



Institute of Economics  
of the Latvian Academy of Sciences

## Research on the implementation possibilities of a business support system in Latvia and Lithuania



RIGA, 2018

**Customer:**



**ZEMGALES  
PLĀNOŠANAS  
REĢIONS**

Zemgale planning region  
Address: Katoļu iela 2b, Jelgava, LV-3001  
<http://zemgale.lv>

**Performer:**



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## INTRODUCTION

**Relevance of the research.** The relevance of the research topic (from this point only known as the Research) „Research into implementation options of business support system in Latvia and Lithuania” ordered by the Zemgale planning region is determined by a number of mutually related aspects. Firstly, the theme of the research disclosed the customer’s attempts to encourage the development of business in the region. It has been proven through practical application that at least half out of 10 newly created companies cease their activity in the first year, often designating unprofitability as the reason, which cannot be remedied due to the lack of the necessary knowledge and advice. In turn, the state and society at large is interested in securing the stability of bigger companies operations, newly created companies included. Therefore, business support organizations are being formed, the goals of which are to constantly oversee various events in the outer business environment, so as to be able to apply preventative and/or corrective measures for the continued support and growth of entrepreneurship. Of similar importance is also the aspect of employment.

Entrepreneurship has a decisive role in the production of GDP necessary for the development of the Latvian and Lithuanian states, which further materializes in the products and services necessary for the population, the end result of which is the increased well-being of the state and the population. It is for this reason that state and municipalities have to pay closer attention towards the understanding of business development disrupting aspects and towards goal-oriented improvements for the state and municipality support system functionality.

The **social dimension** of the research is also relevant. The founders of a company are also de facto job creators – they gain livelihoods for themselves and give others a chance to do the same by offering them a job in their company. It is for this reason that it is more profitable for the state and municipalities to provide support for entrepreneurs and founders that operate on their territory rather than giving out allowances or passively observing the poor conditions in which a certain part of the population live in or join the emigration wave.

It has been proven in practice, that the European Union and different socio-economic development levels united within it provides the Latvian and Lithuanian states not only with development opportunities, but also with a rather noteworthy threat without pairing up and without using the innovative, knowledge enriched mid-to-high tier and high tier technology entrepreneurship to improve the economy. Current efforts to compensate the high development level economically active part of the population with immigrants from cheap labour providing countries are not the solution. This is because, firstly, it can cause insurmountable return barriers for the part of the population which emigrated to other countries and, secondly, such a workforce deficit compensation policy will encourage the preservation of low wages in various branches of the national economy while keeping the local workforce emigration flow at a relatively high quantitative level. Latvia and Lithuania cannot remain being cheap labour countries in the long term because that can cause an irreversible backwardness of the countries. Entrepreneurs should take this into account and must improve the productivity of their companies with innovative technologies, a more

educated and better paid workforce, and receive interest and support from the state and municipalities respectively.

The most important dimension to the increase in effectiveness of the Latvia – Lithuania border region (from this point onwards – border regions) business support system is the **governance dimension**. In the context of the Research the creation and improvement of the joint business support system has to start with state support organisations so that other interested parties would think that it would be useful for them to involve themselves in the business support system.

In essence, the establishment of a joint system of a business support system for border regions is a unique case in the entire history of the existence of the Baltic States. It is possible that such a system operates somewhere in the European Union, but the participants of the Research have not been able to acquire confirmation on this possibility. Wider cooperation and the integration of border region development efforts with other countries, primarily neighbour countries, is in line with the efforts to overcome modern global threats. Our nation's future in a large part is dependent on the desire and ability to cooperate.

**The goal and objectives of the Research.** After taking into account the arguments about the relevance of the Research outlined above, the following **goal** was set :

*To carry out an analysis of business support systems for the purpose of facilitating the effective cooperation of business support organizations in Latvia and Lithuania by analytically evaluating Latvian and Lithuanian business support organization activities and studying of the effectiveness of cooperation on the territory of these countries.*

To reach the goal, the following **most important objectives** were set:

- 1) to compile and analyze the relevant environment for business support (hereafter – BS) in Latvia and Lithuania;
- 2) to identify active BS organisations in Latvia and Lithuania and analyze their activities and results of their activities;
- 3) to analyze BS organisations and the strengths and weaknesses of the services they provide;
- 4) to identify BS organisation good experiences and practice in the services they provide, which can be absorbed in the scope of the present Research;
- 5) to analyze and evaluate the effectiveness of activities and cooperation with entrepreneurs of BS organisations;
- 6) to analyse the image of the entrepreneur in society and develop proposals for the improvement of the entrepreneurs reputation in society;
- 7) to develop BS organisation cooperation models which can be applied in practice and are directed towards increasing the effectiveness of BS organisations in the border regions, as well as encouraging more effective cooperation of BS organisations and decrease unnecessary competition, which can slow down BS development in the regions;
- 8) to develop proposals which can be applied in practice, taking into account at least the opinions of those entrepreneurs who work in the Latvian-Lithuanian border regions;

- 9) to develop recommendations for BS policy makers for the purpose of increasing the effectiveness in the LV and LT border regions;
- 10) to prepare proposals for the content of the necessary training themes, shared work groups and experience exchange trips;
- 11) to make conclusions about the most important Research results and develop proposals for the minimization of the effect the drawbacks present in the conclusions.

**Research methodology.** The Research methodology consists of interoperable and complementary method set, which was chosen in accordance to the theme and goal of the Research. The suitable methodology is directed towards the full completion of the objectives that were set. The following **Scientific research methods** were used for the purpose of achieving the goal and objectives.

- 1) analysis and collection methods for statistical data and public reports;
- 2) research methods dealing with the development strategy, planning document and prior research, which were developed from normative enactments and in the border regions;
- 3) the focus group as a method for gathering qualitative data about the topic and object of the Research;
- 4) Qualitative methods – questionnaires for entrepreneurs and BS organisations, questionnaire results compilation and analysis methods, as well as other qualitative methods, such as observation, interviews with experts, unstructured interviews;
- 5) Synthesis method – conclusion and proposal development about the Latvian – Lithuanian border region business environment and the BS organisations which work within this environment;
- 6) Deductive and inductive methods – An irreplaceable technique compilation for the business environment, the identification of its competitive constituent elements , the determination of benefits and drawbacks, as well as the evaluation of the effectiveness of BS organisation activities;
- 7) Comparison method as the most important method for the identification of changes within the business environment in the Latvian – Lithuanian border regions and of those BS organisations which work within this environment;
- 8) expert method - an irreplaceable method for the interpretation of the indicators included in dynamic ranks, as well as the results of the calculations obtained, and extrapolation. This method is used for forecasting, as well as for developing various proposals on measures to be taken to increase the efficiency of business support organizations working in the border regions of Latvia and Lithuania.

**Data used in the Research and the most important sources of information.** In the Research on the effectiveness of the activities of BS organizations and the creation of a shared support system the following most important statistical data and information sources were used:

- a) LR CSB and Lithuanian statistical data;
- b) scientific research publications about the business environment and support organisations, their mutual development;

- c) State and municipalities normative enactments, which are directly and/or indirectly linked with the business environment or BS organisation activities;
- d) The unpublished data about BS organisations working in and the business environment in the Latvian – Lithuanian border regions;
- e) Data and other information sources obtained through the course of the Research.

The Research was carried out over the course of October 2017 to February 2018. Focus group discussions, entrepreneur and BS organisation interviews were organized in January and February 2018.

The results of the research are to be used for the development of a strategy for, project development, as well as for making management decisions about the joint BS system creation in the Latvian- Lithuanian border regions. The results of the research can be used by the state and EU for the purpose of supporting foundations and other activities which are linked to planning, foreign and local investor attraction, as well as for other events that develop the business environment and the increase of its competitiveness in Latvia and Lithuanian in the mid-term and long-term

## **1. Support of businesses and its objective and subjective necessity**

1. Any business support is a objective necessity of a regulated market economy and its goal is to increase the support receivers overall competitiveness by facilitating business support.
2. Business support within the confines of this Research is understood as any material and/or non-material aid for upcoming and current entrepreneurs for the purpose of facilitating the growth of businesses and/or arrangements for the modernization of a business as specified by the requirements of the entrepreneur.
3. Business state support is a deciding factor when compared to other forms of support provided to entrepreneurs and is regulated by state and/or international normative enactments, while other forms of business support is regulated by the support providers' internal normative enactments.
4. The identified objective and subjective business support necessity aspects are important in the understanding the mission of support organisation activities, support offer development and in increasing the effectiveness of said support.

