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

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Research

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INTRODUCTION

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

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

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

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

because that can cause an irreversible backwardness of the countries. Entrepreneurs should take this into account and must improve the productivity of their companies with innovative technologies, a more educated and better paid workforce, and receive interest and support from the state and municipalities respectively.

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

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

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

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

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

- 1) to compile and analyze the relevant environment for business support (hereafter – BS) in Latvia and Lithuania;
- 2) to identify active BS organisations in Latvia and Lithuania and analyze their activities and results of their activities;
- 3) to analyze BS organisations and the strengths and weaknesses of the services they provide;
- 4) to identify BSorganisation good experiences and practice in the services they provide, which can be absorbed in the scope of the present Research;
- 5) to analyze and evaluate the effectiveness of activities and cooperation with entrepreneurs of BS organisations;
- 6) to analyse the image of the entrepreneur in society and develop proposals for the improvement of the entrepreneurs reputation in society;
- 7) to develop BS organisation cooperation models which can be applied in practice and are directed towards increasing the effectiveness of BS

- organisations in the border regions, as well as encouraging more effective cooperation of BS organisations and decrease unnecessary competition, which can slow down BS development in the regions;
- 8) to develop proposals which can be applied in practice, taking into account at least the opinions of those entrepreneurs who work in the Latvian-Lithuanian border regions;
 - 9) to develop recommendations for BS policy makers for the purpose of increasing the effectiveness in the LV and LT border regions;
 - 10) to prepare proposals for the content of the necessary training themes, shared work groups and experience exchange trips;
 - 11) to make conclusions about the most important Research results and develop proposals for the minimization of the effect the drawbacks present in the conclusions.

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

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

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

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

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

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

1. Support of businesses and its objective and subjective necessity

Business support is a relatively new phenomenon that has been created and is constantly being developed within the national socio-economic system. Why is it necessary and why do state institutions, as well as other organizations, engage in business support activities? In essence, the answer to this question is relatively simple.

The need for business support is an objective necessity of a regulated market economy, which is greatly enhanced by the intensification of economic globalization.

Business support in economic practice and theory first appeared in practice with the intensification of economic globalization in the second half of the 21st century, the need to rebuild the economies of European countries that were ruined by the Second World War, as well as the economic depression in some European countries in the last decades of the last century.

In Europe, more attention was paid to state aid after the signature of the Treaty of Rome and its entry into force in 1956. This coincided with the period when European countries undertook urgent work for the restoration of the country's economy and there was a need to take the next step - to increase the country's competitiveness in the internal and overseas markets¹.

The first progress in the development of the national economy encouraged European countries to focus on targeted state intervention in the socio-economic system in order to gain new competitive advantages over the short or long term period². Similar efforts were also observed in other countries of the world. Such state interference in the economic system caused a sharp controversy and the need for the most advanced countries in the world to agree on the concept of "state aid", to define its legal framework and economic content^{3,4}. The measures to regulate state aid were essentially aimed at reducing the negative externalities of the state aid and the reduction of collateral effects on the markets of other countries.

The analysis of the above mentioned scientific studies and practical examples clearly indicates the primary origin of the business state aid compared to the forms of support provided to other entrepreneurs.

Within the framework of the study, the concepts of "business support" and "business support" are explained in this presentation:

- **business support**– any material and / or intangible assistance for a future or practicing entrepreneur in the development of business and /

¹ Biondi, A., Righini, E.. An Evolutionary Theory of EU State Aid Control. King's College London Dickson Poon School of Law. London. Available from: <https://poseidon01.ssrn.com>

² Mederer, W. (2008) 'Evolution of State aid control' in Wolfgang Mederer, Nicola Pesaresi, Mark Van Hoff (ed.), EU Competition Law – Vol. II State Aid, (2008) ch 2.

³ Hoffman, H.C. (2016) State Aid Law of the European Union. Oxford University Press. Oxford. ISBN:13 – 978-0-19-872746-0.

⁴ Juan Jorge Pierna Lopez, The concept of State Aid Under EU Law: From internal market to competition and beyond, EIU, March 2013.

or modernization measures in accordance with the entrepreneur's request;

- **state business support**– the regulatory enactment sets out a targeted state intervention measure for the development of entrepreneurship and / or increasing the competitiveness of enterprises operating in the sector in local and / or foreign markets.

By carefully following the above definitions, you can see the following common and distinctive features:

- a) business support and state support are essentially the same in the direction of business development and / or modernization of production;
- b) business State aid is governed by national and / or international law, while other forms of business support are governed by the internal laws and regulations of the donor;
- c) business support recipients receive extra, non-business, resources or additional access to financial resources in both cases that are not included in the cost of production and allow them to work at lower, more competitive prices. This increases the overall competitiveness of the undertaking concerned, the beneficiary.

The need for business support is closely linked to the socio-economic importance of business in society. The issue of business support has become topical in the world or in the rest of the world. Politicians across the continents have made sure entrepreneurs and entrepreneurship support are the best way to increase employment in the country and household incomes. This is one of the most significant socio-objective reasons why many countries focus on business support measures that are more likely to be addressed to small and medium-sized enterprises that respond more flexibly to changes in the external business environment and, in many cases, successfully adapt to new opportunities and threats.

Based on the regularities of the regulated market economy development in different countries of the world, the objective needs of business support considerably exceeds the employment function. There are other **objective aspects** of the support need, such as participation of companies in financing research, contributing to the development of science; involvement of companies in solving current problems of the society, their ability to compete with state organizations in areas of importance to the development of society, such as education and health, promoting the use of new methods and technologies for achieving better results and the development of competitiveness in these areas of activity, etc.

The objective need for business support is closely linked to the subjective need of support. The subjective necessity arises most from the owner of the business, his compliance with the status of the entrepreneur, the necessary competence, experience, understanding, and skills to overcome the barriers inside and outside the environment. The most important **subjective aspects** of the support need are:

- a) the inadequate level of education of potential and existing entrepreneurs, necessary for a successful business in a particular place and time;
- b) the inability of potential and existing entrepreneurs to objectively evaluate their relevance to engagement in business;

- c) the incompatibility of a large part of the potential and existing entrepreneurs' personal qualities and competences with the scope, place and time of their choice of business;
- d) the failure of the business entity (due to knowledge, skills, lack of understanding or other reasons) to genuinely assess the permanent changes in the external business environment;
- e) the excessive impact of the business entity on managerial decisions, with the diminution of opportunities to identify emerging threats and to evaluate them as objectively as possible in relation to the company's development plans in the short and medium term;
- f) the inability of certain entrepreneurs to control their greed, envy and other negative characteristics of other individuals that undermine business ethics and are often the main reason for inappropriate management decisions on important business issues, including the determination of the fair remuneration of employees and compliance with the type and timing of costs.

The objective necessity of business support determines the operational missions and objectives of business support organizations, while the most important subjective aspects of support need support organizations should be taken into account when designing a business support offer for entrepreneurs.

* * *

CHAPTER 1 CONCLUSIONS

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

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

Although the business support environment and support system in Latvia and Lithuania and its research areas have not been specifically studied, the existing business environment has been analyzed and future development trends are also highlighted in the development of business, developing a series of development and planning documents.

To analyze the business support system in order to increase its operational efficiency in Latvia and Lithuania, it is important to evaluate the legislation of Latvia and Lithuania, the existing regulatory enactments and strategic planning documents in order to understand how and to what extent the business support in Latvia and Lithuania is already regulated.

2.1. An analytical evaluation of Latvian and Lithuanian business support regulatory normative enactments

Latvia and Lithuania are also bound by European Union legislation on the granting and management of business support since 2004, after joining the European Union. Therefore, before examining the regulatory documents of the state and region of Latvia and Lithuania, it is essential to review the common EU framework for business support. For example, the Treaty on the Functioning of the European Union, European Union law, European Union case law are documents in the field of control of business support, these and other binding rules of international law apply when assessing the compatibility of business support with the internal market.

Given the fact that 99% of enterprises in the European Union are small and medium-sized enterprises (hereinafter referred to as SMEs) and are the largest creators of jobs, the "**Community Guidelines on Small and Medium Enterprises**" Guide issued on 25 February 2009 were issued. The handbook defines what is community support, which is small and medium-sized enterprises, what kind of support can be given to SMEs, what type of support exists at all, etc. This guide states that the beneficiary is an SME that meets the European Commission's 06.05.2003. the criteria set out in the Recommendations (20 May 2003, JO L 124)⁵, which are reflected in Section 2.1. in the table.

2.1. table

Identification criteria of small and medium-sized enterprises

	Employee amount		Turnover		Balance
Micro	< 10		<= 2 mil. EUR		<= 2 mil. EUR
Small	< 50	and	<= 10 mil. EUR	or	<= 10 mil. EUR
Med.	< 250		<= 50 mil. EUR		<= 43 mil. EUR

Source: <http://www.liaa.gov.lv/lv/es-fondi/noderiga-informacija/mvk-statusa-noteiksana>.

⁵ Rokasgrāmata par kopienas atbalsta noteikumiem maziem un vidējiem uzņēmumiem (Handbook on Community State Aid Rules for SMEs). Available from: http://ec.europa.eu/competition/state_aid/studies_reports/sme_handbook.pdf [Accessed 20.12.2017].

The basic concept of State aid is defined in the Handbook as follows: "aid" means all measures which meet the criteria⁶ set out in Article 87 (1) of the EC Treaty (hereinafter referred to as the EC Treaty). Unless otherwise provided in this Treaty, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favoring certain undertakings or the production of certain goods is incompatible with the common market, in so far as such aid affects trade between Member States.

The De minimis Regulation, for its part, provides that aid measures up to EUR 200 000 per undertaking for any period of three fiscal years do not constitute State aid within the meaning of the EC Treaty and, therefore, may be granted by Member States without delay and without procedural burdens.

In addition to financial support such as small-scale support (de minimis rule), state guarantees, risk capital aid, the Handbook describes further such support measures for the promotion of the growth and development of SMEs within the meaning of the EC Treaty:

- 1) **R & D and innovation support:** support for research and development projects (research, experimental development), research into technical feasibility, costs of industrial property rights, temporary recruitment of highly qualified staff, consulting services, innovation clusters, etc;
- 2) **support for environmental protection:** support for energy saving measures, renewable energy sources, investments in high-efficiency cogeneration, environmental studies, etc.;
- 3) **regional support:** refers to national regional aid in all sectors except fisheries, coal and steel, synthetic fibers and primary production of agricultural products. The purpose of regional aid is to promote the growth of the least-favored regions by supporting investment and the creation of related jobs in support of start-ups and in the granting of operating aid in specific cases. It contributes to the expansion and diversification of businesses in the less developed regions, in particular by encouraging companies to set up new production units in these regions;
- 4) **investment and employment aid:** investment aid for tangible and intangible assets;
- 5) **training aid:** special training, general education;
- 6) **support for consultations and participation in trade fairs;**
- 7) **support for female entrepreneurship;**
- 8) **support for workers with disabilities** or disadvantaged workers;
- 9) **support for rescuing and restructuring firms in difficulty.**

It is important to emphasize that, together with EC-defined and available support for entrepreneurship, the Member States (including Latvia and Lithuania) are in possession of various general support measures and instruments that are not considered state aid within the meaning of the EC Treaty but are national support instruments. Such as the general reduction of taxes on labor and social costs, the promotion of investment in general

⁶https://www.univie.ac.at/RI/eur/20040401/LV_EC_Treaty_Vienna.pdf. Accessed 7.02.2018.

education and training, guidance and counseling measures, general assistance and training for the unemployed, and improvements in labor law.

Below are specific regulatory acts (outside the EC definitions) that regulate business support in Latvia and Lithuania at the national, regional and project partner level.

2.1.1. An evaluation of the regulatory normative basis in relation to business support in the Republic of Latvia

To study the regulatory framework for business support that could define and regulate business support in the research area of Latvia, Zemgale and Kurzeme, the following normative documents of the following level were analyzed and evaluated:

- 1) the Commercial Law;
- 2) the Law on the Control of Business Support;
- 3) Law on the Support for New Business Undertakings;
- 4) the Law on Associations and Foundations;
- 5) the Law "On Taxes and Fees";
- 6) the Regional Development Law;
- 7) the Law "On Local Governments";
- 8) the Law on the State Administration Structure;
- 9) the Law "On Prevention of Misleading State and Local Government Finances and Property";
- 10) March 30, 2007 Regulation No. 735 "Regulations on the lease of land for public persons";
- 11) Cabinet Order No. 125 "On the Plan for Improvement of the Business Environment".

The Commercial Law defines the terms, conditions and restrictions of the merchant, business, commercial register and other commercial matters, but does not determine what business support is and how it is to be done.

On July 1, 2014, **the Law on the Control of Business Assistance**, which was drawn up in accordance with Council Regulation (EC) No 2200/1999 of 22 March 1999, entered into force. No 659/1999 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union. The purpose of the law is to ensure the lawfulness of the implementation of commercial support, to define the Latvian national control competences and procedures in the field of commercial support in order to reduce the negative impact of commercial support on competition, and to establish financial accounting requirements for state and local government institutions by granting financial support to commercial companies. This law defines who is the de minimis aid provider who owns exclusive and special rights in the provision of support services, how business aid is to be issued and how support usage⁷ is controlled. It is important to emphasize that the Law on the Control of Business Support determines the characteristics that financial support for the promotion of business can be considered commercial support. These are the following 4 features:

⁷ Komerccdarbības atbalsta kontroles likums. Likums stājies spēkā 01.07.2014. Available from: <https://likumi.lv/doc.php?id=267199> [accessed 11.12.2017].

- 1) financial assistance is provided, directly or indirectly, by the state, local government, the EU or other public funds, and public authorities have a controlling influence over financial resources;
- 2) a commercial company carries out business activities and obtains economic advantages which it would not be able to obtain if commercial support was not provided;
- 3) financial assistance does not apply to all commercial activities in the same way, but is intended depending on their size, type of activity, location, other differentiating criteria, or is intended only for a particular commercial company;
- 4) Financial assistance affects trade and distorts competition within the EU markets⁸.

Thus, *the Law on the Control of Business Support* defines and provides business support **only as financial assistance** granted from state or local government funds over which state or municipal institutions have controlling influence and aims at monitoring and controlling financial support rather than promoting entrepreneurship.

With the aim of promoting the formation of new enterprises in Latvia, thus promoting research, as well as the use of innovative ideas, products or processes in commercial activities (commercialization of research products), on January 1, 2017, **the Law on Support of Young Businesses** came into force in Latvia. This law defines aid programs, criteria for awarding aid programs, and tax incentives related to support program etc.⁹ Although this law is an important step towards the promotion of business support, including the attraction of highly skilled labor and the highly technological inventions in commercialization, it only applies to the promotion of highly technological new start-ups during the 5 years of operation and does not provide support for existing and other sectors companies that also often need business support.

In view of the non-state status of several business support organizations, attention should also be paid to **the Law on Associations and Foundations** (came into force on 01.04.2004). The law provides for the establishment, reorganization and liquidation of associations and foundations. The law does not specify the procedure for the provision of business support, however, Article 7 of the Law defines the right of an association and foundation to carry on an economic activity in the form of an ancillary activity related to the maintenance or use of its property as well as other economic activities in order to achieve the objectives of the association and foundation goals¹⁰. Tādējādi likums neliedz iespēju biedrībām un nodibinājumiem veikt saimniecisko darbību un būt par uzņēmējdarbības atbalsta sniedzējiem un veicinātājiem, taču arī šis likums nenosaka uzņēmējdarbības atbalsta būtību, veidus un kārtību.

⁸ Komercedarbības atbalsta kontroles likums. Likums stājies spēkā 01.07.2014. Available from: <https://likumi.lv/doc.php?id=267199> [Accessed 11.12.2017].

⁹ Jaunuzņēmumu darbības atbalsta likums. Likums stājies spēkā 01.01.2017. Available: <https://likumi.lv/ta/id/287272-jaunuznemumu-darbibas-atbalsta-likums> [Accessed 13.12.2017].

¹⁰ Biedrību un nodibinājumu likums. Likums stājies spēkā 01.04.2004. Available: <https://likumi.lv/doc.php?id=81050> [Accessed 16.03.2018.].

One of the most important forms of business support is tax deductibility. Although **the Tax and Duties Act**¹¹ does not specify direct relief or special conditions for business support, it provides for the use and application of tax rebates in cases where the taxpayer fulfills the conditions of a **particular** tax law. For example, commercial companies that are exempted from the corporate income tax law "On Corporate Income Tax" or which can be applied to corporate income tax rebates provided for in the Law "On Taxation in Free Ports and Special Economic Zones". By contrast, the Value Added Tax Act imposes the application of a reduced tax rate on certain goods and services¹².

The development of the regions of Latvia, which is particularly important in the context of the specifics of the study, is regulated by **the Regional Development Law**, the aim of which is to promote and ensure a balanced and sustainable development of the country, taking into account the specific features and possibilities of all the territory of the country and its parts, reducing the disadvantages between them, and preserving and developing the nature and development potential of each territory of nature and cultural environment¹³. Section 16.1 of the Law generally defines that the planning region has the competence to promote economic activity in the territory of the planning region, however, it does not define how economic activity can be supported and how it should be provided for business support.

The Law "On Local Governments" regulates the general rules and economic basis of the activities of the local governments of Latvia, the competence of local governments, the rights and duties of the chairman of the council and its institutions, the relationship between the local government and the Cabinet of Ministers and the ministries, as well as the general rules of local government relations.¹⁴ Part 15 of Article 15 of the Law provides that the autonomous function of a municipality is to promote economic activity in the respective administrative territory, to take care of reducing unemployment, however, this law does not specify how this is done.

In accordance with **the Law on the State Administration Structure** and the Law "On Local Governments", the autonomous functions of municipalities consist of separate administrative tasks and responsibilities. The primary task of a public entity is not doing business and making a profit, but providing management¹⁵. Despite the fact that local government and state support for business development is very limited, there are various possibilities for a state or municipal institution to support entrepreneurship - mostly this is possible by arranging business infrastructure, granting discounts for premises and leasing land, developing marketing materials and

¹¹ Likums par nodokļiem un nodevām. Likums stājies spēkā 01.04.1995. Available from: <https://likumi.lv/doc.php?id=33946> [Accessed 16.12.2017.].

¹² Pievienotās vērtības nodokļa likums. Likums stājies spēkā 01.01.2013. Available from: <https://likumi.lv/doc.php?id=253451> [Accessed 7.02.2018.].

¹³ Reģionālās attīstības likuma 2. pants. Likums stājies spēkā 23.04.2002.. Available from: <https://likumi.lv/doc.php?id=61002> [Accessed 13.12.2017].

¹⁴ Likuma "Par pašvaldībām" 1. pants. Likums stājies spēkā 09.06.1994. Available from: <https://likumi.lv/doc.php?id=57255> [Accessed 13.12.2017].

