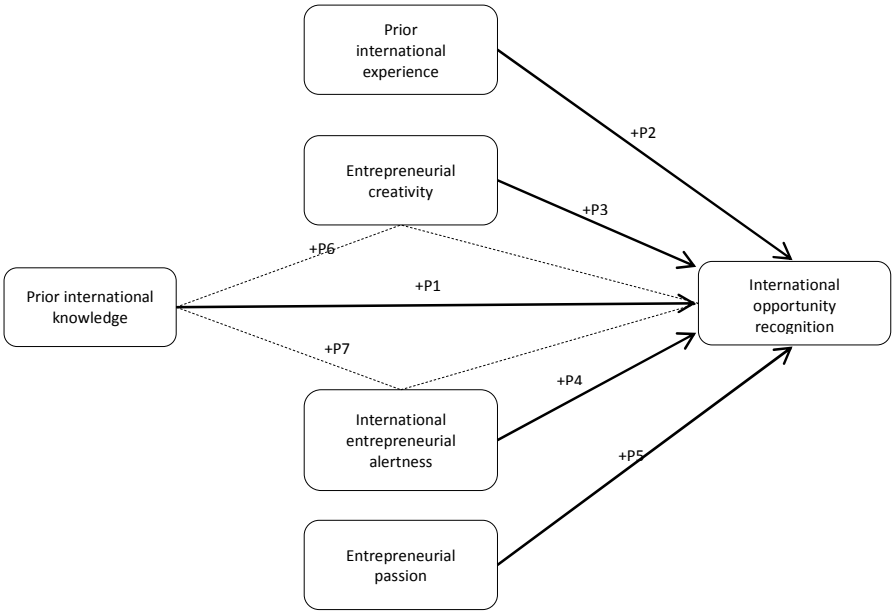

Figure 1. Key determining factors of international opportunity recognition
Source: own elaboration.

DISCUSSION

The model proposed in this research, which outlines key determining factors of IOR, has strong practical implications for international entrepreneurs and business managers when looking to internationalize a firm. The establishment of this model is not limited only to the conceptual development of the IOR phenomenon, but also to professional practice. As suggested in the model, prior international knowledge, prior international experience, entrepreneurial creativity, international entrepreneurial alertness and entrepreneurial passion will determine why and how some entrepreneurs are capable of identifying IOs. In a practical sense, therefore, it is clear that international entrepreneurs and business managers must be able to develop both their prior international experience and prior international knowledge to expand their chances of recognizing IOs. To develop such knowledge and experience they may use a variety of sources, such as travel abroad, foreign language skills, life and work experience, education and business experience abroad, international social links, assistance to international fairs, conducting export market research or by using foreign tourists as an external-market information source (cf. Berbel- Pineda *et al.*, 2018; Chandra *et al.*, 2009; Chetty *et al.*, 2018; George *et al.*, 2016; Hajizadeh & Zali, 2016; Kiss *et al.*, 2019; Kraus *et al.*, 2017; Terán-Yépez *et al.*, 2020b; Zahra *et al.*, 2005).

The process of IOR, however, is also influenced by other cognitive aspects such as entrepreneurial creativity, international entrepreneurial alertness and entrepreneurial passion. International entrepreneurs should be aware that just doing activities and tasks different from others does not imply there are being creative (Amabile, 1996). To foster their entrepreneurial creativity they should force themselves to seek solutions even when they are not necessary and even reserve a few minutes each day or week for this (Shahab *et al.*, 2019). International entrepreneurial alertness can be generally improved by constantly scanning the environment (Tang *et al.*, 2012). This requires, for example, increasing interactions with people, continuously reading newspapers, magazines, trade publications or being aware of new business ideas (Fust *et al.*, 2016). Finally, entrepreneurial passion, by having an undeniable link to the passion for inventing, requires the entrepreneur to see the identification of opportunities as an exciting, enjoyable and motivating activity (Cardon *et al.*, 2013). In this sense it is of vital importance that entrepreneurs experience intense positive feelings with regard participating in entrepreneurial activities (Cardon *et al.*, 2009). To increase such cognitive skills such as entrepreneurial creativity and international entrepreneurial alertness, and why not entrepreneurial passion, higher education institutions could play a relevant role by establishing effective entrepreneurship education programs (cf. Byun *et al.*, 2018).

CONCLUSIONS

International opportunity recognition is one of the most highly discussed and debated topics in international entrepreneurship literature. Evaluation of the determining factors of why and how international entrepreneurs identify IOs therefore is a relevant contribution to the existing research in this scientific field. This article has evaluated the theories on social cognition and entrepreneurial cognition and the evolution in IOR research to determine what leads entrepreneurs to identify IOs. From this review, a conceptual model is derived that explains why and how entrepreneurs recognize opportunities in international markets

through the use of prior international knowledge, prior international experiences, entrepreneurial creativity, international entrepreneurial alertness and entrepreneurial passion. Thus, this study conceptually states that the simultaneous impact of all these factors and taking into account their mutual interaction contributes to explaining how entrepreneurs identify IOs cognitively. Therefore, this research serves as the basis for future empirical research.