## **2. Business support environment in Latvian and Lithuanian research territories: current situation**

1. For the purpose of carrying out the relevant business support environment analysis within the confines of the research territory in Latvia and Lithuania an evaluation of the relevant normative enactments, which regulate business support in Latvia and Lithuania, existing BS organisations, the goal of their operations, priorities and area of operations, legal status, functions and target audience, a comparative analysis of the services provided, their demand and relevance analysis, an evaluation of the activities and cooperation of the organizations that participated in the questionnaire, as well as the compiled vision and suggestions by support organisations on how to strengthen the image of the entrepreneur in society, and the useful experience and practice of the activities and services provided by the organisations.
2. Unlike Latvian legislative enactments, Lithuanian law and planning documents precisely outline the BS priorities, receiver target audiences, support types (material and non-material) and support providers (municipalities or the state), as well as clearly characterizing the organisation of support and its evaluation.
3. The legislation of Lithuania, which is more oriented towards the encouragement of business and facilitation of support than in Latvia, is overall less fragmented, which facilitates not only an easier perception and understanding of normative enactments, but also a more effective provision business support and development of business overall.
4. Despite the fact that there are many laws, cabinet of ministers rules and other regulative documents the Republic of Latvia which define what is BS, who is the receiver of said support and what are the criteria of the receiving of support not only to upcoming but also to existing companies.
5. Business support system in Latvia is mostly made up of municipality and state organisations, which operate on the national level and who have offices all across the territory of Latvia for the purpose of being able to provide services closer to the homes of their clients. State establishment functions cover the organisation and development of the business environment, ensuring a unified support policy in all regions in line with the priorities defined by the state, but municipal organisations and business incubator functions are mostly directed towards the local level, ensuring BS facilitation on the local level in line with a specific region/county/city specifics and development priorities.
6. The functions carried out in accordance to their legal status by the Latvian business support organisations analysed in this Research point to easy accessibility services provided by BS organisations from one side, and the overlapping of similar support functions in different organisations, even with the same legal status , on the other. The

purpose of the planning regions is to create a united network of counseling and provide coordinated support for business development in the region.

7. The business support system in Lithuania is mainly made up of national organisations operating on a national basis with branches throughout the country, business support centers and business incubators.
8. The comparatively large proportion of Lithuanian support organisations in the capital city of Vilnius is also in line with the situation in Latvia, where almost half of the Latvian business support organisations are concentrated in the capital city of Riga, which, once again, confirms the monocentric development of the states and the need to pay more attention to the development of the regions.
9. Similarly to Latvia, the proportions of non-governmental organisations in Lithuania is quite large. However, unlike in Latvia, most non-governmental organisations are not local or regional but national associations.
10. In Lithuania, like in Latvia, business support functions are also provided by the commercial sector – private companies that deal with entrepreneurial counseling, preparation of Project applications, as well as offer entrepreneurs space and office equipment for the facilitation of business, but their percentage too small to consider their influence on the business environment as significant.
11. In Latvia, the largest share of support organizations is made up by local authorities, while in Lithuania they are state institutions. There is also a significant difference between the number of business support organisations in Latvia and Lithuania. In Latvia, even with a fewer inhabitants, there is a much larger number of business support organisations than in Lithuania, which could be explained by the different administrative and territorial divisions in both countries.
12. In contrast to Latvia, where the functions of organisations are more subordinated to the territory (state, regional or district-level organisations), organisations in Lithuania are more subordinated to functions and forms of support than to the territorial principle.
13. The most important organisations in Latvia in terms of access to business support services are national-level organisations, business incubators and municipal institutions providing a wide range of services ranging from informational and consultative assistance to financial support. Even the percentage of organisations of lesser importance or organisations with a range of specialized services are scientific institutes and commercial organisations that mainly provide their services to a specific, certain group of entrepreneurs and for a fee.
14. Latvian regional policy makers should pay attention to the heterogeneous approach of Latvian municipalities in providing business support, which directly affects the uneven development of regions in Latvia.
15. The most demanded services of Latvian entrepreneurs are: 1) informational support, consultations and seminars, including financial, legal, business consulting and consultations on EU projects; (2 financial



support in the form of grants, loans, and other support instruments; 3) technology transfer and commercialization, laboratory and research services.

16. In Lithuania, the most important organisations in terms of access to business support are national-level governmental organizations that are also in line with the situation in Latvia. They provide a wide range of services ranging from informational and consulting support to financial support. Medium-sized support organisations are business centers and incubators, as well as state and local government institutions. Less important organizations or organizations with a narrow (specialized) range of services are scientific parks and commercial organizations, which also correspond to the situation in Latvia.
17. The most demanded services of Lithuanian entrepreneurs are: 1) EU, financial, legal and business consulting; 2) technical services, support of premises and technical equipment; 3) Technology transfer and commercialization services.
18. The range of services in both countries is very similar, diverse and intended for different business groups – both emerging and existing entrepreneurs. In Latvia and Lithuania, support organisations offer training and courses for entrepreneurs on an equal footing, as well as technical services and technology transfer opportunities.
19. Entrepreneurship support organisations in Latvia and Lithuania generally provide a medium-range service, i.e., on average, 3-5 types of services for entrepreneurs in a certain territory, which in Lithuania are mainly provided by the state/local government institutions and business centers, and incubators, on the other hand, in Latvia – local authorities and non-governmental organisations.
20. From the point of view of financial accessibility, state and local government organizations in both countries are out of competition, since they mainly provide business support services free of charge, compensating for expenses from the budget allocated to the state or local government. The free provision of services is a significant advantage for their use, but only provided they are of a high quality.
21. A basic service for public and municipal organizations charge a fee is the lease of premises and equipment. Leasehold service is very attractive for entrepreneurs, especially who have just begun to engage in business.
22. The majority of the support organizations in Latvia and Lithuania (60%) that participated in the questionnaire provide support to all economic operators, regardless of the sector or specificity of the economy, and only 40% of the participants provide specific support, such as tourism development, support of agricultural enterprises, forestry enterprises, support for recruiting or education the workforce, providing cooperation with educational institutions.
23. In the support organizations that participated in the questionnaire, the support function for entrepreneurship is largely provided by very minimal human resources - 1 or 2 employees, or by an employee who conducts business consultations in parallel with other job

responsibilities. The only support advisor's ability to provide general information support and general questions is one of the reasons why entrepreneurs do not use the opportunity of such counseling at all, or express their dissatisfaction with the need for them to go to various institutions to obtain in-depth information.

24. When analyzing the budget of support organizations for direct business support, it can be concluded that the largest share (about 30-40%) of the organization's total budget for direct business support is channeled by state-based business support centers and business incubators, which testify to the importance of these organisations in the business support system as a whole. A relatively small financial contribution to entrepreneurship support is provided by municipalities from the total budget of the organisation, as well as in different municipalities there is a different amount of finance for direct business support
25. Despite the fact that several service offers overlap across the national territory, both in Latvia and in Lithuania, the increase in the number of recipients over a three year period indicates that most of the services are useful and should be provided in the future. Overlaps of services or the same offer in several support organisations do not necessarily indicate the inefficient use of resources, but indicates an increase in the demand and the need for high-quality information for as many recipients as possible in both urban and remote regions.
26. In general, the demand for business support services and the number of beneficiaries in Latvia tends to increase, especially after financial support, incubation and pre-incubation services, mentoring services, information seminars and networking events. In turn, a decrease in demand is observed for specific consultations: financial advisory services for business development, consultations on export markets, export services, consulting in the field of company management.
27. In Lithuania, the number of beneficiaries is generally stable and also shows a slight increase. Demand is increasing after informative seminars, training and professional development courses, contests and projects, as well as paid services such as investment Project development, business plan preparation and investment attraction for the company. In Lithuania, there is also a decrease in demand for specific consultations, such as legal aid, financial advisory services for business development, consultations for the acquisition of EU funding, as well as incubation and pre-incubation services.
28. The drop in demand for specific advisory services in both countries signals the need to make changes to such a narrowly oriented service offering and organisation. In turn, the increase in demand suggests that they have not lost their relevance and are important for entrepreneurs at different stages of the company's development.
29. The image and reputation of the entrepreneurs of support organization's personnel is seen as positive or neutral. In order to strengthen the entrepreneurial mindset, business support organizations recommend increasing the flow of positive information and public awareness of the entrepreneurial contribution to job creation and economic development,

as well as securing more support from the municipality and the state in order to encourage the population to form their companies, including the aid of business support organizations.