¹⁵ Kapitālsabiedrību pārvaldība pašvaldībās. Valsts Kontroles vērtējums caur likumības un lietderības prizmu. 31.03.2016. Available from: http://www.lps.lv/uploads/docs_module/Kapit%C4%81sabiedr%C4%ABbu%20p%C4.pdf [Accessed 11.12.2017].

potential investments catalogs, offering seminars, training, continuing education, scholarships, grants competitions, etc. Many municipalities also employ a business consultant who provides advice to local entrepreneurs.

Entrepreneurs are mostly interested in renting out a municipality space or land for business. It is important that 01/01/2013. the amendments to the Law "On the Prevention of Misleading State and Local Government Funds and Assets" came into force, creating more favorable conditions for entrepreneurs to lease land and / or immovable property from a public person. The maximum term of the lease agreement could not exceed 12 years, but after the entry into force of the law, Section 6.1 of the Law provides: "Unless otherwise provided by regulatory enactments, a lease contract may be concluded for a period of up to five years, a contract for a movable property for a period of up to 30 years years, another lease of real estate for a period of up to 12 years."¹⁶Existing norms stipulate that the municipality is obliged to rent out vacant properties. In order to avoid a situation in which property is acquired by brokers, auctioning may include conditions for the use of the site.¹⁷

Entrepreneurs are also interested in land and room rentals, which is an essential form of business support. As the municipality of real estate can not be put into use for non-cash consideration, amendments to the Cabinet of Ministers of 30.10.2007 were made to create more favorable conditions for municipalities on May 6, 2014. Regulations No.735 "**Regulations on the lease of land for public persons**". Article 18 stipulates that "if a non-built land is leased to the construction of a production facility, the public person has the right to provide assistance in the form of a reduced rent amount of up to 50% of the amount of the lease payment temporarily rented from the land plot until five years after the transfer of the production facility in operation".¹⁸

Local governments and state institutions in carrying out business support functions, however, should take into account the third part of Section 7 of the **State Administration Structure Law**, which stipulates that "Derived public persons, when establishing legal entities of private law, including those who do not have a profit-making nature, can not be avoided the responsibilities specified in this law and to set them other goals that do not arise out of the functions of the relevant public person ", therefore, only statutory business support, not exceeding municipal authority, as well as municipalities, are not allowed to engage in entrepreneurship, thus distorting competition.

¹⁶ Likums "Par valsts un pašvaldību finanšu līdzekļu un mantas izšķērdēšanas novēršanu". Likums stājies spēkā 16.08.1995. Available from: <https://likumi.lv/doc.php?id=36190> [Accessed 11.12.2017].

¹⁷ Pašvaldību iespējas uzņēmējdarbības veicināšanai. Vides aizsardzības un reģionālās attīstības ministrija. Available from: http://www.varam.gov.lv/in_site/tools/download.php?file=files/text/Seminari/pasv/Atverto_durvju_d_regionos//R_Bremsmits_pasvald.pdf [Accessed 11.12.2017].

¹⁸ 2007. gada 30. oktobra Ministru kabineta noteikumi Nr.735 "Noteikumi par publiskas personas zemes nomu". Available from: <https://likumi.lv/doc.php?id=165950> [Accessed 10.12.2017].

Since 1999, *the Annual Entrepreneurship Plan* has been prepared and approved by the Cabinet of Ministers¹⁹, which envisages the improvement of the regulatory enactments regulating business and the services provided by the state administration, thus creating a competitive business environment in Latvia on a global scale. Basic principles included in the business plan activities:

- observance of the one-stop-shop principle;
- advise the introduction of the principle first, especially at the start-up phase;
- Simple and high-quality public e-services in the state - increasingly integrated e-solution integration (digitalisation);
- introduction of business environment-friendly infrastructure development services, incl. introduction and observance of reasonable deadlines, ensuring the importance of safety and quality requirements;
- simplification of administrative requirements, in particular in the field of taxation and accounting, and reduction of bureaucratic burdens;
- strengthening of legitimate expectations on investor protection and insolvency issues.

Although this plan does not provide specific types of business support and tools, it contains important guiding principles for business development that should be taken into account in the business support organizations' activities and in the development of the business system.

* * *

After more detailed acquaintance with the aforementioned documents, one can conclude that, although there are several laws of the Republic of Latvia, the Cabinet of Ministers regulations and other regulatory documents defining and controlling the development of entrepreneurship, there is no single legal framework regulating business support. No current law defines what is the business support that is the beneficiary and what are the criteria for receiving support not only for emerging but also for existing companies.

2.1.2. An evaluation of business support regulatory normative enactments basis in the Republic of Latvia

In order to find out the legislative initiatives of the Republic of Lithuania that determine and influence the business environment and its support possibilities, the following regulatory acts and planning documents in Lithuania were analyzed and evaluated:

- 1) the Commercial Law;
- 2) Employment Law;
- 3) the Law on Local Authorities;
- 4) the Law on the Development of Small and Medium Enterprises;

¹⁹Latvijas Republikas Ekonomikas ministrija. Uzņēmējdarbības vides uzlabošana. Available.:

https://www.em.gov.lv/lv/nozares_politika/nacionala_industriala_politika/uznemejdarbibas_vide_/uznemejdarbibas_vides_uzlabosana/ [Accessed: 18.01.2018].

5) Investment Improvement and Industrial Development Program 2014-2020.

In Lithuania, companies are also bound by the Commercial Law (came into force on July 13, 2000), which regulates the establishment, reorganization and liquidation of public and private limited liability companies, their management and operation, shareholders' rights and obligations²⁰, however, like in the case of the **Commercial Law** of Latvia, does not determine if and which type of company can receive support from state or business support organizations.

The Employment Law, which came into force on June 21, 2016, defines the main types of employment and the legal regulation, objectives and tasks of the jobseekers support system, the functions of implementing bodies of employment support, organization and financing of their provision, labor market services and implementation of employment support measures, as well as liability for illegal employment, irregularities in the employment of third-country nationals, unregistered employment and self-employment²¹. The employment support system in Article 2 of this Law is a set of legal, economic, social and organizational measures implemented to support the employment of jobseekers. For the purposes of this article, it is understood that the state will support an entrepreneur to support the worker. By contrast, Article 14 of this Law provides that the Government of the Republic of Lithuania shall submit to the Seimas of the Republic of Lithuania the proposals for the implementation of the employment support policy, approve the national programs for increasing employment, and adopt decisions for the provision of employment support, as well as coordinate the activities of ministries, other institutions and organizations in connection with employment aid. Consequently, according to this article, the entrepreneur who creates new jobs is positioned as the direct beneficiary of the aid and the aid provider to the employee. According to the authors of the study, the Employment Law reflects a significant government message and a significant position that can serve as an example of good practice in shaping entrepreneurship stimulation and support legislation.

The Employment Law also clearly indicates what kind of support can be obtained for self-employment, which is one of the forms of entrepreneurship. Article 47 of the Law provides that persons who started self-employment and comply with Section 3 of the Law shall be eligible according to the law. Support for self-employment is organized in cases where people first create jobs in micro enterprises, as stipulated in the law of the Republic of Lithuania on the development of small and medium-sized enterprises. Self-employed workers have the opportunity to receive a subsidy to create a new job without exceeding the minimum wage, and local labor exchanges organize entrepreneurship training for job seekers who want to become self-employed.

²⁰Komerclikums. Likums stājies spēkā 2000. gada 13. jūlijā. Available from: <https://e-seimas.lrs.lt/portal/legalAct/en/TAD/TAIS.147516>[Accessed 13.12.2017].

²¹ Nodarbinātības likums. Likums stājies spēkā 2016. gada 21. jūnijā. Available from: <https://e-seimas.lrs.lt/portal/legalAct/en/TAD/5f0be3809c2011e68adcda1bb2f432d1>[Accessed 08.12.2017].

Similarly, in Latvia, in Lithuania, intermediate support for starting and development of entrepreneurship can be obtained from local governments, therefore, it is necessary to analyze the Law "**On Local Municipalities**". This law determines the procedure for the establishment and functioning of local government institutions, implementing the Charter of the Constitution of the Republic of Lithuania and the European Local Government Charter, defining the principles of local government - the government, local government institutions and their competence, functions, the status of the local government council, and the justification of the economic and financial activities of local governments.²²

As mentioned above, the municipality can not directly support business, but it is used indirectly in accordance with the functions of the municipality. Article 6 of the said law determines the functions of the municipality, among which is the determination of local taxes and fees (paragraph 2), the management, use and possession of land and other property belonging to the municipality with property rights (paragraph 3), participation in the issue of employment of inhabitants solving, qualification acquisition and retraining, organization of public and seasonal work (point 16), determination of the procedure for the provision of trade and other services at points of sale and in public places managed by municipalities or companies controlled by them (paragraph 37), creation of business and tourism development conditions and the promotion of such activities (paragraph 38), the issuance of permits (licenses) in the cases specified and prescribed by law (paragraph 39). Thus, in Lithuania, the municipality can support entrepreneurship by arranging infrastructure, granting tax and tax rebates, developing brownfields, leasing municipal land, which is often a leak to local entrepreneurs.

It should be mentioned that from 1 January 2018 amendments to the said law came into force, determining the necessity and procedure for organizing the extended meeting of local government representatives (Article 35.1), providing that an enlarged meeting may be organized in the event that issues related to the serviced area, residential districts or parts of communities, community-based funding opportunities, community-based activities and partnerships with local authorities, the promotion of local business, as well as other issues of importance for local residents. Including such an article will increase the involvement of local people in the work of the municipality and possibly more support for local businesses so that they can compete in the common market.

The Law on the Development of Small and Medium-Sized Enterprises (entered into force on November 24, 1998) determines the formation of small and medium-sized enterprises and the types of support applied to them²³.

Article 3 of the Law provides that support to small and medium-sized enterprises can be provided in accordance with the government, regional or

²² Likums "Par vietējām pašvaldībām. Likums stājies spēkā 1994. gada 7. jūlijā. Available from: <https://e-seimas.lrs.lt/portal/legalAct/en/TAD/TAIS.22832>[Accessed 12.12.2017].

²³ Likums par mazo un vidējo uzņēmumu attīstību. Likums stājies spēkā 1998. gada 24. novembrī. Available from, : <https://e-seimas.lrs.lt/portal/legalAct/en/TAD/TAIS.75354>[Accessed 12.12.2017].

local government development programs for entrepreneurs. The creation and implementation of such programs is financed by the state or local government funds. To receive financial support, entrepreneurs must submit a business plan and work accordingly. Article 4 of the said Law defines the following forms of possible State aid for small and medium-sized enterprises:

1) tax rates and tax deductions that are granted in accordance with the procedure prescribed by law;

2) financial support provided by small and medium-sized enterprises promotion funds;

3) financial support offered by the government and local authorities in accordance with the programs for the development of small and medium-sized enterprises;

4) consultancy and training services provided simultaneously with business development programs;

5) services provided by business incubators;

6) guarantees provided by the institutions and / or insurance companies and other institutions promoting the development of business, which are provided in accordance with Articles 7 and 71 of the Law on the State Debt;

7) skills development services offered by business development and employment programs;

8) relaxed conditions for public procurement tenders;

9) support for the creation of new jobs;

10) micro-credit system for the business start-up of private individuals;

11) accelerated depreciation practices for small and medium-sized enterprises.

On September 17, 2014, the Government of the Republic of Lithuania adopted Resolution No. 986 "**Investment Improvement and Industrial Development Program 2014-2020**". The objective of this program is to set targets for investment in service and manufacturing sectors, to develop a general industrial development policy, and to develop evaluation criteria and their values in order to increase Lithuania's competitiveness.²⁴ The program states that the state must invest in infrastructure development for successful industrial development and attraction of innovations. Following the identification of benefits and the financial incentives provided by the state to create infrastructure in free economic zones and industrial parks, it is important to ensure the continuity of state support for this infrastructure. The program indicates that the state's financial support measures for attracting investors have attracted investors, therefore it is essential to ensure the continuity of state support for investments and to continue to plan specific financial instruments. The program focuses on making investment attractiveness a flexible and fast process, i.e. looking for the best ways to address investors' issues.²⁵

²⁴ Investiciju uzlabošanas un industriālās attīstības programma 2014–2020". Available from: <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/27aceff00acc11e687e0fbad81d55a7c?jfwid=nz8qn74cb> [Accessed 12.12.2017].

²⁵ Investiciju uzlabošanas un industriālās attīstības programma 2014–2020", 5. lpp. [Accessed 13.12.2017].

As emphasized in this program, one of the conditions for raising the competitiveness of the Lithuanian state is to reduce the import of raw materials, as well as dependence on suppliers and producers of foreign raw materials and related risks, thus increasing the competitiveness of the Lithuanian industry. To achieve this, the following measures should be taken: to support enterprises, in particular small and medium-sized enterprises, to advise them on the continued improvement of productivity and efficiency, and the sustainable use of resources; to train companies through the application of ecodesign principles and methods, as well as resource efficient and cleaner production; promoting sustainable consumption and green procurement; Encouraging companies to work together to implement the principles of regional industrial symbiosis, which allows you to save resources and reduce waste quantities.²⁶.

In order to increase the competitiveness and sustainability of Lithuanian companies, energy supply issues need to be addressed and the part of the electricity price lowered to companies as an additional charge, such as increased electricity tariffs for services of general interest, which is not regulated by EU legislation or obligations, should be reduced. The national energy saving policy must ensure that energy efficiency is aligned with planned support programs, in particular for businesses and households, with a clear separation of economic sectors and beneficiaries²⁷.

Analyzing Lithuanian laws and programs that focus on business support and development, which are not regulated by EU law or obligations, it can be concluded that Lithuanian legislation provides for business support, types of beneficiaries (who are eligible for support), and supports arrangements for the organization and financing of provision. There are clearly defined eligibility criteria and conditions for obtaining state aid. The existence of a separate and comprehensive Law on the Development of Small and Medium-Sized Enterprises, as well as a resolution adopted by the government, aimed at improving investment and industrial development, is positively evaluated.

In comparative analysis, when comparing the Latvian and Lithuanian national laws and strategic planning documents that regulate the organization, financing and impact assessment of business support at the national level, which are not regulated by EU legislation or obligations, it can be concluded that, unlike Latvian legislation, Lithuanian legislation and planning documents clearly indicate the priorities for business support, the target groups of beneficiaries, types of support (materials and intangible assets) and support providers (municipalities or the state), as well as a clear description of the organization and evaluation of assistance. The Latvian legislation (with the exception of the New Enterprise Assistance Law and the laws that determine the granting and monitoring of EU assistance) does not define business support, its beneficiaries, possible types and size of support, the necessity and procedures for monitoring and impact, etc.

²⁶Investīciju uzlabošanas un industriālās attīstības programma 2014–2020”, 11. lpp. [Accessed 13.12.2017].

²⁷Investīciju uzlabošanas un industriālās attīstības programma 2014–2020”, 12. lpp. [Accessed 13.12.2017].

In Lithuania, legislative initiatives aimed at promoting entrepreneurship and promoting support also show less fragmentation than in Latvian legislation, which contributes to easier reception and understanding of normative acts as well as the efficiency of receiving business support and the development of entrepreneurship in general. In turn, Latvian business support legislative initiatives show greater fragmentation and less interest in promoting entrepreneurship support, and to some extent they are contradictory - a Law on Business Aid Control has been developed that controls the receipt of support but there is no uniform law defining how it is organized, redirected and Business support assessed. The Latvian legislative initiative to promote the formation of new companies and attraction of investments in highly technological sectors, as of January 1, 2017, is being positively assessed by the introduction of the Law on Support for Young Businesses. However, the real introduction of this and its support programs into start-ups is hampered by the difficult criteria to be met in attracting a venture capital investor.

2.2. Existing business support organizations, their activities, goals and functions, provided support services, target groups

In order to carry out an analysis of the business support system in order to increase the efficiency of its operation in Latvia and Lithuania, it is important to evaluate not only the legislative initiatives of Latvia and Lithuania aimed at business support, but also the network of existing support organizations, how much and what organizations support do business support functions, what support services are provided for a target group.

Firstly, an overview of business support organizations working in Latvia and Lithuania was compiled, summarized in a single transparent table (see Appendix 1) with organizational selection options according to the following parameters:

- 1) the status of business support organization (state institution, local government institution, non-governmental organization, commercial organization, scientific institution, etc.);
- 2) the territory of the organization's activity (national, regional or local level);
- 3) the services provided by the organization;
- 4) the importance of the organization according to the volume of services rendered;
- 5) target audience for support organization support.

2.2.1. Existing support organizations in Latvia: their area of operations, legal status , functions

Within the framework of the research, 188 Latvian business support organizations of different levels and importance are analyzed that provide support services for existing and emerging entrepreneurs. The list of business

support organizations aggregated and analyzed in Annex 1 is compiled from the major national and regional organizations operating across the national territory as well as other organizations within the Research Area.

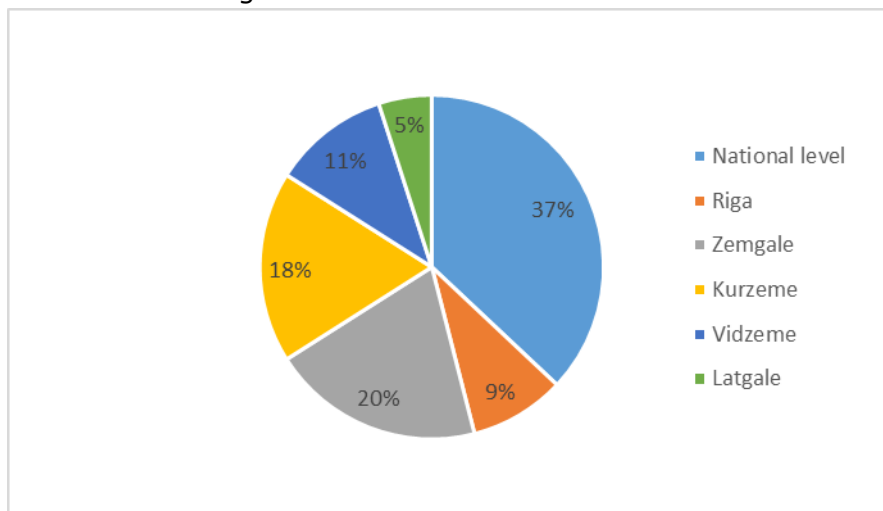


image 2.1

The analysis of the distribution of Latvian business support organizations by activity area, analyzed in the study, 2017.

Source: author created image using data collected in the study

No 2.1. The picture shows that the business support system in Latvia is mostly made up of organizations operating at the national level - 69 national organizations account for 37% of all supported support organizations in the territory of Latvia. The comparatively large number of organizations analyzed in the study is located in the Zemgale region - 20% (n = 38), which is explained by the role of the Latvian University of Life Sciences and Technologies (LLU) in creating the knowledge economy in the region. LLU provides activities of several scientific institutes, which also provide business support, promoting business development in the region. In the study, 34 support organizations or 18% are in Kurzeme, 21 organizations (11%) - Vidzeme, 10 organizations (5%) - Latgale, the smallest number of support organizations. A wide range of organization placements provides the availability and opportunity for entrepreneurs to choose the closest and most convenient organization for receiving support. In addition, it should be noted that, although national organizations are based in Riga (such as LIDA, LAD, NVA, etc.), they operate throughout the territory of Latvia to ensure the availability of branch support services.