The findings will help to provide junior and senior researchers, entrepreneurs and others interested in the study of international entrepreneurship with a new integrated model that will establish key effective factors for the discovery of IOs. The findings help to advance theoretical knowledge on IOR, however, these results need to be proven empirically. In a practical way, the proposed model will help entrepreneurs to disclose and develop the factors that influence their IOR, thus improving their entrepreneurial capacity. This model can also be used in the field of education to identify problems in the recognition of IOs by individuals and to encourage international entrepreneurs.

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Fair trade phenomenon and its evolution in Visegrad countries

Wojciech Zysk

ABSTRACT

Objective: The objectives of this paper are as follows: to describe how the Fair Trade movement supports the achievement of the Sustainable Development Goals (SDGs), also using A Theory of Change, to analyze the Trade Fair phenomenon in the global scale, in the V4 countries and make a comparison with selected EU countries as well as an attempt to develop recommendations for the Visegrad Group countries in terms of the Fair Trade development.

Research Design & Methods: The research methods applied in the article are: studying the literature of the subject, analysis of source texts, the descriptive method and deductive reasoning (the observational method combined with a case study).

Findings: Fair Trade development level and the sales level in the analysed countries considerably differ from other developed EU countries.

Contribution & Value Added: Therefore, it was proposed in the recommendations to use the UK benchmarks and take advantage of the economic potential of the V4 group.

Article type:	research paper
Keywords:	Fair Trade; Visegrad Group; Sustainable Development Goals; Theory of Change; the poor South
JEL codes:	P45, M14, F23, P33

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INTRODUCTION

Under the current level of internationalization and globalization some disturbing socio-cultural, demographic and civilization phenomena, including the allocation of the population of the globe in terms of income and living standards, can be observed in the world. In September 2015, the United Nations General Assembly adopted a set of 17 overarching global goals to combat poverty and achieve sustainable development by 2030. They were called the Sustainable Development Goals (SDGs).

Covering topics from gender equality to climate change, and education to clean drinking water, they represent a powerful opportunity to improve the lives of 1.3 billion small scale farmers and agricultural workers upon whom the world depends to produce our food and protect our planet (United Nations, 2020). This is an urgent call for action by all countries – both the developed and the developing – in a global partnership. Many international organizations and programs support the implementation of these ambitious goals. The goals merely provide a framework. It is up to governments, but also businesses and civil societies, to take action in order to ensure they are achieved.

Fair Trade[1] is one of the movements supporting the implementation of SDGs. How does Fair Trade contribute to the SDGs? There is a large amount of cross-over between the SDGs and Fair Trade's work. In fact, of the 169 targets underlying the goals, there is barely a single one that is not somehow related to food and farming. This means that smallholder farmers and workers have a central role to play (Fairtrade International, 2020a). Fair Trade has a direct and indirect impact on all 17 goals. A theory called A Theory of Change was also created. It describes the change that an initiative wishes to see in the world and its understanding of how it will contribute to that change. Fairtrade International has developed a Theory of Change for Fairtrade as a part of work to improve the Fairtrade Monitoring, Evaluation and Learning – MEL system.

Not only the richest countries in the world, but also the countries of our part of Europe should participate in the implementation of SDGs' goals. Moreover, it poses a challenge for the Visegrad Group countries (V4), characterized by a high standard of living of the population, high position in economic rankings – for example with regard to GDP, and Human Development Index – HDI. The Fair Trade phenomenon has also been developing in the V4 countries for several years. In the face of the processes mentioned above, ideas of responsibility and justice occur more and more often, particularly in the international context.

The objectives of this paper are as follows: to describe how the Fair Trade movement supports the achievement of The Sustainable Development Goals – SDGs, also using A Theory of Change, to analyze the Trade Fair phenomenon in the global scale, in the V4 countries and make a comparison with selected EU countries as well as an attempt to develop recommendations for the Visegrad Group countries in terms of the development of Fair Trade.

In the first part of the article there is a synthetic summary of the selected studies results focused on Fair Trade, then material and methods that were used, in the next section description of the relationship between Fair Trade and The Sustainable Development Goals. Then we can find Fair Trade product trading worldwide analysis, Fair Trade product trading in the V4 countries (very difficult to find data) and finally – very important section – recommendations for the V4 countries with regard to the development of Fair Trade.

LITERATURE REVIEW

The world literature presents numerous studies on Fair Trade. Since the global financial crisis of 2007-2009, the subject of Fair Trade – and even Fair Trade tourism – has increase-

[1] The terms Fairtrade, Fair Trade and others often appear in the literature. "Fairtrade" – defines the product certification system owned by Fairtrade International. "Fair Trade" – this concept is broader in meaning than "Fairtrade" and refers to the entire Fair Trade movement, including individual organizations and product certification systems. The last term will be used in the article.

ingly appeared in the economic discourse. Analyzing the amount of scientific articles using a popular search engines we can observe that the issue of Fair Trade is, interestingly enough, relatively more and more frequently found in published economic literature. For example, when the Google Scholar – a well-known site of the scientific world – search engine was used, after entering the term "fair trade[2]" 27,300 search results in years 1989-2008 (20 years) were found, while in the period 2009-2020 (only 12 years) as many as 37,700. In the year 2020 alone (three months between January and March) we had 2,050 articles or books.

