

For several years, the Faculty of Business Technologies of the Georgian Technical University has been working on the problems of modern business in all its branches and directions. In 2019, the first collective monograph was published, which was based on the results of many years of work. However, time does not stand still, it sets before us new tasks, the solution of which must be scientifically substantiated. This collective monograph is the result of reflections of the professors of the Faculty of Business Technologies of the State Technical University on the current problems of modern economics and business.



R. Kutateladze
A. Abralava
M. Chechelashvili

We are a team of professors of the Faculty of Business Technologies of the Georgian Technical University. This collective work of ours is a continuation of the work published in 2020.

Contemporary Business Challenges in a Globalized World (Volume 2)

Research, Study, Examination

Kutateladze, Abralava, Chechelashvili



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**Contemporary Business Challenges in a Globalized World (Volume
2)**

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Cluster as a Special Form for Organization of Entrepreneurship

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Abstract

The article discusses the economic content of existing clusters in the field of entrepreneurship and the possibility of their development in modern conditions in Georgia. In addition, the authors note the need to clarify the cluster in the legislation of Georgia, as a special legal form for creating a universal institutional environment and business development. The authors note that the development of clusters will increase the sustainability and competitiveness of the Georgian economy, attract foreign investment and deepen economic integration.

At the end of the study, the authors conclude that the development of clusters in Georgia is associated with the expected positive effects in regional economic policy and that the effectiveness of clusters is impossible without the formation of an appropriate economic and legal model. The authors believe that the cluster should be developed as a special legal model of the internal interaction of participating enterprises, which will contribute to the further development of the cluster as an economic model.

Keywords: cluster, cluster model associations, the classification of clusters, innovative territorial cluster.

The current economic conditions for doing business in Georgia represent the current challenge of integrating enterprises of various forms, which will help increase their sustainability and competitiveness, attract foreign investment, and the process of economic integration or clustering. Georgia's cluster development will have the expected positive impact on regional economic policy, including the accelerated growth of infrastructure and human resources, development of a competitive network of suppliers and service organizations, strengthening of small and medium-sized enterprises, and territorial planning to meet basic business needs.

The use of industrial clusters in the form of organizational models of entrepreneurship contributes to the innovative development of industrial enterprises by reducing the cost of introducing innovations, creating sustainable technological, scientific and technical, and other links between small, medium, and large businesses. Ultimately, this will increase the competitiveness of Georgian enterprises in foreign markets.

The phenomenon of clustering, as a phenomenon of combining enterprises with economic ties operating in a certain area, has been known since the development of handicrafts. But the discussion of the concept of cluster development as a driver of regional economic policy in scientific articles began only in the last years of the twentieth century. In his book *The Competitive Advantages of Countries*, published in 1990, Michael Porter

formulated the content of the cluster as follows: They work together.

We fully agree with Porter's definition, but add that it relies exclusively on the endogenous (internal) nature of the cluster as an economic event. A group of companies united in a cluster cannot be created in a higher order. Its emergence is possible only naturally, as a result of a voluntary union. However, the development of cluster approaches in different sectors or spheres of the economy is directly related to the efficiency of interaction between the state and business.

In our opinion, the concept of "industrial cluster" should be defined as follows: it is a set of industrial enterprises located in one or several regions of the country, interconnected by territorial proximity and functional dependence.

In our opinion, this definition reflects the main features of a cluster as an economic event, namely:

1) The existence of large leading enterprises that produce similar products and determine long-term predictable economic, production, and other strategies, i.e. are an institution of a given local system;

2) stability and predictability of economic ties of enterprises belonging to the cluster;

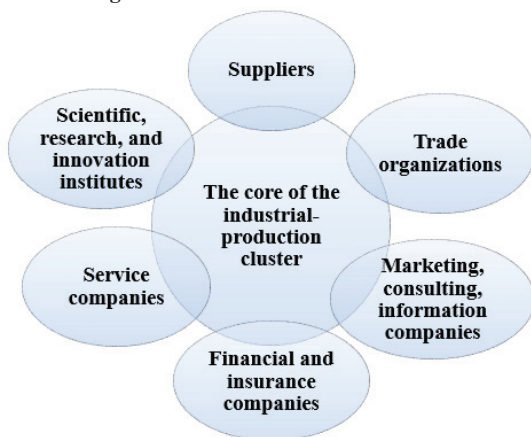
3) Long-term planning and coordination of the activities of enterprises participating in the cluster on the basis of existing production programs, innovative tasks, management, and control systems.

Despite the many advantages of the cluster, we consider it necessary to focus on its specific negative aspects. We consider the tendencies of market monopolization as a negative side of the cluster system of an entrepreneurial organization. We clarify our opinion:

1. A large cluster association can be viewed as a group of competing entities, therefore, antitrust bans on it no longer apply;

2. Conversely, if cluster members are considered to have a dominant position in the market, then they may become the object of special attention from antitrust and other regulatory authorities, i.e. they may face strong administrative and legal pressure, which: in our opinion, will not contribute to the cluster and the economic development of its subjects.

Figure 1. Possible Model of the Cluster



We believe that small businesses in a cluster that do not gain a competitive advantage over large companies in the cluster but may even lose in the fight against them will undoubtedly benefit from mergers with large businesses as their economic viability grows.

The cluster structure may include: industrial enterprises, trade organizations, service enterprises, suppliers, financial and insurance companies, research institutes and innovative enterprises, marketing and information, consulting, and other companies. In figure (1), we present a possible model of cluster fusion.

Clusters as a complex and multidimensional economic category should be subject to scientific classification according to various criteria. Our version of the classification of the main types of clusters is presented in table (1).

We believe that along with such a powerful mechanism of state support as subsidies from the state budget, it is necessary to pay attention to the organizational and legal basis for the creation and functioning of clusters, including in the field of innovation. In our opinion, a cluster is a special organizational structure for the integration of economic entities. At the same time, the cluster has not yet been recognized as a legal entity but is perceived as an association of economically and legally independent entities, between which stable economic relations are formed. The reason for this is the lack of agreement between cluster members.

Table 1. Basic Types of Clusters

Classification criteria	Cluster types
By industrial brand	Created in various industries, agriculture, banking, etc.
By cluster type	Mono-production - a linear cluster with one technological chain;
Using technological parameters	Diversified - a vertical chain of sequential steps, as well as fields that provide basic equipment and other resources;
In the nature of occurrence	Naturally formed in a natural way, Deliberately artificially created;
By the degree of formation	Functional (full use of the primary resource, reliable key channels); Sustainable (careful use of the primary resource, long-term distribution channels); Hidden (resources are required, but partnerships and communications are not developed, and key channels contain risks); Potential (they have potential, but they lack many components, for example, the connection between enterprises belonging to the cluster is not sufficiently developed).

We believe that the effect obtained from the creation of cluster unions in Georgia will be achieved only after the creation of an institutional environment conducive to entrepreneurship, one of the most important components of which is an effective legal framework. Unfortunately, the current legislation of Georgia does not allow creating a legal

basis for the functioning of clusters, and in general, the regulation of the activities of business associations today is far from perfect.

An entrepreneurial association in modern scientific literature is understood as an association of economically related entities-organizations or individual entrepreneurs without the status of a legal entity, which jointly participates in achieving agreed goals in entrepreneurial activity. Such an association can be created either voluntarily or through negotiations, as well as as a result of the control of one party over the other.

As a rule, according to economic criteria, the following types of business unions are distinguished: consortium, cartel, conglomerate, syndicate, holding, etc. We believe that it is necessary to especially clearly distinguish between the economic basis of each union and its legal (organizational and legal) form, i.e. e. we consider it methodologically justified to separate the economic mechanisms of the union. Thus, we believe that in the Georgian legislation, the cluster as an organizational and legal form that has an independent meaning should be singled out.

Upon completion of the study of the cluster model of entrepreneurship, the following conclusions can be drawn:

1. Although the cluster model of interaction of subjects with various forms in the process of entrepreneurial activity has both advantages and disadvantages, in general, this model can play a positive role in saving the Georgian economy from the crisis;

2. The development of clusters will allow Georgian business structures to optimize their place and role in the production chain, which will inevitably lead to an increase in the latter's competitiveness both in the domestic and foreign markets;

3. The effectiveness of the organization of clusters is impossible without the creation of an appropriate economic and legal model. Today, clusters exist and are dynamically developing as an economic event, but, at the same time, their essence as an organizational and legal form of entrepreneurship has not been adequately reflected in the legislation of Georgia. With regard to the cluster, a special legal model of internal interaction between its participants-enterprises should be developed, which will contribute to its further development as an economic model.

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Impact of the COVID-19 Pandemic on the Activities of Georgian Banks

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Abstract: Based on the newest references and factual materials, the article explores and analyzes the current situation and future prospects of banks in light of the constraints caused by the Covid-19 pandemic.

The current situation is a clear indication that the resilience of the country's economy to shocks is crucial. As a result of the reforms carried out in previous years, the National Bank of Georgia has effective monetary and macroprudential policy instruments. Georgia's financial sector is resilient and has accumulated buffers, which will help it overcome the crisis with fewer losses in the future.

Keywords: Pandemic, Financial stability, Banking system, National Bank of Georgia, Crisis.

Introduction. Georgia, as a small open economy, is highly sensitive to the global economic and financial situation. Against the backdrop of the pandemic, the risks of financial stability have increased.

This article is based on the data we have collected. The purpose of the study is to assess the impact of the pandemic's restrictions on the operations of banks operating in Georgia and make predictions for the future. The purpose of the study is to assess the impact of restrictions on decisions made during a pandemic, the effectiveness of remote work of employees, changes in the channels of relationships with customers, etc., and also to identify the main directions and accents of banks' activities after the restrictions are lifted.

The necessary data were obtained from 22 heads of corporate lending, retail lending, risk management, information technology and operating subdivisions of eight banks operating in Georgia. The information was obtained through a survey (telephone interview). The questionnaire consists of 15 questions. Both qualitative and quantitative studies were used. The survey was conducted from November 2020 to February 2021 inclusive. Of these eight banks, three banks are of systemic importance.

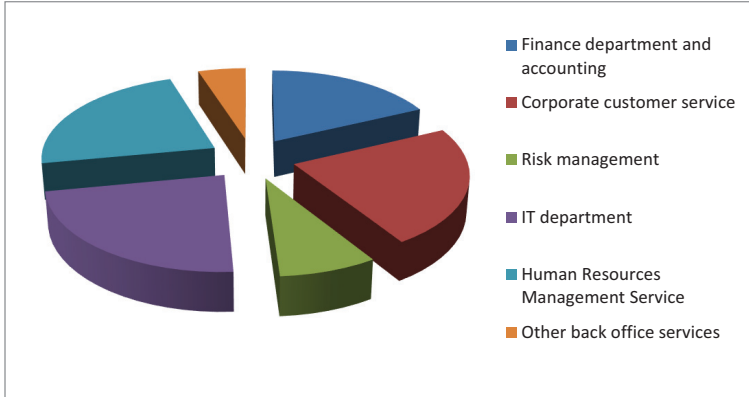
Results. When asked how the restrictions imposed due to the pandemic affected their bank, 45% of the respondents believe the restrictions had a positive or more positive than negative effect, 23% answered they had a negative or more negative than positive effect, while 32% felt the pandemic did not have a significant impact on their activities.

The survey showed that 36% of bank employees found it difficult to switch to remote work; 45% found it easy to work remotely, and 19% of employees, however, find it difficult to get used to working remotely.

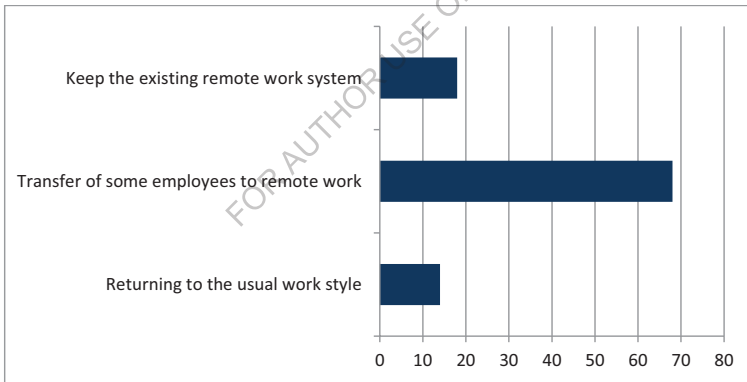
After imposing restrictions and transferring employees to remote work, the majority of respondents consider the lack of remote work space at home as the key problem (41%), staff performance monitoring (23%), staff performance management (23%), lack of teamwork (9%).

The respondents detailed which services switched to remote work relatively smoothly: HR (23%), IT (23%), Corporate Customer Service (23%), Financial Services and Accounting (18%), Risk Management Service (8%), other back office services (5%).

According to the survey, 55% of respondents reported their bank had never remote work practice before the pandemic, 41% said they used it in certain cases, and only 4% confirmed they utilized this practice extensively.



Regarding the active use of remote channels after the pandemic, 14% of selected respondents indicated they would promptly return to their normal work schedule, 68 % said that some employees would be transferred to remote work, and only 18% answered they would steadfastly maintain their current remote work style.



According to the bank representatives, the main efforts to adapt to unstable conditions were focused on changes in banking services and products (32%), development of remote channels (23%), efficient implementation of digital services (18%), risk management (9%) cost reduction (9%), payment optimization (5%), others (4%).

As the research shows, issues such as reducing the number of employees and optimizing wages were not an utmost priority for bank executives in the condition of restrictions.

Regarding the activities of physical branches/service centers, 50% of the respondents do not expect any cardinal changes in the near future, 23% believe consulting services and remote sales will be more active, 13% think the number of branches/service centers will decrease, and 14% think branches will switch to the latest customer service technologies.

When inquired what the most important steps need to be taken to entice customers and

improve their services in the post-pandemic period, 32% of respondents mentioned the development of remote and digital channels. Yet 23% indicated the widespread introduction of voice messages, chat bots, virtual assistants, touch screens, and other innovations; 18% reported that in common was the successful introduction of innovative products/services and personal offers; 14% pointed to the reorganization of branches and 9% indicated improvement of the call center and consultants' work.

We also asked the respondents to what extent, in their opinion, the Georgian banking system was prepared for the pandemic, to which we received the following answers:

- Properly prepared-59%
- More or less prepared-27%
- Not properly prepared-14%

The measures taken by the National Bank in the context of a pandemic are assessed as follows:

- Successful-50%
- Good-32%
- More or less successful-18%

45% of respondents believe that in the post-pandemic period it is expected to intensify the merger / acquisition processes of banks; 23% consider the gradual replacement of traditional banks by electronic banks (neobanks) inevitable; a whopping 82% of respondents agrees that globalization and related processes pose a threat to the financial system of a sovereign country; 72% of them believe that the banking system of Georgia is successfully coping with the Covid-19 pandemic.

When asked whether banks, like other risk management instruments, need to take responsibility for reducing climate change risk, 36% of respondents stated that it was necessary, 55% declared that it was not relevant, and 9% did not return the question.

Conclusions. The data obtained from the survey are significant for summarizing some preliminary results and setting guidelines.

The results show that in order to adapt to work in unstable conditions, the main efforts of banks are aimed at making changes in the provision of banking services and products and the development of remote channels. Issues such as downsizing and salary optimization were not absolute priorities for bank executives, which is absolutely welcome.

Only a small proportion of respondents believes that the restrictions imposed because of the pandemic have affected their bank negatively or more negatively than positively, which in common is a better result than expected.

As the pandemic has made it difficult for traditional banks to attract potential customers and provide services, they have turned to developing digital channels and delivering products and services through remote channels. Banks also pay great attention to introducing various types of innovations and providing customers with personalized offers.

There is also a tendency that despite the temporary closure of branches/service centers and the active switch to digital services, banks are not ready to cancel branches in the next few years. Simultaneously, part of the respondents confirmed that it is urgent to optimize the number of branches and introduce modern forms of services and technological innovations.

The study showed that the introduction of remote banking services is definitely not the closest reality for banks. Partial transfer of employees to remote work is possible, but still considerable importance is attached to face-to-face communication with customers and activation of consulting services.

After the transfer of employees to remote work, about 1/3 of them found it difficult to get used to remote work, and the biggest difficulty was to provide teamwork, control work and efficiency, as well as lack of work space at home, which is largely due to the lack of

remote work experience and existing unsustainable environmental conditions.

Most of the structural units of the back office have moved to remote channels without much effort, especially IT service, corporate clients, financial service and accounting, which suggests that it is recommended transferring these services to part-time remote work.

Most do not adequately understand the risk posed by climate change and its management and believe that this risk is not relevant for banks today. We believe that banks in Georgia are not sufficiently informed and not motivated in this regard. Therefore, additional work is required in this direction.

It is noteworthy that the National Bank of Georgia and its activities in the conditions of a pandemic are trusted by the vast majority of respondents, which is undoubtedly the result of the enormous authority of the Bank and its timely and planned measures. Based on the above, respondents believe that the banking system withstood the first wave of the pandemic with relatively few losses and was prepared to meet external shocks. On top of that, according to the majority of respondents, the Georgian banking system is currently adequately addressing the challenges associated with the pandemic.

Globalization and its related threats are of immense importance to the part of the respondents; however, they do not consider the fact that the process of replacing traditional banks by electronic banks is relevant and real.

An absolute majority of respondents consider the banking system to be one of the chief factors for the stability of the country's economy. It should be emphasized that an important aspect emerges from the answers received - the management of the banks has a great responsibility in this regard.

Finally, there are certain expectations in the banking system of Georgia regarding the merger of banks, which is in line with the global trend.

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Meetings industry trends in Georgia

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Abstract

Modern meetings include: conventions, conferences, congresses, trade shows, exhibitions, promotions, business meetings and more, which make up the meeting industry. Its activities are a contributing factor to the future growth of the global economy, the dissemination of knowledge and professional practices, the mutual understanding and better development of relations between different regions and cultures. In the modern world we have many tools to make a meeting event successful and memorable. Meetings are a big business in themselves and play an important role in supporting other businesses. The meetings are characterized by a high ability to spend visitors, which contributes to the economic development of the tourism sector and creates the condition for the existence of business tourism. Georgia, with its geopolitical location in the Caucasus region, has the best conditions for the successful development of meetings and business tourism. Business tourism focused on large organized, corporate and professional tours, is a new rapidly developing tourism sector in Georgia, which is focused on attracting a significant number of tourists to the country, promotes the development of various fields and the transfer of international experience at the local level, sharing knowledge and introducing best practices.

Keywords: Meetings, Industry, Business Tourism, Georgia

Introduction

The fundamental goal of the meeting industry is to facilitate communication between participants. They are defined as planned, time-bound events that bring people together from a similar industry, profession or interest. Groups of people connect with each other to share ideas and information to make decisions, the purpose of meetings is almost always to change the behavior of the participant to some extent, through education, negotiation, inspiration, motivation, celebration and business connections between participants.

"Meeting industry as a term was officially introduced in 2006, according to this definition, the meeting industry includes activities based on organizations, promoting meetings and other events, sales and hosting. It includes products and services related to corporate, association and governmental meetings, corporate incentives, seminars, congresses, conferences, conventions, exhibitions."

In the UK, the US and Europe, to establish large-scale meetings lack of standardized terminology poses a lot of problems both in the industry and with other stakeholders. Recently, various acronyms have been used to describe various events that include business

events. Meetings are a big business in themselves and play an important role in supporting other businesses.

Meetings are characterized by a high ability to spend visitors, which is a contributing factor to the economic development of the tourism sector and creates the conditions for the existence of business tourism. The events are classified as an important motivator of tourism. Business meetings help to attract investment, create jobs, retain a workforce and develop communications and technology. Business meetings bring education and professional development to the tourism industry, which is especially important. Business meetings are directly proportional to the well-being of the business, as well as the catering and accommodation facilities and the transportation business. Meetings foster global understanding and collaboration.

Literature review

Before discussing the issue in this area, it will be helpful to review the various sources of research that will help to expand the knowledge.

Davidson and Hyde (2014) observe that any analysis of the business events industry inevitably encounters problems of terminology. Despite the rapid growth of the industry – or perhaps, because of that rapid growth, there is still a lack of standardised, universally accepted terminology for discussion of the industry as a whole and its constituent sectors.

According to Tinnish (2007), the range of services and support that a convention bureau can provide to business events planners includes the many actions.

Kawai Lohi (2019) Editor-in-Chief of “Mice Review” Magazine, visited Georgia at the invitation of the Convention and Exhibition Bureau of the National Tourism Administration. During the visit, the Editor-in-Chief of “Mice Review” inspected high-class hotels and restaurants in Georgia for inspection and noted that, Georgia has good experience and potential to host business tourism type events. Following the inspection, “Mice Review” published an article on Georgia's business tourism potential entitled "Meeting Under the Caucasus Mountains."

The evolution of the meeting industry

Since the cognitive revolution, the human race has been engaging in an incredible network of news for thousands of years. Archaeologists excavating sapiens thousands of years ago in the heart of Europe sometimes find sea shells brought from the shores of the Mediterranean and Atlantic Oceans. Apparently, in the depths of the continent, these sinks were hit by exchanges between different groups of sapiens. If the people of that time were exchanging, it is self-evident that they would also share information with each other, which would further expand their knowledge network. If we share this view, then we can assume that, meetings were also held by people gathered in prehistoric caves to go hunting around the fire, but it is difficult to accurately determine the start time of the first meetings. If you look at history, in ancient Greece, every major city had an agora, meaning "meeting place", which was later replaced by "market". Its main function was to buy and sell goods, but the by-product of the main function was precisely that conversation. The topics of conversation during the meeting were: political, philosophical, household issues, gossip. Meetings in Agora were informal, but it should be noted that, many famous philosophies were created as a result of these meetings. This was the place where the concept of democracy was born. Also noteworthy is the Roman Forum (146 BC) which, unlike the Agora, was a public place for

advertisements, political topics, religious rituals and celebrations. Inside the forum was a meeting place built for the Roman Senate. In the wake of the growth and development of society, the demand for larger gathering places, provided by the Industrial Revolution, increased. New types of meetings emerged: conferences, congresses, seminars, academic lectures. Later technology revolutions made meetings more efficient. Nowadays, with technological development and innovation and successful use of technology, it plays a crucial role for all kinds of businesses. The invention, dissemination and introduction of new technologies in the XXI century has renewed our world, which contributed to significant changes in society and human behavior. Namely, how we communicate and relate to each other. Innovation in technology is one of the major external forces having a direct impact on the meeting industry. Today we already have many tools to make a meeting event successful and memorable. Contemporary meetings include: conventions, conferences, congresses, trade shows and exhibitions, promotions, corporate / business meetings and more, which make up the meeting industry, whose activities will increase the future of the global economy, dissemination of knowledge and professional practice, mutual understanding and relationships between different regions and cultures is a contributing factor to better formation.