An assessment of the business support organizations according to their legal status defining the functions of the organizations is reflected in Section 2.2. in the picture. Most of the organizations analyzed in the study are municipal institutions (34%) - they are both municipalities and their founding or subordinated structural units, such as business centers, competence centers, business advisory councils. Municipalities are increasingly expanding their range of activities within the law to support local businesses, and, moreover, do not encourage local people to set up business support groups - advisory councils, partnerships, etc. This is also evidenced by the relatively high proportion of non-governmental organizations in the overall business

support system - 24% (n = 46). Non-governmental organizations, i.e., associations, partnerships, associations have been established throughout the territory of Latvia, mostly in the centers of the counties, and their field of activity is aimed at both existing and even emerging entrepreneurs.

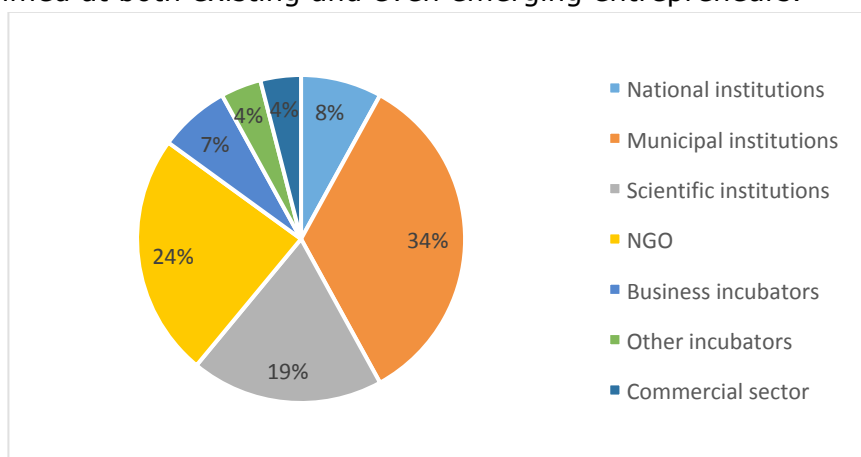


image 2.2

The analysis of the distribution of Latvian business support organizations according to their legal status analyzed in the study, 2017.

Source: author created image using data collected in the study.

Among the non-governmental organizations, a large proportion is made up of local action groups - associations of rural inhabitants, organizations, entrepreneurs and local authorities that operate in a particular rural area, representing the interests of citizens and taking care of rural development issues at the local level, as well as introducing the LEADER program approach with the opportunity for citizens to determine the priorities for the development of their own territory by setting local needs goals and corresponding action plans²⁸. Of all non-governmental organizations, 80% (n = 35) are local action groups - associations, rural development communities, partnerships covering the entire territory of Latvia.

The emphasis on implementation of the LEADER program approach is on the condition that the initiative should come from the area to the people, with a "bottom-up" principle. This means that locals in a given rural area determine their problem areas, needs and development priorities, goals and ways to improve the area and their quality of life. After analyzing the local area, including the results of the local population survey, a community-driven local development strategy is being developed, the coordination and implementation of which, including the first evaluation of the submitted projects according to the strategy, is transferred to the LAG²⁹.

Scientific institutes (19% of all business support organizations analyzed in the study) take on increasing importance in the business support system, providing various functions and services related to the cooperation between

²⁸ Vietējo rīcības grupu (VRG) karte. Available from: <http://lf.partneribas.lv/vrg-karte-2> [Accessed 24.02.2018.].

²⁹ Vietējās rīcības grupas un LEADER. Available from: <http://www.laukutikls.lv/nozares/lauku-telpa/raksti/vietejas-ricibas-grupas-un-leader> [Accessed 24.02.2018.].

science and business corporations, including the protection of intellectual property and the commercialization of research results. Scientific institutes are mostly based on higher education institutions, which promote the use of more qualitative and fuller scientific potential, including in support of business development.

As of October 7, 2008 Cabinet Regulation No. 835 "Regulations on the implementation of Section 2.3.2.1 of the Appendix to the Operational Program" Entrepreneurship and Innovations ". Business Incubators "activity, a number of business incubators founded by the Latvian Investment and Development Agency (LIAA) were established and operate in the territory of Latvia, the functional purpose of which is to promote the formation and development of new, viable and competitive enterprises in the regions of Latvia, providing them with a business environment, and advisory services³⁰. Business incubators account for 7% of the share in the business support system, and their location in the territory of Latvia, the range of activities and the variety of free support opportunities (consultations, seminars, conferences, working groups, etc.) are gaining ever greater support among entrepreneurs, and especially among young entrepreneurs. In Latvia there are other incubators established by higher education institutions or other institutions, such as the Business incubator of the University of Latvia, Faculty of Economics and Management, Kurzeme Business Incubator, which provides high-quality paid services, including support for pre-incubation and incubation.

Among business support organizations, commercial enterprises, accounting for 4% of all support organizations analyzed in the study, should be mentioned, giving a comparatively small share in the business support system. In order to compete with free support facilities provided by state and local government authorities, the commercial sector carries out specific functions and services. For example, banks, as well as other private companies, offer loans, loans, loan guarantees, various grant programs and fee-based business development advice that is not provided, or only partially provided, by government, municipality or research institutes.

According to the legal status of a business support organization, the functions performed by business organizations are schematically summarized in 2.3. The basic functions of the aggregated support organizations clearly reflect the division of functions among organizations according to the organization's specifics and legal status.

³⁰ Biznesa inkubatori. LIAA mājaslapa. Available from: <http://www.liaa.gov.lv/lv/es-fondi/aktivitates-kuru-ieviesana-noslegusies/biznesa-inkubatori> [Accessed 05.02.2018.].



image 2.3

The basic functions performed by Latvian business support organizations analyzed in the study according to their legal status.

Source: author created image using data collected in the study.

As can be seen in 2.3. In the picture, the functions of state institutions cover the organization and development of the business environment throughout the country, providing a common support policy in all regions in accordance with national priorities, thus providing advice, seminars and training for specific target groups such as farmers (LAD, LLKC), State Education Development Agency of the Republic of Latvia (VIAA), young people, unemployed (NVA).

One of the leading business support institutions is **the Latvian Investment and Development Agency** (hereinafter - LIAA), which is the direct administration institution under the supervision of the Minister of Economy of the Republic of Latvia. Its purpose is to promote the

competitiveness and export capacity of Latvian enterprises in international markets, to promote the growth of foreign investment, as also to implement the policy of tourism development and national innovation jomā³¹. In accordance with the LIAA regulations, the functions of the institution are to implement measures to increase the export capacity of Latvian companies and promote foreign trade, to involve foreign investments in the economy of Latvia, to promote the start-up and development of entrepreneurship, innovation and technology transfer, as well as to promote innovative entrepreneurship, including developing cooperation between research and business sectors, which is in line with the principles of providing business support.

LIAA needs to provide entrepreneurs with the necessary support in acquiring the export market in order to increase the total export capacity of the state, as well as to develop new enterprises using innovation and technology transfer with the help of business incubators. LIAA is the largest national organization in Latvia, which has to directly deal with the provision of business support to both prospective and existing entrepreneurs, as well as to promote the creation of new innovative enterprises.

When analyzing the functions of the major national support institutions, the **Rural Support Service** (hereinafter - LAD), which is the direct administration institution under the supervision of the Minister for Agriculture, is also to be mentioned. The LAD fulfills the functions provided for in the law³² on Rural Support Service, the aim of which is to ensure the implementation of a unified policy of agricultural and rural support policy, as well as the state and European Union support administration system in the country. Though RDP mainly deals with the implementation of agricultural policy measures, it also ensures activities such as the implementation of community-based local development strategies, the activities of local action groups, and other activities aimed at business support. These activities are implemented through local action groups throughout the territory of activities³³.

The purpose of the activities of the **Central Finance and Contracting Agency** (hereinafter - CFLA) is to ensure the administration of the European Union Structural Funds and the Cohesion Fund as well as other foreign financial instruments. Similarly to previous organizations, CFLs are financed through government grants. The CFLA performs the following functions: implements and monitors the programs and projects within the competence of the institution, takes informational and advisory measures to ensure the implementation of programs and projects within the competence of the institution, as well as cooperates with public administrations, foreign institutions and private persons³⁴. CFLA does not deal directly with business support, but indirectly through other organizations such as the State Employment Agency, LIAA, etc. CFL-funded EU project funds, as well as foreign financial resources, are intended for various types of business

³¹ Latvijas Investīciju un attīstības aģentūras nolikums (in force from 01.01.2013.).

³² <https://likumi.lv/doc.php?id=5152> (in force from 28.04.2000.).

³³ Lauku atbalsta dienesta nolikums (in force from 23.10.2004.).

³⁴ Centrālās finanšu un līgumu aģentūras nolikums (in force from 01.01.2013.).

support, including qualification improvement, job creation, business development, etc. **The State Employment Agency** (hereinafter - NVA) is engaged in business support in the field of qualification enhancement of employees, as well as provides education activities on the business environment as a whole. The NVA is a direct administration institution under the supervision of the Minister of Welfare, whose purpose is to implement the national policy of reducing unemployment and unemployment, jobseekers and unemployed persons³⁵. It is important that the NVA also implements several projects in which people are trained in business with the aim of building their own businesses.

Planning regions should also be applicable to state support institutions. The **Kurzeme Planning Region** (hereinafter - KPR) and Zemgale Planning Region (hereinafter - ZPR) respectively provide for the promotion of research activities in the study areas of Kurzeme and Zemgale regions. According to the regulations of the Kurzeme and Zemgale Planning Regions, they are secondary public entities under the supervision of the Ministry of Environmental Protection and Regional Development (MEPRD), which ensure regional development planning, coordination, cooperation between local governments and public authorities^{36, 37}. In order to promote economic activity in the region, both Zemgale and Kurzeme planning region provide the activities of business centers founded in 2015.

The aim of business centers is to create a **unified** network of consultancies and provide coordinated support for business development in the region. **The functions of the two business centers** of the planning regions are similar:

- a coordinating function between the MEPRD and the local authorities of the region;
- provision of advice on the availability of European Union funds;
- providing basic information for future and current entrepreneurs on business support institutions and their availability in the region;
- assessment of business support institutions and their services in their region,
- networking with sectoral associations, entrepreneurs, local governments and state institutions;
- Coordination of motivation and training events, seminars and discussions between LLKC, LIAA, Altum, LCCI, LDDK, etc. organizing seminars and discussions in the region on promoting entrepreneurship and innovation with the aim of activating local resources and local partnerships between entrepreneurs, local authorities and higher education institutions;
- Participation in the process of improving the regulatory framework;

³⁵ Nodarbinātības valsts aģentūras nolikums (in force from 01.01.2013.).

³⁶ Kurzemes plānošanas reģiona nolikums. Available from: http://www.kurzemesregions.lv/userfiles/files/1377586952_KPR_NOLIKUMS_30_07_2013.pdf [Accessed 15.12.2017.].

³⁷ Zemgales plānošanas reģiona nolikums. Available from: <https://www.zemgale.lv/index.php/typography/nolikums> [Accessed 15.12.2017.].

- organizing visits for networking events, exchange visits and trade missions / business groups - visits by business groups to other regions, studying business success examples, contacting, and visits to neighboring countries to promote local products;
- coordinated participation in exhibitions, fairs, trade missions, etc.³⁸.

As can be seen in 2.3. In the figure, **the functions of local authorities** are more focused on the regional or local level by ensuring the implementation of the business support policy at the regional / local level and offering a wide range of services, in accordance with the specifics of the region / city / city and development priorities, to the small and medium-sized enterprises in the regions or regions. Institutions ensure regional and local representation in business, employment and social policy making.

Local government support organizations are financed from the local government budget and cover a much narrower, specific territory, and, unlike the planning regions, offer a limited range of services, but provide the necessary business support to businesses in their monitoring area closer to their place of residence. Local government support is very important for nascent entrepreneurs who often lack the time or resources to get the necessary information far from their place of residence.

One of the centers, which is also the project partner, is **the Aizkraukles Regional Business Support Center**, has been established with the aim of providing information and advisory support to Aizkraukle County people who have started or wish to start a business. In order to promote the development of a sustainable and high-quality business environment, the center organizes and co-ordinates activities for entrepreneurial marketing activities and exchange of experience, consultations, facilitates cooperation between local governments and entrepreneurs, helps in the development of business plans and project applications, etc.

Similar centers are also found in many other municipalities, for example, Dobele Adult Education and Business Support Center, Kandava Regional Business Support Center, Alojās Regional Business Support Center operate. The growing number of municipal business support centers indicates the growing demand for services in the territories of the municipality and the expansion of business.

As can be seen in 2.2. In the figure, **non-governmental organisations** (hereinafter – NGO) has a key role to play in supporting entrepreneurship, which brings together entrepreneurs and other residents of Latvia to improve the business environment and raise public welfare both at national, regional and local levels, as well as ensure representation of business interests in state and local government institutions. NGOs pursue goals and objectives through contributions from members, donations, volunteering, revenues generated by events and projects organized, as well as funds and material assets received from other legal entities and individuals.

³⁸ Kurzemes plānošanas reģiona Uzņēmējdarbības centra mājaslapa, Available from: http://www.kurzemesregions.lv/es/Par_mums[Accessed 10.12.2017].

The largest non-governmental business support organization, **the Employers' Confederation of Latvia** (LDDK), is a national organization that brings together employers throughout Latvia. The aim of the LDDK is to promote the environment of the national economy, employment, education and social policy that promotes the formation and development of entrepreneurship; to promote public awareness of employer organizations³⁹. In order to achieve the goal, LDDK represents the interests of employers' organizations in relations with trade unions, state administration and local government institutions, the National Tripartite Cooperation Council, its sub councils and other advisory bodies, as well as in international institutions, as well as informs members about draft policy planning documents and draft laws and compiles opinions provided by members.

The Latvian Chamber of Commerce and Industry (hereinafter referred to as the LTRK) is also a national non-governmental business support organization aimed at internationally competitive and growing Latvian enterprises and a business-friendly and internationally competitive business environment for business growth⁴⁰. In order to achieve this, the LTRK participates in the formulation and implementation of economic policy, monitoring public administration and increases the ability of the LTRK to participate in decision-making on economic policy-making and implementation, represents the interests of its members in state and local government institutions, national and international institutions and organizations, promotes the competitiveness of its members and clients, as It also promotes exports and markets.

As can be seen in 2.3. In Figure 1, research institutes and commercial organizations do not classify companies according to their size, location or operational area and specificity, and, in most cases, provide services for a fee. Organizations included in this group also provide direct financial support (i.e., loans, etc.), as well as support for knowledge transfer.

One of the project partner organizations - **Latvian Rural Advising and Education Center** (hereinafter - LLKC) - is such a successful business support provider not only for farmers, but also for entrepreneurs from different sectors throughout the country, including for a fee, promoting business development in general. According to the legal status, LLKC is classified as a commercial organization, but its main actors are the Ministry of Agriculture and the Latvian Farmers' Federation, which ensures the benefits of the competitiveness and sustainable development of such a commercial organization. The LLKC's strategic goal is to promote rural and fisheries growth by promoting business start-ups and economic efficiency by providing counseling and services to rural entrepreneurs, organizations and citizens in the production process, accounting and business planning, as well as research, education and information to the public, supporting innovation. agriculture, forestry and fisheries⁴¹.

* * *

³⁹ Latvijas Darba devēju konfederācijas statūti (Accepted 04.03.2009.).

⁴⁰ Latvijas Tirdzniecības un rūpniecības kamera (apstiprināti 26.03.2015., prot. Nr. 2)

⁴¹ Latvijas Lauku konsultāciju un izglītības centra statūti.

The business support system in Latvia is mostly made up of local governments and state organizations operating at the national level (LIAA, LAD, NVA, etc.), and branches are open throughout the territory of Latvia. Most of the Latvian support organizations analyzed in the study are municipal institutions (34%) followed by non-governmental organizations (24%), most of which are local action groups - associations, rural development communities, partnerships covering the entire territory of Latvia. Scientific institutes (19%) are becoming increasingly important in the business support system, providing various functions and services related to the cooperation of scientific and commercial companies, including the protection of intellectual property and the commercialization of research results. Business incubators account for only 7% of the share in the business support system, but their location in the territory of Latvia, the range of activities and the variety of free support options (consultations, seminars, conferences, working groups, etc.) are gaining ever greater support among entrepreneurs, especially in new companies.

The functions of state institutions cover the improvement and development of the business environment throughout the country, providing a common support policy in all regions in accordance with national priorities, while the functions of municipal institutions and business incubators provide more business support at the local level and according to the specifics of a particular region / city / city and development priorities. Research institutes and business organizations that provide business support do not classify companies according to their size, location or operational area and specificity, and, in most cases, provide services for a fee.

The functions performed by Latvian business support organizations analyzed in the study, according to their legal status, indicate **the wide territorial and functional availability of services provided by business support organizations**, on the one hand, and the overlapping of similar support functions in different organizations, even with the same legal status, on the other. The risk of overlapping of functions could make it difficult for the recipient of the service - a prospective or a practicing entrepreneur - to be able to navigate the offers of many service providers and the opportunity to receive answers in the same place and to find support for the development of their business idea; it also jeopardizes the rational management of state budget funds and the effective coordination and cooperation of several service providers. It should be emphasized that the aim of the planning regions is to create a **united** network of counseling and to provide coordinated support for the development of entrepreneurship in the region.

The question remains as to how effective the division of functions between organizations (in particular public authorities) and how successful the planning regions perform coherent coordination of business support within the region. It is also not clear how useful the overlapping of services is with the provision of a number of similar services, such as seminars and consultations, by both local authorities and business incubators, as well as non-governmental organizations and government institutions. Further, the study will find and analyze the answers to these questions, including questionnaires of experts from business and support organizations.

2.2.2. Existing business support organisations in Lithuania: their area of operations, legal status, functions

Within the framework of the research, 50 national and regional organizations of Lithuania, which provide business support, were identified and analyzed, providing support services to existing and emerging entrepreneurs for the development of their business. The analysis of the Lithuanian business support organizations broken down by area of activity is reflected in section 2.4. in the picture.