Table 1 shows examples of a synthetic summary of the selected studies results focused on Fair Trade, the articles analyzed below cover the post-crisis period. In the table below we can find subjects and short conclusions of reviewed publications.

Table 1. Summary of some research results focused on Fair Trade

Reference	Subject	Conclusions
Aude-brand&Pauchant 2009, 343-353	Can the fair trade movement enrich traditional business ethics? A historical study in Mexico	Historical study of fair trade movement focuses on the originalities and challenges of the FT movement and its contributions to the current theory and practice in business ethics.
Bezençon&Blili 2009, 95-113	Fair trade managerial practices: strategy, organization and engagement	The motivations of distributors of fair trade products and how they organize and communicate fair trade values (strategies, managerial practices, distribution).
Doran 2009, 549-563	Research in the U.S. on Fair Trade consumption	There are significant interactions between personal values and fair trade consumption and that demographics proved to be useless in creating a profile of the American Fair Trade consumer
Jaffee & Howard 2010, 387-399	Corporate cooptation of organic and Fair Trade standards	Corporate firms have deployed to further capital accumulation and to defuse threats to their profit margins and to status quo production, pricing, labor, trading and retailing practices.
Nicholls 2010, 241-255	Fair Trade as a form of social entrepreneurship	A neo- institutionalist perspective to analyse Fair Trade not simply as a new exchange model working within existing organisational and economic structures, but rather as an agent of institutional entrepreneurship.
Wilson 2010, 84-92	Long-term indebtedness, rising production costs in Nicaragua	Effort to raise the Fair Trade minimum price and premium for coffee through Fair Trade Labelling Organizations International (FLO) in 2008 demonstrated a good first step toward improving farm-gate prices.
Goworek 2011, 74-86	Literature on ethical fashion companies	Description of a significant trend for retailers to offer ethical clothing ranges made from organic cotton or produced by Fair Trade manufacturers.
Bondy& Talwar 2011, 365-383	Fair Trade consumers v. global economic recession	The results reveal a discrepancy among fair trade consumers in Canada, US and UK.

[2] Quotation marks were used in the search. For example: searching for 'wojciech profit' will give us results as if we combined the words 'wojciech' and 'profit' with the logical conjunction OR. A query "wojciech profit" (quotation marks) will give us only those results that contain the string "wojciech profit" in any part of the article or metadata.

Reference	Subject	Conclusions
Pedregal&Ozcaglar-Toulouse 2011, 655-660	Fait Trade phenomena in France	The lack of access to information and financial resources can explain consumers' refusal to purchase fair trade products
Andorfer& Liebe 2012, 415-435	Current state of research on individual consumption of Fair Trade in the USA and UK	Compared to other fields of research on ethical decision making, scholars are only just beginning to understand and explain individual FT consumption.
Raynolds 2012, 276-287	Theoretical and empirical parameters of social regulation in global food markets, focusing on the rapidly expanding Fair Trade initiative	Fair Trade success deepens competition and buyer control and erodes peasant base. Growth in new areas creates opportunities for working with labor organizations.
Yang, Hu &Mupandawana, Liu 2012, 21-34	Consumer willingness to pay for fair trade coffee: a Chinese case study	Results show that on average, consumers were willing to pay 22% more for a medium cup of Fair Trade coffee compared with traditional coffee.
Shahzad &Sillanpää 2013, 29-31	The role of fair trade in developing corporate social responsibility	Fair trade firms give equal importance to economic, social, and environmental responsibilities.
Doherty, Davies &Tranchell 2013, 161-189	The discourse surrounding Fair Trade mainstreaming, and discusses the potential avenues for the future of the social movement	The paper highlights a number of benefits of mainstreaming, not least the continued growth of the global Fair Trade market. However, the paper also highlights the negative consequences of mainstreaming on the long-term viability of Fair Trade as a credible ethical standard.
Stratton & Werner 2013, 363-374	In-store field study: consumers purchase behavior of Fair Trade-labeled coffee in a privately owned coffee shop	Implications for the use of point-of-purchase advertisements and consumption of products promoting labels such as Fair Trade were discussed.
Forno& Graziano 2014, 139-157	Social movements in the current economic crisis	Description of analytical framework which will combine social movements and political consumerism theories by focusing on two basic dimensions: consumer culture and organizational resources.
Dragusanu, Giovannucci&Nunn, 2014, 217-236.	"Economic sense" of Fair Trade	Critical overview of the economic theory behind Fair Trade, describing the potential benefits and potential pitfalls
Jaffee 2014	Benefits of Fair Trade for producers	Actual effect of Fair Trade for coffee farmers in Mexico
Ladhari&Tchetgna 2015, 469-477	The study investigates the motives underlying the consumption of Fair Trade (FT) products	3 types of personal values are important: self-directed, equality and social justice, and power and social status. Also Fair Trade advocates are predisposed toward equality and social justice values.
Child 2015, 601-618	Comparison of Fair Trade and Socially Responsible Investments	Three hypotheses: the relation motivations hypothesis, the material interests hypothesis, and the organization of credibility hypothesis.