30. Despite the fact that only 15% of the surveyed support organizations have indicated cooperation with a neighbouring organisation, the cooperation established is very fruitful – training programs have been developed, training for entrepreneurs, mentor consultations, an organized mentoring network, support for future entrepreneurs, established business support with materials and equipment.
31. Cooperation between Latvia and Lithuania has huge untapped potential at the international level, mainly the cooperation between the same support organisations, based on years of contacts with certain partners, nevertheless, there are a number of BS organizations operating in the border areas which do not actively participate in cooperating with other BS organizations in the neighbouring countries or participate to a very small degree. Similarly, the development of a partnership is largely shaped by similar structure and type of organisation, which is considered to be highly positive, but it would be advisable to also develop cross-sectoral cooperation with other profile organizations such as higher education institutions, technology transfer centers, municipalities, public and other organizations, and most importantly, for the entrepreneurs themselves. The ability of support organisations to attract entrepreneurs into cooperative projects as partners encourages a better inner and outer business environment threat understanding and possibility realisation.
32. The support provided by Interreg Latvia-Lithuania Program is positively supported by stimulating and financing cross-border cooperation between Latvian and Lithuanian BS organisations in the form of joint projects, but the number of supported projects only partially satisfies the demands for applications submitted for cooperation projects.
33. The potential for developing transnational cooperation between Latvia and Lithuania is also found in the learning and transfer of good practices from neighbouring countries.
34. Good practice in the development of university business incubators in entrepreneurship promotion should be transferable and developable in all higher education institutions in border areas. BS organisations are advised to use the services of adjacent university business incubators and the potential of higher education institutions not only to support future but also existing business entrepreneurs. Higher education institutions can serve both as a place of business and a serious mentor for experienced entrepreneurs in the process of business development.
35. The good experiences that science and technology parks provide in the facilitation of business is based on the combining of business incubator and science, and technology centre support functions, as well as within the framework for a widespread representation of organizations within a single park that provides such organizations with more capacity, cooperation and a wider range of services for business support.

36. Innovate type of business support service – innovation vouchers – provide substantial support for smart business development by promoting collaboration between businesses and research institutes, and this innovative service would be transferable and feasible also in border research areas.
37. It is important for border regions to facilitate cluster mergers at both national and international levels, while BS organisations should establish close cooperation with branch clusters in order to Foster cross-border cooperation, since a cluster of a particular economic sector is a successful example of how the combining of businesses of a similar profile can provide real support in the development of these companies, as well as increase the reputation and competitiveness of the entire branch.
38. Ideas from young people in the business support system plays an important role. The method of brainstorming practiced by a youth organisation as an innovative tool for solving company problems and unlocking the potential should be implemented in the work of BS organisations, both in mentoring work and in the development of a platform or a common tool it will also encourage young people to cooperate with entrepreneurs and to become entrepreneurs themselves.
39. Given the great potential of Latvian and Lithuanian craftsmanship and the limited market that requires the ability of domestic entrepreneurs to produce high-value-added (handmade) products instead of mass produced products, as they can serve as important support institution for the management of external threats and competitiveness for such entrepreneurs.
40. Taking into account the role of the digital economy and the increasingly active provision of services through the use of the internet and modern technologies, the „one-stop” online agency good practices as a valuable initiative and empowerment could be used in the Research areas.
41. The experience gained from mutual assistance organisations for entrepreneurs is also useful in border areas. Cooperation with entrepreneur clubs currently active in the regions such as the Rotary Club, Women’s Club, Zonta, etc., as well as stimulating the creation of mutual support organizations for young entrepreneurs is an essential tool for business development in a particular area.
42. The role of local government is important both in entrepreneurship support and in support of their local government job seekers by organizing events such as business idea competitions „Vakanču tirgus”, providing infrastructure support, and expressing recognition and genuine interest in business development.
43. Cultural and artistic institutions can serve as support organizations for business development, complementing their usual functions with non-traditional ones, for example, organizing business exhibitions, business literature book tables, discussions, providing access to a large range of free information, especially in the field of creative industries.
44. An analysis of the current environmental support environment in Latvia and Lithuania Research areas suggests that the current situation in BS

organisation in both countries is very similar, which serves as an essential prerequisite for the creation of a single business support system.

### **3. Evaluation of efficiency of business support organizations from Latvian and Lithuanian border regions.**

The results of the study and the calculations included in Chapter 3 of this work, and their analytical assessment make it possible to draw the following key conclusions:

1. In order to determine the effectiveness of the support organisation activities and to interpret the obtained result, the assumptions necessary for the purpose and tasks of the research are used. The necessity of assumptions is determined by the differences in the business environment between Latvia and Lithuania border regions, the heterogeneity of support organisations, the different experience of these organisations in cooperation with entrepreneurs, and several other aspects included in the outcome of the study.
2. The assumptions and limitations contained in the work are considered sufficient for the joint study to bring together all organizations involved in the Project, make necessary calculations and comparisons of their effectiveness.
3. The evaluation of the effectiveness of the business support system includes Project partner organizations, and the quantitative and qualitative indicators of their activities make it possible to apply the results of the Research into the entire business environment of the border region, thus the conclusions and proposals made may also be useful for other organizations working in the business support system.
4. A study commissioned by the Zemgale Planning Region on the operation of business support organizations of Latvian and Lithuanian border regions, the effectiveness of these organizations and the establishment of a unified business support system in the border regions is seen as a great step in the right direction. This decision clearly indicates the efforts of the heads of the organisation to increase the efficiency of the subordination unit and the employees working therein in using the resources and funding available to the Planning Regions
5. One of the performance results of business support organisations that determines the effectiveness of an organisation's operation is the support measures implemented by the support organisations. In view of the overall operational mission for all supporting organizations, and in order to promote the effectiveness of cooperation by ensuring a common understanding of content of the support/service, by designating and measuring them in similar units, it would be necessary and advisable for the support organisations to clearly define the types of support provided by the organisation in their internal laws and regulations so that they can be distinguished from their types and do not overlap.

6. The largest and most effective research organisation supported in Latvia, which operates in the border regions, is the Latvian Agricultural Education and Consultation Center which organized the largest number of seminārs in 2017. The Latvian Rural Advisory and Training Center, established in support of the activities of rural entrepreneurs, specializēs in providing entrepreneurship support to entrepreneurs operating in the agricultural sector and the type of business support provided is by this is quite different from that of other organisations. On the Lithuanian side in 2017 the largest number of support measures was provided by Siauliai Business Incubator.
7. The support measures provided by the Latvian side in the borer areas operating in business support organistions are more synchronized compared to the organisations working in the Lithuanian side. Therefore, in current circumstances, the establishment of a common support system should be accompanied by significant reform measures for business support organisations.
8. Upon gaining new knowledge about theexternal and internal regulatory enactments regulating the activities of the Latvian and Lithuanian border region BS organisations, as well as the indicators used for the activities of these organisations, it is concluded that the support organisations included in the research mainly focus on the effectiveness o their internal activities. In practice, intrinsic performance is often referred to as internal efficiencyt, which is very widely used to measure the performance of diferent systems and evaluate its changes.
9. In assessing the internal effectiveness of support organizations, the quantitative and qualitative characteristics of support provided by the organisation should be defined as precisely as possible, for exampl which is a consultaton, a seminar an investment Project, etc. For this purpose, the internal laws and regulations of support organisations must be used – the determinatin of effectiveness cannot be conceived without a record of the work done.
10. There are different dimensions of support measurs in the support organisations working in the Latvia and Lithuania: counties are applied in Latvia in terms of number of units, but in Lithuania – hour spent for consultations in Panevezys Business Support Center, while consultations at the Siauliai Business Incubator are listed in quantitatieve units. Therefore, in order to form a common support and cooperation framework, it is essential to synchronize all types of support organisations involved in the Project and their accounting dimensions, for example by developing a single manual with definitions of support types, explanations for the measures, and the combined qualitative and quantitative indicators for their accounting.
11. The operational effectiveness of business support organisations operating in the border areas of Latvia and Lithuania is determined on the basis of the data obtained during the research on the results of the support organisation's activities and the funding received by these organisations. This identifies the effectiveness of the use of personnel employed by business support organisations, which is one of the most widely used performance indicators in the research activities of different organisations. The experts involved in the study agreed on the separation of indicators of the internal organisation fo performance of support organisations from external performance indicators that are not being explored in the work.