As can be seen in 2.4. In Figure 2, the largest proportion of support organizations in Lithuania analyzed in the survey are organizations located in the Vilnius district (24%), as well as national organizations providing support throughout the country (20%). The concentration of such support organizations in the capital city of Vilnius is explained by the fact that most of the higher education institutions, commercial

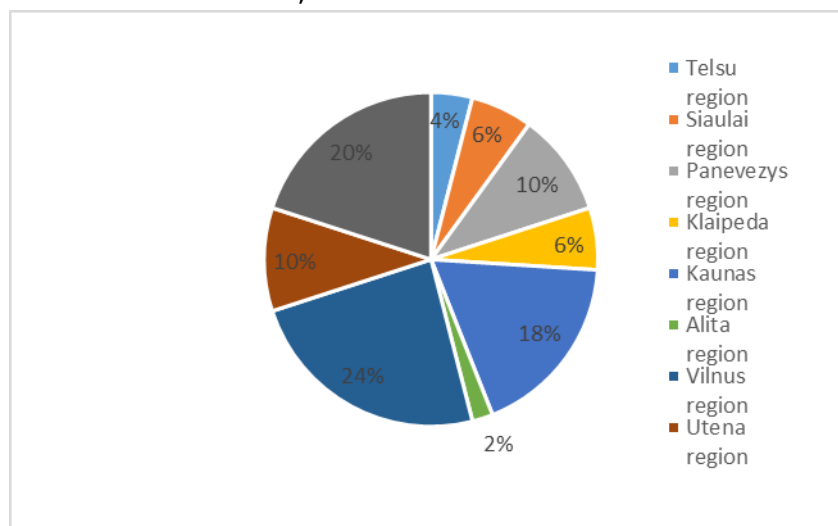


image 2.4

Pētījumā analizēto Lietuvas uzņēmējdarbības atbalsta organizāciju sadalījums pēc darbības teritorijas, 2017. gads.

Avots: autoru veidots attēls, izmantojot pētījumā apkopotos datus.

Nākamais lielākais atbalsta organizāciju īpatsvars (18%) atrodas Kauņas apriņķī, turklāt Kauņā darbojas vairākas inovatīvas atbalsta organizācijas, piemēram, koprades vieta "Talent garden" (TAG), kur satiekas talantīgi digitālo tehnoloģiju un radošo nozaru speciālisti kopīgu produktu vai tehnoloģiju attīstībai. TAG ir Eiropas līmeņa organizācija; šādas koprades telpas izvietotas arī Bukarestē, Milānā, Barselonā, Vīnē, Romā un citās Eiropas pilsētās⁴². Lielu ieguldījumu uzņēmējdarbības atbalsta sniegšanā nodrošina Kauņas Tehniskā universitāte, piedāvājot telpas jaunuzņēmumiem, kā arī sadarbībā ar citām augstākās izglītības iestādēm organizējot Nacionālā inovāciju un uzņēmējdarbības centra (NIEC) darbību, kā arī Inovāciju un

⁴² What is Talent Garden Kaunas? Tiešsaistē: <https://kaunas.talentgarden.org/> [skatīts 24.02.2018.].

uzņēmējdarbības centra (IUC) darbu. IUC tiek attīstīts sadarbībā ar Ālto universitāti Somijā⁴³.

Pētījuma izpētes teritorijā pierobežā darbojas salīdzinoši neliels atbalsta organizāciju skaits – Paņevežas apriņķī 10%, bet Šauļu – 6 procenti. Lai gan Paņevežā atrodas Brīvā ekonomiskā zona, kā arī Paņevežas Mehatronikas centrs un Robotikas laboratorija, kas ir Kauņas Tehniskās universitātes filiāle, savukārt Šauļu apriņķī darbojas Šauļu biznesa inkubators un Šauļu tūrisma un biznesa informācijas centrs.

Pētījumā analizēto Lietuvas uzņēmējdarbības organizāciju sadalījums pēc to juridiskā statusa ir attēlots 2.5. attēlā.

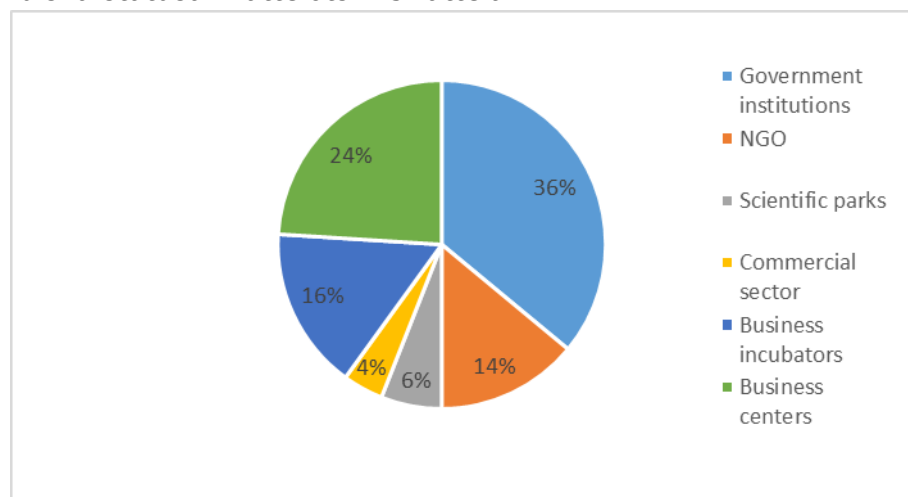


image 2.5

The analysis of the Lithuanian business support organizations analyzed according to their legal status, 2017.

Source: author created image using data collected in the study.

As can be seen in 2.5. In Figure, in Lithuania, the majority of business support organizations are state institutions - 36 percent. Most state support institutions have national branches with branches throughout the country, providing business support to the widest range of entrepreneurs closer to their place of residence.

As can be seen in 2.2. In Latvia, unlike Lithuania, the largest share is in the support of local governments (34%) and not the state (8%). This could be explained by the different administrative and territorial divisions in both countries: Lithuania has two levels of municipalities and only 10 districts, but in Latvia there is one level and many more municipalities (110 county municipalities and 9 republican cities).

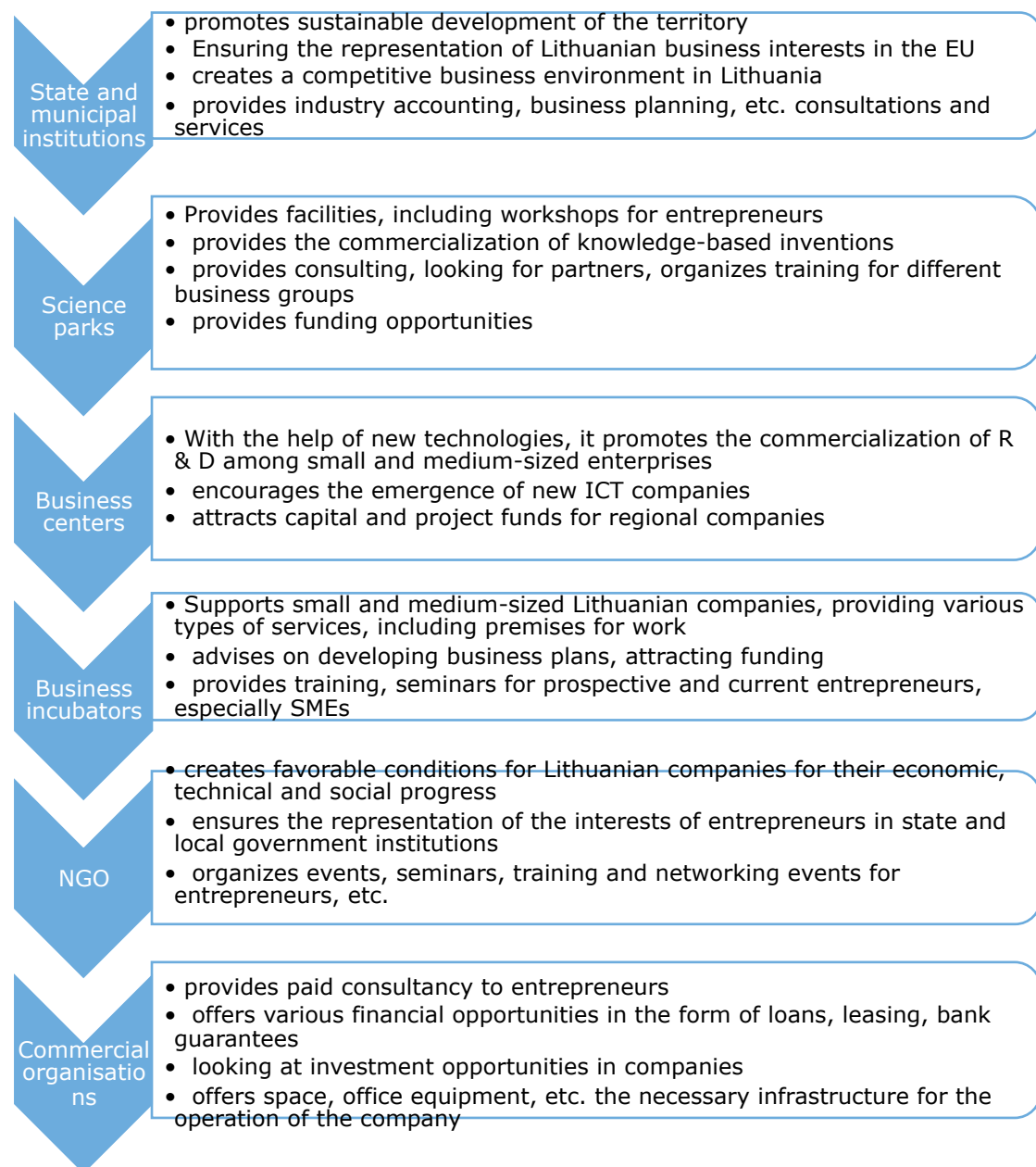
In Lithuania, the share of business centers (24%) and business incubators (16%) is comparatively large, both publicly owned and privately established, offering services to prospective and current entrepreneurs, with a particular emphasis on supporting new enterprises. Several business centers offer job-sharing facilities, one-stop-shop services, informational support, training, professional growth courses and other services, while

⁴³ NIEC description. Tiešsaistē: <https://apcis.ktu.edu/en/site/about?tab=centrai> [skatīts 24.02.2018.].

business incubators focus on start-up support and incubation of new businesses.

Similarly to Latvia (24%), Lithuania has a relatively large share of non-governmental organizations - 14% of the total number of business support organizations. However, unlike in Latvia, most non-governmental organizations are national-level associations, not local or regional. In Lithuania, like in Latvia, entrepreneurship support functions are provided by a commercial sector - private companies that provide consulting, preparation of project applications, as well as offer premises and office equipment for entrepreneurs to entrepreneurs, but their percentage is small and the impact on the business environment is not significant.

The basic functions of Lithuanian business support organizations according to their legal status are reflected in Section 2.6. in the picture.



2.6image

The basic functions performed by Lithuanian business support organizations analyzed in the study, according to their legal status.

Source: author created image using data collected in the study.

As can be seen in 2.6. In Figure, also in Lithuania, business support functions are carried out by several organizations whose direct or indirect business activity is business support.

In Lithuania, the largest business support organizations are **the chambers of commerce, industry and crafts**, which, like the Latvian Chamber of Commerce and Industry, are non-governmental organizations and their main revenues are membership fees and fees for services provided. The chambers of commerce, industry and crafts are represented in five districts of Lithuania - Kaunas, Klaipeda, Siauliai, Panevezys and Vilnius. The main goal of the chambers is to create a business-friendly environment in the region and in the country, promoting the establishment and development of trade, industry, construction, transport, communications, crafts and other enterprises and clusters in the regions in cooperation with the government, foreign economic and state institutions.

The chambers operate in three main blocks: 1) competitiveness, business development, 2) regional development and 3) education. The range of services for prospective and existing entrepreneurs is very broad, and is fully oriented towards business support throughout the country. The Chamber is involved in the development and improvement of regulatory enactments and other regulatory enactments, initiates mutually beneficial partnerships with state institutions and local authorities, strengthens and coordinates cooperation with other related business structures, cooperates with regional authorities, promotes vocational training, scientific and institutional social partnership and supports constructive interaction between business and educational communities in the region, participates in the development of higher education, etc.⁴⁴.

Analyzing 2.6. In Lithuania, all organizations can be divided into two functional groups according to their types of support. Unlike in Latvia, where functions of organizations are more subordinate to the territory (state, regional or district-level organizations), in Lithuania, all organizations can be divided into two functional groups according to their types of support. The first group comprises state institutions, non-governmental organizations and business incubators, which mainly focus on supporting small and medium-sized enterprises throughout the country, offering various direct and indirect business support services, as well as ensuring representation of business interests at local, national and European Union level. The other group of organizations - science parks, business centers and business organizations - offers financial support in the form of loans, premises, attracts capital and project funds to companies, regardless of their size or location.

Business support is also provided by Siauliai Business Incubator, a project partner organization. Business incubators, like in Latvia, are state institutions subordinated to the Ministry of Economics of the Republic of

⁴⁴ Tirdzniecības, rūpniecības un amatniecības kameru darbības uzdevumi. Tiesšaiestē: <http://www.rumai.lt/lit/Apie-mus/Misija-ir-veiklos-kryptys> [skatīts 04.04.2018.].

Lithuania. The Siauliai Business Incubator has a local character - it works mainly with prospective and current entrepreneurs in the Šiauliai region, but the range of services is very wide: rent of premises (both short-term and long-term), rent of various equipment and equipment, equipped workspace and internet access, administrative and advisory services, company legal address, training, workshops, seminars, exhibitions, presentations and events, introduction and promotion of innovations, business card making, translation services, etc.

Similar functions are performed by another project partner organization - the Panevezese Business Support Center, which is also a public institution, established in 1995 through the EU PHARE program. Founders, supporters of the support center and the members are Panevezys City Municipality and Panevezys Chamber of Commerce, Industry and Crafts⁴⁵. The purpose of the support center is to increase the competitiveness of the Panevėžys region by promoting entrepreneurship and increasing employment. The Support Center is very similar to the Siauliai Business Incubator offering extensive administrative and advisory services as well as real help such as business registration, planning and development, marketing and accounting services and tax advice, and helping companies to search for sources of funding, prepare investment business plans, applications for EU and state aid projects, and also, at the request of economic operators, carry out market research, etc. In addition, the center organizes accounting, occupational safety, fire safety training, business education seminars. The offer of the center is equivalent to the offer of business incubators.

The question arises as to why there are two-state institutions in one national territory. The explanation is probably that business incubators are the younger organizations that have evolved in a number of places instead of business support centers. Namely, the business incubator and business support center are essentially identical formations, with a slight difference in the fact that hatcheries are more oriented towards new enterprises, but business support centers - for all companies irrespective of their duration. Despite the similar functions of both organizations, overlapping services and competition are not relevant to them, as debt analysis, because institutions serve operators from different territories.

Another project co-operation partner, who also carries out business support, is the public library of the Rokiškis district municipality J. Keliuotis. The library is more associated as a cultural center, reading room and book store, so it is especially valuable to analyze the accumulated experience in such organizations that have been able to innovate to expand their routine functions and engage in business development. The public J. Keliuotis library, Rokiškis district municipality, formulates its mission as follows: the library is open and accessible to everyone, it has the potential to help entrepreneurs develop and become innovative, the library provides advice to its business community, extensive free information on entrepreneurship, and the necessary informative and methodological support. Such experience serves as

⁴⁵ Panevežas Biznesa atbalsta centra mājaslapa. Tiešsaistē: <http://www.rumai.lt/lit/Apie-mus/Misija-ir-veiklos-kryptys> [skatīts 08.04.2018.]

a good practice for taking over the multifunctional approach in municipal institutions.

The business support system in Lithuania is mostly made up of **national organizations operating nationally and branches throughout the country, business support centers and business incubators**. A smaller proportion of support organizations include NGOs, science parks and commercial organizations.

In Lithuania, the proportion of business support centers and business incubators is also relatively large, both public and private.

The largest proportion of support organizations in Lithuania analyzed in the study are organizations located in Vilnius County, as well as national organizations providing support throughout the country. The comparatively large proportion of Lithuanian support organizations in the central city of Latvia is also in line with the situation in Latvia, where nearly half of Latvia's business support organization is concentrated in the capital of Riga, which once again confirms the monocentric development of the states and the need to pay more attention to regional development. This is also evidenced by the relatively small support the number of organizations is 10% in Panevezys county and 6% in Šiauliai.

Similarly, in Latvia, the proportion of non-governmental organizations is rather large in Lithuania. However, unlike in Latvia, most non-governmental organizations are national-level associations, not local or regional.

In Lithuania, like in Latvia, business support functions are also provided by a commercial sector - private companies that provide business consulting, preparation of project applications, offer entrepreneurs space and office equipment for business, but their percentage is small and the impact is not significant.

Analyzing the number and distribution of business support organizations according to the legal status in Latvia and Lithuania, it can be concluded that in Latvia, the share of larger support organizations is made up of local authorities, while in Lithuania they are state institutions. There is also a significant difference in the number of business support organizations in Latvia and Lithuania, which was analyzed in the study. Namely, in Latvia, with fewer inhabitants, there are many more business support organizations (188) than in Lithuania (50). This could be explained by the different administrative and territorial divisions in both countries: Lithuania has two levels of local government and only 10 districts, but in Latvia there is one level and many more municipalities (110 municipalities and 9 republican cities).

Unlike Latvia, where the functions of organizations are more subordinate to the activity territory (state, regional or district-level organizations), in Lithuania, all organizations work more according to their functions and types of support, rather than territorial principles.

The concentration or dispersion of administrative resources and state resources also affects the quantity and availability of business support organizations. How does the amount and territorial distribution of business support organizations affect the effectiveness of business support

organizations and the development of the business environment as a whole? The answers will be found further in the study, evaluating the operational environment of each country's external business environment and business organizations.

2.2.3. An analysis of the business support services provided in Latvia

2.2.3.1. The scope of the services and the importance of the organizations

As the range of services provided by business support organizations to individuals and / or businesses varies greatly both qualitatively and quantitatively, all business support organizations were divided into 3 groups according to the range of services they provide, the importance of the availability of business support, as shown in Figure 1. in the Annex:

1) significant organizations with a wide range of services (providing 5 or more types of services for both prospective and existing entrepreneurs, and in a wide area);

2) medium-sized organizations with a medium range of services (providing 3 to 5 types of services for both prospective and existing entrepreneurs at least at regional level);

3) minor organizations or organizations with a narrow (specialized) range of services (providing up to 3 types of services, often for certain groups of entrepreneurs at the local level).

Table 2.2. reflects the division of Latvian business support organizations analyzed in the study by significance, the range of services and the share of organizations in each of the three groups mentioned above.

table 2.2.