Meeting industry in Georgia

Given the best practices available worldwide, in accordance with the consultation held by the National Tourism Administration with representatives of the private sector and Based on studies and reports on business tourism developed by USAID in Georgia in 2012-2014, since 2016 within the Georgian National Tourism Administration, the Convention and Exhibition Bureau of Georgia has officially started functioning, its purpose is to develop business tourism, to promote various meetings, incentive tours, conferences, exhibitions and similar international events, dissemination of information on business tourism opportunities in Georgia abroad and positioning Georgia as a leading business tourism destination in the Caucasus region. The Bureau has 63 member organizations, which unite the largest hotels, event organizing companies and travel companies in Georgia.

Georgia, with its geopolitical location in the Caucasus region, has the best conditions for successful business meetings and tourism development. Business meetings help to attract investments, employment and income growth, establishing a business relationship, sharing new ideas and experiences, development of technologies and related fields, job creation, introduction of innovations, also, professional growth, Because the people attending such events are, for the most part, leaders in their field. It even allows you to share knowledge, makes cooperation possible at the global level and the economic progress of the country. Business tourism focused on large organized, corporate and professional tours. It is a new, rapidly developing tourism field in Georgia, which is focused to attract a significant number of tourists to the country, in addition, it promotes the development of various fields and transfer of international experience to the local level, sharing knowledge and introducing best practices. In the last five years, many hotels have been built in Georgia, where it is possible to hold an event and receive delegates. The ICCA rating is the most important in the business tourism segment, which is established annually and during the last two years, Georgia has taken the first place in the Caucasus region. The ICCA rating counts the number of meetings held by international associations in different countries and cities around the world. Georgia

ranks 73rd in the ranking. Georgia ranks 35th among 42 countries in the European region. Tbilisi, the capital of Georgia, ranks 193rd among more than 400 cities around the world.

It should be noted that:

- In 2019, the Georgian National Tourism Administration participated in 30 international tourism exhibitions
- Georgia was presented as a tourist attraction in several countries, including: Japan, Uzbekistan, Czech Republic, Israel, Spain, Korea
- Georgia won the right and in 2019 hosted the Congress of the Federation of World Guides Associations, which was attended by representatives of more than 70 countries
- In the same year, the Convention and Exhibition Bureau participated in 14 international tourism exhibitions and B2B format meetings attended by more than 500 delegates from more than 100 countries
- Together with the private sector, the Georgian National Tourism Administration participates in up to 20 international tourism exhibitions during the year, where Georgia's tourism potential is popularized, meetings with foreign colleagues and business contacts are established.
- During the exhibition, representatives of the Convention and Exhibition Bureau held about 50 meetings with leading tour operators and corporate segments from Singapore, China and Asia.
- In 2019, he participated in the exhibition "MICE Show Asia" in Singapore
- The National Tourism Administration participated in the WTM Virtual 2020 International Tourism Exhibition, which was attended by about 3,500 companies and representatives of different countries besides Georgia. WTM Virtual 2020, the main theme of the conferences, sessions and forums held during the exhibition, focused on the problems facing the tourism industry, overcoming the crisis and developing action plans in the post-period period.

To this end, the exhibition was focused on re-establishing business ties and establishing new relationships.

- The Georgian National Tourism Administration has participated in the 59th online congress of the International Congress and Convention Association (ICCA) in Taiwan. More than 2,000 representatives from more than 100 countries attended one of the world's leading events in the field of business tourism, which was held online.
- In 2023, at the ITB Berlin exhibition in Berlin, Germany, Georgia will be presented as a host country and will have access to an audience of 1 billion. This year, Georgia will participate in the ITB Berlin International Tourism Exhibition as a partner country in the field of adventure and sustainable tourism.

One of the most influential magazines in the world in the field of business tourism writes Mice Review "Georgia is a country in the Caucasus, which is becoming a regional leader in the field of business tourism. Georgia is a stable and protected country that can host events in the field of business tourism. "If the number of direct flights from Georgia to major world cities increases, this country will become an important international destination for business tourism." The magazine names Georgia as a regional leader.

Conclusion

Now that the meeting industry is facing a 21st century challenge - a pandemic the first step was to understand how we use meetings as business tools for tourism that will benefit the field. The expanding role of technology and the new tools it provides have had a significant impact on the meeting industry. A pandemic is a case where technological advances may not always be an unequivocal benefit to the tourism industry. Given that meetings industry is shaped by the expectations of attendees, we must bear in mind that a successful event must meet the requirements of the New World. When business tourists are willing to spend more at their destination, we must assume that they demand higher quality in the services and activities provided. This is a challenge for any industry.

In conclusion, it can be said that Georgia has the potential to successfully develop the meeting industry, to ensure which it has:

- Liberal visa policy
- Hotels and restaurants of the highest standard
- High level exhibition and convention spaces
- Distinctive cultural and natural heritage
- World class service and an ancient tradition of hospitality
- Hospitable people
- Good geographical location
- Access to audiovisual services
- Professionals employed in the industry
- An image that evokes confidence
- Destinations for green meetings
- Attractive public facilities
- Safe environment
- Friendly atmosphere

Georgia is one of the unique tourist countries in the world. A kind of discovery for visitors, which, with its potential and diversity, arouses the desire to visit the country again.

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Prospects for the Development of Georgian Business in the Field of Free Trade

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Abstract: In the context of growing integration into the system of the world community, Georgia is becoming increasingly important in the development of an effective state policy aimed at increasing the competitiveness of Georgian manufacturers. This topical issue is of great importance in connection with the conclusion of a comprehensive trade agreement with foreign partners. In this regard, the analysis of the objective laws of the development of an open economy in modern conditions, despite the existing global pandemic, is still relevant, this position plays the role of an essential information base for optimal government policy and exogenous impact on the world market.

Keywords: trade policy, free trade, international trade, world community, business entities.

The EU's trade relations with non-EU countries are carried out within the framework of the EU's foreign trade policy, the EU's competence to negotiate and conclude international agreements is defined in the Treaty on the Functioning of the EU. According to the Treaty on the Functioning of the European Union, the common foreign trade policy is in the exclusive competence of the European Union. The EU Trade and Investment Strategy is a key objective of EU trade policy to create a global system of fair and open trade, which means opening markets to strategic partners and setting the same rules for all participants, ensuring that trade ensures sustainable development and cooperation.

Since the founding of the European Community, foreign trade policy has been considered the most important and effective way. It came under the jurisdiction of the European Union after the Treaty of Rome, which entered into force back in 1959. The Common Commercial Policy defines three main principles of foreign trade: a single external tariff, uniform trade agreements with countries that are not members of the European Economic Union, and third, equal use of trade instruments by all member states. The uniform application of common principles will not allow the participating countries to conclude trade agreements with other states, since only some decisions will be submitted to the European Commission for the conclusion of the so-called joint agreement. If a member state is interested in concluding a trade agreement with a non-member state, it must follow certain procedures through the EU, which will be responsible for the agreement and negotiations. In this case, the relevant commissions will continue to negotiate until the member state receives a positive result. Without the above, the negotiated agreement will not be ratified.

Following the conclusion of the Association Agreement with the European Union, the Georgian government developed a Comprehensive Georgia Trade Action Plan, which focuses on activities to promote small and medium-sized businesses, including issues related to ease of access to finance. This issue remains a priority in the current government program of the government, which provides for the implementation of the Free Trade Agreement in 2020-2025.

Produce in Georgia agency, which is a legal entity of public law under the Ministry of

Economy and Sustainable Development of Georgia and is mobilized to improve the business environment, develop the private sector, and promote the export of products manufactured by small and medium-sized enterprises, is the first state agency in this area. This agency has three funding streams: the Startup Georgia program, small grants, and co-financing grants. It can be said that the "Strategy for the Development of Small and Medium-Sized Businesses in Georgia for 2018-2025", developed by the government, is a significant step towards the development of small and medium-sized businesses.

With the adoption of the European Neighborhood Policy, a new, more effective, and closing stage of cooperation between Georgia and the European Union began, which provides for the following necessary measures for Georgia, namely closer cooperation and integration in trade and economic cooperation. Radical convergence should also continue the process of reducing non-tariff barriers to trade, attracting investment, which will increase economic incentives. The economic conditions that have developed within the framework of the new format of partnership with the EU have become especially important for the developing markets of Georgia and the country in particular.

The Association Agreement between the EU and Georgia signed on June 27, 2014, and fully effective on July 1, 2016, introduced a new preferential trade regime, a comprehensive free trade area, which was a new instrument for the period that the EU is still using today. East with three partner countries: Georgia, Moldova, Ukraine. The main goal of this agreement is to promote the values of the European Union, such as democracy, human rights, the rule of law, good governance, sustainable development of the principles of a market economy, and the promotion of closer political and economic integration. with the neighbors of Europe.

Unlike other free trade agreements concluded by Georgia, free trade implies the liberalization of trade in both goods and services. In addition, it covers a wide range of trade-related issues (food safety, intellectual property protection, competitiveness, financial services), and also provides for the gradual approximation of Georgia's trade legislation to EU legislation.

The results of a survey of Georgian business structures conducted within the framework of the international project "Georgia on the European Path" established an effective model for implementing the strategy of enterprises involved in business, implemented by a consortium of NGOs and research. Centers led by the Eastern European Research Center. Association "Institute of Politics of Georgia", "Institute of Politics Globeck", whose research reflects the results of a survey of economic entities operating in Georgia, which reflects the conditions for Georgian producers to enter the single EU market. and the challenges they face in this regard.

High market concentration, vertically and horizontally integrated structures and high market entry costs can, under certain conditions, help Georgian producers gain a foothold in the domestic market. In the Georgian industry, export potential has such areas as chemical industry; ferrous metallurgy; nitrogen industry; production of wine, mineral waters, juices, fruits, and vegetables, as well as other food products. However, this cannot be considered as special evidence of competitiveness, the analysis of which showed imperfect competition in the domestic market for export goods, which does not have a positive effect on the competitiveness of the domestic market, one of the indicators of which may be prices in the

domestic market, the domestic market, the market only. Against the background of a systematic and significant excess of existing prices, in some cases, if incomplete data in the price classification is incomplete, the correlation between the world and domestic prices becomes impossible, but still, the price elasticity in Georgia can be estimated in relation to average prices.

International trade and government trade regulation have a large impact not only on prices but also on the volume of sales in the domestic market, while both short-term and long-term effects of trade can be distinguished, which affects the production structure of the sector and is engaged in foreign trade. The structure of production and the patterns of its change can be traced using concentration indicators, in the form of which several key indicators are used in international statistical forms, namely: the number of enterprises in the industry and the concentration index.

Research by the Bureau of Economic Analysis of the Environment showed that in 2018-2025, businesses engaged in business adopted an intersectoral product nomenclature, according to which there is a trend towards certain changes in the increase and decrease in the concentration of production.

One of the most important factors in the development of the Georgian economy and attraction of investments is a public-private partnership, which is not new in a broad sense, but the term itself appeared not so long ago. In the developed world, public-private partnerships are actively used as part of public policy. Such collaboration is usually based on long-term partnerships between government agencies and the private sector. This partnership helps to achieve a balance of interests and results in comprehensive, balanced rules and sophisticated public services. In the end, all of this becomes a factor contributing to economic growth and development.

At a time when large-scale infrastructure projects require significant financial resources, especially in areas such as energy, transport, and many others, public-private partnerships are one of the best direct means of implementing large infrastructure projects, when the public and private sector risks based on public interest are becoming more balanced. A framework agreement on a public-private partnership to increase the attractiveness of the investment environment in Georgia and improve the quality of infrastructure projects, based on the relevant legislative market, is extremely important. The change should significantly accelerate the implementation of major infrastructure projects and facilitate investment in the country, including the construction of highways and, most importantly, the completion of the ongoing massive infrastructure project at Rikoti. Attention is drawn to the active use of the existing mechanism in the field of agriculture. Public-private partnerships also involve long-term cooperation between the public and private sectors based on legal contracts, in which the private sector is often within its purview to form consortia with related commercial entities to work with borrowers and investors to fulfill their obligations. domestic work, as well as pulling into the international market. Today, this format of cooperation between the public and private sectors is beneficial to an increasing number of countries, for example, you can use the example of the developed countries of the United Kingdom and Western Europe, in which public-private partnerships make a great contribution.

Conclusion. The possibility of international trade has a significant impact on business

activity, both in the domestic product market and, in some cases, on the export of the company's products to the international market, which is mainly reflected in the study of pricing policy. International comparisons should provide entrepreneurs with additional information about the marketing activities of these markets. A similar analysis was carried out on the data on trade in goods in the local market, which gave interesting results, namely: over the past 10 years, there has been a convergence of world market prices and domestic prices for raw materials, but this should be taken into account, Unfortunately, due to global the pandemic has seen some changes. The analysis revealed some goods that demonstrate both overvalued and undervalued prices in the domestic market for certain export goods, both theoretical and practical analysis shows that this may be due to imperfect competition in the domestic market of the relevant goods, from the legal framework. to market prices It is regulated in accordance with the requirements of antimonopoly legislation, should not affect the regulation of foreign trade of the state.

In the context of the growing integration of Georgia into the system of the world community, it becomes more and more important to develop an effective state policy that should ensure free trade in goods produced by small and medium-sized businesses in Georgia on the EU market. This issue, as mentioned above, becomes of great importance after the signing of a comprehensive trade agreement between Georgia and the European Union, which is reflected in the development of state policy and requirements for the sale of Georgian products on the European market.

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On the Economic Development Strategy of Georgia

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Abstract. The article is devoted to the strategic choice of Georgia associated with full integration into the European family. The authors believe that when Georgia becomes a member of the European Union, political stability, economic prosperity, social peace, full development of democratic processes, and other related events will be established in the country. According to the authors, even if the political will of the EU countries was to accept Georgia into the EU, the country would still be backward and poor if its economy continued to rely on tourism, transit, and remittances generated by emigrants. According to the authors, this circumstance is mainly due to the incorrect economic policy established in Georgia, which, in turn, is based on the concept of relative advantage and the management of the economy in accordance with the Ricardian model.

Keywords: economy, EU integration, Ricardian model,

Introduction

Georgia's strategic choice is related to full integration into the European family. It is assumed that when Georgia becomes a member of the European Union, then political stability, economic prosperity, social peace, full development of democratic processes and other accompanying events will be established in the country. But in order to become a full and equal member of the European Union, desire alone is not enough. Even if the political will of the EU countries were to admit Georgia to the EU, the country would still be backward and poor if its economy continued to be similarly created by tourism, the transit corridor and remittances generated by emigrants. The economy will rely on and not develop industries and new technologies or areas that have created a rich and powerful Europe. Georgia has been an independent country for 30 years and at the moment its economic situation is still unfavorable and significantly lags behind other countries with potential opportunities like ours. This circumstance is mainly due to the wrong economic policy established in Georgia, which in turn is based on the concept of relative advantage and the management of the economy according to Ricardian model.

Ricardian model

Normal economic development of any country including Georgia is impossible without participation in international trade. Naturally, no country will be able to produce all the products it needs. Thus, international trade ensures the growth of world production by the specialization of a particular country to produce a commodity, which is the best production of this country. Ricardian model and the notion of comparative advantage is one of the

theoretical foundations of international trade and it is widely used to explain international economic processes^{1,2}.

This theory is correct, so to speak, mathematically, but does not correspond to reality. According to this theory, countries that are poor and lack material resources (say, minerals) should always be lagging behind. The experience of e.g. Finland and Taiwan (as well as other small countries) proves the exact opposite. If they did not look for new opportunities, they would be lagging behind, and today they are in the ranks of the advanced countries both economically and technologically, as well as politically. Unfortunately, the economic policy of our country (possibly under the influence of Ricardian theory) also prioritizes the development of tourism, and even considers the funds transferred by immigrants as assets. According to Ricardian theory, what can we do? Dancing-playing, singing, drinking wine and serving tourists, neither innovative technologies, nor industry and other things that contribute to the economic strength of the country. What can we do, "to behaviour as Ricardo talked" and to be like beggars, to hope on someone's help?

The acting according to Ricardian theory is not only wrong, but also harmful for Georgia.

The question is, what should a small and a weak country like Georgia do to overcome economic backwardness and become an economically developed country whose potential it seems to have.

Economic situation of Georgia

Since gaining independence, the country's economy has suffered a catastrophic decline, largely due to the activity of foreign and internal enemy forces and the ignorance of the rules of the new political and economic conditions by government and the rulers of economy of the country. A free market economy did not prove to be a precondition for the country's economic development.

Today the country is on the path of democratic and socially oriented state governance, which in one way or another hinders the country's economic development, but is necessary to achieve social harmony. There are strategic and realistic development plans that are being implemented in stages. However, the difficult economic and political situation, occupied territories, high unemployment, undeveloped industry - make the possibility of rapid development of the country doubtful. Today Georgia lags behind all European countries in terms of GDP per capita, as well as a number of Asian-African and Latin American countries, which seem to have no economic advantages and whose deplorable fate has been discussed by the whole of progressive humanity recently.

Georgia cannot produce a product that would put it among the advanced countries. There is almost no industry, innovative technologies in Georgia, so we will always be among the backward countries. These areas are not on the list of Georgia's relative advantages, so what should we do? The answer is "simple" - we must create, invent new comparative advantages, as did above mentioned small countries and once poorer than Georgia. In order to remedy this deplorable situation, significant transformations are necessary, and, first of all,

¹ Formaini, Robert (n.d.). "David Ricardo - Theory of Free International Trade" (PDF). Economic Insights. 9.2. <https://www.dallasfed.org/~media/documents/research/ei/ei0402.pdf>;

² Roy J. Ruffin (2002) David Ricardo's discovery of comparative advantage. History of Political Economy 34: 727-748.

transformations in order to determine the economic direction. Unfortunately, so far the country is oriented according to Ricardian model to the existing natural advantages that our country seems to have - tourism, agriculture, wine, tea, etc. By the way, even tourism is well-developed in the most well-developed countries with a serious industry - France and the USA. Thus, the solution is only one, Georgia must develop industry and innovative technologies, think of new opportunities for relative advantage

The economic structure of small successful countries

Consider the economic situation of European countries that can be compared to Georgia.. It is preferable to consider post-socialist countries with territorially small and relatively small populations like Georgia. Such countries are the Baltic states - Lithuania, Latvia, Estonia, which were recently Soviet republics, and for comparison we can also consider the small states of the former Yugoslavia: Croatia, Montenegro, Slovenia, Bosnia and Herzegovina, North Macedonia, as well as Slovakia, and Bulgaria.³

Georgia ranks last in compared to these countries.

What is the economic basis for the wealth of these countries when they do not have any significant minerals? (Dream of lazy people dependent on raw material trade). What is the structure of their successful economy today? What are their activities, what do they do in such countries? As it seems - nothing special.

The economic well-being of these countries is largely determined by sound fiscal policies and the development of the industrial sector. A superficial analysis also shows that Georgia can freely develop its economy in similar ways. Moreover, before the declaration of independence, there were quite well-developed enterprises in similar fields in the country. However, unlike post-socialist European countries, which have maintained and developed their pre-existing capabilities, we have undergone different processes.

In addition, membership in NATO and the European Union is particularly important for small countries, which contributes to political stability, self-defense, and a precondition for peaceful economic development.

From the analysis of the economic situation of the above-mentioned small countries, the economic strategy of Georgia should be derived, where the priority will not be tourism and transit corridor, but the development of industry, machine-building, processing production, including the sale of wood processing production and not raw forest. Moreover, there is an opportunity for such development in Georgia, as there is still adequate experience and intellectual potential. All this should be crowned with a high work culture and discipline, which will be possible only if the government pursues a proper and targeted economic policy.

The essential part of the economic success of the small countries mentioned above is also the resources these countries have. Of course, without certain resources it is very difficult to develop the country economically. Somehow it is believed that Georgia is a country with little resources that is wrong⁴. It should be noted that Georgia has sufficient

³ World Population Review. GDP by Country 2019. <http://worldpopulationreview.com/countries/countries-by-gdp/>

⁴ „Mineral Resources of Georgia“ (in Russian), Publisher "Technology and Labor", 1934 §. „Natural Resources of Georgian SSR“ (in Russian) 6-Volume proceeding of the Academy of Sciences of the USSR 1956-65; “Natural Resources of Georgia and the Problems of Their Rational Use (in Russian)“. Academy of Sciences of Georgia (1991). " Supporter of Sakartvelo Natural

natural resources for successful economic development, but they need to be inventoried and used purposefully, including A rational land management system should be developed. However, it should also be noted that the country can not develop in the hope of natural resources alone. There are countries in the world that are rich in natural resources, which are still economically low, and their population does not live in prosperity at all. And we know countries, which have virtually no natural resources but are highly developed and economically viable.

Conclusion. Opinions on the economic development of Georgia

What should be done in Georgia? What has pandemic economics taught us? We were taught what we seemed to know very well, but for various reasons we did not do. For the economic development and welfare of the population of Georgia, first of all, the internal and external political stability of the country and a peaceful atmosphere are necessary. Georgia's economic strategy should be based on innovative technologies, high-tech industry, self-sufficient industrial agriculture and education. Without of these Georgia is doomed to backwardness and poverty. But a poor country cannot be democratic. A kind of magic circle is formed. Poverty creates backwardness, backwardness leads to hopelessness, hopelessness - the denial of education, the latter instills unprofessionalism, which gives birth to fraud and immoral politics. Immoral policies give birth to weak governments that fail to create a strong economy, leading to poverty, and so on. How should this bound circle be broken?

By analyzing the economic situation of Georgia and taking into account the lessons of the pandemic, it is possible to formulate several main opinions on the strategic directions of the development of the Georgian economy:

- First of all, for the successful economic development of Georgia, it is necessary for the country to join NATO and the European Union, which contributes to political stability, self-defense without danger and a precondition for peaceful economic development.
- Economic development of the country is impossible without industry and proper engineering-technical and scientific personnel.
- The development strategy of the country should also include the development of industrial agriculture and self-sufficient production.
- An important precondition for the economic development of the country is the development of innovative technologies. Georgia considers the intellectual potential of the country's population as its potential. Therefore, proper education of the youth is of great importance. But, even well-educated youth will not be able to benefit themselves or the country if they do not manage to use the education they receive properly.
- Service business and tourism should have a certain role. But, we should not forget that the tourism business is successfully developed in the countries where there is also a strong industry and agriculture.

Resources of Georgia's regions and Prospects for Their Use (2005-2012;) "Georgia's Natural Resources" 2 volumes of)". Academy of Sciences of Georgia (2015).