12. The results of the Research indicate a relatively large difference in funding and in relation to employees in the collaborative organisations included in the study. The availability of funding is largely linked to the performance of support organisations and the quantitative aspects of operational efficiency. Analyzing the effectiveness of the support organisations operating in the border regions of Latvia and Lithuania in accordance with the funding available to the respective organisations and the direct number of employees involved in providing business support, the greatest productivity is reached in the Kurzeme planning region business support unit, followed by Zemgale Planning Region Business Support Center and the lowest internal efficiency is observed at the Latvian Rural COnsultancy and Education Center.
13. In Lithuania, the highest productivity is achieved in the Sialuai Business Support Organisation, followed by the Panevezys Municipal Business Support Center, but the effectiveness of the Rokis District Municipal Library in providing business support is currently not feasible as it initiated business support activities only with the involvement of the Interreg project.
14. It is not necessary to make hasty conclusions in evaluating the work of supporting organisations in the performance of the work of the employed personnel. Although the achieved productivity in any organisation is one of the most significant indicators of the organisation's performance, it should be taken into account that the funds are used in these organisations while applying it to state and local government organisations, but manufacturing organisations earn money. And this is a significant difference, despite the fact that the methodology is similar in both cases.
15. The performance indicators for BS organisations calculated within the framework of the study would be important in the management decision making process on increasing efficiency or assessing employee compliance. Employees in the BS organisations and their funding are just one of the many performance indicators that should be set for each of the Business Support Organisations included in the project.
16. Each of the BS organisations is different, they work in a different environment; each of them has a ratio of its resources used and its own instructions „from the top” in both written and non-written form. All this and many other aspects affect the effectiveness of the support organisation's operations.
17. The largest reduction of funding from the Latvian Rural Advisory and Education Center for direct business support since 2013 has affected rural development measures and informative and educational seminars, as well as support for the promotion of aquaculture and fishing activities. But more attention in this organisation is devoted to the involvement of rural youth in entrepreneurship, helping them to overcome the prevailing threats to the external environment and use opportunities in pilot projects.
18. The financing of the Siauliai Business Incubator for direct business support in all the support measures provided by the incubator has increased by 20% compared to 2013, which indicates the demand for support measures implemented by the incubator and the management's ability to achieve an increase in support. The Siaulia Business Incubator pays great attention to the involvement of young people in business. Young people living in this area receive not only the necessary advice on business issues of interest to them, they can also incorporate other forms of support specifically

designed for young people – participation in special training and receiving free space to turn their business ideas into marketable products.

19. Panevezys is smaller than Sialui both in terms of area and population. In spite of the discrepancies found between these border areas, Panevezys Business Support Center funding is significantly higher than the Siauliai Business Incubator. We welcome the jump in the operational efficiency of the Panevezys Municipal Business Support Center from 2015 to 2017 by 66.7%, which suggests that the management of the Panevezys Municipal Support Center is committed to increasing the effectiveness of business support.
20. The surveyed entrepreneurs mostly represent micro enterprises with a number of employees of up to 10, whose activities are related to the provision of services or offering niche products to a small number of consumers.
21. A large proportion of respondents in both countries work without employees, i.e. the owner of the business is also an employee.
22. The majority of the respondents are long-term enterprises that have been in existence for more than 20 years.
23. The economic sector represented in Latvia is the production of goods and agriculture, in Lithuania it is a service area, in particular IT and education services.
24. Most companies use their own funds to provide business, but also to use bank loans and EU funds.
25. Lithuanian businessmen appreciate the development of their company over the last year more positively than Latvian entrepreneurs. Also, in the future, in Lithuania, the proportion of optimistic entrepreneurs is higher than in Latvia.
26. Entrepreneurs believe that key factors such as the tax system in the country (over-taxation), the lack of financial and working capital and the lack of skilled workers hamper business development.
27. The instability of the laws and regulations of Latvian business regulation, which in turn is not characteristic of Lithuanian companies.
28. Despite the hindering factors and the threat of the external business environment, entrepreneurs in the near future plan to increase the production capacity and sales volumes, expand the range of production, increase the number of employees, increase their remuneration, which will enable businessmen to become more competitive in the market.
29. Existing information on BS organisations, their services and measures implemented is inadequate, as only every second entrepreneur is aware of the existence of support organisations and the opportunities offered by them for business development.
30. Both Latvian and Lithuanian entrepreneurs most often turn to state institutions after support. The second place in the ranking of business organisations after the availability of visibility and support is the Chamber of Commerce and Industry of the two countries, and the third one – the local municipality.
31. In the opinion of the researchers, the potential of entrepreneurial support for sectoral associations, as well as higher education and research institutions is not sufficiently used.
32. In both countries, support services such as informative workshops on company-specific topics are most in demand, provided they are free of charge and are tailored to the



specific needs for a specific company, training and professional development courses, advice on how to obtain EU funding, financial support options for investment, loans, grants programs, participation in competitions and projects and networking activities for establishing contacts, cooperation and exchange of experience.

33. The quality of the services provided by the support organisations is valuable feedback, and although most services were regarded by mid-sized operators as medium-sized, several services, such as informational seminars, training and professional development courses, legal assistance, and networking activities for entrepreneurs, were appreciated by both countries entrepreneurs.
34. Mostly, the support of organisations is chosen by entrepreneurs as they are free, but those services that have been charged consider a large proportion of quality received.
35. Most entrepreneurs regard the business support system in their country as inadequate in terms of barriers and business environment threats faced by entrepreneurs in their day-to-day work, based on excessive taxes, legislative instability, small support for SME's, and lack of support for regional companies. This indicates the low level of efficiency of the business support system and points to the need to reform it.
36. There is no consensus among entrepreneurs about the business support system either in Latvia or in Lithuania, but they indicate that support organisations would mostly like to receive financial support, a clear policy tax and small businesses and its stability, as well as a more qualitative and precise informative and advisory support.
37. In order to improve the functioning of the business support organisations and the support system as a whole, entrepreneurs make a number of significant proposals: centralize business support organisations, establish a one-stop-shop, improve access to and quality of information, improve cooperation between support institutions, reduce barriers to EU fund acquisitions, grant tax discounts on job creation, strengthen the role of sectoral associations and local authorities in the business support system, reduce bureaucracy of documents, provide more information on the capacity of support organisations and their providers, provide open and more permanent communication between business, support organisations and public authorities, increase the number of public business consultants, increase support for SME's operating in the regions, create local mentoring networks, entrepreneurs should be more active when looking for retail outlets, creating deals with each other and improving relationships with researchers, helping to build long-term and sustainable cooperation with scientists, etc.
38. Cooperation is taking place between entrepreneurs from neighbouring countries, but its intensity differs: Lithuanian entrepreneurs are more open and interested than Latvian entrepreneurs to expand their market beyond the borders of the country, in addition, cooperation with Latvian partners is valued higher by them than Latvian entrepreneurs.
39. Those entrepreneurs who already operate in the neighbouring countries do not see particular obstacles in their work, but would like more information on the tax system, binding legislation and possible support, preferably in their mother tongue, as well as assistance in selecting business partners and potential employees in the neighbouring country.