The analysis of the Latvian business support organizations analyzed in the study is based on the scope of services

Service volume	Status of organisations	org. amount	proportion , %
Organizations with a wide range of services	Municipal institutions	9	19,7
	State institution (<i>ZPR UC, KPR UC</i>)	10	21,7
	Scientific institutions	3	6,5
	NGO	6	13,0
	Business incubators	13	28,3
	Other incubators	2	4,3
	commercial organisation (<i>LLKC</i>)	3	6,5
	TOTAL	46	24
Organizations with medium range of services	Municipal authority	26	31,7
	State institutions	4	4,9
	Scientific institutions	7	8,5
	NGO	40	48,8

	Business incubators	0	0
	Other incubators	5	6,1
	Commercial organizations	0	0
	TOTAL	82	44
Organizations with narrow range of services	Municipal institutions (Aizkraukle County Business Support Center)	30	50
	State institutions	1	1,7
	Scientific institutions	24	40
	NGO	1	1,7
	Business incubators	0	0
	Other incubators	0	0
	Commercial organisations	4	6,6
	TOTAL	60	32

As can be seen in 2.2. In the table, almost half of all Latvian support organizations analyzed in the study are classified as organizations with an average range of services (44%), which are mainly provided by municipal institutions and non-governmental organizations. This is explained by the fact that local governments and non-governmental organizations generally provide services to both prospective and existing entrepreneurs, mostly informational services, ie consultancy, seminars, information, and, moreover, are mainly oriented towards entrepreneurs of a certain territory (a specific municipality or region) .

Organizations with a narrow range of services account for 32% of the total number of organizations and are basically offering specialized services to a specific business community. A narrow range of services is mainly provided by small municipalities, scientific institutes such as the LU University of Astronomy Institute, LU Polymer Mechanics Institute. This is because the scientific institutes work with existing entrepreneurs who want to expand their operations, reorganize their services or production, and the specifics of institutes show that only a set of entrepreneurs will use the services of these institutes.

Organizations with a wide range of services make up the smallest share of organizations (24%), but their range of services varies from information and advice to financial support. Most organizations with a wide range of services are national organizations such as LLKC, LIAA, VIAA, LAD, CFLA, which provides services to existing and emerging entrepreneurs throughout Latvia.

This group includes also commercial organizations, i.e. banks - AS SEB banka, Swedbank, Luminor Bank (Nordea Bank), as well as regional level organizations such as Zemgale and Kurzeme business centers.

Table 2.2. once again testifies to the uneven territorial division of Latvia, namely the size of very different municipalities and the very diverse range of services offered by local authorities accordingly. Greater municipality is able to provide a wide range of services, medium and small - medium or narrow range of services. Such a different approach and / or capacity of Latvian

municipalities in providing business support directly affects the development opportunities of the local area.

* * *

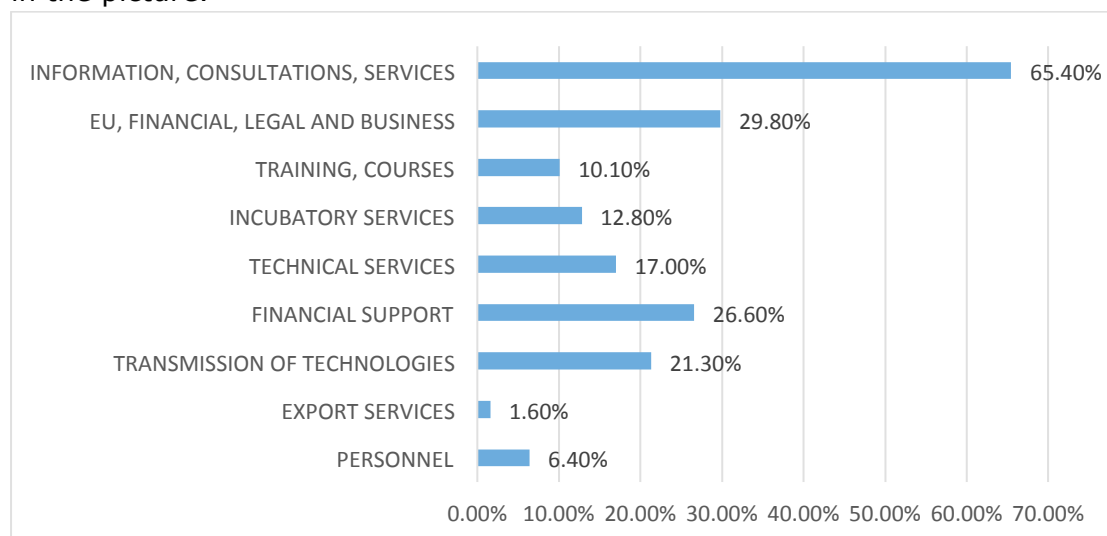
According to the results of the research, the most important organizations in Latvia in terms of access to business support services are national level organizations, business incubators, as well as municipal institutions. They provide a wide range of services ranging from informative and consultative support to financial support. With a narrow (specialized) range of services, there are scientific institutes and commercial organizations, as they mainly provide services to a specialized, specific group of entrepreneurs and for a fee.

Almost half of all support organizations (44%) are classified as organizations with an average range of services, mainly local authorities and non-governmental organizations.

The Latvian regional policy makers should pay close attention to the heterogeneous approach of Latvian municipalities in providing entrepreneurship support, which has a direct impact on the development of the regions of Latvia.

2.2.3.2. Provided support services and the importance of the organisations

Which types of business support services are highly sought after by entrepreneurs and are provided to Latvian entrepreneurs from business support organizations? The answer to this question is clearly reflected in 2.7. in the picture.



2.7.attēls

The types of services provided by Latvian business support organizations analyzed in the study and their proportion.

Source: author created image using data collected in the study.

As can be seen in 2.7. In the picture, most Latvian support organizations provide informational support, consultations and seminars (65.4%), including financial, legal, business consulting and consultancy on EU

projects (29.8%). In Latvia, 26.6% of organizations provide financial support in the form of grants, loans, loans and other support instruments, while 21.3% of organizations provide technology transfer, laboratory and research services.

A relatively smaller number of organizations - 17% - provides technical services, i.e. rental of office space and office equipment, internet services, organization of events, etc., which are of particular importance to start-ups, which are at the beginning of the year worthy of any support, in particular renting premises and renting office equipment. 12.8% of organizations offer incubation services for new businesses, while 10.1% offer entrepreneurs training, professional development courses and educational activities on topics of interest to various entrepreneurs. As entrepreneurs themselves point out, training, refresher and professional development courses, which are often offered free of charge, are attractive and useful for entrepreneurs both at an early stage and in the development of the company.

A relatively small number of organizations offers services such as personnel selection (6.4%) and export services (1.6%).

When analyzing the target audience of business organizations, it is was concluded that most organizations offer their services to all target groups of entrepreneurs - both prospective and existing entrepreneurs; a small number of organizations, including research institutes and technology transfer centers, offer their services only to existing companies that already have a clear business development vision and understanding of the necessary support for the implementation of the vision.

* * *

The analysis of services provided by business support organizations allows us to conclude that the most demanded services of Latvian entrepreneurs are as follows: 1) informative support, consultations and seminars, including financial, legal, business consulting and consultations on EU projects; 2) financial support in the form of grants, loans, loans and other support instruments; 3) technology transfer and commercialization, laboratory and research services.

Most Latvian Supporting Organizations offer their services to all target groups of entrepreneurs - both prospective and existing entrepreneurs.

2.2.4. An analysis of the business support services provided in Lithuania

2.2.4.1. The scope of the services and the importance of the organisations

Unlike Latvian organizations, Lithuanian business support organizations are more oriented towards certain types of business support, thus facilitating the choice of entrepreneurs to which organization to go in order to receive appropriate and qualitative support. There are organizations that deal only with the organization of different levels of entrepreneurs and the organization of informative seminars, others - provide material technical support (rental of premises, office equipment, virtual offices, etc.) for young entrepreneurs, etc.

Also, Lithuanian support organizations according to the offered range of services were divided into three groups according to their importance for the availability of business support, which is reflected in table 2.3.

Table 2.3

The analysis of the Lithuanian business support organizations analyzed in the study is based on the scope of the range of services

Service volume	Status of organisations	Org. amount	Proport ion, %
Organizations with a wide range range of services	State / municipal institutions	8	66,7
	NGO	3	30
	Business incubators	1	8,3
	TOTAL	12	24
Organizations with medium range of services	State / municipal institutions	10	43,5
	NGO	4	17,4
	Business incubators	2	8,7
	Business centers	6	26,1
	Commercial organisations	1	4,3
	TOTAL	23	46
Organizations with narrow range of services	State / municipal institutions	3	20
	Science parks	5	33,3
	NGO	4	26,7
	Business incubators	2	13,3
	Commercial organisations	1	6,7
	TOTAL	15	30

Similarly to the situation in Latvia, most or 46% of organizations in Lithuania are medium-sized organizations offering medium-range services; the majority of these services are provided by state or local government institutions, as well as business support centers and incubators.

The second largest group of services, or 30% of the entire organization, offers a range of services in specific regions or specific target groups, such as new companies, service providers or companies that provide the services provided remotely. This group also includes all the identified scientific parks that provide specific services to existing companies that want to expand their activities or reorganize their existing activities.

Organizations with a wide range of services are mostly state-level institutions that provide informational support, training, business and financial advice, as well as advice on issues

* * *

In Lithuania, the most important organizations in terms of access to business support are national-level governmental organizations, which are also in line with Latvia's situation. They provide a wide range of services ranging from informative and consultative support to financial support. Medium-sized support organizations are business centers and incubators, as

well as state and local government institutions. However, smaller organizations or organizations with a narrow (specialized) range of services are scientific parks and commercial organizations, which also correspond to the situation in Latvia.

Similarly, the majority of existing support organizations in Latvia are classified as medium-sized organizations with a medium-range service, which in Lithuania are mainly provided by state / local government institutions and business centers and incubators, while in Latvia - local authorities and non-governmental organizations.

2.2.4.2. Provided support services and their target audience

To find out which types of services are more commonly offered to Lithuanian entrepreneurs, 2.8. Figure shows the types of services provided by the Lithuanian support organizations analyzed in the survey and the proportion of their demand.

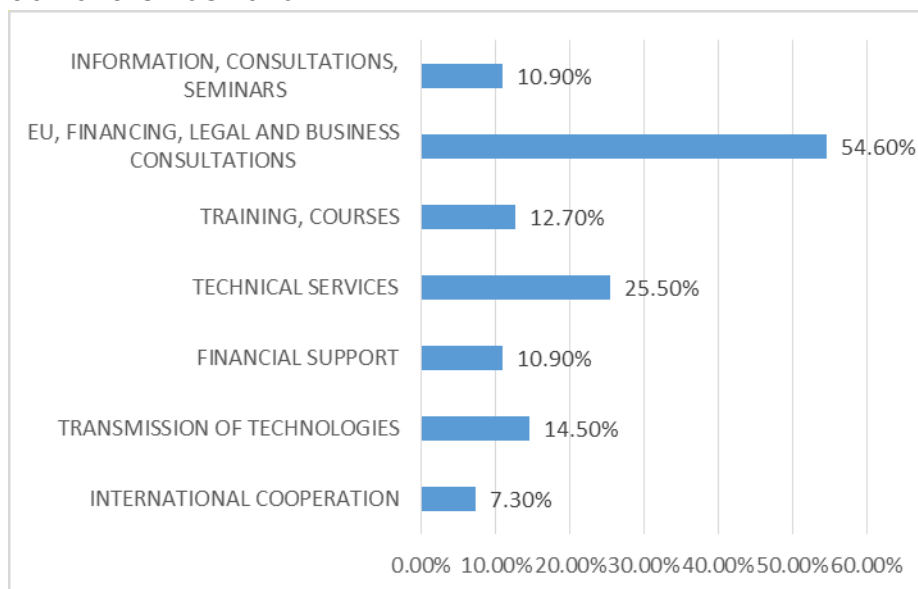


image 2.8

Types of services provided by Lithuanian business support organizations analyzed in the research and their proportion.

Source: author created image using data collected in the study.

As shown in 2.8. In the picture, most or 54.6% of organizations offer EU, financial, legal, and business advice, and provide 10.9% of the information support. 25.5% of organizations offer technical services, while 14.5% of organizations offer technology transfer and commercialization services.

It should be emphasized that a relatively large number of organizations -10.9% - also offers real financial support, providing a financial boost to business development.

When analyzing the target audience of business organizations, it should be concluded that, similar to Latvian organizations, Lithuanian organizations mostly work with both existing and emerging entrepreneurs, providing advice, providing information support and necessary training.

* * *

An analysis of services provided by Lithuanian business support organizations allows us to conclude that the most demanded services of Lithuanian entrepreneurs are: 1) EU, financial, legal and business consulting; 2) support of technical services, premises and technical equipment; 3) technology transfer and commercialization services.

The majority of Lithuanian support organizations, similar to those of Latvian organizations, offer their services to all target groups of entrepreneurs - both prospective and existing entrepreneurs.

2.2.5. An comparative analysis of provided business support services in both countries

A comparison of the support organizations of both countries shows both the many similarities in ensuring the functions of the state, local government, etc. supports organizations as well as differences. The functions performed by the Lithuanian support organizations are mainly subordinate to the types of support and target audience and are more distinct from the organizations, unlike Latvia, where the functions of the organizations are more subordinated to the territory (activity at the state, regional or district level). A comparison of services provided by Latvian and Lithuanian business support organizations is provided in Section 2.9. in the picture.

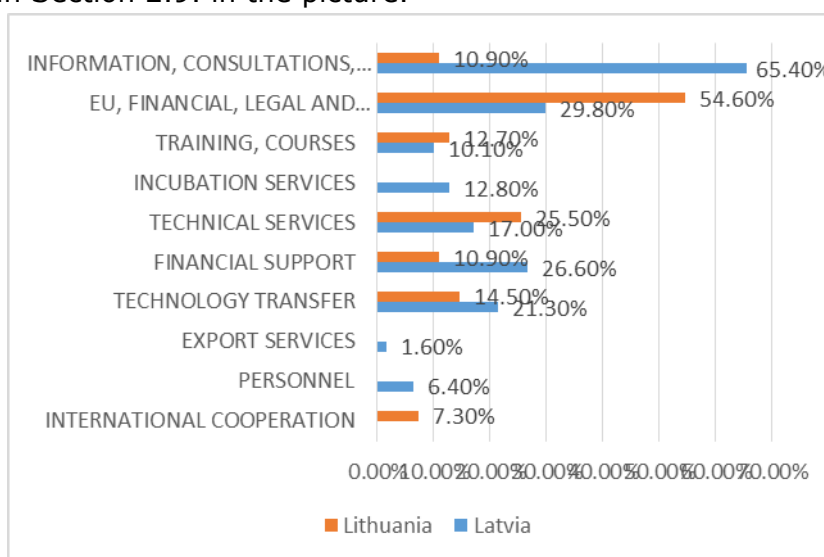


image 2.9

The analysis of the services provided by Latvian and Lithuanian business support organizations analyzed in the study.

Source: author created image using data collected in the study.

As shown in 2.9. In Figure 2, in Latvia and Lithuania, support organizations provide training and courses for entrepreneurs on an equal footing, as well as technical services and technology transfer opportunities. In Latvia, 65.4% of organizations offer general information services, provide consultations and seminars, while in Lithuania, organizations generally provide consultations in various fields and subjects specific to entrepreneurs -

54.6%, respectively. It should be noted that in Latvia, much larger number of organizations offers financial support (26.6%) than Lithuania (10.9%).

* * *

When assessing the range of business support organizations, it is possible to conclude that it is very similar, diverse and intended for different groups of entrepreneurs, both prospective and existing, in both countries. The largest overlap between services is in counties, training and courses, but services are not concentrated in one place but in different parts of the country.

Entrepreneurship support organizations in both Latvia and Lithuania generally provide a range of medium-sized services, ie, entrepreneurs receive on average 3-5 types of services in a given area, which in Lithuania are mainly provided by state / local government institutions and business centers and incubators, while in Latvia - local authorities and non-governmental organizations .

In Lithuania, the most important organizations in terms of access to business support are national-level governmental organizations, which are also in line with Latvia's situation. They provide a wide range of services ranging from informative and consultative support to financial support.

In turn, scientific institutes and business organizations in both countries provide a specific service to a specific group of entrepreneurs, and therefore belong primarily to organizations with a narrow range of services.

Regardless of the volume of services provided, a large proportion of business support organizations provide informational support, consultancy and workshops, and nearly a third of organizations offer various types of financial support.

In Latvia and Lithuania, support organizations offer training and courses for entrepreneurs on an equal footing, as well as technical services and technology transfer opportunities. It can be concluded that the current situation in Latvia and Lithuania in the business support organization is very similar, which serves as an essential prerequisite for the creation of a single business support system.

2.2.6. An analysis of the pricing of business support services in Latvia and Lithuania

Analyzing the availability of business support services from a financial point of view, it can be concluded that state and local government organizations, which provide mostly initial informational support, provide business support services free of charge. Therefore, for entrepreneurs, a local government or a national organization of national importance is more binding, and it is often the first organization to turn to help in planning or developing a business.

In several municipalities there are business support centers, where appropriate specialists work. Despite the fact that the advisory support provided by state institutions and local authorities is basically free, the quality of the service depends on the qualifications of the staff of the state or local government that provide such support. In the focus groups organized with

the participation of entrepreneurs, it has been concluded that one of the reasons for non-utilization of state or local government support is the inadequate qualification of the respective state or local government specialist, the lack of knowledge and necessary experience in practical business, and insufficient competence in the provision of quality counseling. Although the free provision of services is a significant advantage for their use, it is justified only on the condition that quality services are provided.

The results of the research show that the basic service for which the municipality collects the payment is the rent of premises, which is determined by the decision of the council. Municipalities also have the opportunity to grant real estate tax rebates.

Some municipalities also offer other business support services for a fee. For example, in the Dobele Adult Education and Business Support Center, support services such as business counseling, legal aid, financial counseling, training, professional development courses, mentor services for entrepreneurs are fee-based (average 6.90 EUR / hour) or according to the contract price set by the municipality.

A similar situation is observed in the Zemgale Region Competence Development Center (hereinafter - ZR KAC), which, though it is a city-based institution, provides a number of services for a fee. Infrastructure support services such as renting a room (from 10 to 40 EUR per hour), equipment rental (multimedia rental - 8 EUR / h, document camera - 5,00 EUR / h, interactive whiteboard - 15 EUR / h, sound system - 23,50 EUR / h, computer - 3,00 EUR / h). ZR KAC also offers paid courses, seminars, conferences, as well as individual classes; for such measures a contract price of not less than 1.50-15.00 per hour is determined.