Conclusion. Finally, it is very important to use sparingly both ready products and natural resources (water, energy, forest). All this should be crowned with a high work culture and discipline, which will be possible only if the government pursues a proper and purposeful economic policy.

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The Philosophy of Innovation Management

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Abstract. The article is devoted to the period of fundamental reforms in the country's economy when the introduction of innovations turns into the main direction of the entire structural activity of the organization and the need to use scientific methods of innovation management becomes the agenda. The authors believe that the innovation process itself implies the preparation and implementation of innovative changes and consists of interrelated phases - from fundamental scientific research to the launch of new products and services on the market. The authors are confident that the end result of innovation processes is the implemented changes.

Keywords: Innovation management, Philosophy, Innovation processes.

Introduction. The goal of Management, as a science, is to reveal laws and patterns of production (services) Management, research of their principles and elaboration of the most effective structures and organizational forms. It requires execution of management functions, such as planning, organization, coordination, motivation, decision-making, leadership, accounting, finance and analysis, regulation, control and others.

Innovation Management is a variation of basic Management, It plays imperative role in economic development through innovation and as a result in business of permanent growing socio-economic development provision. Innovation Management – is a unity of principles, methods and forms of management for Innovation Management, which is used to manage organization structures and their stuff.

Discussion. During the period of cardinal reforms in country's economy, when implementation of novelties transforms into main direction for all structural organization activity, requirement of use of scientific methods of innovation management is becoming agenda, which should determine organizational vitality and commercial success.

Direct goals (objects) of Innovation Management are Innovation processes, which took places in every branch of national economy. Innovation process, itself, implies preparation-execution of Innovation changes, it consists of interconnected phrases – beginning with fundamental science researches and ending with new products and services entering in markets. The final result of Innovation processes is implemented changes – novice in market or Innovation.

The main role in management of innovation processes play Innovation Managers, they work in different type organizational structures, science and research and development (R&D) organizations, which are busy in searching and dissemination novelties, formation of research and development (R&D) portfolio. There are fundamental requirements in front of

the innovation management: They should have scientific-technical and economic-psychological potential, engineering economic knowledge, features of traditional manager and scientific researches, ability to evaluate effectively novelties. Innovation manager has to deal with different phase of innovation phases and according to existing tasks executes management activity.

During the contemporary stage of global competition the meaning of Innovation Management Philosophy implies that it provides personnel's creative activity – implementation of novelties, cognitive (gnostic) search, as the most right. optimal direction of risky and individual process.

The system of innovation management takes into account knowledge incorporation and human capital transformation, establishes exchange of ideas, knowledge, meanings motivation among personnel. Innovation management should provide permanent development of its own scientific, Research and development (R&D) and experimentation base, execution of researches by themselves and with cooperation other organizations, management of new projects and programmes and their practical implementation.

Every developing organization has some Innovation potential, which express possibility of its independent generation in creation and implementation of new technologies and products. Innovation potential of enterprises and scientific-technical organizations can be determined according to several criteria, which give possibility to make right conclusion to every organization management about capability to solve concrete innovation task. The real ability to solve such tasks is mainly determined by innovation infrastructure level of organization.

As main parameters of Innovation potential are considered: condition of technics and machinery, scientific-technical level of scientific-technical developmental work, ability to produce proof series, organization of serial production. The important attention should be devoted to external factors, which influence on organization's innovation activity and, first of all, among them, on market demand level on own products. On the other hand, for internal factors is important level of preparation-qualification of personnel in introduction novelties. The analysis of meaning of each main factor give us possibility on time execution of measures of organizational modeling, technological and infrastructural provision in the process of elaboration of innovation potential of organization. This is necessary to be determined influence of each factor, because without understanding their precise role, for example, by neglecting machinery condition and organization's personnel qualification, perceptibly reduces innovation activity level of organization.

The theory and practice of innovation management reveals requirement for realization of main values of postulates and philosophy containing in it. Innovation organization's philosophy corresponds to creation of creative sets of personnel minds, perception of novelties, main technical capabilities, successful functioning in dynamic and chaotic environment of global competition. It implies development of freethinking, which destroys pragmatism and rationalism borders and gives capability to create desired goods.

Organizational relations should be set according to needs of innovation Organization, It become necessary adaptation of such forms of intra organizational systems, which is distinguished by low formalization and high vitality and rejects administrative-bureaucratic type of thinking. The transition from pure technical to intellectual skills mainly determines

innovation economics. Consequently, it is not accidental, introduction such terms as “information society”, “knowledge society”, “intellectual Economy”. The width of radical changes, which is connected to power substitution by knowledge, means that without power in traditional way of thinking, but knowledge represents main source of value increase. The knowledge-based value theory is substituting the power-based value theory. As research, economy also transforms into system, which is based on their general evaluation and knowledge exchange base.

The substitution of power by knowledge will lead to new type of activities in working relations, which will be different by important creative elements and would be set issues about historical prospects on “classical” works. The importance of knowledge phenomena determines its obligatoriness in the sphere of innovation management only in the form of spiritual values. This kind of philosophy gives objective and real (without any frames of new stylish ideology) possibility to evaluate of global economic systems’ laws and prospects, in the frames of which, barriers among different jurisdiction economies should be abolished, should take place unification and harmonization of national legislatures.

In modern world it has vital importance philosophy established on spiritual values and traditional organizational culture, which determines intellectual thinking and new approaches for concrete assignments, general goals and tasks not only on organizational level, but for whole macroeconomic framework, too. In the situation of changes, philosophy is mainly worthy by its ability to give incentives avoid pragmatic thinking, use of intuition and orientation to spiritual-ethical values.

There are different tendencies in innovation organizations’ philosophy. It is possible by perception and assimilation of philosophic ideas to make difference among workers by following signs: 1 – existence creative set of mind and inclination to own perfection; 2- prioritization to own views; 3- more actions determined by external factors than by internal motivations. The first individuals own philosophical face of thinking, which are oriented to searching new ideas. They have judgement on corporation values, culture and ethic, establish such strategic thoughts, that they could be very doubtful by first look or utopian. But it may become very useful. Others, in best cases, who usually are majority, are undertaking adaptation to existing situation. They make well known postulates as comments, trying to give new ideas to established terms and events and transform classical values into market economy.

Conclusion. Philosophical thinking approach which stands on Spirituality, taking more importance through point of view of processes connected to globalization. In addition, the philosophy, which is based on mankind values, has cardinal importance, because of cultural differences, which gives possibility of integration into world economy’s innovation processes.

It is not less important that philosophical approach to thinking, which is based on spirituality, causes eradication controversies between creative and administrative tasks, also, effective realization of organizational potential through its corporation culture. Innovation leaders should have necessary and acceptable conditions for creative activity, because capable leader, who can generate ideas, can not be satisfied only by administrative positions and material well beings. For him is necessary spiritual meal, which he can receive through

the use of ethical relations and cultural mechanism and makes him motivated for permanent searching of novelties.

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Changing Management Paradigms

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Abstract. In this article, the authors investigate the most fundamental feature of the processes taking place in the modern economy - the reorientation from the production of material goods to the production of services. The authors argue that in the service sector of the economy from the point of view of changes in the structure of work, the most intensive changes occur where the production and consumption of services are closely related to each other. The authors conclude that the market is driven by a management model that relies on engagement and front-line staff with training and pay for all tasks at all levels of the organization. Another concluding comment by the authors is that there is a difference between production and service-oriented management models. According to the authors, a new customer-oriented accounting model needs to be developed.

Keywords: production of services; consumption of services; service-oriented management models.

The economic history of the twentieth century is partly confirmed by D. Bell's theoretical concept of the stages of development of civilization in pre-industrial, industrial, and post-industrial societies.⁵ The most economically developed countries of the West entered the stage of post-industrial development more than 20 years ago. This circumstance allowed Francis Fukuyama to surprise the intellectual community at one time, prophesying about the end of history. According to Fukuyama, humanity has already reached the final forms of optimal state organization and economic development. In other words, Fukuyama believed that civilization had come to the creation of a "progress matrix" scheme, which leaves no room for individual countries to choose their own, special path of development. Today, when the philosopher himself rejected his previous concepts, we can talk about the complete unpredictability of the world, impending chaos, the impossibility of sharing experience with other developing countries. Nevertheless, humanity could not help finding a way out of the dead-end of its so-called evolution.

According to the general recognition of the supporters of the post-industrial society, the most fundamental sign of the ongoing processes is the reorientation of production from the production of material goods to the provision of services and information processing. In turn, in the economic sphere of services, in terms of changes in the structure of the labor force and employment, these processes are most intense not in those areas where traditional services are offered (household, transport, trade), but in those where people and consumed their services are closely related to each other. Thus, modern views on the future of society are associated with personal and professional development and improvement of the person himself. This leads to the identification of long and complex chains of personal and social needs as the

⁵ Daniel Bell, *The Coming of Post-industrial Society: A Venture in Social Forecasting*, Basic Books Inc., New-York, 1973

main task, for example, favorable living conditions, health care, awareness-raising, human intellectual development, and other areas. Accordingly, at the top of this chain of needs should be healthcare, leisure and entertainment, telecommunications, and other industries, as well as the infrastructure that supports them.

In the twentieth century, fundamental changes in the nature and orientation of modern society led to the replacement of specific economic models of development and the corresponding paradigms of managing economic objects in a chronology that fully coincides with Bell's chronology:

- The beginning of the XX century is a period characterized by the orientation of companies towards production capabilities, the effective use of their resource potential, and the offer to consumers what the business entity considers necessary to produce (a striking example of such products is the serial production of standard products over the course of many years);
- The middle of the 50s - the period of dominance of the marketing approach with a focus on large segments of the mass market;
- The modern stage of economic development is characterized by the fact that the main issue of business success is the needs of client groups and, if possible, a specific client. The national economies of developed countries, which have passed to the post-industrial stage, are moving from mass production of standard products to highly specialized and small forms of production, taking into account individual needs.

The latter phenomenon, first introduced in England and then in international scientific literature and business practice, is known as customization and means a unique, individual approach to creating a product and meeting the needs of a particular client. This is not only ethically attractive but also beneficial from an economic point of view, as it creates a concrete advantage for the customer by providing more value and quality. This concept has been scientifically developed among a number of researchers and has received the name “service factory” when its objects refer not only to the service sector but also to any business activity, externalization of business processes, a network of partnerships (often with a rather narrow content system). Creation of the term – “outsourcing”. Under these conditions, the application of the principles and methods of operation of the “service factory” is seen as a competitive necessity, which is often referred to as a service imperative.⁶

Thus, the provision of services aimed at meeting the specific personal and corporate needs of the client is carried out mainly by modern organizations, including its concepts, methods, and tools are used to manage service organizations, and competitive operating strategies are determined based on the best delivery skills. services. A society whose economic institutions are willing to adopt such approaches becomes truly service-oriented, along with the transformation of the industrial economy into a service-oriented economy.

For the development of service theory and, in particular, the theory of service management, it is necessary to identify a number of still changing management paradigms. Let us agree that paradigms are made up of values and procedures that determine our thinking and beliefs and, accordingly, the behavior of the organization. In this context, paradigms are part of organizational culture and, in theory, form the basis of scientific research. For paradigms to underpin innovation and change, they must first be defined — this is the first step in verifying their adequacy and taking advantage of new management approaches and practices.

⁶ Chase R.B. Garvin D.A. The Service Factory, *Harvard Business Review* vol. 67, No 4, July/August 1989, p. 91-69

To determine the essence of values associated with the characteristics of a particular type of managerial thinking, three management paradigms can be distinguished: production, bureaucratic and legal, and service. It should be especially noted that paradigms cannot be named according to the type of organization from which they originated. The role of paradigms is that they represent an archetype.

The manufacturing paradigm is product-oriented. She focuses on technology research and projects, design, mass production, mass marketing, large-scale operations, automation, computer technology, and specialization. Productivity plays an important role here, and therefore the paradigm focuses on cost and capital use, while quality is reduced to adherence to technical standards and specifications.

The scientific approach to management is problematic in the sense that it is standardized. This philosophy is based on the concepts of authors of the late nineteenth and early twentieth centuries, such as Frederick Taylor, Henry Ford, and others. The idea is that the organization will be more efficient if the emphasis is on the division of labor and specialization. According to scientific leadership, the efficiency within each specialization becomes maximum or, in extreme cases, optimal. This concept worked quite effectively throughout the twentieth century.

The industrial management paradigm is rooted in the manufacturing sector and is still used by many service organizations today. Organizations using this approach find positioning strategy, promotion, and advertising to generate sales revenue; At the same time, labor and other operating costs should be kept to a minimum. In general, the industrial paradigm focuses on revenue and operating costs and does not consider the role of staff in meeting customer needs and generating significant profits.⁷

Industrialists believe that good workers are hard to find. The industrial model supports the idea that “everything is the same, so it is better to trust people than technology, machines, and systems.”⁸ Adherents of this approach believe that most service providers are indifferent, low-skilled, and unable to do anything but simple tasks. Thus, the workplaces in the industrial model are narrow and leave almost no room for service personnel to make independent decisions. To reduce operating costs, many firms, following the industrial model, are replacing their permanent staff with less experienced and less dedicated temporary workers. In some cases, employees are laid off in order to minimize the company's operating costs until the conditions for mandatory wage increases and other benefits are introduced. However, with the development of post-industrial society, this approach no longer “works”, because society has reached a state where a service is important, and service is not a function, but a process that includes many business functions.

Conclusion.

The three types of paradigms discussed highlight different aspects of governance. The discipline, precision, and standardization of the manufacturing paradigm can be used in part in service operations as well as in efforts to treat clients with respect in the context of the legal-bureaucratic paradigm. The appeal to the service paradigm occurs in all types of organizations, but the transition period lasts a long time, so the paradigm of management services in practice is often more fashionable rhetoric than the actual activity.

Achieving leadership in the service sector and economic well-being is becoming the main task of single enterprises. This problem is all the more relevant both for theory and practice. We can only wish the service paradigm to be at the center of all types of business in the future.

⁷ Karl Albrecht and Ron Zemke, *Service America*, Homewood, IL: Dow Johns-Irwin, 1985, p. 31-47

⁸ Leonard A. Schlesinger; James I. Heskett, “The Service-driven Service Company”, p. 71

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BRAND MANAGEMENT AS A BUSINESS PROCESS

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Abstract: Based on the analysis of scientific papers in the field of branding and modeling of business processes, the article presents the content side of the process approach to branding. Particular attention is paid to the brand management process, an attempt is made to describe it in the categories of business modeling. It should be noted that neither foreign nor domestic practice pays sufficient attention to the modeling of business processes in branding, although certain aspects of the application of the process approach in marketing are presented in the works of domestic researchers. It seems that the provisions considered by the author will become the basis for the further formation of the interests of the scientific community in the problem under study, and some of them will become the main guidelines for optimizing business processes in branding.

Keywords: brand management, business process, modeling

Modern organization management in the context of the increasing influence of a dynamic and unpredictable business environment dictates the need to focus the attention of the organization's management on finding new opportunities in order to adapt and quickly respond to ongoing changes. Accordingly, all processes associated with solving the main management tasks: determining the goals of the organization and creating the necessary economic, organizational, technical and technological, social, psychological, and other conditions for their implementation, become more dynamic, requiring flexible development and justification tools.

One of these tools is the process approach to the activities of organizations, which involves its consideration in the form of business processes, which allows you to get an idea of the production activities of the company and the interaction of structural units with each other. and with the external environment. Modeling business processes in organizations makes it possible to assess existing business processes, look for their weak points, are aimed at creating new optimized models, the implementation of which in practice will reduce costs and increase the efficiency of resource use.

One of the areas of application of the process approach can be activities to create, manage and promote a brand - branding. Applying a process approach to branding, that is, describing it from the point of view of business processes, is an effective tool that contributes to the more effective use of branding technologies to solve the strategic tasks facing the organization. Modeling business processes in branding is designed to increase the "transparency" of activities for creating, promoting, and managing a brand, which means more efficient use of resources to achieve branding goals.

In modern conditions, a brand is seen as one of the assets of an organization, and

branding is a philosophy of doing business. As part of an organization's strategy, branding largely determines its performance in a given market segment.

There are many interpretations of the essence of branding. Thus, it is proposed to consider branding as a technological process of creating, maintaining, and developing a brand of a trademark [1]. Branding is viewed as a process of creation and subsequent management of a unique consumer object that is attractive to the consumer and serves as a bearer of added value "[2]. If we talk about branding from the point of view of business technologies, then in this case one cannot but agree with the opinion of American scientists who define branding as a fundamental strategic process that includes all aspects of a firm's activities [3]. The above definitions largely show the evolution of branding theory - from the process of creating a brand image in the mind of a consumer to a business development strategy in general.

From the point of view of the process approach, branding can be viewed as a sequential change of certain stages, stages aimed at achieving a certain goal. The sequence of these stages reflects the whole complex of work, from brand creation to its launch on the market. In the practice of branding, there are various positions that determine the content of the stages of this activity. Thus, the brand-building agency Brandinsitute Inc. considers brand development as a process consisting of six consecutive stages: brand positioning, brand strategy, brand idea formation, research of competing brands, linguistic analysis, preliminary testing. A similar position is taken by Unilever, which simulates the process of building a brand based on an analysis of the competitive environment.

However, brand building is far from the only part of the branding process. Since a brand is a kind of image in the mind of the consumer, consisting of a complex of impressions and associations associated with the company and the product it offers, it is legitimate to talk about its close interaction with the mind of the consumer, as well as about its cost value formed in the process of making purchases. The creation of brand value for the consumer and, in turn, added value for the manufacturer is facilitated by the promotion of the brand to the market. The final stage of branding is brand management. This view is consistent with the description of branding as a process that defines branding as a series of actions:

1. Brand positioning - determining the place of the brand in the market, in relation to competitors.
2. Brand strategy - identifying the main ways of using the manufacturer's resources to form a brand, target audience, and methods of working with it.
3. Creation of brand components - development of brand attributes, such as name, trademark, logo, image, packaging, brand proposal.
4. Brand promotion - defining methods and ways of brand promotion on the market, forming a marketing plan.
5. Brand management - analysis of the current position of the brand, development of corrective measures and plans [4].

It is clear, however, that the first three stages represent the brand-building process.

Thus, branding as a process can be represented as a sequence of stages - creating, promoting, and managing a brand. As a component of branding, in relation to which the process approach will be considered, the work analyzes the brand management process.

As already noted, today branding is a business strategy, therefore all activities carried out by a company within the framework of branding must correspond to the general strategy

of the company, proceed from strategic goals and available resources. Brand management activities are aimed at achieving such compliance, therefore, we will focus on considering the brand management process as a key component of branding.

Since the brand management process is aimed at achieving a specific goal - creating value for the consumer and company employees involves some resources - financial, personnel, etc. and has the result - making a profit, this component of branding can be considered as a business process. Let's turn to the essential understanding of a business process and give a number of definitions.

A business process is a collection of interrelated and interacting activities that transforms inputs into outputs that are of value to the customer. A business process is a set of internal steps (types) of activities, starting with one or more "inputs" and ending with the creation of products required by the client [5].

There is also another definition of a business process, which indicates that a business process is a specially ordered set of activities, tasks in time and space with an indication of the beginning and end and a precise definition of "inputs" and "outputs" (in the form of products and services, required by the client) [6].

The "inputs" and "outputs" of a process can interact with both a specific customer and with some other process in the external environment of the company, but not with another internal process.

"Entry" of a business process is a resource required to execute a business process.

"Output" of a business process is the result (product, service) of the business process.

Resources - information, finance, materials, personnel, equipment, infrastructure, environment, the software required to carry out a business process.

The purpose of each business process is to offer the client a product or service, that is, products that satisfy him in terms of cost, quality, and level of service. The term "customer" should be understood in a broad sense. This can be both a real client and a process that takes place in the external environment of the company, for example, with partners or subcontractors.

Thus, based on the above definitions, we can conclude that a business process is a purposeful group of operations (works), the sequential or parallel execution of which (with the transformation of inputs into outputs) leads to the desired end result, which is of value to the consumer. Representation of the company's activities in the form of business processes ensures the transparency of its business, allows you to analyze the effectiveness of individual areas of activity, a group of works, search for "weak points", errors and neutralize them.

The brand management process as a business process in accordance with the above definitions can be viewed as a kind of model for creating a value proposition for employees, company partners, on the one hand, and the consumer, on the other, focused on the company's capabilities and consumer needs. It should be noted that the result itself must be reliable, that is, equally perceived by the consumer and the company.

Considering branding as a business process:

- Allows to effectively use branding technologies to achieve the strategic goals of the company;
- Unites all the interests of the company and accumulates resources for their implementation;

- Justifies the company's activities in terms of ensuring its competitiveness;
- Significantly increases the company's profits and accumulates idle resources.

The goals of the company are anchored in its mission. The mission is a kind of measure of the company's aspirations and, in particular, determines its market goals. The definition of the mission allows you to form a tree of company goals, which details the mission and sets a certain vector in brand management activities.

The process of developing an organization's mission can be represented as a model. The initial stage in the formation of the organization's mission is to monitor its internal environment. The purpose of this stage is to describe the basis of the company's competitiveness based on an analysis of the available resources, the availability of which determines the organization's ability to implement a particular strategy in the market. These include the mastery of unique production technology, knowledge, skills, and abilities of personnel, the availability of their own working capital, etc. The next stage in the formation of the mission is the analysis of the market situation, the purpose of which is to determine the presence of effective demand for the company's products and the degree of market satisfaction by competitors. The results of the implementation of this stage allow the company to understand the needs of the market and serve as a guide for further activities.

Based on monitoring the internal environment and analyzing market conditions, it is possible to compare the available resources and the requirements of the market. The results of this stage of work on the formation of the company's mission can be formalized in the form of a SWOT analysis matrix, which allows you to further focus on the strengths of the organization when developing official documents that reflect its mission - internal documents (for example, a code of corporate ethics or a brand book).

It should be noted that the company's mission should be assessed from the standpoint of its compliance with strategic goals, a general vision of the role that the organization should perform, and, if necessary, be adjusted.

The formed mission becomes a reflection of the company's business concept, which determines the nature of its interaction with market entities and gives an idea of:

- What the consumer will get to meet his needs;
- Who, for what purpose and how can act as a partner of the organization;
- On what basis will relations with competitors be built;
- What benefits the staff and other stakeholders will get from the business;
- On the basis of which the organization will cooperate with the public and government authorities.

The goal tree, which corresponds to the key general goal enshrined in the company's mission, forms a strategy tree, which, in turn, details the goals. At the same time, brand portfolio development strategies, competitive strategies, as well as segmentation and brand promotion strategies are being developed at the corporate level.