40. Extremely successful cooperation with neighbouring businessmen points to the great potential of cross-border business development.
41. Entrepreneurs are happy to take part in various networking activities, provided they are voluntary and free of charge – seminars, exchange of experience at both national and international level, industry associations, industry and crafts room activities in specific sectors, participation in contact liaison and business missions, the opportunity to use common informational space for sharing experiences, advertising and communication, as well as joint informal events. In terms of entrepreneurs, the most effective are the personal contacts, not the search cooperation partners in networking events organised by support organisations.
42. In order to improve the quality of the networking and cooperation activities, entrepreneurs make a number of significant proposals for business support organisations: to create and regularly update databases with contact information of companies operating in the area, profile of activities, etc., to promote the creation of alliances between entrepreneurs for participation in international projects and competitions to provide a comprehensive platform for the exchange of information and experience, the use of social networks and the organisation of live seminārs and conferences and to continue to organise networkin events that entrepreneurs evaluate as the most effective ones – seminārs, exchange of experience at regional, national and transnational levels, industry-crafts room industry events for specific sectors, participation in contact liaison and business missions, the use of a joint informative space for the exchange of experience, advertising and communication, joint informal events.
43. In organizing networking activities for entrepreneurs, it is important for business support organisations to take into account the following core business principles: volunteering and networking activities, freedom of choice in cooperation, the availability of measures in terms of language comprehension and rices and the quality of the activities, and their innovative content by providing entrepreneurs with new knowledge and positive experience of other countries, and/or other entrepreneurs that would facilitate the development of entrepreneurship among participants in the event.
44. Contrary to the assessment of business support organisations, which assesses the image of entrepreneurs among the majority of the respondents as positive, the largest proportion of respondents surveyed in both countries considers the image of entrepreneurs in society as controversial and believes that the image of entrepreneurs in both Latvian and Lithuanian sociaty depends on the performance of each particular entrepreneur.
45. In order to improve the enterpreneur's reputation in society and to strengthen tolerance towards entrepreneurial mistakes, the business community should, in the opinion of entrepreneurs, implementē the following business support measures: publicity and information campaigns on the role and importance of entrepreneurs in the development of the stae, targeted and regular publicē education work on entrepreneurship and its role on the national economy, ranging from general education schools, the change of the nehative attitudes of publicē authorities towards entrepreneurs and the lack of understanding about the role of entrepreneurs in

economic growth, the mutual understanding between employees and employers, the improvement of taxation policy by promoting the reduction of the tax burden and ensuring its stability and predictability in the long-term, adjustment of the regulatory framework for entrepreneurship, reduction of bureaucracy, increase of support for business support and its development, expediting faster and simpler co-financing procedures, promoting attraction of foreign investment at national and regional level, developing specific support instruments and state support program for supporting enterprises operating in the regions, preventing the entrepreneurial activities of local authorities, not only supporting newly established enterprises, but also supporting them in the first place by strengthening competitiveness.

46. On the other hand, business support organisations consider the need to increase the positive flow of information and public awareness of entrepreneurial contribution to job creation and the provision of economic development as well as greater support from municipalities and the state in order to encourage the population to build their own enterprises, in order to increase the reputation of the entrepreneur.
47. As a result of quantitative and qualitative research methods, the research has identified the strengths, weaknesses of the Latvian and Lithuanian BS organisations and their services, as well as the opportunities and threats of the development of organisations.
48. BS organisation approaches and organisation of work strengths and weaknesses are as follows: the real introduction of the principle of „first-aid counseling” with the business, the support organisation’s ability to work with other support organisations in its own and neighbouring countries for the provision of professional assistance to entrepreneurs in close proximity to the place of residence, also in rural areas, as well as the availability of support services provided by the organisation to a wide audience – both for young and experienced entrepreneurs, for both natural and legal persons, the possibility to provide a large part quality services free of charge.
49. The strengths of the services provided by business support organisations in Latvia and Lithuania are: organisation of B2B events, information seminars, training and professional development courses, as well as legal assistance at a very good level, tax relief and their providing assistive policy in individual municipalities, providing intermediate support, such as facilitating access to housing close to the place of business, supporting trainees and staff recruitment and training of potential employees, and the availability of multi-faceted support options and varied support services, especially for farmers.
50. The study also identified weaknesses in the activities of BS support organisations such as uninteresting, bureaucratic or arrogant attitudes from individual BS organisations on political decision and/or decentralized approach in decision making, support accounting, monitoring the lack of a long-term impact assessment, the high degree of fragmentation of support organisations and duplication of functions that make it difficult for the entrepreneur to be able to navigate the offer, in other words, the lack of a „one-stop shop” and the centralization of business support in major cities and the digitization of services does not always meet the needs of rural entrepreneurs who give preference to personal contact and a personalised approach closer to home.

51. The entrepreneurs and specialists surveyed by the weakness in the services provided by BS organisations see a lack services and support for existing, experienced and large companies in providing such poorly developed support services as soft loans for business development, mentor services, opportunities for tax rebates, as well as providing consulting in developing a business plan, using infrastructure of other companies to provide their company's services, attracting young people to provide business services, providing customs brokers, exchanging experience with similar companies in EU countries, providing coaching services and psychologists, cooperating with similar companies and joint participation in regional organizing Project competitions, providing logistics, transport, and IT service. Entrepreneurs consider a certain threat to them to be the reduction in funding for a number of support programs, as well as in the difficulty of receiving specialist support for a particular business, and information on neighbouring country support organisations and opportunities for cooperation with cross-border regions in their own language.
52. The main threats to the development of business support systems and the business environment as a whole identified in the Research are: lack of labour force and outflow of young people from the countryside, high proportion of newly dismantled enterprises and the risk of entrepreneur's bankruptcy after the incubation period, oriented towards supporting customer attitudes in social policy, the lack of vision at national level on its investment directions and development priorities in the long term after 2020 is a fragmented territorial/administrative breakdown.
53. The Research identifies the following development opportunities for BS organisations and systems in general: Develop and implement in Latvia (as in Lithuania) a unified regulated business support in the country as a whole, use smart immigration, attracting labor force from other countries in particular regions, develop B2P (Business 2 municipality), with thankfulness or appreciation, to evaluate the entrepreneur's contribution to local economy from the support organisations, to honor the success stories in successful businesses at the local level, to use the potential of schools, vocational schools and craftsmanship centers for the development of local business, to develop student business incubators already in higher educational institutions with research based organisations and technology transfer centers.

#### **4. Latvijas un Lietuvas pierobežas reģionu uzņēmējdarbības atbalsta organizāciju efektivitātes paaugstināšanai piemērojamie modeļi**

The results of the research included in Chapter 4 of this work make it possible to draw the following conclusions:

1. Chapter 4 of the study forms a bridge between theory and analysis to practice, and therefore includes models of business support organisations and all support systems, ranging from the elementary unit, which in this case is the support organisation and its different types, to the macro-system – the transnational business support system that includes several hundred organisations involved in providing various types of support. A system approach was used to develop practical models.
2. The structure of business support organisational model consists of several key elements: the resources and financial resources at the business support organisation; development of measures necessary for supporting business support and/or examination of received applications; business support product or result set up by a business support organisation to support a particular business or create the desired change in the external business environment.
3. In order to increase the efficiency of the support organisations, it is necessary to constantly keep in mind the objectives of the support organisation and the adequacy of the necessary resources and the external business environment. This means that the support organisation must have at its disposal such quantitative and qualitative resources for support, which correspond to the objective of the organisation and the dominant threats and opportunities of the external business environment.
4. The developed business support model also includes objects and entities for business support. BS support objects are companies as independent organisations that, for some reason, are in difficulty. Support subject is a manager/or owner of a firm in difficulty.
5. It has been demonstrated in practice and in scientific studies that it is precisely the support subject who is the most important element in the entire support system, namely, the manager and/or the owner of the company, his lack of competence is the main reason for the need for support, despite the fact that petitioners may also be in other thoughts about the causes of the support.
6. The external environment and its permanent changes are the main reason for receiving support in cases where the management and/or owners of the company not made gross mistakes in the management decisions. This is one of the most important reasons why for entrepreneurs the greatest gift and the greatest value from the external business model is stability.
7. The feedback links included in the model are the best and most effective means of acquiring new knowledge of changes in the business environment of an external region and of the prevailing threats and opportunities. In turn, this knowledge is the most important aspect of identifying the objective necessity of business support and choosing, and offering the most effective support measures.
8. The support system developed within the framework of the study consists of a set of governmental, commercial and public organisations involved in supporting entrepreneurs, whose aim is to provide the necessary support to businesses operating in a particular territory in order to increase their competitiveness at a specific place and time.