Reference	Subject	Conclusions
Bieler 2016, 31-41	The role of TNC in Free Trade and Fair Trade	In the long-term the way production itself is organized, needs to be transformed (different trade arrangements, challenging more fundamentally the capitalist social relations of production).
Chatzidakis, Kastanakis&Stathopoulou 2016,95-109	Socio-Cognitive Determinants of Consumers' Support for the Fair Trade Movement	The findings suggest that the psychological processes underlying fair-trade consumerism are inherently more complex than assumed in previous research.
Bailey, Bush, Oosterveer&Larastiti 2016, 59-68	The role of middlemen in Fair Trade USA fishery: yellowfin tuna from Indonesia	Introduction of Fair Trade has facilitated a rapid reorganization of value chain structure in the fishery with notable impacts on fisher perceptions of the resource and the market
Moravčíková&Gregová 2016, 340	Fair Trade as a tool of Corporate Social Responsibility	Fair Trade connects developed countries and social changes are needed most. This is a manifestation of humanity that helps producers to escape acute poverty and lead dignified lives.
Burnett 2017, 28-29	New Perspectives on the Fair Trade and Food Sovereignty Movement Strategies to Challenge International Trade Governance	Both movements' strategies are necessary for changing the international agricultural trade regime, and neither alone is sufficient.
O'Connor, Sims & White 2017, 105-112	Standard Theory of Planned Behaviour (TPB) v. attitude to purchase fair trade foods	First, the reliability of the extended TPB measures was confirmed via confirmatory factor analysis. Second, a proposed model predicting people's Fair Trade purchasing behaviour showed a good fit via structural equation modelling.
Miller 2017, 249-269	Issue of trade within the broader literature on international and global justice	Eight different conceptions of 'fair trade' and the principles that lie behind them.
Goff 2018, 521-543	Fair trade: global problems and individual responsibilities	Consumers have duties of fairness that are specific to their roles as participants in global trade, given that their trading partners have unmet claims under present non-ideal conditions
Rössel& Schenk 2018, 266-284	Political consumption v. activism for the Fair Trade	Political consumption is not only an academic field of research, but an increasingly widespread attempt to influence corporations and politicians by market choices
Naylor 2018, 1027-1046	Literature on diverse and community economies to examine Fair Trade exchanges – example of Mexico	Explanations of Fair Trade as "alternative" and multiplying of our understanding of what fair trade is. Utilizing data collected in Chiapas, Mexico with two coffee producing cooperatives and their U.S.-based partner roasters.
Nunn 2019	Causes and consequences of Fair Trade certification	Reflections on the impressive growth of Fair Trade-certified imports over the past two decades
Wang & Chen 2019, 66-72	Effects of perceived justice of Fair Trade organizations on consumers'	Practical suggestions to Fair Trade related businesses and organizations, enabling these entities to

Reference	Subject	Conclusions
	purchase intention toward Fair Trade products	accurately determine directions for the promotion and marketing communications.
Konuk 2019, 141-147	Consumers' willingness to buy and willingness to pay for fair trade food	Consciousness for fair consumption has the greatest influence on intentions.
Singh & Singh 2020, 1425-1431	Fair Trade in food sector	The article tries to elucidate fair trading in food and agricultural sectors and highlights the recent progress achieved, with a wider goal of achieving a sustainable development especially in the developing countries.
Bartels, Reinders, Broersen& Hendriks 2019, 1-25	Company's fair trade reputation	Skepticism and consumer brand identification play an important mediating role in the relation among reputation, fit and consumers' electronic word-of-mouth intentions.
Hur, Lee &Stoel 2020, 186-206	Fair trade advertising	This study examined whether and when information type is an effective advertising strategy for fair trade products. Advertisers who promote fair trade products should consider the combination of information and visual-written (in)congruency.
Zhang & Liu 2020, 1205-1227	Fair Trade in China	Initial investigation into Fair Trade supply chain management in China, with a focus on its opportunities and challenges.

Source: own study.

MATERIAL AND METHODS

In the face of the processes mentioned in the Introduction, ideas of responsibility and justice occur more and more often, particularly in the international context.

The aims of this paper are as follows: to describe how the Fair Trade movement supports the achievement of The Sustainable Development Goals (SDGs), also using A Theory of Change, to analyze the Trade Fair phenomenon in the global scale, in the V4 countries and make a comparison with selected EU countries as well as an attempt to develop recommendations for the Visegrad Group countries in terms of the development of Fair Trade.

The research methods applied in the article are: studying the literature of the subject (scientific articles, books), analysis of source texts(dedicated websites, reports), the descriptive method based on the literature studiesand deductive reasoning- based on the observational method combined with a case study of 4 selected countries belonging to the Visegrad Group.

Available statistical data (annual reports) of organizations which deal with the above subjects were used. In addition, to acquire relevant data, the author of the paper established cooperation with entities operating in Fair Trade in the analyzed V4 countries – Fairtrade Česko and Slovensko, Hungarian Tudatos Vásárlók Egyesületeand and Fundacja “Koalicja Sprawiedliwego Handlu” – Fairtrade Polska.Through the author's individual contacts, it was possible to gain unique, very difficult to obtain statistical data that was used in this article. It is worth emphasizing that some of this data is not published anywhere and collecting them in one place (as well as scientific study and critical evaluation) is a great added value.