The goals relate to the core competencies of the company, that is, to the strengths of the company, which provide it with a clear competitive advantage in the target segment. In addition, the necessary resources (material, human, informational) and the structure of the company is being specified. Based on the goals and key competencies, taking into account the available resources, branding activities are developed aimed at creating a value

proposition for the consumer. Moreover, all processes taking place in the company must be classified and assigned to specific performers.

In other words, a process-targeted description of the company takes place, which makes it possible to obtain interrelated answers to the following questions: why, what, where, who, how, when, to whom, how much. The result of such a description is a data structure model that defines the list and formats of documents accompanying the processes in the company, and also sets the formats for describing objects of the external environment, components, and regulations of the company itself.

In accordance with the developed mission of the company, the needs of consumers in the target segment are also determined, to the satisfaction of which all its activities will be directed.

As a result, the target market and product are formed, which will form the basis for creating value from the point of view of consumers and brand developers. At this stage, a correspondence is established between the formed product groups and market segments, and a list of the company's businesses is determined.

Based on the list of businesses, the company's brand management functions are formed, which will proceed from the needs of the consumer in the target segment and also form brand value-creating and developing a brand, forming distribution channels, promoting a brand, service, etc.

Thus, the brand management process affects all aspects of the company.

In this regard, the entire structure of company management, which determines the nature of the distribution of powers and responsibilities, including in the field of brand management, should be subordinated to the formation of brand value in the eyes of the company's management, its employees and partners. At the same time, the activities of the organization should focus on meeting the needs that are significant for the target segment and the formation of brand values in the eyes of consumers. It is the coincidence of the results of brand perception by the developer and the consumer that ensures its authenticity, which is achieved through the integration of organizational and functional modeling. Their use allows you to significantly strengthen the company's position in the market and generate additional profits by creating added brand value.

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MODERN CONDITION AND ROLE OF MICROFINANCE ORGANIZATIONS (ON EXAMPLE OF GEORGIA)

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Abstract

The aim of our study is to identify the role of microfinance organizations in the financial system of Georgia, and also to show the current state of this market segment. The article is based on the newest references and rich factual materials. The object of the research is microfinance organizations and the degree of their regulation by the state.

The National Bank of Georgia has a full authority to supervise the work of commercial banks, non-bank deposit institutions, microfinance organizations and other organizations, envisaged by the law. Majority of the institutions with microfinance organization status, registered at the National Bank of Georgia, are consumer finance companies with their content. Their work is absolutely legitimate, however, the issuance of the loans are based not on the customer's finance analysis, but the evaluation of a subject or property, presented for the loan insurance, and the funds are not directed to finance the business, but for the customer's needs. The financial companies have hold important position in the Georgian financial industry, and for this reason, their regulation is an essential issue, which should continue at least in the same manner. It is problematic that currently many financial companies, pawnshops, internet-lenders or private individuals that are left beyond regulations. There is no guarantee the customers' rights will be protected when the work of the financial intermediaries are not regulated. Such circumstances create a threat to the spread of predatory lending practices in the market, the victim of which becomes the unaware customer. The results show that it is important to take more active steps on the part of supervisory organizations to develop the segment of microfinance organizations, so as not to reduce their role and importance in the financial system.

Keywords: Microfinance Organization, Joint Stock Company, Non-bank Deposit Institution, Low-income Citizen.

The main task of microfinance organizations is to reduce poverty by promoting the development of small and medium businesses, and the goal of the supervision of microfinance organizations is to promote the stable function of the microfinance organizations, well as the whole economy, which we cannot say about Georgia, due to the obvious dominance of commercial banks in the country.

In terms of supervision, the microfinance sector is included in the part of non-bank financial sector. The non-bank financial sector of Georgia is only 5.96% of the consolidate actives of the whole financial sector, from which the microfinance organizations include 1.8%. In the developed countries the non-bank sector plays an important role in the development of financial sector as well as the whole economy, which we cannot say about

Georgia, due to the obvious dominance of commercial banks in the country.

The source of legal regulation of the active microfinance organizations in Georgia is the Law of Georgia „On Microfinance Organizations“ (July 18, 2006). As a result of the research, conducted on year 2004 by the Microfinance Center of Eastern and Central Europe, the microfinance sector of Georgia was assessed as one of the developed segments within the Eastern and Central Europe and the former Soviet Union countries, however, this activity was not included in the appropriate legislative environment until 2006, which obstructed the future progress of the microfinance market. In 2006 the National Bank of Georgia was tasked to elaborate the draft law in accordance with the amendments and additions made in the Civil Code of Georgia. While working on the draft law the consultations were held with the Government of Georgia, microfinance sector representatives and international organizations.

In 2003 the concept of a specialized microfinance fund appeared in the Civil Code. In 2003 the concept of a „Specialized Microfinance Fund“ appeared in the Civil Code. It was a transitional form between the subsidized microfinance programs, financed by the donors and commercial microfinance sector. Therefore, the oldest microfinance organizations take start from the projects, supported by the donors.

In accordance with the Article 3 of the Law of Georgia „On Microfinance Organizations“, „Microfinance Organization is limited liability or joint stock company, a legal entity based on an organizational-legal form, which on the basis of its statement is registered by the National Bank of Georgia and implements the work, envisaged by this law with the supervision of National Bank of Georgia“. The Work of microfinance organization is established in the law. In particular, in accordance with the article 4, the microfinance organization is entitled to implement only the following work: Issuing the microcredits, including, consumer, pawn, mortgage, unsecured, group and other loans (credits) for the legal and natural persons, invest in state and public securities, implementation of money transfers, implementation of insurance agent’s function, providing micro-credit counseling services, receiving loans (credits) from resident and non-resident legal and natural persons, ownership of basic capital shares of the legal entities, the total quantity of which shall not exceed the 15% of the basic capital of this microfinance organization, other financial services and operations, defined by the Georgian legislation, including, micro-leasing, factoring, currency exchange, issuance of promissory, bounds, realization, expiation and other operations connected to them. (Law of Georgia „On Microfinance Organizations“, 2006, 1)

The National Bank of Georgia registers the limited liability or joint stock companies, established in accordance with the Georgian legislation, the legal form, the type of work and trademark of which correspond with the requirements, envisaged by Law of Georgia „On Microfinance Organizations“ and Law of Georgia „On Entrepreneurs“. (Order of the President of the National Bank of Georgia N33/04, 2012, 1)

In accordance with the article 48 of the Organic Law of Georgia „On the National Bank of Georgia“, the National Bank of Georgia has a full authority to supervise the work of commercial banks, non-bank deposit institutions, microfinance organizations and other organizations, envisaged by the law. If the National Bank of Georgia, as a result of examination, determines that the microfinance organization violated the norms, established by the Georgian legislation, NBG is entitled to warn them, charge them with a fine or make a decision to cancel the registration of the microfinance organization. (Organic Law of Georgia „On the National Bank of Georgia“, 2009, 15)

In the Law of Georgia „On Microfinance Organizations“, it is defined that the total maximum sum of the micro-credit on one debtor shall not exceed 50000 (fifty thousand) GEL. The amount of interest rate, commission fee and service fee is established by the microfinance organization.

The National Bank registers the microfinance organizations, establishes distinct

standards to the candidate companies, their founders and directors. The microfinance organizations regularly report to the NBG, and the supervisory framework is directed to the customers' right protection, prevention of illegal income legalization and terrorism financing. The National Bank does not regulate the microfinance organizations deeply, that is the case of commercial banks. This is dictated by the public interest, so that the deposits of the significant parts of society are placed in the financially healthy institutions. For this reason, unlike the banks, microfinance organizations are prohibited to attract deposits from the populations. According to the practitioners of the microfinance sector, the National Bank of Georgia has a regular and arranged communication with the association of development and support of microfinance organizations of Georgia and the reforms announced with regard to the customers' right protection. (Mosiashvili, 2017, 294)

The association of development and support of microfinance organizations of Georgia was established in August, 2009. The main task of the association is to promote the development and reinforcement of the microfinance sector in Georgia, the protection of microfinance organizations' rights and interests, support of the coordination of their judicial guarantees and work, prepare the proposals for alterations in the active legislation, in order to ensure the same tax regulations for the microfinance organizations as it is in the case of commercial banks. (The Georgian Microfinance Association, Charter, 2009, 2-3)

The Georgia Microfinance Association is a non-profit organization. The association acts in accordance with the Georgian legislation, international judicial norms and its regulations. Association is a non-profit legal entity, has an independent balance and accounts in banking institutions. The goals of the Georgian Microfinance Association are: promote the development and strengthening of the microfinance sector in Georgia; Improve the institutional capacities of the microfinance organizations of Georgia and other members of the association; Support the prestige of mutual trust, microfinance organizations and other members of the association; Promote public awareness and knowledge in microfinances; The protection of rights and interests of microfinance organizations and other members of the Association, promotion of their judicial guarantees and work coordination; Establish relations with the international organization, which are interested with the development of the microfinance sector and will assist the members of the Association, as well as the Association financially, with grants and other forms; Establish the relations with auditing companies; Ensure the cooperation with international rating companies; Cooperation with the Governmental structures of Georgia, to ensure the participation of the members of the Association in purposely issuing the credits, allocated for small businesses.

The Georgian Microfinance Association unites 25 organizations with high standards. The Association is fully financed by the membership fees. The United States Agency for International Development (USAID) made a significant contribution for its development. (The Georgian Microfinance Association, 2019)

For January 1, 2019, 67 microfinance organizations were registered in Georgia (51 of them were registered in Tbilisi), for August 1, 2018 – 71, for December 31, 2017 - 75, for July 12, 2017 - 83, and for December 31, 2016 - 81. (National Bank of Georgia, 2019)

Majority of the institutions with microfinance organization status, registered at the National Bank of Georgia, are consumer finance companies with their content. Their work is absolutely legitimate, however, the issuance of the loans are based not on the customer's finance analysis, but the evaluation of a subject or property, presented for the loan insurance, and the funds are not directed to finance the business, but for the customer's needs. In this model of loaning, the economic work analysis of the customer is ignored, which may become the reason for excessive credit cargo creation. Therefore, it is wrong to believe that every microfinance organization is also a microfinance organization with its concept. It is desirable, for the active status to be changed and the similar companies to be called their own name, for

example – “Registered Finance Company” and only the small part of them to be granted with the microfinance organization status. The same status can be granted to the commercial banks and credit unions, which protect the principles of liability crediting, are oriented on funding the business, and during the crediting process rely on solvency analysis and not the evaluation of the property.

It shall be noted that it is fully possible for the microfinance organizations to issue the consumer loans or carry pawn operations together with business-crediting, however the consumer finance element shall be a small part of the credit portfolio of these finance institutes.

Interestingly, the microfinance sector has been the most significant financier of the Agriculture in Georgia for years. With the data of NBG, the microfinance organizations leaded in the loans, issued for the agriculture within the last years. This tendency changed since the Government of Georgia started to subsidize the cheap agro-credit program by the commercial banks.

In accordance with the reports, submitted by the microfinance organizations, with the data of IV quarter of 2018, 4397 people were employed in the Georgian Microfinance Sector, in the similar period of 2017 – 4742 people, in the similar period of 2016 – 5899 people, and in the similar period of 2015 – 4901 people.

In 2016-2018 a light supervisory regime was still preserved. However, at the same time, works continued with regard to the completion of regulatory legislative base and supervisory framework, that somewhat aims to reinforce the norms of regulations.

In accordance with the data of IV quarter of 2018, the total amount of the assets of the sector with regard to the similar period of previous year, was decreased with 3.55% and amounted to 1,47 bn. GEL. The decrease was made at the expense of obligations, which amounted to 1,04 bn. GEL (decrease 8.07%).

In accordance with the data of IV quarter of 2018 the amount of net loans was determined by 1,03 bn. GEL and concluded 70.1% of total assets. It is noteworthy, that the shared indicator of net loans correlation to the total assets has not changed substantially within the last years (decrease 4.07%).

In accordance with the data of IV quarter of 2017 the amount of net loans was determined by 1,073 bn. GEL and concluded 70.5% of total assets.

In accordance with the data of IV quarter of 2018, the borrowed funds of microfinance sector was 836 ml. GEL. In the similar period of 2017 and 2016 the indicators, accordingly amounted to 849 ml. GEL and 1,149 bn. GEL.

In accordance with the data of the IV quarter of 2018, the microfinance organizations in Georgia have lend 1,102 bn. GEL in total, which compiles of 786 117 in quantity. It is mainly represented by 4 sectors: consumer loans – 337,1 ml. GEL (30.6% of portfolio); collateral credits – 299,9 (27.2% of portfolio); trade and services – 187,2 ml. GEL (17.0% of portfolio); online loans – 105,3 ml. GEL (9.6% of portfolio).

In accordance with the data of the IV quarter of 2017, the microfinance organizations in Georgia have lend 1,137 bn. GEL in total, which compiles of 794 481 in quantity. It is mainly represented by three sectors: trade and services - 249 ml. GEL (21.9% of portfolio); agriculture and forestry - 118 ml. GEL (10.4% of portfolio); consumer loans - 671 ml. GEL (59.0% of portfolio). High share of consumer loans among the total number of loans is important.

Due to the clients of the microfinance organizations are citizens with low-income and their social conditions do not provide capacity to be well-informed, therefore, bearing in mind such givens, in accordance with the interests of clients, the law sets the terms of the loan issuance and the rights and liabilities of the borrower and the lender.

The share of the funds attracted from natural persons in the structure of liabilities of

microfinance organizations declined on the basis of the significant increase in institutional funding for resident and non-resident in 2014-2017, and due to the targeted activities carried out by the National Bank with regards to the retail investors. Microfinance organizations that attracted resources from less-informed retail investors were required to submit an action plan that would reduce the amount of funds attracted from individuals and implied the gradual exit from the retail segment. According to the plan, those microfinance organizations halted the advertising campaigns that attracted funds from natural persons and began replacing the retail creditors with qualified investors, which continued in 2017. The issue was particularly relevant, since the interest rates on the foreign currency dominated bank deposits have significantly decreased, which increased risks of flowing resourcing into non-banking channels. As a result of the measures taken, the structure of the creditor natural persons was somewhat improved.

Due to non-compliance of the instructions of the National Bank, 3 companies have been recognized as qualified credit institutions, which have been banned by the National Bank from attracting funds and conducting all kinds of advertising campaigns related to this activity and prohibiting delivering any kind of services in connection to the company related parties.

№	Name	Total II quarter 2018		Total IV quarter 2018	
		Sum (GEL)	Amount of credits	Sum (GEL)	Amount of credits
1.	Loans granted to individuals	1 259 444 025	1 003 449	1 080 308 722	785 239
1.1.	Trade and Services	219 189 009	43 680	187 172 434	37 278
1.2.	Consumer Loans	367 283 802	141 763	337 116 397	101 243
1.3.	Agriculture	108 446 905	21 902	94 893 580	18 507
1.4.	Online Loans	185 937 377	388 770	105 282 450	215 788
1.5.	Collateral Credits	320 912 728	358 620	299 862 866	346 702
1.6.	Installments	20 989 707	45 798	32 210 326	61 018
1.7.	Other	36 684 496	2 916	23 770 669	4 703
2.	Loans granted to Legal entities	18 247 324	791	21 222 653	878
3.	Total Loans	1 277 691 349	1 004 240	1 101 531 374	786 117

Table 1. Loans issued by microfinance organizations of Georgia in II and IV quarters, 2018

It is important that in order to reduce possible risks associated with management of the savings, on January 15, 2017, the amendment was added to the Civil Code of Georgia, according to which an entrepreneur or a group of interconnected entrepreneurs are restricted from attracting funds, if more than twenty individuals are attracted and each contribution is amounted to less than 100 000 GEL. At the same time, the National Bank continues to work on the legislative framework aimed at improving the regulatory legislative base in terms of the accountability of the microfinance organizations and their interests of their customers.

For more details on the loans issued by microfinance organizations of Georgia in II and

IV quarters of 2018, refer to the table. (National Bank of Georgia, 2019)

As we can see, the financial companies have hold important position in the Georgian financial industry, and for this reason, their regulation is an essential issue, which should continue at least in the same manner. It is problematic that currently many financial companies, pawnshops, internet-lenders or private individuals that are left beyond regulations. There is no guarantee the customers' rights will be protected when the work of the financial intermediaries are not regulated. Such circumstances create a threat to the spread of predatory lending practices in the market, of which the victim becomes the unaware customer. It is noteworthy that a significant number of consumers, media and decision-makers in Georgia do not distinguish microfinance organizations from other non-bank credit organizations.

In conclusion, microfinance organizations have a big role in the Georgian financial system and as for the non-banking financial sector of Georgia. This area has the potential to promote serious growth and financial enhancement. Financial enhancement means development of diverse financial instruments and improving capital distribution, financial intermediation quality and efficiency of the overall financial system. All these will make the capital more accessible to the people, which, ultimately, will contribute to the growth of the country's economy.

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ECONOMIC POLICY OF GEORGIA IN THE FACE OF CHALLENGES RELATED TO GLOBAL PANDEMIC

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Abstract

Georgia's strong record of economic reforms and improved living standards is being threatened by the impact of COVID-19. The country's economy grew robustly at 5.3 percent per annum between 2005 and 2019, despite major shocks. Poverty declined from 30 percent in 2005 to 14 percent in 2019 (using the US\$3.20 purchasing power parity [PPP] 2011 international poverty line). The COVID-19 pandemic, however, will reverse some of these past gains. The country is expected to slip into a deep recession in 2020 (a 6 percent contraction), with severe job and income losses, which could push poverty up by 2.8 percentage points. The country has a sound macroeconomic framework, an attractive business environment, and robust public financial management arrangements that are expected to support the post-COVID recovery. Georgia's governance indicators typically exceed Europe and Central Asia and upper-middle-income country averages (World Governance Indicators). The country also remains one of the most business friendly countries globally, placing seventh out of 190 countries in the World Bank's Doing Business 2020 rankings.

Keywords: crisis project, vulnerable nations, social distance, quarantine zones, privatization reforms, legal benefits.

As a developing country largely dependent on tourism and remittances from migrants working in Europe, the US and Russia, Georgia is a one of the most economically vulnerable nations during the Covid-19 pandemic. However, the government decided to prioritise public health and took very strict restrictive measures in the early stages of pandemic. The result? Widely accepted achievements in prevention and control of the spread of Covid-19, with the crucial role played by the Richard G. Lugar Center for Public Health Research (home to the Georgian National Center for Disease Control and Public Health), which is led by the group of well-known Georgian epidemiologists. [Between 26 February and 9 April](#), Georgia had 218 confirmed cases of Covid-19 infections, three deaths, 410 people under hospital supervision, 4829 people under quarantine and 51 people recovered. Despite these promising numbers, the government is aware of the challenges facing the domestic economy. Georgia is fighting two battles — health and economic — and winning one means nothing if it loses the other.

The worst affected region in Georgia is the capital city Tbilisi, where most of the positive cases have been found. However, the first two municipalities to be locked down were Marneuli and Bolnisi in Kvemo Kartly in the east, and home to most of the country's ethnic minorities. Some local NGOs and politicians alleged that a lack of information in the native languages of the minorities caused the early spread of the

virus. However, the central government has denied these allegations, and for now disseminates all Covid-19 related information in Georgian (official state language), Azerbaijani and Armenian (the languages of the ethnic minorities), and English. The first governmental order relating to Covid-19 was issued on 28 January and the Emergency Response Plan was adopted, much earlier than in most European countries. Schools and Universities were closed soon after the very first confirmed case was detected in February. They are now using e-learning tools to teach students, and a major educational project for school children is also broadcasting on TV. All mass media platforms, such as TV and social media, are being used to advertise the importance of frequent and correct handwashing and maintaining social distance. State borders have been closed to travelers, and flights gradually cancelled (starting with those operating between Georgia and China, Iran and Italy).

The government went into Emergency mode from 21 March, declaring a full lockdown until 21 April. The first stage involved banning gatherings of 10 or more people, shutting down restaurants, cafes and other public eating places, and closing hotels and guesthouses. Most high-class hotels were converted for used as quarantine zones for travelers returning from abroad. Only pharmacies and food stores were allowed to remain open. People venturing out of their homes were required to carry the IDs, while elderly people (70 years and over) were restricted from going out. The local municipalities and specially trained volunteers were tasked with suppling the elderly with food and other necessary items.

From 31 March onwards, a 9 PM to 6 AM curfew has been imposed across the country. Gatherings of more than three people are prohibited. But people continue to attend services at the Orthodox Church, the dominant religious institution. All other religious denominations have stopped their services. Ilia II, the Catholicos-Patriarch of All Georgia and the most influential person in the country, called on parishes to continue services but strictly follow the government's rules of maintaining social distance of two meters in the buildings and 1.5 meters in outdoors. All public transport, except taxis, has been stopped, while the number of people who can travel in one car at a time has been limited to three. The fines for violating the emergency rules and curfew are very high—3000 Gel for individuals and 15000 Gel for legal entities. Hundreds of thousands Georgian immigrants have been caught off guard by the Covid-19 pandemic and the travel restrictions imposed by various countries, including Georgia. Ensuring all Georgian nations abroad receive effective assistance from the foreign ministry and diplomatic and consular missions, and mitigating any possible negative consequences has been the other big area of focus for the government during the pandemic. Georgia was one of the pioneer countries to launch the International Centre for Migration Policy Development's Migrants — in the countries in crisis project for its diplomats and diaspora originations. Several trainings were held for Georgian diplomats and consular staff and representatives of diaspora organisations in 2018-19, including semi-live simulations. Although, the trainings did not include a worldwide pandemic scenario, the skills and knowledge gained have been helpful in the proper management of the current situation.

Shortly after declaring the Emergency, the Lari, Georgia's currency, dropped significantly against the US dollar and Euro, and although it has now stabilised, it remains at a historic low. This causes serious problems for Georgia — which is heavily dependent on imports, including those of vital food products — as the currency rate has a significant influence on prices. Besides, exporter countries may also impose their own restrictions.

To minimise the negative impact, the government announced the infusion of two billion Gel in the economy and for social needs. The general sentiment, however, is that without any foreign financial help, it will be very difficult for Georgia to survive an economic downturn. The emergency rules have slowly been revised to allow companies to continue operating if they adhere to strict sanitary measures and apply for a special permit.

Georgia's solidarity fund, established in 2014 in an effort to support vulnerable individuals and families, has accumulated about Gel 125,000,000 (approximately US\$40 million). The government and parliament members also announced that they would [donate 1/3rd of their salaries](#) to the fund for next three months. The people are doing their bit too. All large supermarkets have installed drop boxes where customers can donate food or other items for socially disadvantaged people. Although it is too early to see the full impact of the Covid19 pandemic, some positive outcomes are becoming clear. Realising that dependence on imports may cause serious problems to the social stability of the country, the government have declared the promotion and support of local industry as one of its main goals. Measures have already been taken in the agricultural sector.