9. The groups of different organisations included in the support system model from the elements of the support system or subsystem, within the framework of the system, these elements are in permanent direct or indirect interaction. The positive and negative effects of the operation of system elements largely determine the efficiency of the regional support system.
10. Having been acquainted with the model of the business support system of the border region every professional specialist in business organisations can acquire new or supplement existing knowledge about the structure of the business support system, its relation to the external business environment, its positive and negative effects, as well as the support objects and entities.
11. The developed regional business support system model is applicable to the creation of a joint support system for Kurzeme and Zemgale border regions and/or Siauliai and Panevezys counties.
12. Before establishing a joint support system, it is necessary to establish rules for cooperation between the organisations included in the system, breaking down the institutional barriers between regions. As a result, companies operating in the regions would be provided with the support they need in the best and most effective way, taking into account the place of activity of the facility and the subject.
13. The business support system model is developed in accordance with the definition of the business support system developed by the research author, according to which the business support system is a set of state-owned, commercial and public organisations involved in the support of entrepreneurs, the aim of which is to provide the necessary support to enterprises operating in a particular territory in order to increase their competitiveness at a specific place and time.
14. The state, with the help of its institutions determines, directly or indirectly, the efficiency of the operation of the business support system, since state and local government business support organisations form the socio-economic basis for the entire business support system and its performance.
15. The creation of a single business support system in accordance with the developed regional business support system model can dramatically reduce unnecessary competition between support organisations, minimise overlaps, thus significantly increasing the effectiveness of supporting organisations operating in the border area and of each support measure, and of the entire support system.
16. The model used for evaluating and improving the efficiency of the regional business support system reflects the key input and output elements for the business support system to be used in determining efficiency: system input elements – economic resources and financial resources and financial resources for resources for business support in a given area and time, and system output elements – supports the organisation's business support measures at a specific place and time.
17. In light of the above, in assessing the effectiveness of state aid organisations, consideration should be given not only to the quantitative and qualitative changes in the composition of companies operating in the region, but also to the major socio-economic effects of regional development, such as household income growth, regional value added distribution among regional households, natural increase of population and migration, etc. indicators.

18. In the current model of BS organisations, the fragmentary nature of the border regions of Latvia and Lithuania is dominated by the fact that each business support unit operates on its own and in accordance with individual operational objectives. The components of such a system are largely isolated, in accordance with their interests, or in the best case formally comply with regulatory acts, its feedback between elements of the fragmentary system is formal.
19. The most important elements of the existing fragmentation system are as follows: there is no systematic exchange of data between BS organisations working in the border regions and the formal agreements between local government and regional management organisations operating in the border regions, no amount and content of the data required for joint action, resources and financial resources available to BS organisations are not always adequate for dealing with the dominant threats in the business environment and often are allocated based on the opinion of the managers and/or specialists of the organisation, without taking into account the views of potential beneficiaries, as well as business support institutions providing support to companies in the border regions of Latvia and Lithuania strictly adhering to the nationality of the supported subjects.
20. Support organisations must agree on common operational objectives and measures to be taken in their implementation by developing a single support system in which each supporting organisation works in its own interest and, at the same time, contributes to the achievement of the objectives of the whole support system.
21. The implementation of a well-developed model of support system for support organisations and worker enterprises in the border regions was developed taking into account the operational weaknesses of the existing business support system operating in the border regions of Latvia and Lithuania, with the main emphasis being placed on closer cooperation of support organisations working in the border regions with the aim of increasing the performance and viability of companies operating in the regions.
22. In the newly developed model, support organisations working on the Latvian and Lithuanian sides are not united into a single whole, but mutual agreements are established between organisations within the same group or between groups of organisations. The developed model consists of two mutually reinforcing parts: from the Latvian and Lithuanian border region, joint business support systems, on one side, and from the strengthening of cooperation links to increasing efficiency of cooperation between the support organisations of the border region, on the other.
23. The efficient functioning of the feedback system plays an important role in enabling enables the leaders of support organisations to react in a timely manner to changes in the external business environment, to receive up-to date data for management decisions and to keep the state and local government regulatory enactments in line with changes in the external business environment.
24. The authors of the Research also developed a model for increasing the efficiency of the business support system in the border regions, which contributes to the matching and resource integration, and is used to identify changes in the effectiveness of the support system and to continually increase their effectiveness.
25. The most significant conditions that should be taken into account when establishing an intergovernmental business support system and implementation in the improved

model are: preparation of common legislative package, conclusion of cooperation agreement between the participants of the Latvian and Lithuanian border regions on the overall business support policy, operational objectives and tasks, mutual settlements on the development of the support system for the support provided to the company operating in the border region of the other country, the agreement on the content of the data set and the exchange of data on changes in the business environment, the support provided to enterprises operating in the frontier regions, and the effect of the aid received, the development of effective preventive measures aimed at the external business environment minimizing the quantitative aspects of the prevailing threat and increasing the compliance of regulatory enactments which are binding on entrepreneurs to topical changes in the business environment.

26. The models of increasing effectiveness of business support organisations and of the whole support system, with minor changes, developed within the framework of the study can also be used for determining the efficiency of other organisations and systems and increasing their efficiency.



## 5. Recommendations for increasing the effectiveness of business support

### 5.1. Recommendations for business support policy developers

Based on the results of the Research the following key recommendations for improving the efficiency of support for state and regional development policy makers in the regions and improving the business support environment in Latvia and Lithuania were created:

- 1) in order to increase the competitiveness of entrepreneurs and to promote the development of entrepreneurship in general, it is advisable to **develop a single law** on state support to entrepreneurship and state business support organizations that would define business support, target groups of support beneficiaries, types of support and criteria for receiving support not only for future generations but also as well as the specific arrangements for organizing, redirecting and evaluating state-owned enterprise support. The law "On Development of Small and Medium Enterprises" in force in Lithuania can serve as a good example. Within the framework of this newly developed law, it is essential to **accurately determine the rights, obligations and responsibilities of the state, Planning regions, cities and local authorities** in providing business support to businesses. In defining the functions of business support organizations, it is important to subordinate them not only to the operating area (state, regional or district-level organizations), but first of all to the content of the functions and types of support that would reduce the overlapping of functions and inefficient state and local government funds;
- 2) **Increase the role of business support organizations in regions**, cities and districts in choosing the most appropriate state support measures, developing new forms of support and monitoring the appropriateness of the support granted, including by providing, in law, greater capacity for entrepreneurship support to municipalities that are familiar with the entrepreneurs of their territory and their needs; thereby developing a B2P relationship (business 2 municipality);
- 3) **increase the coordinating role of the border regions in coordinating the activities** of business support organizations in the regions and ensuring their continuity and raising their efficiency. To implement this recommendation in the new law, it is important to define the "one stop shop" function for the regions, thus centralizing the activities of business support organizations and improving the availability of services provided to entrepreneurs in the regions. As identified in the Study, the purpose of the Planning Regions is to create a united network of counseling and coordinated support for business development in the region. The creation of one-stop-shop support organizations in the regions would be an important solution for both the entrepreneur by facilitating access to services and raising awareness about the services needed for a qualitative development of the company, and the one-stop shop of such support organizations would promote stronger cooperation among support organizations, not only within the country, but also at transnational level. This functionality can be ensured in Latvia by the Planning Regions, while in Lithuania, craft and commerce chambers covering certain territories cooperate with local government and state institutions; these organizations have knowledgeable and competent staff who can provide the entrepreneurs with the first necessary assistance, besides working for existing companies, but also for existing companies, regardless of their size or location;