As mentioned above, business incubators are equally state and municipal institutions as the most important organization in terms of access to business support services, therefore it is important to determine the availability of these services from a financial point of view in the framework of the study. It should be noted that both business and incubators established by the state, as well as by private and other founders, operate in both Latvia and Lithuania. Proposals for business incubators under supervision of the Latvian Investment and Development Agency and other state-based incubators for new or upcoming entrepreneurs in the pre-incubation period (up to 6 months) are mainly 100% co-financed, that is, they are free for entrepreneurs, while in the incubation period (up to 3-5 years) some services, such as mentor support, are co-financed by the state 100%, while some - 50%. Private incubators are mainly offering services for a fee. For example, the prices of services offered by the incubator Turība Business HUB are visible 2.4. in the table.

table 2.4

“Turība Business HUB” business incubator services price list

Type of service	Price, with VAT	Price for students, with VAT
Shared facilities:	60,50 EUR/month	48,40 EUR/month
Hot Desk (table in co-working room)	145,20 EUR/month	145,20

Dedicated Desk (Separately equipped and reserved space for the client)	199,65 EUR/month	EUR/month 199,65
Private Office (Separately fully equipped offices for customers)		EUR/month
Legal address registration	15,12 EUR/month	9,07 EUR/month
Premises for rent:		
"Active room space" (seminar room)	15,13 EUR/hour	
"Event space" (big open space)	17,36 EUR/hour	
"Meeting room" (negotiating room)	6,66 EUR/hour	
Event organisation (planning, organization and management of the event)	Price after agreement	

Turiba's Incubator is welcomed by a more favorable pricing policy for students, thus facilitating their involvement in entrepreneurship.

Non-governmental organizations have a similar approach to service pricing. For example, the Latvian Chamber of Commerce and Industry offers paid seminars (the average price is 15,00 EUR for participation in the seminar), but for LTRK members they are available at considerable discounts or free of charge. Similarly, business incubators also rent rooms for various events (from EUR 15.00 to EUR 25.00 per hour for LTRK members and from EUR 25.00 to EUR 33.00 per hour for other parties), as well as offer inventory (video and photo equipment) rental and sending a paid e-mail to a segmented audience.

Pricing policies for business support in research institutes and business organizations vary greatly from one institution to another, and prices for services ranging from 10 to 100EUR per hour.

One of the most active commercial organizations offering various paid services for entrepreneurs and a wider range of stakeholders is the Latvian Rural Advisory Center. As can be seen in 2.5. In the table, LLMC services are not only related to forest management and forestry services (work management and supervision), but it also provides services such as the development of EU fund raising projects, information, education, training, guided tours and events, etc.

table 2.5

LLKC service price list, with VAT

Type of service	Unit of measurement	Price, EUR
Development of EU fund raising projects		
Projekta pieteikuma sagatavošana	hour	26,62
Meža apsaimniekošanas plāna izgatavošana ES atbalsta finansējuma saņemšanai	hour	26,62
Atskaišu sagatavošana	hour	26,62
Maksas konsultācija ES projektu jautājumos	hour	26,62
Information, education, training		
Paid seminar	pcs.	after the estim.

Training, lectures incl.	course	after the estim.
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As can be seen in 2.5. In the table, the LLMC offers important support services for entrepreneurs, especially young entrepreneurs, in project development and advocacy on democratic prices, and maintains the above-mentioned loyalty approach for its customers by providing seminars and training for LLKC customers free of charge.

Lithuania has a very similar approach to pricing policy. In Lithuania, municipalities and state institutions also provide free services, but some services that are especially demanded by entrepreneurs are also offered by the state-owned institutions for a fee. For example, the Penn State Business Consulting Center pricing can be seen in table 2.6.

table 2.6

Panevezys Business Advbisory Center service price list

Type of service	Price
Business / start-up consultancy	28 EUR /per hour
Training, seminars, courses	100 EUR/24 hours 35–100 EUR/8 hours
Legal Aid	5–235 EUR
Financial advisory services for business support	10 EUR /per hour
Advice on attracting EU funds	10 EUR /per hour
Participation in competitions and projects	290–2890 EUR
Development of investment projects, business plans	300–2890 EUR

As can be seen in 2.6. In the table, the prices of Lithuanian services are similar to those of Latvia, but in several positions slightly higher than the prices of services in Latvia. The exception is financial advice and consultancy for attracting EU funds: compared to the prices of LLKC (EUR 26.62 per hour) Panevezys Business Advice Center provides them half as cheaply (10.00 EUR per hour).

The Siauliai Business Incubator also offers paid services, which, like the Panevezese Business Advice Center, is a municipality-based institution. The Siauliai Business Incubator, however, indicates that for the most part its services are provided free of charge, but for a fee is offered a room for the events (12 EUR / hour), office space (3-5 EUR / 1m²), and virtual offices (50 EUR / month) - Computerized workplace with Internet access for micro enterprises that need office only a few days a week / month. This service can be used by any business person, regardless of location or country.

* * *

From the point of view of financial accessibility, state and local government organizations in both countries are out of competition, because they mainly provide business support services to future or existing entrepreneurs free of charge, compensating for expenses from the state budget or local government budget. Also, state-run and funded business incubators offer a

number of services free of charge. The opportunity to receive a free service is a significant advantage for their use, but only provided that it is provided in a high quality.

A basic service for which public and local organizations charge a fee is the rent of premises, equipment or equipment. The premises rental service is provided by all the analyzed organizations, which allows us to conclude that the premises lease service is very attractive for entrepreneurs, especially those who have just begun to engage in business, and the purchase of premises is an additional burden for the development of the company.

2.3. An evaluation of cooperation within the activities of business support organisations

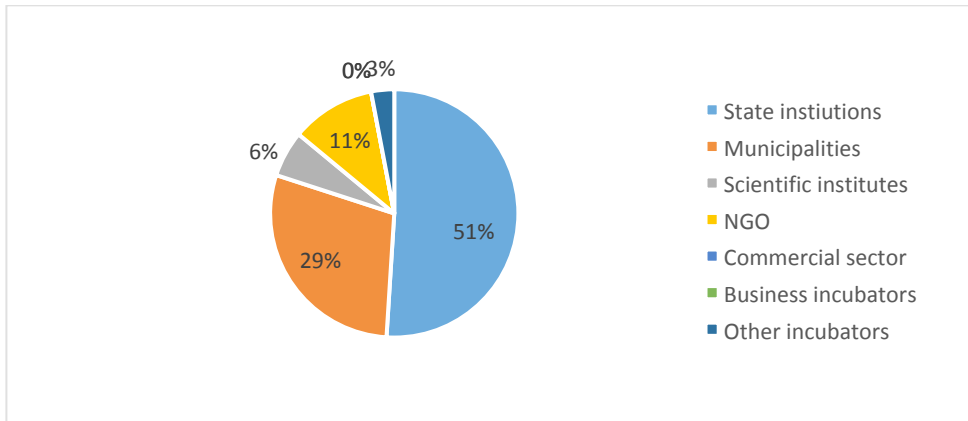
2.3.1. Business support organisation questionnaire organisation and respondent activity

In order to evaluate the operation and cooperation of Latvian and Lithuanian business support organizations, a survey of business support organizations was carried out at the same time as an analysis of the list of supporting organizations, as shown in Annex 1, according to a questionnaire developed by researchers, which is presented in Annex 2. The questionnaire contains 23 closed and open questions about the organization's activities in general, priority directions, organization budget, business support granted by economic sector, decision-making process, examples of good practice and experience, cooperation with other organizations, etc.

The survey questionnaire was sent to all business support organizations identified at the start of the study: 188 organizations in Latvia and 50 in Lithuania, which are listed in Annex 1. At the same time, sending out a questionnaire with an official covering letter by mail and / or email, the researchers carried out a large number of explanations and motivations on the phone-how important the organization's specialists were to participate in the survey in order to improve the functioning of the business support organizations and the business support system. Where necessary, face-to-face interviews with the organizations were organized. The survey was conducted from November 2017 until January 2018.

In spite of the active support of researchers to provide information on the questions included in the questionnaire and assistance in completing it, the responsiveness of business support organizations is considered to be very weak: out of 238 respondents, only 41 organizations or 17.22% of the total number of respondents participated in the survey, including 35 organizations, or 18, 6% of Latvia and 6 organizations, or 12%, of Lithuania. The answers to the respondents who participated in the survey can be found in Appendix 3.

The distribution of Latvian respondents who participated in the survey by the legal status of the organization is shown in picture 2.10.



picture 2.10

Distributed by legal status of surveyed business support organizations in Latvia.

As can be seen in 2.10. In the picture, the Latvian state authorities were comparatively responsive, because of the total of 15 public institutions that were invited to participate in the survey, 10 respondents answered, however, most institutions (6) have shown very incomplete information or reasons why it is impossible to fill out questionnaires.

Of the 63 municipal institutions, 18 or 28.6% of municipalities participated in the survey, including 11 respondents were local governments, and 5 - regional business support centers. The municipalities of the three municipalities sent a formal refusal, stating that the municipality as a derived public person is not allowed to provide support and investment in enterprises; therefore, support for business promotion is only indirect, not provided in the form of services and does not conform to the survey format.

Scientific institutes form a relatively large part of the business support system; however, only 2 institutes from 33 research institutes participated in the survey. Scientific institutes indicate that their main function is scientific research activity, therefore, they do not provide support to entrepreneurs; on the contrary, entrepreneurs provide support to institutes by conducting contract research contracts financed by entrepreneurs.

The results of the survey were not received from business incubators, for which a uniform vision of the interview was provided by the employees of the Latvian Investment Development Agency.

In Lithuania, six organizations have completed the questionnaire, of which 3 are project partners and the remaining 3 are public authorities.

* * *

The passive participation of business support organizations in the survey and the lack of interest in evaluating the effectiveness of the business environment and supporting organizations (questionnaires have been largely filled in incompletely, moreover, state institutions have often indicated information on one specific area of support, thus not providing a qualitative overall view of the organization's activities). Debts the true responsibility of the responsible organization or organization. attitude to business support in general. Also, after repeated requests to express the organization's point of view and provide an objective picture of the organization's operation in providing business support, researchers received refusals with various

grounds for why the organization was not able to fill out a questionnaire; one of the most frequently answered answers - the organization does not deal with business support.

Such an answer and attitude from business support organizations demonstrate either a lack of understanding about the business system as a whole and the role that it represents in that organization, or the low motivation to collaborate with scientists in evaluating the effectiveness of support organizations. You can only hope that the attitude towards your target audience - entrepreneurs - is encouraging and professional. The results of the survey of entrepreneurs are analyzed in Chapter 3 below.

2.3.2. Activity profile of business support organizations

What are business support organizations? What are their priority directions? Are organizations employed by individuals to provide business support functions? How much of a budget is made up of financial resources for business support? These issues are important in assessing the effectiveness of business support organizations, the directions of action and the intensity of aid.

Business organizations were asked to identify priority activities for business support and the implementation of their objectives. Priority areas of activity identified by respondents are presented in Table 2.7.

Table 2.7

Uzņēmējdarbības atbalsta organizāciju prioritārie darbības virzieni

Priority lines of action	BS organisation number
Support for future, new and existing entrepreneurs in a specific administrative territory	7
Business consultations	7
Ensuring the circulation of information necessary for business operators	6
Innovation development	6
Support for micro, small and medium-sized enterprises as well as large enterprises throughout the country	5
Providing support to businesses at all stages of its development	5
Support for agricultural enterprises	3
Support functions specified in the Law On Local Governments	3
Support for the employer in educating the workforce	2
Ensuring labor supply	2
Promoting cooperation between entrepreneurs and educational institutions	2

Tourism development	2
Support for forestry and logging companies	2
Arranging Infrastructure for Business Support	2
Development of the industrial zone for the needs of entrepreneurs	1

Table 2.7 shows that 40% of the surveyed support organizations provide specific support, such as tourism development, support for agricultural enterprises or forestry enterprises, while the majority of support organizations (60%) do not specify their priority activities, providing support to all economic operators irrespective of the economic sector or activity specifics.

In both the Latvian and Lithuanian institutions, 18% of the organizations that participated in the survey identified the promotion of emerging, new and existing entrepreneurs in a specific administrative territory - in the region or region in which they operate in an effort to promote the development of entrepreneurship in a particular area, as a priority activity. The rest of the surveyed organizations are supported throughout the country - they are mostly national organizations with branches throughout the country; However, there are also exceptions, such as the Competence Development Center of the Zemgale Region, which provides support to enterprises across the country.

Smart specialization and innovation today are an important business development direction, with a special focus on 14.6% of support organizations, providing support for innovative entrepreneurship, and promoting the creation of high added value products and services. One of the support organizations - the State Education Development Agency - indicates that one of the priority directions of activity is support in accordance with the areas of intelligent specialization of the RIS-3 strategy.

17% of the support organizations point out the importance of providing quality advice on all business issues, while 12.2% of organizations point out that it is important to provide support to enterprises at all stages of its development, and thus not only for start-ups or new businesses, but also for existing enterprises, without distinction by size or scope. Information is often an undervalued resource that can be used to produce good results, and therefore a relatively large number of organizations (14.6% of organizations) is a good indicator, which, as a priority, has shown a direct flow of information.

As the respondents have a relatively large number of municipalities, it is logical that 7.3% of organizations point to support to entrepreneurs in accordance with the Law On Local Governments, in particular Paragraph 10 of the Law, which states that the autonomous function of a municipality is to promote economic activities in the respective administrative territory, take care of reducing unemployment. Agriculture is one of the priority business areas in Latvia, and business support organizations are also adapting, indicating that direct support to agricultural enterprises (7.3%) is a priority activity.

Enterprises can not exist without skilled labor, and 4.9% of organizations indicate that one of the priority directions of activity is ensuring the availability of labor force; An equally large number of organizations claim they provide support to the employer by taking care of educating the workforce.

Organizations have also indicated that their priority areas include promoting cooperation between entrepreneurs and educational institutions, developing tourism, providing support to forestry and logging companies, streamlining infrastructure for business support, and developing the industrial zone for business needs.

Priority directions are diverse and focus on support for all types of businesses, regardless of their size or duration, but the question then arises: do support organizations have enough human resources to provide services? The number of employees employed in providing business support can be viewed in picture 2.11

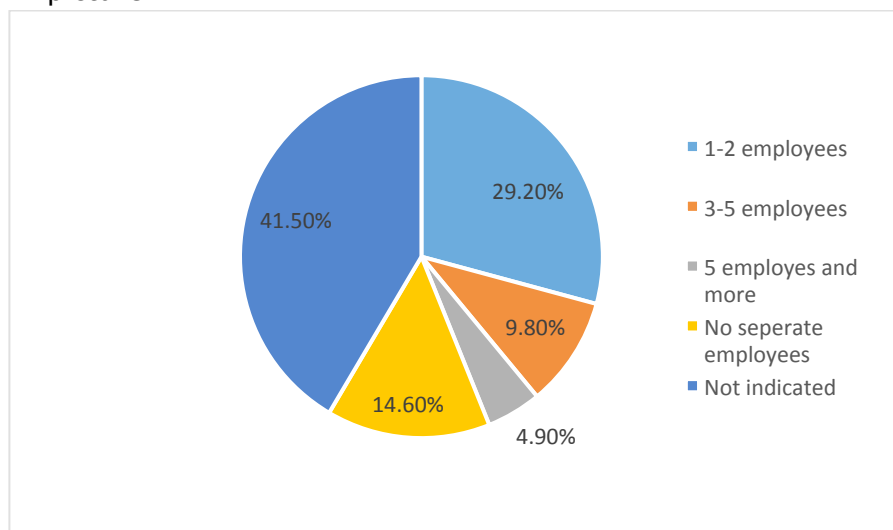


image 2.11

Number of employees in the business support function providing organizations.

As can be seen in 2.11. In Figure 1, most or 41.5% of the organizations completed the survey questionnaire incompletely and did not provide information about the organization's staff that provides business support functions.

Mostly, there are 1-2 employees in business support organizations as indicated by 29.2% of organizations. In local governments, they often are development department heads or project managers who, in addition to their direct responsibilities, also perform business specialist functions. Business support centers in both Latvia and Lithuania mostly employ one or two employees to perform such functions. On the other hand, 14.6% of organizations indicate that they do not employ individual employees to provide support functions, but these functions are performed by employees according to their sphere of activity and competence - mostly they are municipalities or organizations that carry out the business support function indirectly.

9.8% of organizations say that 3 to 5 employees are involved in the provision of business functions; however, it should be emphasized that they do not always have full-time employees - often employees are employed at 0.5 or less. In turn, 2 organizations - the Latvian Rural Advisory Center and Panevezys Business Advisory Center in Lithuania - indicated that more than 5 employees are employed to provide business support functions and implement priority directions. They are mostly consultants and project managers of various kinds who are responsible for specific business areas for better support.

Several organizations, such as Aizkraukle County Business Support Center, Dobele Adult Education and Entrepreneurship Support Center, are one employee organization seeking to provide business functions in a certain area, however, due to the small capacity of human resources, provision of services may be limited.

Quite often, qualified specialists do not suffice to provide high-quality business support - financial resources are also needed. Support organizations organize training sessions, seminars, business forums, and provide real financial support, so it was important to find out whether the organizations budget provides separate funds for business support and how much this funding is in the overall budget. Despite the fact that most support organizations did not provide data on the budget and its breakdown, 2.8. The data summarized in the table gives an overview of the amount of financial support provided by organizations supporting businesses in 2017.

Table 2.8

Organization budget for direct business support in 2017

Name of the support organization	Organization budget and its distribution in 2017 thsd. EUR		proportion, %
	<i>The total budget of the organization</i>	<i>Budget for direct business support</i>	
Salas County Municipality	4384,0	3	0,07
Aluksne Region Municipality	16565	24,5	0,15
Gulbene County Council	29242	6	0,02
Jurmala City Council	94547	291,0	0,31
Aizkraukle County UAC	18	7	38,89
Kurzeme planning region UC	35	15	42,86
LLKC	9763,9	514,1	5,26
Zemgale Planning Region UC	36	15	41,67
Rokiskas Public Library	733,2	0	0,00
Panevezys Business Advisory Center	118	1	1,27
Siauliai Business Incubator	191	60	31,29
Bauska Central Library	-	0,5	-

Jekabpils city municipality	-	8,9	-
Jelgava municipality	25700	-	-
Dobele PIUAC	-	22,141	-

As shown in 2.8. In the table, the largest share of business support support is available to business support centers and business incubators, i.e., 31% -43% of the total budget available to organizations. This percentage is understandable and foreseeable given that these centers are established with the aim of providing business support and development in the specific area. The difference is seen in the budget breakdown of the Penn State Business Advisory Center, where the budget for business support accounts for only 1.27% of the total budget of the organization, which is due to the fact that this organization does not receive state funding and obtains a large part of the required funding by providing paid services.

2.8. The information summarized in the table shows the relatively small financial contribution of local governments to business support, as well as the different share in different municipalities (from 0.02 to 0.31%), which confirms 2.2.3. The conclusions of the subdivision on the heterogeneous approach of Latvian municipalities in providing business support. Although local government support for business development is small, it nevertheless serves as an essential tool for local entrepreneurs. For example, in 2007, Jurmala City Council has allocated EUR 291,004 for business support in support of entrepreneurship in the following activities: 1) promotion of entrepreneurship development in the amount of 28 523 EUR, 2) co-financing of international activities for 120 000 EUR, 3) promotion of youth employment support in the amount of 10 070 EUR , 4) for the provision of the "Vacation Fair" measure in the amount of 30 000 EUR, 5) for the implementation of the grant program in the amount of 10 000 EUR.