RESULTS AND DISCUSSION

Fair Trade and The Sustainable Development Goals

Fair Trade is one of the movements supporting the implementation of the SDGs. It was decided to prioritize goals and support them. Eight main objectives were selected, which are the organization's most dynamic activities. These are the aims and the description of the implemented activities (Fairtrade International, 2020b).

Goal 1: to end poverty in all its forms everywhere
This goal is central to the Fair Trade's mission. All of operation activities stems from this overarching goal as they seek to ensure that trade enables smallholder farmers and workers to earn a decent living and have a brighter future for themselves and their families.

Goal 2: to end hunger, achieve food security and improved nutrition, and promote sustainable agriculture
Small-scale farmers continue to provide a large percentage of the world's population with food. That means creating robust livelihoods is crucial for achieving this goal. Fair Trade enables more secure and stable incomes for small-scale farmers and supports them in building strong, resilient businesses.

Goal 5: to achieve gender equality and empower all women and girls
The United Nations Food and Agriculture Organization (FAO) has identified that overcoming gender inequalities can reduce the number of hungry people in the world by 150 million (FAO, 2020). Fair Trade supports women in equal participation in agriculture, earning better wages and diversification of their income and opportunities.

Goal 8: to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
In line with the United Nations International Labour Organization (ILO, 2020) Fair Trade promotes better working conditions, supports workers to negotiate for better pay and is striving to achieve living wages for workers on Fair Trade plantations. Their standards prohibit child and forced labour and they work with young people, communities, producer organisations and governments to enable them to tackle the root causes themselves.

Goal 12: to ensure sustainable consumption and production patterns
Fairtrade is the leading ethical label worldwide (Fairtrade International, 2020c). Through their campaigns and advocacy work, they bring together thousands of communities and millions of consumers worldwide to campaign for fairer trade. They are also developing markets in the South, for instance in in India, to enable the growing consumer base to make sustainable lifestyle choices.

Goal 13: to take urgent action to combat climate change and its impacts
Small-scale farmers are already bearing the brunt of a changing climate. Fair Trade works with producer organizations and climate experts to build farmers' resilience to climate shocks and stresses and thus be better equipped to adapt to, and mitigate their own impacts on global warming (Fairtrade International, 2020d).

Goal 16: to promote Peaceful And Inclusive Societies For Sustainable Development, Provide Access To Justice For All And Build Effective, Accountable And Inclusive Institutions At All Levels

Fairtrade focuses on building democracy from the ground up. Producers are equal owners of Fairtrade. From deciding on how to use their Fairtrade Premium, right up to determining global Fairtrade strategy, producers (including women, men, youth, migrants and people with disabilities) have a strong voice and are empowered to demand accountability of their organizations (Fairtrade International, 2020e).

Goal 17: to strengthen the means of implementation and revitalize the global partnership for sustainable development

Power imbalances in supply chains that favour companies over small-scale farmers in developing countries can be a barrier to implementing the SDGs. Fair Trade works with multiple partners – producer organizations, businesses, trade unions, civil society, governments and other multi-stakeholder bodies (Fairtrade International, 2020f). The Fairtrade Theory of Change can help achieve these goals (Fairtrade International, 2020g). For example:

1. Fairtrade International has developed a Theory of Change for Fairtrade as a part of work to improve the Fairtrade Monitoring, Evaluation and Learning (MEL) system – the key to understanding the outcomes and impact of Fairtrade and improving approach.
2. The Theory of Change is a generic theory which MEL staff will use as a guiding framework for the designing of monitoring and research activities. However, by analysing data resulting from these MEL activities, it will be possible to test assumptions underlying the Fairtrade approach (for example, the assumption that strengthened small organizations.)
3. The Theory of Change captures the range of activities Fairtrade does as a system (i.e. its interventions) and relates these logically to desired immediate, mid-term and long-term changes. It thereby provides a framework for identifying appropriate indicators for measuring the results of Fairtrade and progress towards Fairtrade's goals – also connected with the Sustainable Development Goals.
4. The Theory of Change can also improve communication regarding Fairtrade/Fair Trade, both internally and externally, and help ensure there is a common understanding about goals and approaches.
5. The Theory of Change has been used as the basis to review existing indicators used by the Fairtrade system to monitor results and to develop an expanded set of core indicators that more fully reflect the range of themes that are in the Theory of Change.
6. The theory stresses the importance of consumer purchasing decisions (behaviour) – the goal is to raise awareness among citizen-consumers of the negative effects of unfair trade, and to enable them to use their purchasing decisions to show their support for small producers and workers in developing countries.

So, as can be seen above' Fairtrade/Fair Trade is closely aligned with the Sustainable Development Goals and together with farmers and workers, civil society, governments and businesses. Specific rules such as "Make trade fair", "Empower small producers and workers", "Foster sustainable livelihoods", "Consumer behavior modeling" help in achieving the goals set by the United Nations and known as the Sustainable Development Goals.

Fair Trade product trading worldwide

The evolution of Fair Trade has been observed for over half a century. We can distinguish three Fair Trade concepts that are related to the models of selling products produced by poor farmers (Dragusanu *et al.*, 2014; Moravčíková & Gregová, 2016):

1. an alternative movement – opposition to globalization,
2. resignation from commodification (commodification),
3. liberalization of access to markets of rich countries – availability of goods from countries of the poor South.