- 4) **improve the Law "On the New Business Support Act"**, which has been in force in Latvia since January 1, 2017, by reviewing the criteria for attraction of a venture capital investor with the aim of facilitating the real introduction of support programs for start-ups of new enterprises;
- 5) reduce the fragmentation of legislative initiatives regulating business support, facilitate easier reception and understanding of regulatory enactments, and strengthen the role of entrepreneurs in the development of the national economy and their reputation in society by carrying out the inventorization and necessary amendments to regulatory bases which influence the promotion of entrepreneurship and promotion of support, inventory and the necessary amendments, emphasizing less control and monitoring functions, but creating clear and transparent conditions for receiving support and positioning the entrepreneur as a direct beneficiary, thus motivating the population to engage in active business;
- 6) **develop a socio-economic justification for all legislative acts** aimed at changes in the external business environment;
- 7) Latvian politicians should **review the territorial administrative division of Latvia in the context of reducing fragmentation**, based on the concept of municipalities of one level in the division of Latvia's 26 districts. According to the results of the research, in Latvia at the present time the existing territorial division reduces the efficiency of the system of business organizations;
- 8) include **measures aimed at enhancing the competitiveness of the business environment in the operational guidelines** of party leaders;
- 9) continuously **take measures to reduce threats and increase opportunities** in the external business environment. To implement this recommendation, **improve the Annual Entrepreneurship Plan with specific measures** according to the current situation of the business environment;
- 10) ensure **a stable tax policy in the long term** by carrying out tax reduction programs under certain conditions aimed at business development and / or investment entry, such as tax deductions for investments that provide new jobs;
- 11) considering the increased capacity of U programs such as the INterreg cross-border cooperation program, etc., support the growing demand for cross-border development initiatives; **consider the possibility of developing and offering business support organisations other state / municipal support instruments and / or programs for cross-border cooperation between Latvia and Lithuania**, thus promoting and financing cross-order cooperation between Latvian and Lithuanian business support organisations in the form of joint projects.
- 12) **review and improve the state employment and social policy, the basis for social security benefits, as well as immigration policies, promoting "smart immigration"**, attracting labor force from other countries in particular regions and addressing the problem of labor shortages and the outflow of young people from rural areas, as well as anticipating social support instruments that promote not the consumer's attitude, but responsibility and employment;
- 13) develop a common vision at national level **as a strategic document on investment development priorities beyond 2020.**

## 5.2. Recommendations for business support policy facilitating organisations

### 5.2.1. Most important recommendations for business support organisations operating in LV and LT border regions on increasing the effectiveness of their operations

- 1) **Improve the operating regulations of UD support organizations**, other internal regulatory enactments, including business support functions and taking into account the results of the research.;
- 2) support the activities **of the organizations in the internal regulatory enactments to precisely define the types of support provided by the organization** in such a way that they are distinguishable from other types and do not overlap, for example, which is a consultation, a seminar, an investment project, etc., thus ensuring a unified understanding of the content of the support measure / service, its identification and measurement with similar units. Potentially precise identification of the support provided by the organization for the quantitative and qualitative characteristics of the aid is essential for the assessment of the in-house effectiveness of the aid organizations.;
- 3) **supplement the descriptions of the positions of the UD support organizations** taking into account the results of the research. It is possible to precisely determine the duties, rights and responsibilities of each employee for fulfilling their duties in providing business support functions;
- 4) **Create an external business environment monitoring system;**
- 5) **identify a set of preventive and corrective UD support measures;**
- 6) **determine the procedure for the application of each aid measure;**
  - 7) to establish procedures **for the monitoring of the conformity of the applicable aid measures**, as well as the long-term assessment of the support, monitoring, and impact assessment of the system;
  - 8) indicate the procedure for **determining the effectiveness of the business support measures to be implemented;**
  - 9) keep track of **changes in the external business environment:**
    - To develop a data matrix for identifying external business threats and prevailing threats;
    - organize the timely collection and processing of data;
    - take a management decision on the timely implementation of the most effective UDI support at a specific time and place;
- 10) develop **a single set of preventive and corrective measures in support of businesses**, taking into account the role of the donor in the common state support system;
- 11) determine **the eligibility of criteria for the applicable support methods** in relation to changes in the external business environment;
- 12) determine **the methodology for assessing the suitability and effectiveness** of each business support measure;
- 13) assess **the appropriateness and effectiveness of the application of the implemented support measures;**
- 14) if necessary, make adjustments in the implemented support measures package and / or in a separate measures contents and / or implementation order;
- 15) Improve **the availability and quality of information by providing more information on the possibilities** offered by support organisations;
- 16) **reduce the bureaucracy of documents** by developing simpler and more comprehensible rules for submission of applications / requests by entrepreneurs;

- 17) create **local mentoring networks**;
- 18) **maintain a constant link with other interested parties in the support system.** Develop a targeted cooperation initiative with local authorities on business support issues, with sectoral associations, with researchers, and with other support organisations.
- 19) Business support organisations are advised **to use the services of the closest high school institution incubators** and higher education institution potential not only for the support of upcoming companies, but also for currently operating companies;
- 20) It is advisable for existing business support organizations **to establish close cooperation with sectoral clusters** in order to foster cross-border cooperation, since a cluster of a specific economic sector is a successful example of how, by pooling relevant profile entrepreneurs, can provide real support for the development of these companies, as well as increase the reputation and competitiveness of the whole industry.;
- 21) it is advisable to take into account the development of the business support system for **young people to engage in the implementation of their own ideas and the ideas of others, and starting a business.** The method of brainstorming practiced by youth organizations as an innovative tool for addressing a company's problem would be introduced in the work of business support organizations - both in mentoring work and in the development of a platform or a single tool, this will also promote youth cooperation with entrepreneurs;
- 22) Considering the role of technology and digitalisation in the economy and the increasing provision of more and more services through the use of Internet and modern technologies in the development of the knowledge economy, consider the possibility of **setting up one-stop-shop online agencies** in the Research Areas;
- 23) maintain **constant and open communication with local entrepreneurs** in order to find the most effective solution to problems;
- 24) continue to **develop the following most demanded and most efficient services for emerging and existing Latvian entrepreneurs:** 1) informative support, consultations and seminars on topical issues of the company; 2) financial support in the form of grants, loans and other support instruments; 3) incubation and pre-incubation services, 4) mentor services, 5) networking measures, and 6) technology transfer and commercialization, laboratory and research services;
- 25) continue to **develop the following most demanded and most effective services for prospective and existing Lithuanian entrepreneurs:** 1) informative seminars on the topics of the company, training and professional development courses, 2) participation in competitions and projects, 3) development of investment projects, preparation of business plans and attraction of investments to an enterprise ; 4) technical services, support of premises and technical equipment; 5) technology transfer and commercialization services;
- 26) ensure the provision of support services with the appropriate and expected quality;
- 27) in order to **improve the quality of mutual networking and cooperation measures**, business support organizations are encouraged to create and regularly update databases with contact information of companies working in the territory, profile profiles, etc., to promote the creation of alliances between entrepreneurs for participation in international industry projects and tenders, provision of a full

service cycle to develop a common platform for the exchange of information and experience, the use of social networks and the organization of live seminars and conferences; to continue to organize networking events that entrepreneurs evaluate as the most effective ones - seminars, exchange of experiences at regional, national and transnational level, associations, industrial and craft camera events, participation in contact liaison and business missions, the opportunity to use a common information space for the exchange of experience , advertising and communication, informal joint events. When organizing business networking measures, it is important for business support organizations to take into account the following core business principles: the willingness to use networking measures, or freedom of choice in cooperation, the availability of measures in terms of language comprehension and prices, and the quality of the activities and their innovative content, giving entrepreneurs such new knowledge and positive experience of other countries and / or other entrepreneurs, which would facilitate the development of the entrepreneurship of the event participants;

- 28) increase **the practical applicability of scientific research results** and promote the processes of education of professionals of business support organizations in business matters and other issues important for the development of society in the context of sustainable development;
- 29) it is advised **to develop business support organization strengths which were identified in the study:** the principle of "advising first" on the effective implementation of work with entrepreneurs, as well as an interested and collegial attitude towards entrepreneurs, a wide network of support organizations allowing them to provide services to entrepreneurs near their place of residence, also in rural areas, as It also supports the support of the organization's support services for a wide range of target audiences - both for young and experienced entrepreneurs as well as for individuals and legal entities, as well as the ability to provide a large part of quality services free of charge;
- 30) **Develop cooperation with mass media** in order to strengthen the image of entrepreneurs;
- 31) In order **to improve entrepreneur's reputation in society and to strengthen tolerance towards entrepreneurial mistakes**, the following support measures for entrepreneurship **are recommended to support organizations:** publicity and information campaigns on the role and importance of entrepreneurs in the development of the state, targeted and regular public education work on entrepreneurship and its role in the national economy starting from general education schools, changing the negative attitudes of public authorities towards entrepreneurs and reducing misunderstanding on the role of entrepreneurs in economic growth, evaluating the entrepreneur's contribution to the local economy with gratitude or recognition from support organizations, winning the "success story" in entrepreneurship at the local level, employers and work fostering mutual understanding between actors, increasing support for business support and development, faster and simpler co-financing provision of review and award procedures, promotion of attracting foreign investment at national and regional level, development of specific support instruments and state support programs for supporting regional enterprises, prevention of local government entrepreneurship, supporting not only new but also existing enterprises to strengthen their competitiveness;

- 32) **It is recommended that the leaders of support organisations react in a timely manner to changes in the external business environment**, receive topical data for management decisions and maintain compliance to the state and local government regulatory enactments in the external business environment.