An analysis of the total budget of business support organizations and their share of direct business support raises the question: to what extent does state support to business through aid organizations? How many organizations receive state funding for business support can be seen in picture 2.12.

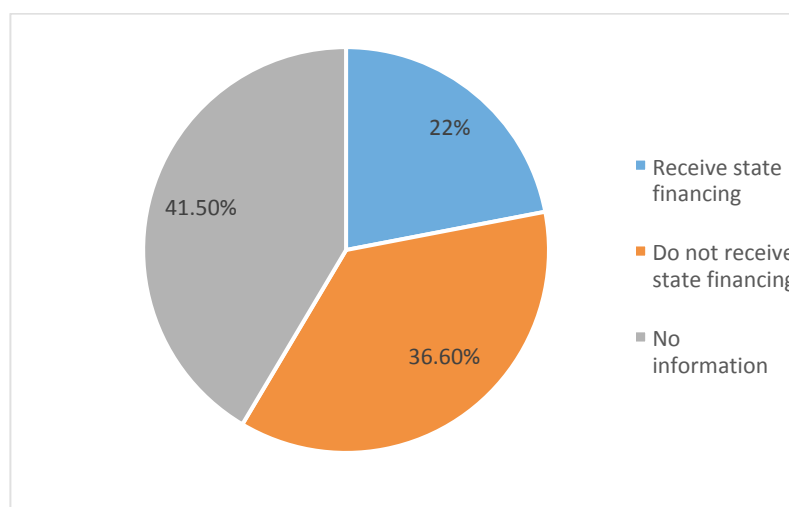


image 2.12

The share of Latvian and Lithuanian organizations receiving state financing for business support.

As can be seen in 2.12. In Figure 2, most of the business support organizations in both countries (36.6%) do not receive public funding for business support, which means that support functions are carried out from their budget or paid services in order to provide entrepreneurs with the support they need.

When analyzing organizations that receive state funding for business support (22% of the total number of surveyed organizations), it was ascertained that half of the organizations consider that the amount of state funding granted is sufficient and equally indicates that the state funding is insufficient.

Latvian Rural Advising and Education Center (LLKC) received state financing of entrepreneurship support in 2017, but requested 591 161 EUR for the provision of state support services, which is by 13% more. The National Center for Innovation and Entrepreneurship of the Kaunas University of Technology (KTU NIUC) received € 70,000 in state funding in 2017, but had requested € 100,000, which is 30% less than assigned. Analyzing the situation of the KTU NIUC in depth, an annual gradual increase in both spending and demand (from 40 000 EUR in 2013 to 100 000 EUR in 2017) can be observed.

The largest difference between the requested and granted state financing in 2017 is observed in the business centers of Kurzeme and Zemgale planning regions, which have requested funding of 75,000 euros to provide business support functions, but received only 15,000 euros, which is 80% less than the demanded. Such a difference is, on the one hand, the ambition, willingness and need for more active and supportive support for the entrepreneurs in the two planning regions, but on the other hand, the government's position and the lack of interest in strengthening the capacity of the planning centers of business centers. It should be taken into account the fact that there are also branches of other state organizations in the regions, as well as municipal and non-governmental organizations.

* * *

A larger proportion of surveyed support organizations (60%) provides support to all economic operators, regardless of the sector or activity specificity, and only 40% of the surveyed support organizations provide specific support, such as tourism development, support from agricultural enterprises, forestry enterprises, support for recruiting or education, provision of cooperation with educational institutions or infrastructure support. In addition, most support is provided throughout the country, and only less than a fifth of the surveyed support organizations in both Latvia and Lithuania are focused on supporting entrepreneurs in a specific administrative territory - in the county or region in which they operate.

When assessing the capacity of human resources of support organizations to provide business support functions, it has to be concluded that for the most part they are very minimal - 1 or 2 employees, or any employee who carries out business consultations for additional additional work responsibilities. Therefore, often in organizations, individually created

business support structures are one employee organization. Such a limited amount of human resources raises concerns about the ability to provide quality support, and this is often the only employee's ability to be well-trained and knowledgeable about a range of business related topics. As the focal group's discussions with entrepreneurs have concluded, the ability of such an advisor to respond only to general questions and provide general informational support is one of the root causes why entrepreneurs do not use the opportunity of advisory support at all or express their dissatisfaction, for example, for obtaining in-depth information, have to go from one institution to another.

When analyzing the budget of support organizations for direct business support, it can be concluded that the largest share of business support (around 30-40%) of the organization's total budget for direct business support is channeled by state-based business support centers and business incubators, which testify to the importance of these organizations in the business support system as a whole and confirms the results of the above analysis. Local governments make a comparatively small financial contribution to entrepreneurship support from the total budget of the organization, and in different municipalities there is a different financial amount for direct business support.

The largest difference between the state funding requested and granted in 2017 is observed in the business centers of Kurzeme and Zemgale planning regions, which have received the state budget by 80% less than required. It shows, on the one hand, the ambitions, willingness and need for more active and supportive support for the entrepreneurs of the two planning regions, but on the other hand, the government's position and the lack of interest in strengthening the capacity of the planning centers of the business centers.

2.3.3. Demand for business support activities, their utility analysis

In order to find out the demand for support services available to entrepreneurs, the overlapping of services, in the course of the next study, how many existing and existing entrepreneurs are using support services and what is the dynamics of demand for support service over the years. The number of recipients of business support services and its changes in the three years (2015-2017) make it possible to assess the need for services and determine their utility, as well as to plan a support organization support service request for the coming years.

2.3.3.1. Demand for business support services, their utility analysis in Latvia

Table 2.9 shows the dynamics of the demand for services provided by supporting organizations analyzed in the survey over the last three years, namely, which services have been requested, and which over time have lost their relevance.

Table 2.9

Number of beneficiaries and changes in Latvian support organizations in 2015-2017

Type of support	Number of support beneficiaries			
	2015.	2016.	2017.	17./15. %
Business Consultancy	432	494	591	37
Informative seminars	1324	2451	5599	323
Training and professional development courses	312	214	315	1
Incubation and pre-incubation services	6	5	52	767
Legal aid	16	17	17	6
<i>Financial advisory services for business development</i>	<i>100</i>	<i>83</i>	<i>97</i>	-3
Financial support	3	42	32	967
Advice for EU funding	291	516	554	90
Business premises	16	18	18	13
Support for the use of office equipment	112	141	204	82
Support for technology transfer and research projects	73	37	78	7
<i>Export market consulting, export services</i>	<i>19</i>	<i>16</i>	<i>12</i>	-37
Support for company participation in exhibitions at home and abroad	70	61	95	36
<i>Business management consultancy</i>	<i>24</i>	<i>22</i>	<i>20</i>	-17
Support for recruitment and / or recruitment	7	5	11	57
IT services	307	437	559	82
Participation in competitions and projects	30	19	49	63
<i>Tax Rebates</i>	<i>7</i>	<i>6</i>	<i>4</i>	-43
Mentor services	10	8	48	380
Networking between entrepreneurs for contact building, cooperation and exchange of experiences	1259	2233	4747	277

As shown in 2.9. In the table, the demand for a number of support services is increasing. The types of services analyzed in the study only experienced a drop in demand and the actual number of beneficiaries has decreased; the rest of the services have become more receptive to the applicants over the years, and the number of recipients of several types of services has increased even several times.

The greatest demand over the last three years has been after **real financial support**, which organizations have also tried to provide. In 2015,

support was provided in 3 cases, but in 2017 there are already 32 beneficiaries of financial support. However, the largest number of beneficiaries was in 2014 (42), which may be explained with the new 2014-2020. The beginning of the EU fund programming period and the active involvement of local authorities in supporting entrepreneurs by offering new grants programs.

Almost the same increase is observed in the demand for **incubation and pre-incubation services** - from 6 recipients in 2015 to 52 beneficiaries in 2017. It should be noted that the growth was influenced by the establishment of business incubators throughout Latvia - as business incubators were gradually established, and the number of beneficiaries gradually increased.

As shown in 2.9. In the table, entrepreneurs are increasingly aware of the role of mentors as advisers and the need for **mentoring services** is growing rapidly - from 10 beneficiaries in 2015 to 48 beneficiaries in 2017. Entrepreneurs are also increasingly attending **informational seminars** and various **networking events**. The growing demand for such services indicates the willingness of entrepreneurs to be educated, to be always informed about the latest developments in the business environment, and to learn and receive individual consultations from other knowledgeable entrepreneurs. The demand for training and professional development services in the last three years is almost constant (1% increase), which indicates the tendency of entrepreneurs to give priority to an individual training approach through mentor services or individual counseling.

The largest drop in the number of recipients of services over the past three years has been the receipt of the following services: 1) financial consulting for business development, 2) export market consultations, export services, 3) management consultancy and 4) tax rebates. The loss of business continuity in the first three services can be explained by the possibility of receiving this information in the form of other services, for example, individual consultations or informative seminars, as well as an increase in the level of education of entrepreneurs, in order to find solutions individually or via the Internet. In contrast, a tax deduction service is not always required and available for objective reasons. To grant tax breaks, entrepreneurs, for their part, must fulfill certain conditions. On the other hand, local governments, along with municipal elections and the change of power, tend to frequently introduce adjustments to their internal regulations and procedures, including the procedure for granting tax rebates.

In general, the demand for business support services and the number of beneficiaries in Latvia tends to increase, which suggests that the offer of business organizations and the criteria for granting aid are improving year by year, allowing more and more applicants to apply for support, and the beneficiaries' understanding of quality business support has increased and the need for it.

2.3.3.2. Demand for business support services, their utility analysis in Lithuania

The dynamics of changes in the number of beneficiaries in the Lithuanian support organizations analyzed in the study are reflected in Table 2.10

Table 2.10

Number of beneficiaries and changes in Lithuanian support organizations for 2015-2017

Atbalsta veids	Amount of support beneficiaries			
	2015.	2016.	2017.	17./15. %
Business Consultancy	213	250	228	7,0
Informative seminars	42	61	89	111,9
Training and professional development courses	103	142	169	64,1
<i>Incubation and pre-incubation services</i>	12	11	8	-33,3
<i>Legal aid</i>	47	74	38	-19,1
<i>Financial advisory services for business development</i>	36	39	29	-19,4
Financial support	-	-	2	-
<i>Advice for EU funding</i>	20	23	17	-15,0
Necessary business premises	-	-	2	-
Export market consulting, export services	-	-	5	-
Support for company participation in exhibitions at home and abroad	-	-	7	-
Business management consultancy	-	-	4	-
Support for recruitment and / or recruitment	-	-	278	-
IT services	-	-	6	-
Participation in competitions and projects	2	3	3	50,0
Tax Rebates	-	-	1	-
Mentor services	-	-	1	-
Networking between entrepreneurs for contact building, cooperation and exchange of experiences	-	-	4	-
Other	52	32	100	92,3

As can be seen in Table 2.10, the data provided by the Lithuanian support organizations on the number of beneficiaries is relatively stable and shows a moderate change over a three year period. The largest increase was observed in the number of informative seminars, while the largest decrease was in the number of incubation and pre-incubation service recipients.

The demand for **information workshops** has doubled over the next three years, from 42 beneficiaries in 2015 to 89 beneficiaries in 2017. A

similar increase in the number of beneficiaries of 92.3% is observed in **other services**, such as support for investment projects, preparation of business plans, and investment attraction for companies. As the provision of these services is fee-based, the increase in the number of recipients of services indicates the willingness of entrepreneurs to pay for quality services for the development of the company.

More and more Lithuanian entrepreneurs are using **training and professional development courses**, and, given the current trends, it is expected that demand for this service will continue to increase in the future.

Contrary to the situation in Latvia, where the number of **incubation and pre-incubation service recipients** has increased significantly, in Lithuania the number of recipients of this service experienced the largest drop of 33.3%, from 12 recipients in 2015 to 8 recipients in 2017, which requires a deeper study of this decline trend.

Demand for specific consultations is also shrinking in Lithuania, where demand for **legal aid** decreased by 19.1% over the years, 19.4% - **financial advisory services for business development**, and a slight decrease was observed after **consulting for the acquisition of EU funding** (15%). The decrease in the demand for consultations in Lithuania, as in Latvia, shows an increase in entrepreneurship education as well as an improvement in the availability of information in the public environment, allowing entrepreneurs to obtain the necessary information independently.

In general, the number of beneficiaries in Lithuania is stable and shows a slight increase; it should also take into account the support provided by the organizations - several services started to be offered only in 2017, thus it is premature to judge the usefulness of services in Lithuania. However, the drop in demand for advisory services in both countries suggests that this type of service should be changed; there may be no need for separate types of counseling, but more qualified mentors are needed, which will provide advice on unclear issues where necessary.

After analyzing the trends in the number of services provided by the support organizations and the number of service recipients, it can be concluded that, although multi-service offers overlap across national territory in Latvia and Lithuania, however, the increase in the number of recipients over a three year period indicates that most of the services are useful and they should be ensured in the future. The overlapping of services in a number of support organizations does not necessarily indicate the use of useless resources, but suggests an increase in demand and the need for high-quality information for as many beneficiaries as possible in both urban and remote areas.

In general, the demand for business support services and the number of beneficiaries in Latvia tends to increase, especially after financial support, incubation and pre-incubation services, mentoring services, informative seminars and networking events. The decrease in demand, in turn, is reflected in specific consultations: financial advisory services for business development, consultations on export markets, export services, consultations in the field of company management.

In Lithuania, the number of beneficiaries also shows a slight increase. Demand is increasing after informative seminars, training and professional development courses, contests and projects, as well as paid services such as investment project development, business plan preparation and investment attraction for the company. In Lithuania, there is also a drop in demand for specific advice such as legal aid, financial advisory services for business development, advice on EU funding, incubation and pre-incubation services.

The drop in demand for specific advisory services in both countries signals the need to make changes to such a narrowly oriented service offering and organization. In turn, the increase in demand after informative seminars in both countries suggests that they have not lost their relevance and are important for entrepreneurs at different stages of the company's development.

2.3.4. The opinions of organisations about entrepreneur image and suggestions for the strengthening of entrepreneur reputation in society

One of the tasks of business support organizations is to improve the image of the entrepreneur in society, to enhance the attractiveness of the profession and the promotion of the benefits.

In order to develop recommendations for strengthening the reputation of the entrepreneur within the framework of the study, it is important to clarify the opinion of the business support organizations themselves on the image of the entrepreneur in society. The opinion of Latvian and Lithuanian support organizations on the entrepreneurial reputation in society is reflected in image 2.13.

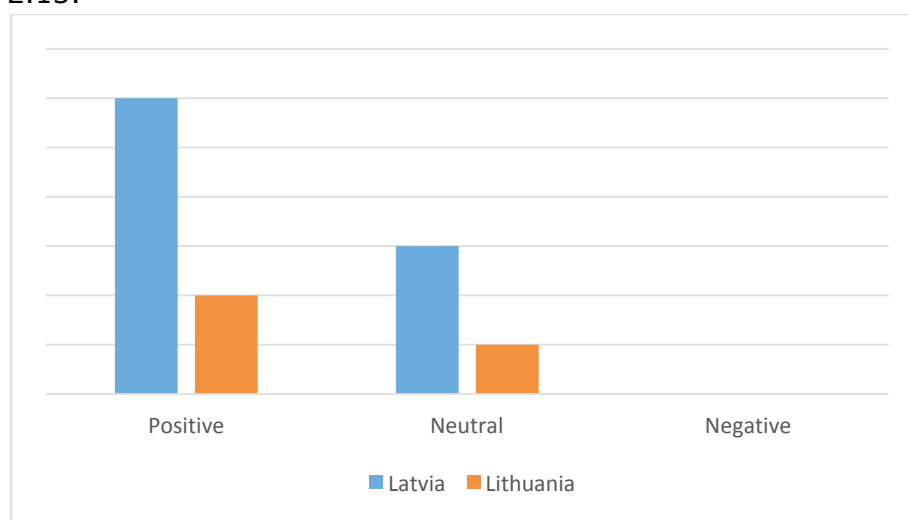


image 2.13

Uzņēmējdarbības atbalsta organizāciju viedoklis par uzņēmēju koptēlu sabiedrībā.

Source: Survey on business support in the border area of Latvia and Lithuania, 2017.

As can be seen in image 2.13, staff working in both Latvian and Lithuanian support organizations are evaluating the image of the

entrepreneur, either positively or neutrally. Respondents substantiate their responses with arguments that entrepreneurs express their passion, daring and willingness to do, entrepreneurs develop entrepreneurship opportunities of each particular region and promote the overall economic development of the state and regions. Such an understanding and attitude towards entrepreneurs from the support organizations is highly appreciated, none of the organizations believe that the common picture would be negative. Most support organizations in both countries emphasize the fact that entrepreneurs create jobs that are both necessary for both the people and the state, and the image is also promoted by positive media information and good examples of social stories.

Organizations that value a business image as neutral imply that an image depends on the social responsibility of a specific company and the business: it can be very positive and very negative, thus affecting the entrepreneur's overall image in society. Respondents indicate that there are very good and commendable companies with an orderly working environment, regular wages and taxes, a positive attitude towards employees, etc., and there are also entrepreneurs who, for example, pay in envelopes, do not provide compulsory rest, etc.

Some respondents in the questionnaire indicate that certain companies that are corrupt or founded solely for the purpose of obtaining financing of projects are killed by certain companies, while controlling organizations such as the State Revenue Service, etc., which must be supportive, must not, on individual occasions, give the impression that all businessmen are unfair, because it is often difficult to refute it.

Personnel from business support organizations recommends implementing public awareness measures, highlighting the importance of entrepreneurship in society, for example, an information campaign "Assess your Entrepreneur", which shows the benefits of business development. Such a campaign should be encouraged to look for answers to the following questions: Why is entrepreneurship supported? Why does it benefit the whole society? Why is it important for an individual to develop entrepreneurship in his area? Why is it important to choose local products?

Since most companies in Latvia, like all over Europe, are small and medium-sized enterprises, the support organizations recommend that they tell the public more directly about these companies, including those who have encountered difficulties and made mistakes, but continue to work successfully when they overcome obstacles. .

Lithuanian support organizations point out that in order to strengthen reputation, it is important to increase the volume and quality of the total business information, as well as to support companies from the state and local governments with a stable and attractive tax policy, by simplifying and not changing so often the legislation, and continuing to promote export development in the business environment. Several organizations suggest increasing financial support from local governments, as well as seeking innovative solutions for creating a single brand of brand awareness in the regions, thus contributing to the country's common image of the fact that only high-quality goods are produced in the country.

While there is still a need to invest a lot in the workforce's reputation, staff working in support organizations value the entrepreneur's image as positive or neutral. To strengthen the entrepreneurial mindset, business support organizations recommend, on the one hand, to increase the flow of positive information and public awareness of the entrepreneurial contribution to job creation and the provision of economic development and, on the other hand, to provide greater support from the state and local authorities in order to encourage the population to build their own businesses, including through business support organizations.