Fair Trade products are sold through two distribution channels. The first is the traditional way through an integrated supply chain in which Fair Trade products (craft products, food, etc.) are manufactured, imported and distributed by certified FT organizations that participate in this process, e.g. WFTO members – World Fair Trade Organization (2020) or EFTA – European Fair Trade Association (2020). The second method uses a product certification system in which goods that meet the standards are marked for identification by retail customers.

According to the latest report "Choosing a fairer future through trade 2018-2019", prepared by the International Trade Fair organization, consumers in over 158 economically developed countries spent about EUR 9.8 billion on Fair Trade products (Fairtrade International, 2020h). It means a fivefold increase compared to a decade ago. In 2018, in 73 countries of the world there were already over 1.7 million of small producers and farmers operating in the Fair Trade model, and within so-called social premiums they obtained about EUR 176.5 million (TOP 7 products: coffee, cocoa, bananas, sugar, flowers, tea, cotton). Figure 1 presents changes in the sales of Fair Trade products worldwide in the years 2004-2018.

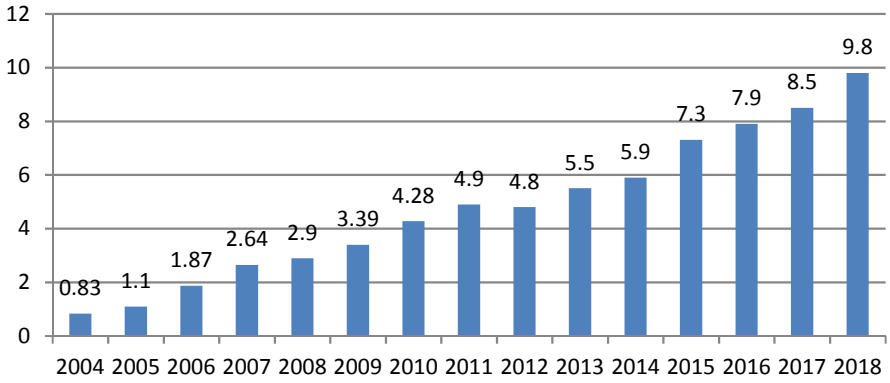

Figure 1. Sales of Fair Trade products worldwide, years 2004-2018, billions of EUR
Source: own calculations based on Fairtrade International Annual Reports (Fairtrade,2020).

Trade in Fair Trade goods around the world from 2004 to the end of 2018 was more than eleven times higher. Currently, over 1.7 million families of small producers and farmers from 73 countries are members of 1,707 producer organizations. It is worth emphasizing that we have over 35,000 types of goods worldwide covered by Fair Trade rules.

Fair Trade product trading in the V4 countries

In the V4 countries that have formed a political relationship since the political transformation in the early 1990s and based on cooperation (e.g. joint accession to the European structures in 2004), the phenomenon of Fair Trade develops unevenly. The Czech market is the most developed Fair Trade market in the Visegrad Group region. A rise in sales of Fairtrade products in these countries is driven by cafes, gas stations and supermarkets. However, the main factor is an increase in the product range in large retail chains.

Fairtrade Czech Republic and Slovakia is a non-governmental non-profit organization that brings together organizations and individuals. They have been operating in the Czech Republic since 2004, originally under the name Fair Trade Association, which was later renamed Fairtrade Czech Republic and Slovakia. They have been operating in Slovakia since 2014. They are part of Fairtrade International, a full member of the World Fair Trade Organization (WFTO) and since 2010 they have been a member of the Czech Forum for Development Cooperation (FoRS) in the Czech Republic (Fairtrade Cesko, 2020).

If we analyze the development of the Fair Trade phenomenon in Poland, it should be noted that the informal Fair Trade Coalition was founded on March 16, 2009 as an initiative of several small businesses and NGOs. On September 13, 2013, the Foundation was registered in Krakow and on January 15, 2016 the Foundation changed its name to the Fair Trade Coalition Foundation – Fairtrade Polska because they received the status of a public benefit organization. Since April 2015, the Foundation has represented Fairtrade International in Poland, the owner of the Fairtrade mark placed on certified Fair Trade products. Fairtrade Deutschland provides substantive support (Fairtrade Polska, 2020a).

In Hungary, there is an organization called Tudatos Vásárlók Egyesülete (Association of Conscious Consumers). The aim of the Association of Conscious Consumers is to support and strengthen sustainable consumption, ethical (environmentally and socially responsible) consumption and corporate operations, the sustainability of markets, and the knowledge about the rights and obligations of consumers in Hungary. This association has been promoting ethical, environmental and socially conscious consumption and lifestyle choices since 2001. The organization has been active (local foods fairs, marketing campaigns, lessons to public and professional audience, eco-map, research, books, magazines and other informational materials). The Conscious Consumers Association (2020) published its first report in 2017, which calculated the value of informed decisions of Hungarian consumers.

As it was mentioned earlier, in the Czech Republic the main factor is the increase in the product range in large retail chains, and sales grows in the case of coffee and cocoa. What is interesting, in a large part it is coffee at Benzina stations owned by the Polish state-owned company PKN Orlen. Also in Slovakia, the largest increases have been recorded as regards the sale of coffee and cocoa.