#### 5.2.2. The most important recommendations for creating a business support system in LV and LT border regions

The research identified a very similar ongoing situation in the organisation of business support in Latvia and Lithuania, which is an essential prerequisite for the establishment of a unified business support system

The most important recommendations for establishing a single support system are as follows:

- 1) elaborate **socio-economic and political grounds for the establishment of a unified business support system in the LV and LT border areas** and to present it to interested parties;
- 2) Interested parties should **sign the Memorandum for the establishment of a common support system for businesses operating in the LV and LT border regions**;
- 3) **develop a concept** for the establishment of a unified business support system in LV and LT border areas;
- 4) **establish a unified legislative package** for the establishment of a common state support system in LV and LT border areas;
- 5) **Calculate the resources necessary for the creation of a unified business support system** in the LV and LT border areas;
- 6) **create a database on the business support provided to businesses** operating in the border regions;
- 7) it is advisable to **create a single platform** that summarizes all regulatory enactments that specify the types of business support, beneficiaries, control mechanisms, etc.
- 8) In order to establish a common framework for support and cooperation, it is essential **to synchronize all types of support provided by the business support organisations involved in the system and their accounting dimensions**, for example by developing a common manual with definitions of the types of support, explanations for measures and uniform quantitative and qualitative accounting indicators.

#### 5.2.3. Most important activities for the purpose of facilitating the cooperation of business support organisations operating in LV and LT border regions

The results of the research indicate a very successful cooperation between certain neighbouring countries' organisations, as a result of which common training materials have been developed, joint training for entrepreneurs, mentor consultations, a single organised mentor network and a common methodological basis for its further application in the process of supporting business in both countries. At the same time, significant untapped potential has been identified in co-operation between Latvia and Lithuania at the intergovernmental level, and the following key measures to promote cooperation between support organizations working in the LV and LT Border Regions are recommended:

- 1) develop and sign a **Declaration of Goodwill on Cooperation** in the Support of businesses in the border regions;

- 2) agree to **a common cooperation order and general principles of cooperation**;
- 3) agree on **business support measures to be implemented in the border regions**;
- 4) develop **a regulation on support measures in the border regions**;
- 5) establish a **common procedure** approval of the measures and their use by support organisations operating in the border regions;
- 6) facilitate **the establishment of cooperation links between the LV and LT district counties, city and regional governing bodies**;
- 7) **develop cross-sectoral cooperation also other profile organisations**, such as higher education institutions, technology transfer centers, public and other organisations, and ,most importantly for the entrepreneurs themselves, including entrepreneurs as equal cooperation partners. For the purpose of identifying a wider range of cooperation partners, it is recommended to use a list of researcher-gathered business support organisations (see Appendix 1);
- 8) constantly **accumulate successful examples of business support and share experiences with other support organizations**;
- 9) constantly **exchange data on changes in the external business environment**;
- 10) agree on **joint projects for increasing business environment competitiveness, etc**;
- 11) provide Latvian support organizations **with information on support opportunities and innovations in the Lithuanian market, and Lithuanian support organizations on support opportunities and developments in the Latvian market**: on the tax system, binding legislation, possible support as well as assistance opportunities for selecting business partners and potential employees in the neighbouring country, and preferably in the native language of the entrepreneurs.

### 5.3. Recommendations for increasing the activity effectiveness and intellectual potential of business support organisation personnel and involved parties

Taking into account the results of the research and the above-mentioned recommendations, the following key topics for training, the content of joint working groups and experience exchange trips are recommended to support organizations' capacity building:

- 1) the necessity to increase **the effectiveness of business support organizations and their activities**;
- 2) **the methodology for determining the effectiveness** of business support organizations;
- 3) methodology for determining the internal and external effectiveness of the activities of the business support organizations;
- 4) **The need for cooperation** between business support organizations in border regions: opportunities and threats;
- 5) **Basic principles** of cooperation between business support organizations in border regions;
- 6) **regulation of the activities** of business support organizations - the first step in increasing operational efficiency, potential benefits and losses;
- 7) business support measures, **their suitability and conformity assessment methodology**;

- 8) **A systemic approach** to the increase of the efficiency of business support organisation operations;
- 9) **A unified business support sytem**, the theoretical and practical aspects of its creation;
- 10) **Internal and external business environment** – the ability to navigate it, identify the dominant threats and opportunities of the business environment in a timely manner;
- 11) the regularities of **market economy development** and the basic elements of a market economy, market participants, their composition and behavioral characteristics in the market of resources and / or finished products; the impact of the state and other market participants on supply and demand;
- 12) **Knowledge economy** and the need to increase its share in raising productivity and competitiveness, including on the international level, raising the overall welfare etc.;
- 13) **methodology for determining the operational efficiency** of the business support system, the synergy effect;
- 14) **Indicators to be used to evaluate the performance** of a business support organization;
- 15) **data used in the management** of business support organization management decisions;
- 16) **opportunities for diversifying business support services** - best practice and experience of neighboring countries;
- 17) **training in communication psychology, interpersonal relations, art of communication** as well as customer **service culture** training;
- 18) **the specifics of working with potential investors**;
- 19) it is also recommended to conduct **aregular business support organisation employee knowledge, cooperation skill and necessary comptences reviews** when working with entrepreneurs and cooperation partners.



## CONCLUSIONS

The establishment of a joint system of entrepreneurship support for border regions of Latvia and Lithuania is an unprecedented event in the history of the existence of the Baltic States. The initiative of the Zemgale planning region fully complies with the strategy for increasing the competitiveness of the Baltic States and the European Union as a whole, aimed at increasing the competitiveness of the business environment, on one side, and increasing the efficiency of the use of resources by state support organisations on the other.

The state and society as a whole have an interest in achieving greater business sustainability, as business support is the best way to increase employment in the country and household incomes to reduce unemployment and eradicate poverty. Therefore, business support organisations are set up with the task of constantly monitoring various events in the external business environment in order to make the necessary preventive and/or corrective measures in a timely manner.

It is important to emphasize that the BS system is one of several sub-systems of business external environment, therefore the goal of the business support system must be as close as possible to the development goals of the external business environment, and take into account that the business support system affects the entire business environment.

The multi-dimensional analysis made in the study allows us to conclude that the current business support system is fragmented, it works with low efficiency and poor coordination between support organisations. State support organisations often and to a large extent focus on business support processes, such as training and workshops, but do not pay enough attention to the content of training and content relevance issues and topical events in the external business environment, and its dominant threats and opportunities.

Taking into account the weaknesses of the existing business system, the analysis of the results of surveys of entrepreneurs and organisation specialists, lessons learned in interviews and focus groups, as well as the analysis of literature and other sources, an improved model of the business support system in the border regions of Latvia and Lithuania, and business support system activities has been developed during the study. A model for increasing effectiveness and practical recommendations for increasing effectiveness of business support for policy making organisations and business support organisations.

The business support system models and recommendations developed by the researchers help to increase the effectiveness of support organisations by introducing their operational practices into a systemic approach to promoting the adequacy of existing resources for the prevailing threats and opportunities of the business environment. The efficiency of the BS system greatly affects the competitiveness of the business environment by attracting new merchants to the regions with a more efficient business support system.

The goal of the research is to perform the analysis of the business support system for effective cooperation of BS organisations in Latvia and Lithuania, analytically assessing the effectiveness of the activities and cooperation of Latvian and Lithuanian business support organisations in the research area has been achieved and all objectives have been fulfilled.