Georgia is still a transition economy influenced by its past affiliation to the Soviet Union. Economic growth has been boosted by rising domestic and external demand, resulting in higher consumption, exports, tourism and remittances. GDP growth remained stable in 2019 (5.1%), thanks to solid investments, an increase in public spending, good structural reforms and a growing integration of the country into the regional and global economies. According to the updated IMF forecasts from 14th April 2020, due to the outbreak of the COVID-19, GDP growth is expected to fall to -4% in 2020 and pick up to 3% in 2021, subject to the post-pandemic global economic recovery. This economic recovery enabled the government to consider refinancing its 10-year Eurobonds (valued at US 500 million according to the Nasdaq Bank). Public debt increased to 50% of GDP in 2019 and is expected to reach 52% in 2020, due to government infrastructure spending, before decrease to 49.6% in 2021 (IMF estimates). Deficit grew to 1.8% in 2019 and is expected to increase in the coming years. The tax and privatization reforms introduced by the government in 2012 helped to create an environment conducive to economic development. Among the old state-owned companies, the largest ones were privatized successfully by the government; this includes real estate as well as businesses in the telecommunications, power generation and distribution, banking, water supply and port services sectors. The government is actively seeking to attract international investors by offering attractive tax and legal benefits. Georgia has a promising tertiary sector but is highly dependent on its political sphere. Inflation increased to 4.9% in 2019, but is expected to remain stable to 4.6% in 2020 and decrease to 3.7% in 2021 (April 2020 World Economic Outlook IMF), close to the 3% target set by the

central bank.

Main Indicators	2018	2019	2020 (e)	2021 (e)	2022 (e)
GDP (<i>billions USD</i>)	17.60	17.74e	16.32	17.47	19.09
GDP (<i>Constant Prices, Annual % Change</i>)	4.8	5.1e	-5.0	5.0	6.0
GDP per Capita (<i>USD</i>)	4	4	4	4	5
General Government Balance (<i>in % of GDP</i>)	-1.1	-1.1	-5.7	-3.3	-1.9
General Government Gross Debt (<i>in % of GDP</i>)	40.0	42.6	58.7	58.8	56.4
Inflation Rate (%)	2.6	4.9	5.3	2.5	3.0
Unemployment Rate (<i>% of the Labour Force</i>)	12.7	11.6e	0.0	0.0	0.0
Current Account (<i>billions USD</i>)	-1.19	-0.90	-1.77	-1.49	-1.61
Current Account (<i>in % of GDP</i>)	-6.8	-5.1	-10.8	-8.5	-8.4

Source: IMF – World Economic Outlook Database, October 2020

Note 1: (e) Estimated Data

Note 2: The GDP growth projections for 2021 and 2022 (Constant Prices, Annual % Change) were updated

Georgian banking sector is stable and well capitalised, and the use of the dollar in the Georgian economy is widespread, although remains a risk factor.

According to the last available data from IMF, the unemployment rate in Georgia stood at 11.6% in 2019. In the last years, poverty has been almost halved, thanks to social policies and economic growth, but it has stagnated because of limited growth in employment and social transfers (16.3% in 2017, according to World Bank). Inequalities remain high compared to other economies in the region, although still in steady decline.

Georgia's labour force counts more than 2 million out of its 3.7 million population (World Bank data), and the country possesses many natural resources on its territory. There are forests and woods, rivers and lakes, farmland, marble, minerals, manganese, iron, copper, coal, oil, clays, sand, as well as wildlife. The country has an agricultural tradition, which has helped it to develop its economy for years. However, the agricultural sector has been in decline since 1995. Today agriculture contributes 6.7% to the GDP and employs 42.6% of the working population (World Bank). 98% of farmers are self-employed, and production is largely for self-consumption. More than 40% of Georgian territory is considered as agricultural land, which also includes pastures and grasslands. The main agricultural products are cereals, early and late vegetables, technical plants, subtropical plants, fruit varieties, melons and gourds, tobacco and wine grapes, as well as rice, tea and cereals, tea and livestock. Georgia is also one of the oldest regions of wine producers and is rich in its drinking water resources. Georgia has signed a Deep and Comprehensive Free Trade Area (CFTA) agreement with the EU, which implies that all Georgian agricultural products can be exported without duty to EU markets.

How Does the Covid-19 Crisis Affect the Georgian Economy?

1. A decline in domestic consumption resulting from behavioural and policy changes is to be expected on the demand side – i.e. people staying home as a precaution or because they are required to. In addition, currency depreciation and possible price spikes (due to herding behaviours and potential disruptions in supply chains) are also expected to have a negative effect on consumption and investment. Household consumption accounts for 66.7% of the Georgian GDP (Geostat, 2018). A significant reduction in household consumption (e.g. spending on transportation, clothing, electronics, and domestic services) would therefore result in an overall slowdown of GDP growth. A slowing of internal demand would hit people working in the informal sector particularly hard; namely, those without a regular salary (e.g. temporary workers, taxi drivers, and other self-employed service sector workers) and small and micro business-owners. Their situation is worsened still because the government's fiscal stimulus and assistance is unlikely to reach them directly. They are also not expected to benefit from the extra liquidity injected into the financial system, as they will not qualify for bank loans to cover temporary income losses. Another vulnerable group are the formal sector workers employed in companies that face a dramatic decline in their usual economic activities (restaurants, hotels, the entertainment industry, transport, etc.). These companies are likely to put their workers on unpaid leave or simply fire them. Moreover, the slump in household demand will also be made worse by the fact that most families are likely to have limited savings and, therefore, their capacity to smooth consumption is limited. Hence, the crisis may cause a significant drop in well-being and, possibly, further deterioration in individuals' physical and mental health, alongside the direct impacts of Covid-19

2. A decline in domestic investment because uncertainty and deteriorating business

sentiments will stall business investment decisions. Expectations of a global recession could become self-fulfilling if ‘business-as-usual’ does not resume in the next few months. If companies expect a slowdown in demand, they will also delay investment, and GDP will decline further. Investment (gross fixed capital formation) accounts for approximately 28% of Georgia’s GDP. Thus, the Georgian government has announced capital spending to combat the expected drop in private investment.

3. A decline in tourism and related business seems inevitable as tourism arrivals and receipts are expected to decrease sharply as a result of the numerous travel bans, and due to precautionary behavior. According to our preliminary calculations, the Georgian economy lost between 3-9% of potential tourism revenue in February. Since the tourism sector accounts for 6% of Georgia’s GDP (GNTA 2018), a direct hit to the industry will substantially impact GDP.

For the information on all the measures applicable to movement of goods during the period of sanitary emergency due to the COVID-19 outbreak (including eventual restrictions on imports and exports, if applicable), please consult the website of the Georgian Customs. Georgia has for instance implemented temporary export restrictions on certain categories of critical medical supplies in response to COVID-19. For a general overview of trade restrictions due to COVID-19 pandemic, please consult the section dedicated to Georgia on the International Trade Centre’s COVID-19 Temporary Trade Measures webpage.

Most of the economic measures taken by the Georgian government to address the impact of the COVID-19 pandemic on the national economy are available in the Anti-Crisis Economic Plan. For the general overview of the key economic policy responses to the COVID-19 outbreak (fiscal, monetary and macroeconomic) taken by the Georgian government to limit the socio-economic impact of the COVID-19 pandemic, please consult the section dedicated to Georgia in the IMF’s Policy Tracker platform.

The country’s government official sources do not provide yet information with regards to specific schemes in support of business or exporting companies following the coronavirus epidemic outbreak. For the updated information please visit the website of the Ministry of economy and sustainable development of Georgia. For a general overview of international SME support policy responses to the COVID-19 outbreak refer to the World Bank’s Map of SME-Support Measures in Response to COVID-19.

The country’s government official sources do not provide yet information with regards to specific schemes in support of business or exporting companies following the coronavirus epidemic outbreak. For the updated information please visit the website of the Ministry of economy and sustainable development of Georgia.

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Strategic Directions of Personnel Management Development

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Abstract

The article examines changes in corporate governance at the turn of the millennium. According to the author, these shifts are undoubtedly of a strategic nature, and their reasons are the globalization of the market and sectoral structure, the optimization of the workforce at enterprises, the orientation of the owners towards high incomes, rapid and constant organizational and technological changes. The author believes that the changes will affect not only the business as a whole but also the organization of work of personnel in individual corporations.

Keywords: personnel management, human resources, corporation, personnel, corporate strategy.

The HR strategy of the early 21st century includes two main elements: intention and direction.

1. Strategic intentions. In today's highly competitive environment, the HR specialist's mission is to increase the talent pool of the corporation to implement its business strategy. The HR manager becomes a kind of "skill calibrator", without whose participation it is impossible to develop and implement any of the company's strategies, and it is also impossible to correctly assess the results achieved. Ensuring the high competitiveness of the firm without the partnership with human capital is becoming an increasingly difficult task for corporate governance.

How to attract corporate, capable, hardworking, highly qualified, and talented people to the corporation? This is the challenge facing HR managers, who play the role of a catalyst in the corporation for multidimensional and long-term HR processes that provide the company with a competitive advantage due to the uniqueness of human potential and a high level of responsibility of all employees.

Corporate culture increases responsibility, and human capabilities create competitive advantages. Therefore, the HR manager must solve two strategic tasks:

- 1) To create a competitive advantage for the company by increasing the level of responsibility of its employees, for which it uses corporate culture management tools. A strong corporate culture allows attracting and retaining talent, and the fruits of their labor provide the firm with a high reputation, attracting new clients and highly qualified employees. Updating and constant adaptation of the corporate culture to the dynamic conditions of the external environment are aimed at improving the quality of working conditions, providing feedback to employees and customers. This is often accompanied by seminars, forums, focus groups, round tables, and advertising campaigns. Involvement of employees in the marketing activities of the corporation helps to increase their initiative and professional self-esteem;
- 2) Ensuring the competitive advantages of the company by increasing its human potential, which is carried out by fully ensuring the improvement of the professional competence of employees. As attractive as the corporate culture may be, the gap between the requirements of the global market and the potential of the organization can be bridged

mainly by developing the professional skills and habits of all corporate personnel. The development of human skills, a high concentration of professional competence of employees are becoming a leitmotif not only for staff but also for line managers. At the same time, some companies include the issues of increasing the competence of personnel in any development strategy as an integral part, while others see this problem as an opportunity to implement a special initiative strategy, which is organically complemented by other competitive strategies of the corporation. [1]

In any case, success depends on how carefully individual development plans are drawn up on the basis of diagnoses made by in-house specialists and line managers, which are designed to bridge the established gap between the growing professional requirements and the existing level of competence of each employee. These plans are based on the competency models developed for each position.

The following approaches can be used to develop models, each with its own strengths and weaknesses:

- Analysis of the activities of the most prominent workers (“stars”), allowing to reveal the secret of their skill, although the currently accepted model is too tied to this type of activity and has an overly complex architecture;
- Comparative analysis of many samples of workers' activity makes it easy to generalize experience and build fairly simple models, but this is a very time-consuming task;
- Expert polls give fast and statistically reliable results, but their scope is usually limited;
- The combination of models borrowed from other fields of activity allows for the accumulation of the most advanced experience but does not always help within the organization.

Thus, when building competency models, it is necessary to combine existing approaches in order to adopt acceptable personnel management tools. [2]

Competency models that describe the intellectual and business qualities of an employee, his interpersonal skills, allow us to consider the development of personnel in two dimensions:

- 1) Coordination of the quality of products and services with the organizational culture;
- 2) Acquisition of knowledge and skills necessary for successful work in a specialized professional field of activity.

The unity of these two dimensions is achieved through the practical interpretation of organizational culture, which is perceived as a social mechanism for the reproduction of experiences that are vital for the successful functioning and development of the organization.

2. Strategic directions. This component of the strategy explains how to achieve corporate strategic goals. But before choosing a path, it is important to have a clear understanding of the future of the organization. The structured vision of the future of the organization (the share of sales and market position, organizational structure, technologies of main and auxiliary production, management style, dominant organizational cultures, marketing policy, professional and personal characteristics of human resources) largely determine the strategic directions.

However, in conditions of mutual competition of highly qualified personnel, the realization of these accomplishments is a complex task. Human resources, if they do not want to be dealt with effectively, should be properly reorganized to function as bureaucratic structures: they owe the necessary distinctive types of marketing organizations. Therefore, the organization of the organizational culture of the personnel service (from the intensification of the bureaucratic to the pre-employment culture) becomes a priority strategic

development activity.

One of the priorities is the review of the institutional system of installation and stimulation, as well as the system of activities. Existing systems limit strategic decision-making in the areas of personnel management, representing the successful implementation of modern personnel strategies, as well as limiting the free maneuver of personnel managers. [3]

The third priority - the reduction of what is associated with ineffective use of the potential of human resources, and also the expropriation of labor resources in corporations. In addition, co-workers themselves are responsible for the additional costs incurred by their traditional ability to organize their own work. Safeguarding effective interoperability with structurally subdivided corporations - certain guarantees are reduced.

Turn XXI century news from subsystems of administrative, routine assistive subsystems, supporting other "key" structural subdivisions of corporate personnel, into a trusted business partner of internal organizations and. It's the basic strategic development of staff management. The success of such transformations depends on the creation of appropriate institutional infrastructure at many national levels. Ego basic elements can be:

- A single service, providing multi-profile and interdisciplinary support to the personnel service organization of different forms of ownership in the acquisition of new staff technologies, with the necessary information for the relevant staff, including the relevant staff
- Professional organization of staff workers, which receives official recognition and regulates the workload and service of the representatives of these professions, changing the environment, forming a research and development center, developing a strategic plan. strategy;
- All consulting centers and services, creating prerequisites for quick reorientation and training of line managers in correspondence with new staffing needs in the XXI century.

Regardless of that, as soon as you can quickly see the created institutional infrastructure, only a personal manager strives to become a key element of the personnel revolution of the future. Namely, the composition of professional professions or not depends on its readiness for professional development. [4]

Considerable and constantly renewing knowledge of the current state of affairs, to which the corporation has dedicated its activity, becomes an important element of the professional competence of the staff specialist. Without this knowledge, it is impossible to develop and implement a viable personnel strategy, which's a necessary step in a well-planned response to corporate business strategy.

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Special Tax Regime in Georgia and its Effect on Small Business Development

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Abstract

The development of small and medium-sized businesses in Georgia plays an important role in improving the difficult socio-economic situation, overcoming poverty and unemployment. Small and medium enterprises play an important role in the development of the country's economy, they make a significant contribution in ensuring sustainable economic growth and can be considered the cornerstone of any country's economy. Reforms are being implemented for the development of small and medium businesses, whose success is preceded by step-by-step monitoring and analysis of the results obtained.

Keywords: Small and medium business, Special taxation regime

Introduction

Special tax regimes apply under the Tax Code of Georgia:

- a) Individuals with micro business status;
- b) For entrepreneurial individuals with small business status;
- c) For persons with the status of a fixed taxpayer.

From July 1, 2018, for the promotion and development of micro and small businesses came into force a new preferential tax regime. As the authors of the reform suggested, the large-scale tax change should have affected up to 120,000 entrepreneurial individuals. This reform, on the one hand, imposes a minimum tax burden (1%) on small businesses, on the other hand, simplified tax accounting ensures that tax administration costs are minimized for entrepreneurs. As a result of the reform, it is expected that the share of small businesses in GDP will increase significantly. In addition, the new reform is expected to provide greater transparency to the tax sector. That will help small businesses better access to financial resources. The benefits established by the special tax regime is an important incentive for further rapid development of small businesses in Georgia.

The main text

The main motive of the Ministry of Finance is to encourage entrepreneurs in the future, to get small business status and start an economic activity, become even more competitive, expand their business, which is a very important precondition for achieving the type of economic growth that will significantly affect each citizen. Entrepreneurs should spend as little time as possible in dealing with the tax authorities and their efforts should be entirely focused on their economic activities. Under this reform, small entrepreneurs will be exempted from conducting additional accounting operations. The reform implemented by the

Government of Georgia aims to employ as many people as possible, creating preconditions for the development of medium and small business, economic growth will be an irreversible process and comprehensive. According to the change in the tax legislation, the status of a small business can be granted to entrepreneurial individuals, whose total income for one calendar year will be up to 500,000 GEL instead of the previous 100,000 GEL. The taxable income of a person with the status of a small business from the entry into force of the tax change is taxed at a rate of 1%, instead of 5%. It should be noted that despite the excess of GEL 500,000, the person retains the status of a small business for 2 calendar years. Under the amendment, the termination of small business status will no longer be based on the fact that an individual entrepreneur is registered as a value added tax payer.

Also a person with small business status does not pay current payments and makes a declaration through a simple monthly declaration form. Small business status is granted to an entrepreneur natural person. Entrepreneurial individual registration is carried out by the Revenue Service (for example, in the case of artistic activities) and if a person is considered an individual entrepreneur in accordance with the Law on Entrepreneurs due to his / her activities, before being granted the status of a small business, he / she is obliged to register as an individual entrepreneur.

Registration as an individual entrepreneur is usually carried out by the National Agency of Public Registry of the Ministry of Justice of Georgia. In order to be granted the status of a small business, an individual entrepreneur must apply to the tax authority. Small business status is granted to a person from the date indicated in the application. In case of revocation of the status of a small business, an individual entrepreneur has the right to apply to the tax authority in the same year, with a request to re-grant the status, and receive the status again.

Table 1: Turnover by Enterprise Size and Period

	Total	Large	Medium	Small
2015	56984.8	24671.6	13294.6	19018.7
2016	64081.8	28256.3	14039.1	21786.4
2017	71740.1	32201.1	16568.3	22970.7
2018	86625.1	42902.7	18543.2	25179.1
2019	109 024,3	60 504,6	21 065,5	27 454,
2020⁹	128222,5403	75715,7387	23634,472	30092,747
Medium growth rate	117.6%	125.1%	112,2%	109,6%

Source: National Statistics Office of Georgia

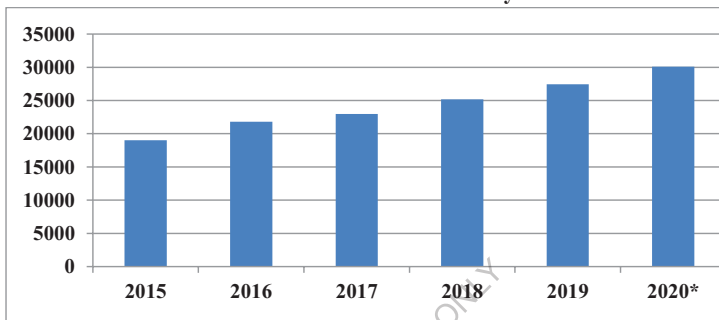
Almost two years have passed since the introduction of the new tax regime. In order to determine the impact of this reform on the performance of small businesses during this period, we found 2 main types of information from the National Statistics Office of Georgia. "Turnover by size and period of enterprises," and "number of employees according to the

⁹ 2020 The year rate is forecast and calculated taking into account the average growth rate

size and period of enterprises”. We conducted dynamic and structural analysis of data from the last five years. This result allows us to draw the appropriate conclusions about the achievement of the reform goal.

As the authors of the reform suggested, tax changes should have increased turnover in small businesses, as well as increased the number of employees and the share of small businesses in GDP. As can be seen from the given information, the assumption about the dynamics of turnover was justified:

Chart 1: Small Business Turnover Dynamics



Source: National Statistics Office of Georgia

If we take the preliminary data of the National Statistics Office for the I - III quarters of 2020 and forecast the data for the IV quarter based on the analysis of quarterly data of previous years (2017-19), then the forecast business revenues for the current year are as follows:

Table 2: Turnover for 2020 by size and period of enterprises

	Total	Large	Medium	Small
I quarter	26 015,20	15 597,90	4 336,30	6 081,00
II quarter	22 314,70	13 117,20	3 975,70	5 221,90
III quarter	29 226,30	16 687,40	5 181,40	7 357,60
IV quarter¹⁰	38245,57	21968,50	7312,05	9399,33
Total	115 801,77	67 371,00	20 805,45	28 059,83
Annual average growth rate	112.5%	118.2%	107.7%	106.7%

Source: National Statistics Office of Georgia

If we compare the growth rate given in Table 1, the growth rate of the quarterly indicators of 2020 is 3-7% lower than the corresponding indicator of the previous years. One

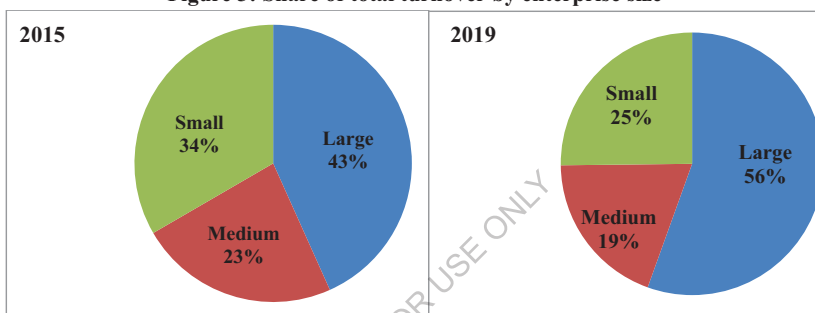
¹⁰ Forecast

of the main reasons for this is the restrictions imposed on the business activities invited by Covid-19. As for the increase in the share of small businesses in the total turnover, unfortunately, the expectations were not met here.

As the data analysis showed, by 2015, the share of small businesses in total turnover was 34%. Before the start of the reform, in 2018, the share of small businesses in total turnover was reduced to 29%.

The data have not improved since the implementation of the reform, on the contrary, the downward trend has been maintained and by 2019 there is a 4% decrease compared to the previous year. There is also a downward trend in the share of the average business in total turnover - in 2019 it decreased by 4% compared to 2015.

Figure 3: Share of total turnover by enterprise size



As for employment figures, the data of the National Statistics Office are as follows:

Table 3: Number of employees by size and period of enterprises

	Total (Male)	Large	Medium	Small
2015	626739	198586	137171	290982
2016	666790	217800	142447	306543
2017	708165	233589	145463	329112
2018	734215	243318	160095	330803
2019	756 852	265 184	152 516	339 152

Source: National Statistics Office of Georgia

As can be seen from the data in the table, the number of employees in enterprises of all sizes was growing from 2015 to 2018, but in 2019, compared to 2018, a downward trend was observed. However, it should be noted, that the 2019 data are preliminary, which the National Statistics Office will clarify later, and the trend may also change.