In Poland, the main factor is the dynamic increase in the number of Fairtrade certified products offered by large retail chains. This coincides with the development of the "Fair Trade Friendly Communities" campaign. There is a growing public awareness about the consequences of unfair international trade and the conditions prevailing in agriculture and processing in the countries of the global South, climate change or harmful plastic production. PKN Orlen is the largest seller of Fairtrade products in Poland, which in 2008 intro-

duced Fairtrade-certified coffee at all its gas stations. Retail chains come second. Important players are also online and stationary stores with organic products (both chains and independent sellers). Polish companies producing for domestic and foreign brands are expressing an increasing interest in Fairtrade certification, especially in the case of sweets.

In the case of Hungary, the rise in the value of the Hungarian market can also be observed. The reason for this was the introduction of Fairtrade coffee for sale at ÖMV gas stations in mid-2016. Another growth factor was an increase in Fairtrade's offer among large retailers.

The so-called initiative of the Fair Trade Towns campaign is worth a mention. Formal guidelines have been produced jointly by several Fairtrade labelling initiatives. To be awarded Fair Trade status, an area must meet five criteria: local council passes a resolution supporting Fair Trade, agrees to serve Fair Trade tea and coffee at its meetings and in its offices and canteens, a range of (at least two) Fair Trade products is readily available in the area's shops and local cafes/catering establishments, target for number of retail outlets, target for number of catering outlets and Fair Trade products are used by a number of local work places (estate agents, hairdressers, etc.) and community organizations (churches, schools, etc.). A local Fair Trade steering group is convened to ensure continued commitment to its Fair Trade Town status. It is worth comparing the number of such cities and areas in Western European countries and in the analysed V4 countries to realize at what stage of development the Fair Trade phenomenon is in our part of Europe. This comparison can be found in the table 2 below.

Table 2. Fair Trade Towns in Europe (selected countries)

Country	Initiative	Number of FT Towns
Germany	Kampagne Fairtrade Towns	648
UK	Fairtrade Towns	425
Austria	FAIRTRADE-Gemeinden	207
Belgium (Flanders)	Fair Trade Gemeenten	200
The Netherlands	Fairtrade Gemeente	87
Sweden	Fairtrade City	64
The Republic of Ireland	Fairtrade Towns	48
Belgium (Wallonia + Brussels)	Communes du commerce équitable	43
Norway	Fairtrade-Kommune	37
Luxembourg	Fairtrade Gemeng	32
France	Territoires de Commerce Equitable	28
Spain	Ciudad por el Comercio Justo	19
Finland	Reilunkaupankaupunki	16
Czech Republic	Fairtradováměsta	12
Poland	Społeczności Przyjazne dla Sprawiedliwego Handlu	2

Source: (Fair Trade Towns International,2020).

As we can see, the numbers of cities or areas in the V4 countries differ significantly from those in Western Europe (Germany – 648, UK – 425, Austria – 207, Czech Republic – 12, Poland – 2), and in the case of Slovakia and Hungary there are no such cities at all.

In the latest report "Choosing a fairer future through trade 2018-2019" prepared by the Fairtrade International there is no data about retail sales of Fair Trade products broken down into individual countries of the world. The report was published in November 2019 whereas in the previous report "Working together for fair and sustainable trade 2017-2018" we can find this data for 2017. The report includes data for Poland, the Czech Republic and Slovakia together, but unfortunately, there is no data for Hungary. In order to obtain the latest available data the author of this article contacted (in March 2020) directly the entities which deal with the problems of Fair Trade in the analyzed Visegrad countries (V4) – Fairtrade Česko a Slovensko, Hungarian Tudatos Vásárlók Egyesületeand the foundation "Koalicja Sprawiedliwego Handlu" – Fairtrade Polska. Not all of these organizations have full data concerning the Fair Trade product trading since not all are at the same stage of the development of the activity conducted. Table 3 presents the sales of the Fair Trade products in the years 2013-2018 in the V4 countries.

Table 3. The sales of Fair Trade products in the years 2013-2018 in Poland, the Czech Republic, Slovakia and Hungary, millions of EUR

Country/Year	2013	2014	2015	2016	2017	2018	Total
Poland	4.8	6.4	6.5	8.3	14.4	21.7	62.1
Czech Rep.	6.6	7.7	7.4	no data	16.9	45.9	84.5
Slovakia	no data	1.1	1.3	no data	8.7	16.9	28.0
Hungary	no data	0.2	0.3	1.4	11	3.2*	16.1

* calculated average value over four years: 2014-2017

Source: own study based on information (via e-mails) received in March 2020 from Fairtrade Česko a Slovensko, Hungarian Tudatos Vásárlók Egyesülete/Association of Conscious Consumers and Fairtrade Polska/FundacjaKoalicja Sprawiedliwego Handlu.

As can be seen in the above table, the leader in the analyzed period was the Czech Republic (EUR 84.5 millions), followed by Poland (EUR 62.1 millions). The sales of Fair Trade products in Slovakia and Hungary were lower in terms of value (EUR 28.0 and EUR 16.1 million, respectively), however, as it has been already mentioned, the data are incomplete. In order to conduct a deeper comparative analysis, the results of the sales of Fair Trade products in the Visegrad Group countries were compared with a few countries in Europe which were the EU members – data for 2017 (Table 4).