Table 4: Employee dynamics by 2020 by enterprise size

	Total (Male)		% Growth	Medium		% Growth	Small		% Growth
	2019	2020		2019	2020		2019	2020	
I q	66380 4	68437 2	103,098 5	13643 5	14185 9	103,975 5	28225 0	26935 4	95,431
II q	68787 4	63181 4	91,8502 5	14739 7	14203 0	96,3588 1	28970 7	22825 2	78,7871 9
II I q	69599 4	64557 1	92,7552 5	15440 6	14685 5	95,1096 5	28903 3	23741 8	82,1421 8

Source: National Statistics Office of Georgia

Here, too, one of the main reasons for the unfavorable growth rate of employees can be considered the restrictions imposed on business activities induced by Covid - 19.

As some research show, awareness of the benefits of tax breaks and the rules for their use is quite low among business people. [Baramidze C., Kharkhelauri K. 2020. 5].

The information received from the Revenue Service on the number of registered taxpayers with special tax status in terms of years is as follows:

Table 5: Information on taxpayers with special tax regime status

Period	Number of taxpayers		
	Fixed tax payer	Micro Business Status	Small Business Status
2016	5 771	44 813	52 951
2017	6 150	48 426	60 754
2018	6 746	52 237	73 048
2019	7 323	61 550	91 627
2020.01 - 2020.08	6 994	64 075	98 907

Source: Revenue Service of Georgia

It should be noted that the information was prepared for persons who had the current status of small/micro-business for at least one day during the relevant tax period, as well as for persons who accrued a flat tax at least once in the period from 31.12.2010 to 02.08.2020 and introduced in the list of fixed taxpayers No. 999 "On the use of special tax regimes" (article 4 of the Order).

Conclusion

As can be seen from the table, the dynamics of those wishing to enjoy the benefits of this regime is growing, which gives reason to believe that the business activities of this segment will increase and will play an important role in overcoming the consequences of the current economic crisis.

We hope that the relevant government and business structures will intensify their work on the awareness of these tax benefits, which will lead to an increase in the number of officially registered entities benefiting from the special tax regime. This in turn leads to the positive results that the authors of the reform had planned and achieved an increase in the share of individuals with the status of micro, small and fixed taxpayers in the economic development of the country.

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Impact of Sovereign Credit Ratings on the Bank Lending Process

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Abstract

The main strategy for development of Georgian economy stands for the establishment of innovative technologies, which is in compliance with the tendencies employed in developed countries.

Innovation is the base of the development of the global economy, including banking systems. This process was particularly touched by the banking sector as an object of introducing innovations as well as contributing factors to their implementation in the economy. In the world of high competition rate with increased possibilities of risks, banks need to employ innovative technologies for innovation of the products and service sufficiency.

There is a high competition between banks, it worth saying that said that the most successful would be the one which successfully operates credit management via modern technologies. Thus, with the introduction of innovative technologies in the banking system, modern methods of organizational and technological transformations were developed and optimized to optimize the technological and information base of the lending business process, as well as to sharply reduce the cost of lending operations. The innovative technology minimizes losses on credit risk, eliminates credit deviations from strategic orientations and policy priorities, strengthens confidence in the bank's staff, and improves the level of credit management. The need to improve the processes of lending to modern banks in Georgia is associated with consumer social changes, the formation of the information field, increased competition, the emergence of new financial instruments and technologies in the credit services market. All of this underlines the vitality of improving technological processes in bank crediting.

Keywords: Lending, Scoring, Sovereign Credit Risks, Bankruptcy Prediction, Rating Agency.

Introduction. Georgia belongs to the countries with developing economies, which is caused by the instability of many factors and processes. Among the theoretical and practical problems of managing the system of bank lending, an important place is occupied by the problem of forecasting a crisis situation and, in particular, bankruptcy. It should be noted that the differences in the views of domestic and foreign scientists and analysts in the field of banking and financial management, which models relate to assessing the probability of default and which models should be used to assess creditworthiness, are due to the

relationship between these two events.

Main body. To ensure effective management of the credit sector, it is necessary not only to conduct a financial analysis to determine the status of an enterprise or company at the moment but also to make an early diagnosis of a possible bankruptcy in the future. Consequently, in conditions of periodic manifestations of economic crises, the problem of predicting the probability of bankruptcy is relevant for banks. There are two approaches to assessing the likelihood of bankruptcy. The first is based on financial data and contains the action of quantitative measures (financial ratios). These are multivariate regression models that take into account changes in economics and financial management, capital markets, and other factors. The second approach to forecasting bankruptcy is to compare the statistics of changes in bankrupt companies and the corresponding data of the surveyed enterprises. The key point in both approaches is the choice of the optimal number of such significant financial ratios that provide the required reliability and accuracy of the forecast probability estimate.

Forecasting the bankruptcy of a company or enterprise allows us to plan their economic condition in the future. Simulation helps to avoid crisis and financial default. The purpose of the forecast is to identify the behavior of the investigated object in various situations, taking into account all possible relationships, patterns, and conditions.

According to the recommendation of the Basel Committee on Banking Supervision, banks should use the following approaches to assigning credit ratings:

- An internal rating system (IRB) approach. This is based on the credit ratings that banks use in their internal banking calculations;
- Standardized approach. This approach is based on the credit rating assigned to the borrower by the rating agency.

In Georgia, there is almost no calculation of the rating of companies. The development of internal ratings are very important, in particular, the development and improvement of scoring systems and models for assessing the likelihood of bankruptcy.

To optimize the process of assessing the client's solvency and to make effective and correct decisions about lending, it is necessary to successfully use all components of the scoring model. Proper use of this technology allows banks to shorten the time it takes to make lending decisions, manage credit risks, and also helps to minimize subjectivity when considering applications.

When a bank decides to implement credit scoring in its infrastructure, it faces a problem: implement its own scoring model, use Western models, or apply a scoring vendor.¹¹ The introduction of a credit scoring system independently is possible only for large banks, since, in addition to significant costs, this requires the presence of highly qualified specialists in the bank. Only companies with all the theoretical and practical knowledge in the field of credit scoring can solve these problems, which meet all the requirements of a dynamically developing bank. It is necessary to have data related to the operation of the credit scoring system since analytical technologies are used only to provide the data necessary for the assessment of the client. It should also be noted that the collection of information on different parts of the banking infrastructure should take place in a single format. It is not recommended to have different types of databases at the same time. If so, then perhaps your application needs to be converted to a uniform form that is acceptable to the system. The most optimal solution is the introduction of a unified data warehouse, which

¹¹ A company that provides goods and services under its own brand name (often a manufacturer).

will contain complete information about the bank's activities and the most complete information about customers.

The most important stage in the implementation of scoring is the formation of requirements for the scoring system, depending on the intended use of the system:

- If you plan to constantly introduce new products to the market, the flexibility of the system is important so that the bank can quickly and efficiently introduce new products and adequately assess borrowers;
- In the case of a focus on risk management, the bank's policy is determined by risks, therefore, the main requirements for the system are related to reporting;
- If the bank has incurred significant software costs, the priority is to integrate the system into existing solutions;
- High performance of the system is important for processing large amounts of data in the presence of a large branch network and a large number of bank customers.

In the process of considering a loan application, first of all, low-cost stages should be implemented, at which applications with clearly identified shortcomings are excluded. The stages of consideration of a loan application should be carried out in the following order:

- The correctness of the entered data should be checked at the beginning to reduce transaction processing costs. This includes checking that the required data are available, correct, and reliable;
- Evaluation of the application, which determines the decision to grant a loan and loan options if issued. Depending on the loan amount, as well as on the client bank (for example, in the case of a positive history of a client who opened a current account with this bank, and with a turnover of at least the specified amount), this is not necessary. use external sources of information to save banking costs;
- Fraud assessment includes processes and methodologies for identifying and preventing fraud by potential borrowers. There are three types of fraud: “soft” (ie fraud in the questionnaire), “hard” (criminal business), and internal fraud (in agreement with the staff of the credit institution). Centralized decision-making is important to detect all types of fraud. To detect fraud, the software must be able to detect inconsistencies, illogical changes, and inconsistencies in the loan application, perform so-called cross-validation of the application fields, and compare the current application data with data from the previous period. It is necessary to compare data from the internal blacklist and external data sources. Unfair activities of bank employees can be tracked using frequency control of applications for high credit limits;
- If it is not possible to make a decision using the two scoring models, the loan application should be sent to the loan officer.

The use of unified scoring models in all branches of the Bank ensures objectivity and uniformity of criteria when evaluating loan applications and shortens the time for consideration of loan applications. Thus, due to the unified automation of business processes, operating costs and risks are reduced.

There are various models of creditworthiness in the world: Altman, Fulmer, Cheser, and others. But their use in Georgian conditions is difficult. It's connected with:

- **GAAP (Generally Accepted Accounting Principles) accounting standards are used in the United States, and International Financial Reporting Standards (IFRS) are used in Georgia;**
- **Differences in book and market value of assets;**
- **Also, these models do not study credit history, do not assess the quality of management, do not assess the sector of the economy to which the activities of a potential borrower belong;**
- **These models do not take into account country and sovereign risks.**

Conclusion. The models created by Altman, Fulmer, and Chesser can be used for lending to Georgian banks only taking into account the ratings assigned to Georgia by world-famous rating companies. The Regulation of the National Bank of Georgia on Capital Adequacy Requirements for Commercial Banks provides for the weighting of risk positions for central governments or central banks in different countries in accordance with a 6-point credit rating scale (see Tables 1, 2).

Table 1

Assessing risk positions vis-à-vis central governments and central banks						
Credit Degree Step						
Risk weight	%	0%	0%	00%	00%	50%

Accordingly, in the models developed by Altman, Fulmer, and Chaser, the limits of the borrower's probability values should be adjusted according to the percentage weight of the risk. For example, in the case of Altman's model for non-industrial enterprises with limits on the value of Z:

Table 2

Six-step credit quality assessment scale				
Six-step credit quality assessment scale		Fitch	Moody's	Standard&Poor's
	1	AAA to AA-	Aaa to Aa3	AAA to AA-
	2	A+ to A-	A1 to A3	A+ to A-
	3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
	4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
	5	B+ to B-	B1 to B3	B+ to B-
	6	CCC+ and below	Caa1 And below	CCC+ And below

- Equal to or less than 1.1, then the situation is critical, the probability of bankruptcy is high;
- 1.1–2.6 - low probability of bankruptcy of the enterprise;
- The value of the indicator is equal to or greater than 2.6 - the probability of bankruptcy of the enterprise is small, but still exists.

Should be defined as doubling and formulated as follows:

- Equal to or less than 2.2, then the situation is critical, the probability of bankruptcy is high;
- From 2.2 to 5.2 - low probability of bankruptcy of the enterprise;
- The value of the indicator is equal to or greater than 5.2 - the probability of bankruptcy of the enterprise is small, but still exists.

If a country, for example, Georgia, is assigned a rating corresponding to step 3 or 2 (50% or 20% risk), the limits indicated in the formula should be multiplied by 1.5 or 1.2, respectively.

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Creative Management - The Formula for Business Success in the XXI Century

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Abstract. The use of elements of creative management at the modern stage of development implies the introduction of non-traditional ways and methods in the management process. It is used as a type of managerial activity and a scientifically substantiated management tool, both for strategic development purposes, as well as to overcome emerging emergencies and crises; Especially when it is necessary to find and realize fundamentally new ways to move forward, to achieve competitiveness of the enterprise in the market.

Keywords: Management, Innovation, Creative, Intelligence, Manager

Introduction

The current global processes at the modern stage of social development require the formation of new approaches to socio-economic development. Improving the quality and efficiency of economic-financial governance is meant to facilitate the development of a new set of approaches.

In modern governance, calls are often made to bring out the already experienced innovative management in the governance process. The use of elements of creative management at the modern stage of development implies the introduction of non-traditional ways and methods in the management process. After all, management in the general and general sense is the conscious work of a person to achieve the goals set for joint labor organizations. We need to understand management as the ability to achieve goals by using other people's work, intellect, and behavioral motives.

Main body

There are many types of activities and management in enterprises and organizations (eg production, logistics, finance, marketing, personnel, sale of finished products, etc.)

We must recognize that today, in the conditions of innovative economy, the most important strategic direction for the development of management science is creative management. Creative management reflects a specific aspect of modern industry and enterprise management in terms of accelerating the pace of change in technological innovation.

Today there is a sharp increase in demand for inventive management and managers who have the ability to generate, quickly implement non-standard and original ideas, quickly and effectively solve problematic situations.

Under the motto of modern creative management "I know for sure that the impossible is possible!" Today, the manager must virtuously possess non-standard, original management decision-making methods, rules and techniques.

We, of course, can neither deny nor neglect innovative management (innovation, innovation management), which implements innovative management functions such as organizing scientific research processes and fundamental processing, creating test samples,

and organizing samples. But in the modern era - in the conditions of information and innovative economy, fundamentally new problems and tasks arise systematically, which are related to the search for new things, uncorrupted approaches to their solution in conditions of uncertainty and uncertainty, as well as non-standard, emergency and crisis situations.

It is this circumstance and situation that determines the necessity of actual use of creative management towards enterprises. The basis of creative management is creative thinking, creative (intellectual) skills, abilities and thinking. In a broad sense, creative thinking is thought to be the kind of thinking that leads to innovative ideas and discoveries, to fundamentally new solutions to problematic situations.

The main difference between creative (creative) management and logical (template) thinking is that in the process of creative thinking logic plays only a service role, while in logical thinking it plays a leading role, as it controls the mind even though it is not the main. In the creative process, it is still necessary to ensure the correct search, selection, adaptation and analysis of new ideas.

Creativity in the field of economics usually refers to work aimed at creating fundamentally new goods.

Adapted to the field of governance, creative thinking implies the ability to develop unique, non-standard management decisions, to carry out the search for non-standard innovative ideas.

Human creative abilities give birth to original, non-standard different ideas. Including in management, realized by its convergent and divergent ability, the ability to think laterally.

The main difference between creative thinking and logical thinking is that in the creative thinking process logic plays only a service role while in logical thinking it plays a leading role as far as it controls the mind.

Creativity features are highlighted by a number of authors. In particular, courage, speed, agility, originality, thoughtfulness, mastery, transformability, unity (connection of elements) and so on.

And yet, the main distinguishing feature of creativity is the ability of a person to discover new ways and means of solving problematic problems, skills to reject stereotypes of the rules and means of thinking. In other words, the forefront of the description of "creativity" is the sign of non-standard thinking, the ability to look at existing and known realities in a new way.

Creativity in one way or another is characteristic of people who carry out their work in different sectors, areas, sectors of society.

Creativity, as the ability to generate something new, takes place among workers who work and work in the field of material production, art, science, politics, inventive work, activities, and so on.

A specific form and type of creativity is managerial creativity. Understanding in the context of the study of creative management. In addition to exploring the concept of "creativity", other understandings are rarely used; namely - "managerial creativity".

The basis of managerial creativity is the creative thinking of the manager, understood as a means to create innovative ideas, knowledge, tools and methods, mechanisms that help to increase the effectiveness of socio-economic development of the organization with the help of different, different thoughts combinations.

Currently, creative management enters the system of effective management of socio-economic development of enterprises, organizations, and companies, and we even find the tools, the use of which is one of the crucial factors in overcoming the modern chaos that currently reigns in governance.

Creative management is the process of managing the creative (creative) potential of an organization, enterprise, and others. The special urgency of introducing creative

management in the management system of enterprises and organizations for the effective development of a given organization, a legal entity is determined by the acceleration of the generational change of innovations, uncertainty, uncertainty, and non-traditional management decisions due to emergencies and crises.

The objective guidelines that determine the emergence of creative management are:

- Problems that constantly arise (arise) in various areas of the organization in the activities of enterprises, difficult to solve;
- Fundamentally new tasks that arise in conditions of uncertainty, in the ambiguity of internal and external circumstances of enterprises;
- Innovative benefits are quickly replicated by competitors. As a result, the enterprise, in order to maintain its competitive advantage, must systematically improve and reproduce new, original products and effective management solutions;
- Constant changes in all spheres of society, regularly emerging and emerging subjects, situations and crises that require and require the search for unconventional solutions, substantiation of effective ways of enterprise development;
- Lack of decision-making and implementation by the government or lack of necessary, known mechanisms, tools, and methods, as well as the impact of a number of other circumstances.

The goal of creative management is to activate the process of generating innovative ideas and to process decisions by a management staff with previously unknown, non-standard, original governance.

There are general and specific tasks of creative management:

- Common tasks are development and implementation;
- Original enterprise, firm development strategy;
- Concepts of original innovative products;
- Non-standard operational management solutions in conditions of uncertainty, emergency, and crisis situations;
- Original management news;
- Creative staff training programs and more.

Specific tasks of creative management as a tool for solving tasks with non-standard governance should be attributed to:

Finding and substantiating the right solution strategy from the multitude of possible options, from the alternatives of the solution strategies;

Comparative analysis of alternative solutions based on various specific evaluation criteria;

Substantiate mechanisms, tools, and methods for the implementation of non-standard systems based on the use of a wide range of creative potential of management staff;

Achieve the effectiveness of objectives and criterion indicators of alternative management decisions based on adaptive control of the system and decision-making to adjust actions in real-time.

We buy creative management because the face of managerial work is recognized, which is characterized by a number of common and specific principles. Such principles provide for objects, common and solidly repetitive connections between creative management processes, events, and objects.

Ignorance of general and specific principles of creative management In general, the management system of the organization (firm, enterprise) will take precedence, conflicts, disproportions, and eliminate imbalances.

Conclusion

Thus, creative management, as a type of managerial activity and a scientifically employed management tool, as well as strategic development goals, as well as to permanently eliminate emergency and crisis operations; only when it is necessary to find and realize fundamentally new ways to advance, to achieve competitiveness of the enterprise in the market.

The creative management of its interior is a creative-invasive activity in line with the original management innovations developed and the creative processes of realization. It is an activity using non-standard, original ideas and their practical realization and commercialization.

Creative management focuses on the processes of planning and organization of news, organization, motivation, control communications, and management decision-making innovations in governance; In other words, these are organizational-managerial innovations.

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Formation of Professional Competencies in Medical Management

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Annotation. This article examines medical management in the narrow and broad sense of the word. In the narrow sense, this is professional management, that is, the line of professional behavior of medical workers, in particular doctors, a treatment strategy focused on the result. The criterion for evaluating their activities is the quality of medical care and the long-term results of treatment. In a broad sense, it is an important area of social management aimed at human health, the preservation of his ability to work, and longevity, in fact, the study of the organization and management of health care in terms of budget and insurance financing. It is the Center for Medical Management, opened at the Tbilisi State Medical University in 2009 that provides professional training (retraining) of managers and specialists for healthcare organizations capable of effectively using the latest business technologies in their professional activities.

Keywords: innovative scientific and educational project, medical and economic cluster, research work.

In modern society, attention to health is increasing. This is dictated, among other things, by the requirements of a market economy, in which not only a well-trained and erudite specialist but also a healthy person can be successful and competitive. According to the World Health Organization, health is a state of complete physical, mental, social, and spiritual well-being, not just the absence of disease. It depends 70% on the lifestyle and environment, 20% on hereditary factors, and only 10% on the state and level of development of health care itself.

The health of the people (nation) is the most important characteristic of the quality of life of any state, its strategic resource. It is no coincidence that in countries with developed market economies, health care is a priority area of activity for federal and local authorities. In this regard, in our opinion, medical management should be considered in the narrow and broad sense of the word.

In a narrow sense, we should talk about professional management, that is, the lines of professional behavior of medical workers, in particular doctors, a treatment strategy based on the result. From this point of view, all doctors from a strong scientific school who have received a good education are always guided by this principle in their work. The criterion for evaluating their activities is the quality of medical care and the long-term results of treatment. At the same time, I would like to draw attention to the position of a hereditary doctor who has worked abroad for a long time, Asatiani E. She writes: "I came from a world where there

were no standards, where medicine is an art. And in the West, medicine is an exact science, and it must be done this way and nothing else. Medicine is one. But she can be literate and illiterate. Abroad, they are treated according to accepted standards. This does not mean that everyone is the same. It's just that the activity of a doctor is strictly regulated there.”

Medical management in a broad sense is an important area of social management focused on human health, preserving his capacity for work and longevity, in fact, is the study of the organization and management of health care in terms of budgetary and insurance financing.

The Medical Management Center, opened at Tbilisi State Medical University in 2011, is implementing an innovative scientific and educational project for the interuniversity integration of knowledge in the field of economics, medicine, and law at the university level. Its programs are designed for professional and advanced training of medical practitioners, interns, clinical residents, pharmacists, paramedics, nurses in the field of organization and management of medical institutions. In fact, this is the preparation of the first generation of managers and specialists for healthcare organizations who are able to effectively use the latest business technologies in their professional activities.

The Center's activities are based on the following basic principles:

- Adjustment of curricula depending on the contingent of students and their educational needs;
- Consistency and complexity of training;
- Flexibility and dynamism;
- Orientation of trainees to solving problems of practical health care on the basis of scientific research;
- Involvement in the educational process of professors and associate professors of seven faculties of TSMU, heads, and specialists of practical health care and insurance medicine.

The educational process at the Center is carried out:

- According to the author's curriculum and author's educational programs;
- Using the auditorium fund of scientific research of TSMU, including computer classes;
- With practical training on the organization of health care in hospitals and clinical laboratories of the Tbilisi State Medical University;
- With the involvement of the Center's graduates, managers, and leading specialists in practical health care in the educational process.

The curriculum was developed by the teaching staff of the Center for Medical Management, which is its gold fund. Many of them have been working throughout the years of the Center's functioning.

The total labor intensity of the professional retraining program "Economics, Organization, and Management of a Medical Institution" is 240 ECTS credit hours. Upon graduation, graduates are awarded a diploma of professional retraining.

The curriculum for this program includes five modules: Fundamentals of Management for Health Care, Fundamentals of Law as Applied to Health Care, Restructuring of Health Care, Accounting, Taxes, Fundamentals of Financial Management in Health Care. The

number of disciplines included in each module and the number of hours allocated for each of them is constantly being supplemented and refined. This is dictated by the development of economics and management, improving the organization of the educational process, as well as the educational interests of students.

To strengthen the organizational module in the preparation of the Center's students in 2013, an additional program was developed for 150 ECTS credits: Organization of health care and examination of the disability of the population. It includes the following main disciplines:

- a) Organization of health care in modern conditions,
- b) Forms and methods of treatment and prevention work on the basis of the Research Institute of Balneology and Physiotherapy of the TSMU,
- c) Licensing of medical activities and quality control of medical services,
- d) Organization of examination of the disability of the population,
- e) Organization and management of the state service of sanitary and epidemiological supervision,
- f) Psychology of business communication in the structure of medical management (training),
- g) Comprehensive economic analysis activities of a medical and preventive institution.

The content of the programs is based on modern theories of management and marketing, taking into account the specifics of healthcare as a basic branch of the social sphere. An obligatory element in the organization of the educational process is the use of active teaching methods (business games, case studies, presentations), holding round tables on urgently significant problems of medical management.

A round table for each set of listeners is an integral part of the educational process and a good tradition of the Center. Not only students are invited to it, but also all graduates of the Center. The following issues were discussed in the round table format:

- Organization of paid medical services;
- Legal aspects of the provision of paid medical services;
- Marketing and examination of medicines, medical equipment, and medical care items;
- Ethical aspects of public and private health care;
- Prospects for the activities of medical organizations of various forms of ownership in the compulsory health insurance system.

The Center for Medical Management hosted nine editions of the program “Economics, Organization, and Management of a Medical Institution”. It trained more than 130 people, including 40 heads of medical institutions of various levels, 15 candidates, and one doctor of medical sciences. Monitoring of the professional development of the Center's graduates confirms their active career advancement in the healthcare system. In the “Graduate Questionnaire” offered to them, they, in particular, note that the training provided new knowledge and the opportunity to get an interesting job, broadened their professional horizons and raised their self-esteem.

The Center pays serious attention to research work. Currently, the idea of creating a medical and economic cluster at TSMU is being actively considered. This is facilitated by the Strategic Partnership Agreements concluded on October 16, 2014, with the International

Association of Microsurgery, represented by its President V. Baitinger.

In September 2015, the International Scientific Conference, which was of an interdisciplinary nature, was held at the Tbilisi State Medical University, and the Center for Medical Management took an active part in its work in the format of a round table. It was devoted to the problem of assessing and motivating the work of medical workers.

Conclusion. Thus, medical management, which can be effectively trained at the Medical Management Center of the National Research Tomsk State University, is aimed at preserving and strengthening the health of citizens of Georgia.

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Evaluation of the Effectiveness and Efficiency of E-Services in Georgia

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Abstract

E-government is the use of information technology by government agencies that can transform relationships with citizens, businesses and other branches of government; in particular, it is the provision of information and public services to the people through information and communication technologies electronically.

There are several electronic services in Georgia today, the most important of which is electronic declaration (www.rs.ge), electronic procurement (www.procurement.gov.ge), electronic auction (www.eauction.ge), electronic notary (www.notary.ge) and information on entrepreneurial and non-entrepreneurial legal entities.

The goal of electronic services is to use state-of-the-art technologies to provide electronic services to various branches of government.

The work includes a brief overview of existing services, a description of their functions and recommendations for their improvement, developed on the basis of the evaluation and represents the good practice for future initiatives in this area.

Keywords: E-Governance, E-Services, E-Declaration, E-Procurement, E-Auction, E-Notary.

Introduction. In 2009, the Government of Georgia announced the introduction of e-government as one of the priorities. The goal of this was to reform the public administration, improve access to public services and increase transparency and accountability in public administration. Information technology was a way for successful implementation of this reform. Since then a wide range of projects have been implemented, and some projects are still ongoing. In 2010-2012, a new step was taken in the relationship between the government and the private sector through information communication technologies. In 2010 a new agency – Data Exchange Agency was created under the Ministry of Justice. The agency is responsible for supporting the further development of electronic services in the country. It promotes the development of e-governance, the creation and implementation of the Georgian government network and its monitoring. Currently, the agency is in the process of developing data exchange infrastructure and enhancing information security. In the same year, a financial-analytical service was created under the Ministry of Finance, which is responsible for supporting the information technology of governmental organizations. In 2012, a new Service – Public Service Development Agency was established under the Ministry of Justice, the functions of it include the development of public services. One of the goals of the agency within the mandate of public service development is the introduction of electronic services in local self-governments. Although the two aforementioned agencies under the Ministry of Justice

are responsible for developing electronic services in Georgia, they are not the owners of all e-government services. The Ministry of Justice of Georgia, together with the Prime Minister's Office and other agencies, is the leading electronic service development agency. The original idea was that all government services should be managed by a data exchange agency, but that idea was not implemented. At present, the agency is responsible for Citizens' Portal – www.my.gov.ge – a portal for publicly requesting public information that enables citizens to request information from public agencies online, outside the office or at home. All other electronic services are owned, managed, and maintained by the relevant IT departments of the relevant ministries.

Georgia has advanced 44 places since 2010, and according to the United Nations 2014 E-Government Survey, it took the 56th place out of 193 countries by the e-Governance Development Index. Compared to the same survey in 2012, Georgia has improved its condition by 16 points and it should be noted that Georgia is one of the few middle-income countries that takes the leading position in the e-Government Development Index. In addition, Georgia is among the top 50 countries in terms of e-engagement rate. Given that less than half of the population has access to the Internet, this data is impressive. Georgia takes 66th place in the 2014 Electronic Engagement Index (compared to 143rd place in 2008). Although Georgia does not have a special open government data portal, more than 66.6% of government information is published in the country. Georgia is also one of the few middle-income countries, achieving the highest per capita GDP in the e-Governance Development Index by gross national income. This is the indicator of achieving the greatest results with the smallest investments.

The implemented projects include: Property Registration (electronic extracts); Business Register; Civil Registry; Electronic ID; Electronic Tax Filing System; E-Treasury; National Exams; E-Procurement; Electronic Auction; Electronic Notary etc. New initiatives include the following: registration of the registries, electronic voting, electronic health, e-business, electronic security, electronic engagement etc.

The purpose of the evaluation is to study the effectiveness and efficiency of the 5 electronic services implemented in Georgia, i.e. to make an interim evaluation of the electronic services and to evaluate the process of their implementation to date. Consequently, the results will be used to monitor the implementation of the service, as well as to provide feedback on successful cases and improvement components.

Main part

The following electronic service platforms were selected:

Government and Business – Electronic Declaration – (www.rs.ge) – submission of tax declaration by business.

Authorized users can submit tax returns, tax reports, statements and complaints electronically to the tax office; issue and approve tax invoices, special fuel tax invoices, transportation bills; perform money transfer; receive notifications, protocols and orders from the tax office; in case of import of medicines and parcels – mailing list, submit the list of goods. Authorized users can fill out and submit custom declarations. With this service, the taxpayer can transfer money to cover unpaid taxes. These services can be completed electronically if the entrepreneur has any difficulty in filling out the form and can contact the tax authority and tax agent for assistance in this matter.

Government and Business – Unified Procurement System – (electronic procurement www.tenders.procurement.gov.ge) – electronic participation in various government tenders.

Electronic procurement involves the electronic conduct of government tenders, which include electronic commerce. Online procurement includes activities such as online advertising of goods and services, registration of suppliers, issuance and receipt of tender

documents, as well as automatic evaluation of tenders. It has a Questions and Answers module where suppliers can ask questions and comment on a relevant tender that the Procuring Entity should respond to. These responses are considered to be the official position and explanation of the agency and could be used in a potential dispute. E-procurement is the means by which the supplier offers the open-ended contract price online.

An electronic plan is called compiling and registering government procurement plans in the form of a web application. The e-plan is available for registered users and therefore the supplier sees and evaluates what can be purchased, when and at what cost. The website also includes a blacklist listing all dishonest bidders and one year of being banned from bidding. Tenders may only be submitted online. Since December 1, 2010, the Georgian government has been obliged to trade electronically with suppliers, and companies that wish to trade with the government must have electronic procurement capabilities. These rules do not apply to so-called secret procurements (such as the purchase of military equipment and other goods and services related to the national security of the country).

Government, Business and Citizens issuance Online Auction – (www.eauction.ge) – Electronic auction of public and private property (both real estate and movable property) for sale.

The service was created by the Ministry of Finance in 2010 for online sale of state-owned property. Individuals can also sell property through this website. State agencies are obliged to sell their property only using the electronic auction service.

Service „Information on Entrepreneurial and Non-Entrepreneurial Legal Entities“ provides for the release of detailed, non-confidential information on legal entities upon request. Service users are mainly financial institutions interested in information about property owned by law enterprises.

For Businesses and Citizens – Online notary service – <https://visit-notary.reestri.gov.ge>.

Georgia is the only country in the world that has notary online services. An individual can apply online, via Skype, sign a power of attorney, contract or obtain other notary services.

In 2010, the Tax Department of Georgia created an electronic portal for taxpayers. The portal provided the registered payer with access to information on tax matters. At the same time, with the support of the USAID Business Climate Reform Project, an electronic declaration was planned. According to „Business Climate Reform“ research, the introduction of electronic declarations saves about \$ 8.5 million a year and 70% of the time compared to non-electronic declarations. The taxpayer fills out the registration form on the Revenue Service website for registration. After submitting the form, the tax office activates the customer by sending him/her a letter of welcome and an explanation of tax liabilities in accordance with the legal form of the customer.

Generally today, the Revenue Service offers taxpayers up to 20 different electronic services and simplifies the reporting requirements for tax and customs services. Electronic tax return service enables taxpayers to submit electronically any tax declaration or report (monthly, quarterly and annually) – 34 forms in total. The declaration forms are classified according to taxpayer categories (VAT payer, small/micro payer), legal forms of business, tax periods, filing deadlines. After submission of the declaration, each declarant is assigned a unique number and information on successful submission of the declaration is notified by phone or e-mail, which he/she indicates at the time of registration.

A number of problems have made it necessary to reform the tax filing process and specifically to move to e-service. The main problem was bureaucratic barriers that made

the process extremely prolonged and uncomfortable. This process also required a lot of human resources, resulting in high government spending and inefficient use of resources. The whole process has suffered from a severe lack of modern standards and transparency. The purpose of the reform was therefore to save time/cost for both business and government, improve transparency and provide users with a new platform. Whether these general goals have been achieved, can be easily seen in indicators such as the number of service users (which should be increased if successful), access to public information (transparency measure), time spent on getting the service (which should be dramatically reduced if the reform succeeds) and the number of Revenue Service staff (which should also be reduced as an indication of more efficient use of resources). As a result of the reforms, the agency had to adopt a more flexible, transparent, efficient and protected tax filing system with reduced bureaucracy that would reduce the time and expense of filing taxes.. This was reflected in lower and above average costs per user for both the customer and the government. The best way to determine whether or not the above tasks have been accomplished is to survey customers and request relevant information from service providers. In order to achieve the above goals, the reform must address the following issues:

- Develop the necessary software;
- Prepare and adopt relevant legislative changes;
- Conduct large-scale marketing campaigns on the service and provide relevant training to service users.

Prior to the introduction of electronic services, taxpayers could only submit declarations and other documents to the regional tax offices at the place of registration, for which they had to stand in a long queues and waste time. Unfortunately, we were not able to quantify the cost savings; however, in percentage terms, reducing the time from 3 days to 30 minutes gives us an almost 50-fold reduction in working time, taking into account the 8-hour day, and in the business sector, considering the average monthly salary of GEL 980 (Geostat), the average savings per person is GEL 40-50. This may not seem like a big figure, but given that the average number of declarations submitted each month for the last two years is 180,000, total savings are roughly 85 million lari. According to the 2013 Doing Business Index, which covers taxes paid in 2011, the number of hours spent on repayments has decreased from 387 hours to 280 hours (a 27% decrease). According to our survey, 45% of consumers had to go to the tax office three or more times before implementing these services. 55% of respondents needed about one day and 26% needed more than one day to file a declaration. After the introduction of electronic services, more than half of respondents said it took less than 30 minutes to send a declaration. Online survey results show that 83% of consumers use this service for income tax purposes, 61% for income tax, and 55% for VAT. A large proportion of respondents noted that the electronic declaration is a huge step forward in the development of public services. Specifically, 85% think that this service has significantly simplified service delivery; 54% also believe that service costs have dropped significantly. According to 53% of respondents, the quality of service has improved, while 78% think that the pace of procedures has accelerated significantly.

It should also be noted that the majority of respondents agree that further improvement of services is needed; some of them noted that there were some problems with the speed of service delivery, in particular as the system approached the deadline for submission of declarations, it was slower than in other periods. Also, different declaration forms have different options, leading to uncertainty. Some respondents complained that the service was often disconnected. Some respondents also have some recommendations for simplifying the system and targeting the website. Some people think that the Auxiliary

manual that describes the use of the service needs improvement, others are eager to have an online consultation application. Currently video-guides are available on the website only in the official language (Georgian), but service providers are working on introducing an electronic declaration interface as well as English-language guides. The connection problem can be attributed to both the client and server. However, taking into account, that the service is relatively new, the system does not need to undergo any major changes, though measures should be taken to avoid server-side connectivity. Particular attention should be paid to sending problems during the deadline for declaration submission, as most users seem to be using the server at this time.

Conclusion. The study of the functionality of electronic services has identified recommendations for their improvement:

- Quantify the costs and benefits of introducing an electronic service through a survey (customer side) and internal audit (supplier side).
- Providing continuous and fast connections with customers (at least from the supplier side).
- Maximize standardization of various tax filing forms to minimize the time required to complete it, and people who completed one form had no problems filling the other; declarations should, as far as possible, be supplemented by information already existing in government data; all types of declarations should be filled in the same version of the website.
- The website should include an easily accessible and constantly updated guide. The link to the manual should be clearly visible on the user page. The manual should be at least bilingual, though other languages may be added.
- There should be an opportunity for online consultation on the website.
- Website/e-services should be updated regularly and should be user-friendly.

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Some Management Issues for Large Companies

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Abstract

Managing large companies (corporations) involves many issues. Structural relationships within the corporation are the constant focus of researchers and executives. In order to be effective in achieving the company's goals, it is necessary to build a structure of operations, subdivisions and functional units.

The main requirements that will be imposed on the management structure of the corporation are the following: Optimality, flexibility, adaptability, durability, reliability. When choosing a type of structure (mechanical, organic, innovative), the corporation should try to meet these requirements.

The effectiveness of the organization's activities is affected by:

1. The real relationship between people and their work, which is reflected in the schemes and responsibilities of organizational structures;
2. Leadership policies and methods that influence staff behavior;
3. Powers and functions of the employees of the organization at different levels of management.

Keywords: Corporation, management structure, authority, responsibility, hierarchy.

Introduction. In recent years, there has been a growing tendency in the corporate world to move from an authoritarian, multi-layered hierarchical structure to a more horizontal-decentralized, decentralized structure. This process meets three important time requirements:

1. In parallel with the entry into the Internet age, traditional hierarchical structures, organized on the principle of industrial specialization, must be radically changed to be able to realize the potential of new technologies and new opportunities in the external market.
2. Decision-making powers should be delegated to the lower levels. This is a guarantee of making an adequate, competent and reasoned decision. In practice, this means equipping employees who are closest to the scene, have the information, and can take all factors into account.
3. Ordinary employees should have the right to act according to their own views within the position-setting.empowering employees to make decisions and taking responsibility for their consequences allows the company to use its own intellectual capital effectively, which is unattainable under centralized management.

Main Text. One of the trends in the organizational transformation of companies in a

transition economy is the substantial increase in the independence of individual rings of governing structures and the formation of a network of subsidiaries based on this, which have the ability to transform rapidly according to changing needs. Due to this, the goods producing enterprises are getting closer to the consumer sectors, which leads to an acceleration of product sales. This, on the one hand, creates independent economic entities that are customer-oriented, and, on the other hand, preserves the integrity of the corporation's production and technological complex, the general direction and profile of its activities.

A project management structure is a temporary organization designed to solve a specific complex task (project creation and implementation). Qualified employees of different professions gather in one team to carry out the defined project. After the completion of the project and the completion of all related tasks, the team members return to their subdivisions for permanent work or start another project. The project manager is responsible for all team members and all resources allocated for the given purpose.

The project manager should be able to organize the coordinated work of different types of specialists, as in this case they have difficulty adapting to new working relationships in a dynamic project team environment. Problems often arise with both the coordination of project work and their personal contribution to the overall work of the group. With the formation of project groups in the organization, the authority and responsibilities are transferred. Sometimes there is a situation where the project manager is responsible for the important direction of the organization, while the functional manager retains responsibility only for the functioning of the service staff. Increasing pressure on revenue activities of a sapphire group whose members previously could only be subordinates in functional subdivisions.

The power of specialists in the corporation during project management is determined more by competence than by official status. This is often the reason for their transition to project groups. In addition, responsibility for specific outcomes, especially in the pilot-design phase of project development, requires limiting the independence of the project team. Various studies show that a high degree of independence of specialists is not always associated with high productivity. Different specialists need different degrees of independence to work effectively. However, it is clear that a large number of specialists and project team participants are under some influence from project managers. They not only relate to their top executives on important tasks for the organization, but also work closely with them. Under such conditions, the specialists left in the functional subdivision partially lose their independence. Under such conditions, the specialists left in the functional subdivision partially lose their independence.

The introduction of project management leads to a change of control in the organization. The functional supervisor assumes responsibility for the task set by the project manager. As a result, multiple controls are performed, because the functional supervisor receives assignments from a person at his or her own hierarchical level of government, the same person evaluates them and the work they do. At the same time, the Chief Executive Officer is responsible for linear governance over the entire operation of the subdivision. In project management, the main focus is on control over the performance of specific tasks. The work can be done collegially, but it is associated with some difficulties. The project manager has certain advantages when allocating resources to the corporation. This is especially true of

staff use. Given the importance of the project, he tries to attract the best specialists in the project team. This increases his responsibility, while the responsibility of the functional manager decreases due to the transfer of his specialists to the project design team.

It is true that the staff of the functional subdivision transferred to the project group continues to be under the administrative subordination of the head of this subdivision, But in reality their work is only in the interests of the project manager. For this reason, these specialists may face some difficulties in returning to their unit after the completion of the project.

The distribution of powers between project managers and functional managers in a corporation is quite a difficult problem. Where the project manager takes all the power to solve problems related to the implementation of the project, the functional department remains a passive auxiliary body. In such a case, the functional unit will constantly hinder the success of the project and the whole decision-making process will be difficult. The second extreme is that the project manager may have the power to delegate the role of project team coordinator. Using this power it puts pressure on the functional section.

Recently, the **network structure** has become widespread in corporations. The central link in it is the central link, which manages to connect with the other divisions of the company through electronic connections. Therefore, a corporation with a network structure performs only the functions that it succeeds in most, while delegating other functions to others.

Network structure modifications are **virtual and modular structures**. Companies built in this way are also called “companies without borders”. They receive and transmit information electronically, and in this way, virtually process people and firms whose physical presence is not absolutely necessary. Even newer are **corporations, intellectual corporations, and research corporations**.

The main structural features of a **circular corporation** are that a board is formed around each leader. For example, Marketing Board, Finance Board, etc. Any council has the right to invite a representative from outside to do its job. Inviting additional members to the board improves the corporation’s relationship with shareholders. The councils on which the subordinates form the largest subgroups work more effectively.

An intellectual corporation is formed from a large number of small interoperable enterprises. It is believed that the right to make important decisions in an intellectual corporation, such as “what to do” and “who will do the work” in the initial period will be maintained by the traditional hierarchical structure, But then, gradually, these rights will be transferred to smaller, flexible self-governing working groups that will be transformed into information training laboratories. They acquire this status through the provision of financial and other information passed to them from the corporate leadership.

In an intellectual corporation, each employee uses personal intelligence to determine which problem to solve and how to get the job done. In an intellectual corporation, each employee uses personal intelligence to determine which problem to solve and how to get the job done. (timetable 1)

Conditions for building an intellectual organization

Peculiarity of choice	Common responsibility
1. Access to information	1. Equality and diversity
2. Freedom of Entrepreneurship	2. Voluntary teaching system
3. Liberalization of the working group	3. Democratic self-government
Limited corporate governance	

As can be seen from the timetable, the role of central management in an intellectual corporation is limited. He has neither the right to lead nor control the executive units. He should only create conditions that will allow employees to form an effective team.

It has been established that one of the four commonalities held by corporate companies in the long run is open learning. [4] Training in such corporations is carried out in 5 directions:

1. Systematic thinking;
2. Personal mastery;
3. Creating a mental model;
4. Creating a common vision;
5. Group teaching.

Recently, second-generation teaching aids have come to the fore in a number of corporations. These include “Dialogue”, “Scenario Planning”, “Learning in Action”, “Making Maps”, “Merlin Exercise” and others.

Conclusion

According to the above mentioned, the following conclusion can be drawn: there does not exist any such structure of corporation management that is universal and fits it in all situations. Great knowledge, experience, intuition and providing insight into the situation are necessary when selecting a management structure. Besides, a structure will not be static, this means unchanged, it must be changed or modified according to the change in situation. It is evident that the same management structure will not be fit for a transnational corporation which functions in many countries of the world through the network of its affiliates and subsidiaries, and for a corporation working within the boundaries of one country.

However, which organizational structures must be the ones of the future?

Since the beginning of the 1990’s, managers of corporations have been turned aware of the fact that an administrative-imperious (authoritarian) hierarchy is not acceptable any more. In a multilevel hierarchy corporation personnel are not able to help customers and adjust themselves to the changed environment.

In such conditions a horizontal structure, quick reaction and creative approach become necessary for the corporation. Managers and personnel which will have the proper authorization for reorganization of business processes, formation of self-governing work groups, introduction of Internet technologies and creation of an infrastructure of electric commerce are necessary for creating an effective organization.

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Supply Chain Securities

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Abstract. The pandemic forces companies to make their strategic and tactic management more flexible and adapted to the external environment. It has become a necessity to make changes to trade, finance and supply chains.

The pandemic has further highlighted the importance of the use of information and smart technologies in supply chains, which is a key factor in the development of countries' economic and financial systems.

According to a recent analysis, the financial incomes received from supply chains are greater than those received from trade. The reason for this is that an effective management of the supply chain is directly connected to customers' demands. Therefore, all resources and technological processes are directed to consumers and are aimed to meet their demand. The fundamental provision of this effectiveness is the digitalization of processes and immediate and simple communication with consumers via the internet.

Keywords: supply chain, stock, securities market, securities suppliers, central depository.

Introduction. A direct and close link between suppliers and consumers helps to make their interest sphere closer and to reach an optimal agreement. According to observations, the growth rate of the financial market of the supply chain precedes the financial growth of the traditional trade market. The income received from financing a supply chain exceeds the trade and financial incomes by more than half.

The securities market brings significant positive results to companies and physical entities as wells. The capital market is also growing. It is not dependent only on direct investments or bank credits. Selling a company's share as smaller stock gives them an opportunity to attract additional capital. Physical entities and the population in general have an incentive to buy stock to save money. The securities market allows one with even a smaller budget to become an investor.

Operation with securities is carried out through several stages. There are the main types of all operations at the stock exchange: making a deal, listing, meeting the parameters of the deal, clearing, fulfilling a deal, i. e. payments and handing over of securities.