What can be seen from the data presented in the table above is that the sales volume of Fair Trade products in the four Visegrad Group countries considerably differ in the achieved value from the results in more economically developed countries such as the UK (2,013), Germany (1,329), France (561) or Sweden (394). To a lesser extent they differ from Spain and Portugal (Fair Trade International reports provide joint data from these two countries) – EUR 35 million. It seems that the reason for this is a shorter tradition of purchasing Fair Trade certified goods and having less household's available income, different purchasing power standard (PPS[3])and lower average wages. Table 5 below presents a comparison of these countries in terms of PPS, for which sales of FT products in 2017 were previously presented.

[3] PPS represents a common currency that eliminates the differences in price levels between countries to allow meaningful volume comparisons of GDP.

Table 4. The sales of Fair Trade products in the years 2017 in the V4 countries and selected EU countries, millions of EUR

Country/Fair Trade sales	Sales of Fair Trade products
UK	2,013
Germany	1,329
France	561
Sweden	394
Ireland	342
Austria	304
Netherlands	290
Finland	233
Belgium	145
Denmark	134
Italy	130
Spain and Portugal	35
Czech Republic	16.9
Poland	14.4
Luxemburg	13
Hungary	11
Slovakia	8.7

Source: (Fairtrade International, 2020i).

In fact, as one can see, in the four Visegrad Group countries under analysis, the PPS ratio significantly differs from the value in more developed Western European countries, it is often even nearly twice as low.

CONCLUSIONS

What can be seen from the data presented in the article the sales volume of Fair Trade products in the four Visegrad Group countries considerably differ in the achieved value from the results in more economically developed countries in Europe.

To increase the sales of Fair Trade products in the V4 countries, they may use best practice, for example from the UK – the European leader in this field. For instance, a very readable and useful Fair Trade guide could be developed: "National Fairtrade Purchasing Guide. Why And Where To Buy Fairtrade For Your Business" (Fairtrade UK, 2020). There we will find a list of wholesalers dealing with the sale of FT products, larger and smaller stores, cafes, sales outlets, the opportunity to take up work in structures supporting the development of the FT phenomenon, all possible contacts and necessary data.

In addition, more international programs should be created along the lines of the example "V4 Cooperation for moving forward fair trade as a socially innovative economic model" – the so called Visegrad Project. It started in 2018 as an international project. Apart from the Fair Trade Coalition Foundation – Fairtrade Polska, NGOs from the Czech Republic, Slovakia and Hungary participate in the project. The goal of the project financed from the International Visegrad Fund is to tighten cooperation for the development of Fairtrade markets in the countries of the Visegrad Group (Fairtrade Polska, 2020b). Four organizations: the Fair Trade Coalition Foundation – Fairtrade Polska, Fairtrade Česko a Slovensko,

the Slovak organization Nadácia Integra and the Hungarian Association of Conscious Consumers Tudatos Vásárlók Egyesülete joined forces to jointly promote the idea of Fair Trade and Fairtrade certification products and to support shop owners and cafes selling Fairtrade certified products as part of the project. Czech and Polish partners are specialized organizations working to promote the Fairtrade brand. The Association from Hungary represents consumers and the Slovak organization cooperates with Ten Senses Africa – a Kenyan nut processing plant whose mission is to support small farmers under Fair Trade. It would be good to know the effects of this program after two years of its duration.

As the authors of the theory write in the introduction to their study: "Globalization has accelerated the integration of markets, facilitated by improvements in technology, transport and communications. Small producers in developing countries have been largely marginalized from the benefits of international trade. Although they often account for a high proportion of production (depending on the sector and country), they typically lack the necessary skills, resources, information, institutions, access to markets and bargaining power to secure a decent return for their labour. Although there has been renewed interest among national governments and bilateral and multilateral agencies in supporting small-scale production in recent years, this is largely within a political framework which focuses on increasing productivity and does little to address other structural issues outlined above" (Francesconi & Ruben, 2014).

Having studied the trade of Fair Trade products in the Visegrad countries in this article, in spite of relatively medium Purchasing Power Standard (PPS) positions of the V4 countries the results were obtained which indicate that the value of those indices had no significant influence on the sales of Fair Trade products, and the sales level in the analysed countries considerably differs from other developed EU countries.

It is to be hoped that the proposed recommendations and actions taken in the described countries will bring greater results in the development of the Fair Trade phenomenon in the coming years.

It should be noted that research on the Fair Trade phenomenon in the Visegrad Group countries has some limitations. They are related to the lack of certain statistical data, which the author mentions in the article. There is no uniform methodology for collecting, processing and sharing data in these countries. In the reports of organizations and associations dealing with Fair Trade in the world, these countries very often do not appear at all, which makes it very difficult to conduct research.

My planned future research will be a continuation of my previous interests. In particular, I would like to focus on exploring the practical use of "power of big cities" in the development of direct commercial cooperation with agricultural producers in the countries of the global South, constructing a price model for direct import of Fair Trade products (assuming the elimination of unnecessary intermediaries and shortening the supply chain) and taking attempts to apply my theory of Fair Trade 3.0 on the markets of the V4 countries of the Visegrad Group (study of major cities of the region).

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