According to a deal outcome, there are two ways of delivering securities: Handing the certificates of securities from the previous owner to the new owner or transaction of amounts by the new owner of securities to the previous owner's account at a special institution, which is known as a depository. Deposit-clearing institutions combine the role of a depository in

different countries.

According to the conditions of circulation the securities market is divided into the following: The primary market - where securities are primarily placed between an issuer company and an investment bank; the secondary market - where securities of old and new issues are traded. "One of the main functions of the secondary market is to determine a real market price (market value) of separate securities. It reflects all the possible information about a financial state of an issuer and the conditions of the issue". In addition, a number of parties to a deal are limited in the primary market. Here, an issuer company is in a role of a deliverer, while an investment bank is a buyer. The number of parties (those who deliver and buy securities) to a deal is greater at the secondary market. The main parties of the secondary market are as follows: commercial banks, private insurance companies, firms and corporations, private pension funds, mutual unit trusts, investments companies and other subjects. According to the rules of an organized stock exchange, securities must undergo a special procedure called listing. Average size corporations whose securities are not quoted at the stock exchange often address to stock exchange brokers and dealers to include the securities issued by them into the trade.

The development of stock activities on the international level, the emergence of new types of securities and their variety, the growing number of parties at the secondary stock markets and the development of digital technologies made the necessity of a central depository an agenda. Nowadays, a depository is a structural unit of the stock exchange. It is authorized to carry out clearing of securities and make payments by the order of the beneficiary owner or a nominal owner as well as to carry out services defined by the specialized depository or the rules of the commission. The complexity of the technological chains of the account infrastructure of the securities in circulation and the emergence of a central depository brought important changes and difficulties into relationships with various accounting institutions. Besides the functions mentioned above, a stock exchange central depository combined in itself the following functions: participation in a shareholder meetings, paying dividends on actions, taxation of the dividends paid by an issuer, carrying out corporate and other activities.

The main organizations of the stock exchange that "strengthen" a stock exchange infrastructure are clearing institutions and depositories. The clearing-payment-depository infrastructure of the EU was differentiated until recently. The integration of this infrastructure was highly influenced by the united action of the EU countries, the rapid development of technologies as well as an increased level of competition and availability of financial services. "Nowadays, the location of infrastructure plays a less important role because a remote availability has emerged. As a result, investors face fewer obstacles during investment processes and now they have more opportunities".

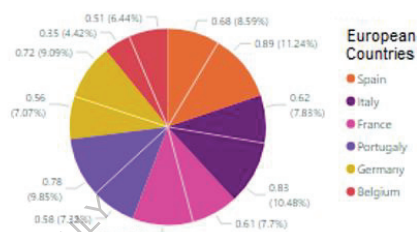
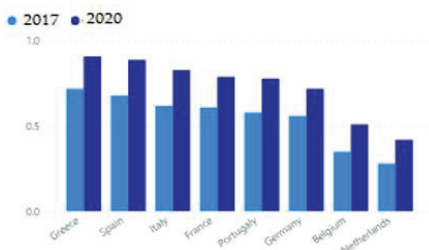
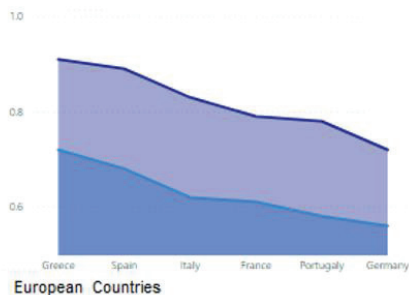
At the current stage of stock market development, as a result of the development of logistics and modern commerce, there are significant changes in the supply chain in the aspect of managing the stocks and warehouse processes. The stock exchange deals will be more based on a supply chain that consists of supplier and consumer groups instead of multilateral relationships.

The more there is a tendency to saving the more investments there are, and the growth rate of an economy is increasing. The Stock exchange makes it easier to attract foreign capital

via portfolio investments. Besides, the events at the stock market, which are reflected in the stock exchange index, reflect the tendencies of a country's economy – the culmination of success as well as a significant fall. A currency exchange rate and stock market indexes are the first to signalize essential changes in the economy. The stock market exchange reflects the level of the overall value of many companies' capital. Therefore, the decrease of the index means that companies' capital is also decreased.

Recently, the integration between financial and non-financial factors affecting decisions has increased significantly. The digital supply chain is the basis for these changes as the various parties involved in the securities chain are interested in expanding their scope and are exploring new sources of revenue. For example, Ariba is a software provider company, which provides support for the communication with suppliers. It signed an agreement with Prime Revenue. Ariba is planning to suggest financial services in the aspect of integrated platforms. One of the platforms for relationships with suppliers is TradeShift. HSBC, Citi and Santander cooperated with TradeShift. Which allows it to offer comprehensive financial support and make finance decisions through mobile apps. Amazon and Alibaba launched their international trade together. This gives the companies the opportunity to interconnect search systems where suppliers, purchases, supply and financing are integrated into one base. This tendency points out the new stage of cooperation between big companies. It gives organizations great opportunities and wide range of development. Such a type of cooperation enables companies to produce consumer-oriented goods and solutions. In turn, this will facilitate the fast development and growth of companies. Such integrations will remove the barriers and obstacles that cause additional financial expenses.

We carried out researches in several European countries. Then, when we compared the indicators of 2017 and 2020 it turned out that the indicator of securities usage grew from 30% to 40%. The charts below show the analysis results with a different range, according to geographic locations:



Despite the increased demand rate banks enjoy not only opportunities, but they also face some threats, too. This is because non-bank organizations (innovative IT companies, service deliverers, purchasing companies and electronic commerce) are interested in increasing their market share.

Several so-called stages of success can be designated for successful activities of companies:

- Access to the latest data sources, including transactions and additional data. Often such data can be found in large banking segments in various countries. Access to the information about purchase and service taxes, making electronic invoices from providers and various platforms, and electronic commerce. Partnership in this area allows companies to receive a large amount of information, which puts you in an advantageous position.
- Modern analytical technologies, including artificial intelligence technologies and machine learning that is very efficiently used in data management and predictive analytics. The main challenge for many banks will be to integrate data from a variety of sources and identify new scenarios. Analytical approaches and use of forecast will be a great help for them.
- Market Entry In the shortest possible time. There must be a plan that based on the objective data shall ensure delivery of the product to a market and overcome the demand and risk management challenges. In order to effectively sell new products, the banking sector must be involved in the promotion and sale.
- Communication with customers, simplification of purchase processes, supply and financing. This requires an effective exchange of data between parties of a deal. This

needs to be done to overcome hindering processes. It is necessary to update intuitive (and often, integrated) customer interface to meet the current conditions. It is also often necessary to develop decision making support systems, which will be tailored to the specific requirements of the industry and the ecosystem.

Conclusion. In order to ensure the effectiveness of supply chain securities it is necessary to harmonize the financial interests of a buyer and supplier. Based on our research and the example discussed, we can conclude the buyer is interested in making the payments as late as possible, while the supplier is interested in having the amount reflected in his account as early as possible. The purpose of a supply chain is to satisfy the opposite interests and offer a range of solutions to risk prevention and financing solutions that are related to working capital optimization and liquidity in both local and international supply chains.

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Modern Values of Service Management and Boundaries of the Subject Area

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Abstract

In the article the authors discuss the concept of „Service-Management“ which is becoming more and more commonly used term. According to the authors, the service - the management of a variety of disciplines to contribute. For example, service competition; long-term relationship marketing; dialogic (interactive) and internal marketing; partially employed by the seller and the Concept of service quality perception model; powers and the firm's key to talk to people; operations carried out by the customer and the external environment, an approach aimed at both the front and rear of the line of work concept; operations management and service guarantees; orientation to a market economy and to encourage analysis of client base - it's all just some of the notable mdgenelia. The authors believe that a truly interdisciplinary studies are still rare. We must hope that future research will broaden and deepen the perspective of service industries.

Keywords: Service-management, modern concepts, subject boundaries.

The concept of “service management” entered scientific and practical use in Sweden and England in the early 80s. Since then, it has gradually become a generic term that reflects the general point of view of disciplines such as marketing, organization theory, human resource management, and operations management.

Service management as a perspective has emerged within at least 5 different disciplines, namely marketing, operational management, organization theory, human resource management, and service quality management. Finally, the sixth part of the educational process can be considered the activities of career managers and consultants, whose approach was initially greatly influenced by well-known service companies, especially SAS (Scandinavian Airlines System), the hotel and travel company Club Med, professional services (Andersen Consulting), Experience in logistics management (Federal Express), retailers (Wal-Mart) and others. To these areas are also added individual writers of other disciplines (for example, the theory of the firm).

However, it should be noted that researchers interested in services often did not even try to change the old models and concepts of management. This is especially true of the so-called “Scandinavian school” that emerged in the mid-1970s when marketing was seen as an

area inseparable from general management. Instead, a completely new approach to the problem of managing various aspects of service organizations was taken and this was the beginning of what Richard Norman would later call “service management.”

We discuss the essence of service management, which includes:

1. Usefulness (value) that customers receive when using the organization's independent services or in combination with real physical goods;
2. The process by which an organization (people, technology and physical resources, systems and customers) can produce and provide utility or quality;
3. The process by which an organization should be developed and managed in such a way as to achieve the desired utility or quality;
4. The organizational function by which this utility or quality is achieved, as well as the goals and interests of the parties involved (organizations, customers, other stakeholders).

Karl Albrecht offers a shorter explanation. He believes that some of the above definition is outdated, but it clearly shows closeness to some of the key aspects of service management in the proposed definition: “Service management is a total organizational approach that makes customer experience perceived quality of service and is the main driving force behind business operations.”

The content of the above explanations shows the basic idea and importance of service management. The 5 key aspects of the service management concept can be summarized from the following points of view:

1. In terms of overall management, which should cover all areas of decision making and not be limited to providing management principles for a specific function such as customer service;
2. From the point of view of client management or the stock market (not only from the point of view of the criteria of internal efficiency);
3. From a full point of view, emphasizing the importance of internal organizational and cross-functional cooperation;
4. From the point of view of quality management as an integral part of service management, and not a separate problem;
5. In terms of supporting existing internal staff development commitments, goals, and strategies.

Hence, from a methodological point of view, the study of service management should be associated with the search for a typical service enterprise with a typical, stable, repetitive internal organizational environment. This follows from the following principles:

- a) The repeatability of the environmental parameters of the tasks of service enterprises;
- b) Management decisions and strategies.

Discussion of general problems of service management, in our opinion, requires the connection of its conceptual vision with the mechanism and parameters of practical implementation, primarily through the development of design processes for service systems, procedures, strategies, and business plans. In this respect, the integration of actions between the management functions of the service enterprise (marketing, operations, and human resource management) is at the heart of the service management problem.

Service firms were the first to discover the problems caused by the old governance structure. Initially, marketers were interested in studying specific problems of the service.

The development of new models, concepts, and tools based on the characteristics of services, their production, and delivery began in the 1970s. These issues have been the subject of doctoral dissertations and articles in the past, offering a description of the nature of the service and identifying problems in service marketing. The work of Wilson (1972) and Ratmel (1974) on professional services and the service sector pioneered the study of marketing problems in such firms.

Other areas of research on the nature and nature of customer relationships (operations, service provision, delivery processes) have been discussed separately by management researchers. Service quality has been proven to be created and perceived differently from traditional manufacturing models. However, researchers interested in services often did not even try to change old management models and concepts in order to benefit from their services. Especially for the Scandinavian school, which dates back to the 1970s, when marketing as an area was not yet separated from general management. Instead, a completely new approach was taken to the problem of managing various aspects of service organizations, which Richard Norman (1982-1984) later called "service management."

The long-term perspective typical of service management has a significant impact on marketing. This is clearly considered to be in line with current business trends (Kotler, 1992). Partnerships and networks, as well as strategic alliances formed in international business in many areas, are becoming increasingly important in domestic markets - this is the conclusion of Frederick Webster in his analysis of current business trends.

A uniform approach to service management has had several implications. In marketing, he clearly showed the need to promote the concept of a seller. Hamson introduced the concept of "part-time salespeople", which was a great achievement for all of the firm's non-marketing staff, who usually have no business knowledge, but care about customer contact and thus influence customer behavior. Thus, it was concluded that every worker is a seller in a given situation (Grenroes, 1982; and Hamson, 1990; see also Webster, 1998).

Output. The term "service management" is becoming more common, referring to an overall perspective. But the point of view itself arose much earlier than the term, entering the conceptual apparatus of such disciplines as marketing, organization theory, human resource management, and operations management.

Various disciplines have made specific contributions to service management. For example, service competition; long-term relationship marketing; internal marketing; Freelance provider concept and service quality perception model; service management system; the difference between high-contact and low-contact personnel; authority and attitude to people as to the main resource of the company; a customer-centric approach to operations and an outward-looking environment as a concept for support and support services; operational management and service guarantees; market economy orientation and customer base analysis are just some of the considerations. However, truly interdisciplinary research is still rare. We must hope that in the future such research work will further broaden and deepen the service prospects.

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Theoretical-methodological Guidelines for the Formation of Adaptive Management Models

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Abstract. The authors have dedicated an article to an adaptive business model that shapes the overall spirit of an organization, as evidenced by the current experience of the pandemic. The authors believe that in our time, the developed and formed individual model cannot reflect the character and behavior of each employee in connection with changes: the reactions of employees are either sharp and prolonged or fast and stable, overcoming each stage and adapting to change.

The authors believe that in these models, key management actions and behaviors to support employees on the path to change should include clear and regular communication, patience, empathy, positive leadership, and leadership.

Keywords: Management models, Formation of Management models.

Introduction. Recent developments have shown that all areas of management (quality of services, pricing mechanism, innovation, technological development, situational flexibility, etc.) require in-depth changes. If it was previously believed that these changes could be achieved through value-based competition, global challenges have highlighted the urgent need for complex adaptive-management reform in all systems.

Building adaptive business process models, integrating and managing the organization, is aimed at adapting rapidly to changes in product requirements, production technology, market competitors and, consequently, improving the quality of customer service by minimizing.

Adaptive management means not only responding legitimately to the devastating effects of the environment, but also recognizing and exploiting emerging market opportunities; For many small and medium-sized businesses, especially in the healthcare sector - changing the agenda, the nature and quality of competition.

Effective adaptive management means managing change right now - on the one hand, in the footsteps of opportunity, until the momentum of innovation is lost, and, on the other hand, until the devastating impact becomes unmanageable and irreversible. "Change" is perceived as a gradual shift from a static, stable environment to an unfavorable, profitable

business, when environmental factors no longer threaten the pre-defined time and cost frames of business activity.

Research Methodology. To date, there are many approaches to the study and research of adaptive management models, but none of them are universal, due to the complexity of the category to be studied, multidimensionality, and low predictability. From the existing approaches to the study of this issue, we have used Situational approach, which involves determining the suitability of different management methods for a particular situation and selecting the most effective one from them.

By researching the characteristics of adaptive management and comparative analysis of existing models, the ways of identifying, forming and developing the adaptive potential of the organization are generalized (mainly the characteristics of the interaction between leadership-leadership style and human resources, organizational structure are analyzed).

In addition to the above, a system-situational approach and procedural approaches are used in the research and analysis of adaptive management models.

Discussion. The adaptive business model, as evidenced by current pandemic experience, builds the overall spirit of the organization that fully meets the needs and requirements of the desired market - in some cases, helps to shape those needs and requirements, as well as to deal with employee change and support.

In modern times, the individual model under development and formation fails to reflect the nature and behavior of each employee in dealing with change: employee reactions are either sharp and prolonged, or rapid and resilient, overcoming each stage and adapting to change.

In these models, key actions and behaviors of managers, aimed at supporting employees on the path to change, should include clear and regular communication, patience, empathy, positive leadership, and leadership.

When designing an adaptive management model, the use of a four-phase change model (transitional matrix) based on the Kubler-Ross model allows employees to better understand the process of individual change and to implement adequate adaptive management actions. The proposed model describes a possible four-step staff response process:

- Denial,
- Resistance,
- Reconnaissance

Kubler-Ross Model - Model proposed by psychologist Elisabeth Kubler-Ross in 1969 is dedicated to the five stages of "unfavorable prognosis" - the patient's acceptance of a deadly disease - emotional-psychological adjustment - People who are faced with changes that threaten their global, sustainable existence go through five stages of adaptation to change, their inevitable acceptance (rejection, anger, trade, depression, acceptance).

For "denial" phase - It is typical for employees to reject change (passivity, fear, ignorance), Without any (positive or negative) participation in the change. The fact that employees are different and each of them needs some time to understand what is happening should be taken into account. At this stage, employees should be thoroughly informed about the changes, discussed with them, what these changes serve and what they should expect from it.

Phase of "resistance" Manifested by sharp, mostly negative expressions and comments from the staff, which often irritate the management, however, they, in turn, must realize that resistance is a manifestation of feedback, which, if properly managed, can lead to positive results.

"Reconnaissance" phase -At this time the emotionality of the employees acquires a positive tinge: the employees are looking for opportunities, integrating and adapting to the changes to be made. This is when new useful ideas are formed. The governance link at this stage should focus on adaptive-management short-term goals and priorities — develop and plan staff development programs and trainings.

"Obligation" phase -This phase begins after the achievement and implementation of short-term goals and is focused on the main goals of adaptive change: Develop a new behavioral model of the whole team in the new condition - introduce and motivate employees to strive for innovation.

Employees at the stage of "rejection" or "resistance" naturally complicate the process of change in the organization; However, moving to the third stage themselves helps managers overcome difficulties by offering new ideas and suggestions that are like access from the top of a mountain - the team's rapid acceleration moves to the stage of "commitment" to work, innovation and change.

John Cotter, the ideological leader in business and change management, developed an 8-step model of ongoing transformations in an organization that ensured the organization's resilience and development during change.

His research has revealed the regularity that initiating change in an organization often fails to ensure its success or long-term maintenance. (In fact, Cotter's studies have shown that the probability of success as a result of the changes did not exceed 30 percent.)

Cotter developed the "8 Steps to Change" model, which formed the basis for the changes to be made in business organizations and the legitimate adaptation of all employees to these changes.

Cotter's eight-step change model was designed to ensure the sustainability of the changes to be made in the organization, and as further experience has shown, each step is equally important in achieving this goal.

The leaders of the organization - responsible for initiating, implementing and managing change - must fully understand the essence and significance of each step in order to be able to implement it properly.

The first step involves withdrawal of all levels of employees from the comfort zone - everyone should realize the need for change and see how necessary it is. This stage will be followed by unconditional support for the inspirational vision of the employees of the organization. In order for a leader to be successful, he or she must be open to dialogue with employees, clearly outlining existing problems, processes and actions, as well as the reasons why the organization needs change. Followers can participate in developing a program of change and adaptation and possible solutions, as well as discussing potential threats.

The second step is to form a coalition of leaders. Since the initiative for change is a project, it requires the formation of a project team. The supervisor should try to create a group of volunteers who are fully aware of the need for change and the goals of the project.

Step 3 involves developing an inspirational vision. Coalition of Leaders and Project

Management should coordinate to create an inspirational vision for change in the organization. As a result of forming a clear vision, everyone in the organization will be able to realize what the specific goal of the project is in a timely manner.

Step 4 involves sharing a new vision with the general public.

The main goal of the project is to encourage collaboration and support the vision. Therefore, it is of the utmost importance to select ways of providing information to the general public. Managers should use every opportunity to discuss changes with their customers and employees as widely as possible in an engagement and synchronization mode, to assess all initiated risks and problems, and to take them into account when planning.

Step 5 involves the involvement of more stakeholders in the implementation of the innovative adaptive vision. Since the employees of the initiated organization will be the first to implement the changes, they will be the first to acquire the appropriate knowledge, resources and courage. Good leaders will enable their followers to become the best, be it learning, teaching, leadership or any other activity. At this stage, it is desirable to identify those who resist change, to promote openness on their part, to discover the cause and basis of this resistance. By overcoming any obstacles to initiative and personal development, leaders will be able to reduce this resistance, and as a result of the transformation, get inspired people who agree with this vision.

Step 6 involves trying to achieve success in the shortest possible time. Managing adaptation to change is especially effective at the individual level when success is evident in the short term. This requires dividing the project into small, short-term goals and implementing them successfully, which will clearly show the working people progress and give them proper motivation.

Step 7. Help the formation of a new vision. According to Cotter, change and transformation is a slow and uncomplicated process, and its acceptance and adaptation by the entire staff depends on the alignment of the organization's values and goals with these changes in organizational culture values.

Quick Success - is just the beginning of long-term change, therefore the organization should strive for improvements and new successes.

Step 8 - Permanent change of institutions. Change and adaptation do not happen by themselves: All the values and goals, systems and processes of the organization must be examined and evaluated in the context of adaptive change.

Managers are responsible for both change and the long-term impact on team members' behavior and standards transformation during the change process. The implementation of innovative initiatives should be subject to in-depth and regular monitoring, should include discussions with representatives of the organization, because their inspiration and adaptation to change is crucial for the final adaptation of the organization.

Among the models of effective leadership in adaptive management is the Fiedler leadership model. It focuses on situational change and adaptation and identifies three factors that influence leader-leader behavior:

- Relationship between manager and subordinates (degree of trust and respect);
- Assignment structure and labor regulation (in desirable and undesirable situations, in transitional environmental conditions.)

- Conformity of leadership style and situation in which the team works (adaptation of the leader to the situation - by selection, stimulation, training, retraining, in extreme cases - by replacement and / or change of situation (by giving additional powers to the manager).
- Empirical studies have shown that the Fiedler model has a high probability of adaptive management predictability.

No less important for the study of the methodological foundations of adaptive management is p. Gers et al. Blanchard models, which deal with the 4 stages of professional and psychological maturity of human resources, which in turn sheds light on different behavioral and situational relationship models of leader and subordinates for changing, transactional conditioning.

Under this model, employees of the organization will no longer need to be forced to participate in changes initiated by the manager - they themselves will be the source of action. You will not need to convince employees to accept and adapt to business changes - Adaptation and Adaptive Behavior itself will become the norm for new businesses.

Conclusion: Effective adaptive management involves managing change in the footsteps of opportunity, instantly until the devastating impact becomes unmanageable and irreversible, until the innovation impulse generated by those changes is lost.

Fiedler identified 3 situational variables: the degree of structuring of the production task (SZ), the size of the manager's authority (MY), the nature of his relationship with subordinates, and 8 different combinations of these variables.

A prerequisite for the formation of an optimal model of adaptive management is the formation of a unified spirit of the organization that provides a particular style of leadership, a combination of leader actions, the behavior of his subordinates, time, place, and decisions.

Adaptive management and adaptive behavior will gradually become the norm in new businesses. Responsive business projects will no longer meet opposition from the team - they will unite the team around the project and become a source of motivation and engagement for them.

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