2.3.5. Business support organization international cooperation

Cross-border cooperation between Latvian and Lithuanian entrepreneurs and support organizations, especially in border areas, offers new opportunities for entrepreneurs, while helping organizations expand their activities, take good practices and practice, and implement international activities. In order to develop proposals for improving the effectiveness of cooperation organizations in the research area, the existing cooperation between Latvian and Lithuanian business organizations needs to be assessed.

The cross-border co-operation between Latvian-Lithuanian support organizations participating in the survey, with which neighboring countries' organizations have been established and what its outcome is, is summarized in table 2.11.

Table 2.11

Cross-border cooperation between Latvian and Lithuanian business support organizations analyzed in the study over the last 3 years

LATVIA		
Organization	Cooperation Organization	Projects/ Results
Dobele Adult Education and Business Support Center	Panevezys Business Consulting Center	Realized Interreg Project
	Anike Arts Art Incubator - Art Studio	Realized Interreg Project
Zemgale Planning Region Business Development Center	Siauliai Incubator	Mentoring network, training, platform creation, etc. activities
	Panevezys Business Support Center	Mentoring network, training, platform creation, etc. activities
Zemgale Region Competence Development Center	Siauliai Municipality Education Center	Improvement of the competence of emerging entrepreneurs, development of a non-formal education program for emerging entrepreneurs on creative thinking methods, their use in the creation of innovative products, development of study materials for

		implementation of the program; approbation of the program, provision of support to future entrepreneurs after the training sessions, mentor consultations
Talsi district municipality	Rietavas Tourism and Business Information Center	A project implemented within the framework of the Latvia-Lithuania cross-border program
VIAA	Research, Innovation and Technology Agency	Joint Eurostars-2 projects; 3 common EUREKA projects are in the evaluation of Lithuanian national expertise
LITHUANIA		
Rokiskas Local Action Group	Ludza Local Action Group	Realized project
	„Lauku partnerība „Sēlija”” association	Realized project

After 2.11 It is estimated that only 15% of all surveyed organizations cooperate with organizations in the neighboring country. However, cooperation, albeit small, is successful - all cooperating organizations have implemented at least one joint project.

Choice of partner organizations shows that the DP is largely shaped by the structure and type of activity of similar organizations, for example, the Rokiškių vietos veiksmų grupė cooperates with the local action groups in Ludza and Selia, while the cooperation partner of the competence development center of the Zemgale region is the Siauliai Municipality Education Center, which is similar functions and structure. The organizations that have been able to establish successful cooperation with a number of supporting organizations in the neighboring country are welcome.

After evaluating the results of cooperation, they are largely the result of a joint project-the final result - the development of teaching materials, training, mentor counseling, support for future entrepreneurs, etc., which improves the material and technical basis for providing support to entrepreneurs.

The two support organizations point out that a network of mentors was created as a result of the co-operation and provided mentor counseling. The result of this collaboration could also be a positive experience for other support organizations to expand the scope and availability of mentors' support.

As can be seen in 2.11. The Interreg Latvia - Lithuania Program 2014-2020 provides a significant contribution to the promotion of cooperation between Latvia and Lithuania. year⁴⁶(hereinafter - LV-LT Interreg). The LV-LT Interreg program has been successfully implemented already in 2007-2013. Supporting 129 cross-border cooperation projects implemented between the Latvian and Lithuanian UD support organizations - planning regions,

⁴⁶<http://latlit.eu>. Skatīts: 6.03.2018.

municipalities, associations, educational institutions, etc. Also in the LV-LT Interreg program 2014-2020. 89 collaborative projects initiated and implemented by various UD support organizations have already been supported⁴⁷. When analyzing the organizations supported in the above Interreg programs, it can be concluded that the main projects have been submitted and supported by the same organizations, and the number of supported projects only partially satisfies the application for applications (25% to 39% of the total number of applications is supported).

* * *

Although only 15% of the surveyed support organizations have indicated cooperation with a neighboring organization, it is a result - developed training materials, organized training for entrepreneurs, mentor consultations, expanded network of mentors, provided support to future entrepreneurs, established a material and technical base for supporting entrepreneurs.

In cooperation, Latvia-Lithuania transnational level also has a large untapped potential, mainly the cooperation is between the same supporting organizations, based on years of contacts. But a number of UDs support the organization in the border regions do not cooperate with or support the UD support organizations in and in the neighboring country. minimal and inactive. Similarly, the development partnership is formed largely by structure and type of activity between similar organizations, for example, the Latvian Employers 'Confederation cooperates with the Lithuanian Employers' Confederation, which is highly positive. However, it would be advisable to also develop cross-sectoral co-operation with other profile organizations for enrichment of cooperation experience and wider use of results. , such as higher education institutions, technology transfer centers, municipalities, public and other organizations, and most importantly, with the entrepreneurs themselves.

The support provided by Interreg Latvia - Lithuania Program is encouraged by stimulating and financing cross-border co-operation between Latvian and Lithuanian UD support organizations in the form of joint projects, but the number of supported projects only partially (one third of the total demand) satisfies the submitted applications for co-operation projects. The limitations of the LT-LT Interreg program are also to be taken into account - it is available by 2020. This indicates the need to develop and offer UD support organizations other state and / or municipal support instruments and / or programs for the development of cross-border co-operation between Latvia and Lithuania.

The potential for developing transnational co-operation between Latvia and Lithuania is also in the knowledge of good practices and transitions from neighboring countries. Examples of good practice are reflected in the practical results of both projects supported by the Interreg LV-LT program and in the next sub-chapter.

One of the most important collaborative indicators for successful UDI organizations is the ability for organizations to engage entrepreneurs in co-

⁴⁷http://latlit.eu/wp-content/uploads/2017/01/List_of_approved_projects-1.pdf. Skatīts: 6.03.2018.

operation projects as equivalent partners and collaborators, thus contributing to identifying threats to the external and internal business environment and implementing opportunities.

2.4. Business support organisation useful experience and practice in Latvia, Lithuania and other countries

The best practices and experience of business support organizations that could be further explored and taken over in the Research Areas were analyzed. The results of the discussion of UD support organizations, business surveys and focus groups were used to identify good practice and experience, namely, the opinions of respondents about the best practice gained. As well as the analysis of literature and information that is publicly available and, according to expert judgment, corresponds to the essence of good practice - practical and an effective solution for business support services and the development of a business environment that has been developed and successfully used by a business support organization at regional, national or international level.

Business support and promotion through national, municipality or non-governmental organizations are common practice across the globe, and more and more are looking for new solutions to support entrepreneurship, make it more productive and innovative. As successful business ensures the development of the economy as a whole, public institutions, higher education institutions, regional and local authorities are looking for and creating new tools for business support.

2.4.1. Higher education institutions as an incubator for new companies

Valuable and widely spread good practice in Latvia and Lithuania, and more generally in Europe, is the support of higher education institutions for business development and the preparation of emerging entrepreneurs for practical business, creating university-based business incubators. The university, with the incubator alone, is a successor-oriented studio, but it creates less risky opportunities for students studying the process and business.

This good practice exists in several universities, as well as in Latvia and Lithuania. For example, the University of Latvia (U.S.) offers the U.S. Student Business Incubator, which supports student ideas and helps them realize at an early stage with a motivating environment, work and production facilities, training and counseling, website maintenance, prototype building, and access to databases. Different and innovative offer of UL incubator - market reaction, demand and supply evaluation. For this purpose, billboards are located in shopping centers where students can find out passersby feedback about a particular product or idea. In addition, the UL incubator offers a grant of 10,000 euros for the best company's future growth.

Riga Technical University (RTU) has two good practice initiatives - Design Factory and Idea LAB or Ideas Lab. The design factory is equipped

with the latest technology, 3D printers, and so on, to encourage students to try their ideas in practice. The design factory is also open for cooperation with companies in creating new things, if they are planning prototyping, but the project should be innovative as the number of places in the incubator is limited. This is a great way to promote technology-driven young people as entrepreneurs.⁴⁸

The Latvian University of Agriculture (LLU) does not have its own business incubator, but there is a Technology Transfer Center and an agricultural experimental base 60 kilometers from the University - the School of Studies and Research "Vecauce", where students conduct research studies and participate in real-life processes and solving various problems. Such support from LUA has contributed to the creation of more successful businesses. For example, in the supermarket shelves both in Latvia and abroad, dry cereal flakes without preservatives, but rich in fiber, vitamins and minerals, are produced by Milzu! "Felici" brand "Graci Musli" production - muesli with new ingredients that help to maintain health; "Rūdolfs" products - organic baby food for non-preservatives and thickeners, etc.

Business support functions are performed by offering business incubator services at the premises of the university, including RISEBA, Riga Business School, Economics and Culture University, ISMA (Information Systems Management Institute), etc.

In Lithuania, the start-up business incubator Kaule University of Technology (KTU) is one of the most important players in the Lithuanian startup ecosystem. The incubator takes into account the specific needs of operators, assessing at which stage there is a startup for which industry it owns, etc. Based on the evaluation of a specific startup, KTU offers services such as counseling, mentoring, premises, training, partner support support, providing support in four phases - business idea development, prototype development, company development and company growth.

Good practices for business incubators at higher education institutions are also found elsewhere in Europe. For example, the University of Barcelona (Universitat de Barcelona) has two bodies specializing in promoting entrepreneurship - the Barcelona Entrepreneurship Institute and the foundation of the Bosch and Gimper Foundation. The activities of both entities support entrepreneurship in a number of ways, from support for enterprise creation, counseling, support for external relations and collaboration with business and private agents to business training, research and business entrepreneurship. University lecturers and scientists are able to provide high-quality and professional advice, as well as research at the request of enterprises. The experience of the University of Barcelona is also interesting with the emphasis on setting up technology-based companies in line with the requirements of today's business environment. The Higher School Incubator assists in the protection of industrial property, patent applications, business modeling, assessment of the technology for creating economic value and access to financial support. For a well-established company, the incubator

⁴⁸<http://www.labsoflatvia.com/lv/zinas/latvijas-jaunuznemumu-ekosistema-universitatu-inkubatori>

helps to develop and evaluate a business plan, access financial support (various types of government loans and research and development grants) and find financial or business partners. At the university, such firms are called spin-offs because they are based on a university basis and are the result of research by academics.

* * *

Taking into account the availability of higher education institutions' infrastructure and qualified staff and experts, the good practice of the development and development of university incubators in entrepreneurship promotion should be transferable and developable in all higher education institutions in the frontier area.

Other UD support organizations, on the other hand, are advised to use the services of incubators in neighboring universities to support not only existing but already operating entrepreneurs. Its higher education institution can serve both as a place of business and as a serious mentor for experienced entrepreneurs.

2.4.2. Knowledge-based growth: Science and technology park

The analysis is worthwhile with a number of science and technology centers or parks. Such parks mainly function as non-profit non-governmental organizations and integrate the support functions of business incubators and scientific institutions.

For example, such science and technology parks as the Northtown Technology Park, Technopolis Science and Technology Park, Sunrise Valley Technology, are successfully operating in Lithuania; Kaunas Science and Technology Park (Kaunas STP), science and technology parks in Klaipėda and Panevėžys, etc. Scientific and technological park services are highly sought after, which demonstrates the viability of such UD support organizations. It should be noted that in Lithuania, incubation, technology support and startups are the most common type of business support.

An example of good practice in Latvia can be mentioned in Ventspils High Technology Park (VHTP). It offers a number of services that are essential for the company at an early stage of development - business rental, business management consultancy, legal services, local and international marketing services, organization of business contacts, export promotion, recruitment services, development of new technologies and innovative products, enterprise IT systems implementation of training, organization of experience trips, attraction of public and private funding, etc.

The experience of the Swedish Incubators & Science Parks (SISP), a national association of business incubators and technology parks, aimed at stimulating the growth of knowledge businesses, is useful. The association brings together innovators, researchers, entrepreneurs and businesses, has several business incubators and science parks. In total, the association represents 5,000 companies and 70,000 employees.

The Association supports and promotes the development and cooperation of its members, including the implementation of several national development projects. Members of the organization operate in more than 70

creative environments, offer business development, cooperate with clusters, provide industrial development, access to start-up funds, accelerators, and more efficient cooperation with industry, the public sector, universities and institutes. Such an association is characterized by high capacity, it operates on a national scale and is oriented towards the development of its business members.

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The good business experience of science and technology parks is based on the merging of the support function of business incubators and science and technology centers, as well as within the framework of a widespread representation of organizations within a park that provides such organizations with greater capacity, collaboration and a wider range of business support services.

2.4.3. Innovation vouchers as an innovative business support service

One of the innovative business support services that is widespread in Europe, especially in countries such as Finland, Ireland, Great Britain, etc., are innovation vouchers. It was also introduced in Lithuania and Latvia.

Such support - innovation vouchers - is provided to companies seeking technological advances from research institutions or to receive scientific advice as well as advice on relevant innovation issues.

An innovation voucher is a small loan (a certain amount of money) that empowers a small or medium business to acquire specific expertise or specific knowledge from research or education institutions. Upon receipt of innovation vouchers, the company prepares a short technical specification and contacts the scientific institution, choosing the necessary service.

The scientific institutions participating in this program and providing business support services receive funding from the state and / or the European Union.

This type of business support is managed by LIDA in Latvia, and in Lithuania, MITA (Science, Innovation and Technology Agency / "Science and Innovation Technologies Agency"), which is the institution responsible for the innovation policy in Lithuania. In addition to this support, LIAA and MITA provide free services - business support consultancy, promotion of cooperation, commercialization of research results and protection of intellectual property rights, as well as co-ordination of national and international financial support programs.

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Such an innovative type of business support service - innovation vouchers - provides substantial support for the development of smart business by fostering business collaboration with research institutes, and this practice would be transferable and feasible also in border research areas.

2.4.4. A cluster as a facilitator of its own sector

In Latvia and Lithuania, the development of specific sectors of the economy is facilitated by the cluster. One of the examples of good practice in Latvia is the Latvian health tourism cluster, which provides a real contribution to the development of companies in their sector. It was created in the "Latvian Tourist Association of Cities" association in 2012, and its members are 9 local governments and 50 specific industry merchants. The cluster provides a very wide range of services for health tourism organizations ranging from state, local and regional hospitals, private clinics, rehabilitation centers, resort hotels to travel agencies, educational and research institutions.

The goals and functions of the cluster are to increase the international competitiveness of the industry by increasing the volume of foreign tourists and exports, increasing the productivity of the companies involved in the cluster, increasing the number of highly qualified specialists and, simultaneously, increasing the total investment in research and development, as well as involving new companies and research institutes in the cluster. Representatives who are interested in developing the health tourism industry.

Cluster implements several services: external marketing, acquisition of external markets, strengthens the competitiveness and export of industry companies, promotes the emergence of new and innovative products and services through the knowledge of Latvian higher education institutions and research institutions. Merchants do not pay for the support services provided by the cluster, however, they participate in the association with a fixed annual membership fee.

In Lithuania, this system also works very successfully, industry clusters are merged into one Lithuanian Cluster Association. Its main functions are to influence the cluster policy in Lithuania, to represent cluster interests at the national and international level, to improve the capacity of sector clusters.

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A specific cluster of the national economy is a successful example of how, by pooling relevant profile entrepreneurs, can provide real support for the development of these companies, as well as increase the reputation and competitiveness of the whole industry. Therefore, it is also important to promote cluster mergers in border regions, both at national and transnational level, while existing business support organizations should establish close cooperation with sector clusters in order to foster cross-border cooperation.

2.4.5. The involvement of young people in providing business support

Youth is emerging as an innovator in the analysis of business support in good practice.

Young Folks LV organization can be mentioned as one of the most interesting experiences in young people's involvement in UD support. It is an informal youth organization that brings together young people of all ages and

offers a variety of informal and creative activities. The organization also has regional branches in Jelgava, Daugavpils and Liepaja.⁴⁹

One of the organization's creative ideas for entrepreneurship support is an initiative group ("brain storm") working on customer ideas and business issues in search of innovative solutions. Anyone can claim their own problem that requires a solution, and a team of enterprising, active and creative young people generates suggestions for solving the problem. An effective decision often requires a fresh look at the current situation, and young people can offer a new approach that the entrepreneur does not notice.

As part of a youth organization, not only is it solved various business problems and helps existing entrepreneurs, it also promotes the creation of new businesses, involving young people in entrepreneurship and providing them with the necessary competencies.

One of the formats for involving students and students in business is meeting with successful people - "Self-Experts". Young people themselves choose the professions and people they want to meet, choosing from 10 choices 3, and thus learning to prioritize. During the event young people can talk with these entrepreneurs and professionals who are experts in their field, ask questions of their own, share experts with success stories, exchange contacts. This good practice attracts young people to business.

Another tool used by Young Folks to promote entrepreneurship is the Youth Social Entrepreneurship Center - the Incubator for Social Business Business Ideas.

The youth organization also offers many other opportunities for promoting youth entrepreneurship - any young person can engage in writing projects, run classes for younger members and children, and develop their business idea with all the necessary support. It develops self-initiative and leadership abilities that are needed to become an entrepreneur. It is important to emphasize that all the business support services provided by the association to existing and future entrepreneurs are free of charge.

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In the development of the business support system, it is important to take into account the implementation of various business support functions carried out by youth organizations operating in the field of business support, by encouraging young people to engage in developing their own and others' ideas and starting a business.

The method of brainstorming practiced by a youth organization as an innovative tool for addressing a company's problem would also be implemented in other UD support organizations - both in mentoring work and in the development of a platform or a single tool where an entrepreneur could discuss his problem (confidential), receive proposals for its solution, development and find a team for a new vision and company's challenges. In addition, this practice fosters young people's cooperation with entrepreneurs.

⁴⁹<http://youngfolks.lv>

2.4.6. The facilitation of entrepreneurship with support for craftsmanship

As previously concluded, the non-state sector serves as a vital support for the start-up and development of entrepreneurship. Positive experience of several countries is the ability of certain functions, including the business support function, to transfer to professional associations or associations, such as the Chamber of Industry and Commerce, the Business Angels Association, the Craftsmen's Chamber, etc. For example, in Germany, this task is taken over at federal level by a group of state-owned cameras or by the national craft industry. Qualified craftsmen are the backbone of Germany's small and medium business segment. At national level, 53 skilled crafts chambers are merged into the German Chamber of Commerce Confederation (DHKT).

Crafts chambers are public-law non-profit organizations that combine skilled crafts firms in their ranks and offer a wide range of services ranging from technical, financial and legal advice, as well as vocational guidance and crafts registers. One of the services provided by crafts camera companies is the continuous improvement of company qualifications, as it provides a training system that integrates practical work and learning in a company with theoretical knowledge in a vocational school during training. The political support of craft cameras is also important because, as self-government business units, craft sector interests are in the interest of politicians and public administration.

In Latvia and Lithuania, projects have also been implemented, including in the municipal sector, for the promotion of entrepreneurship with craft activities. An example of good practice is the joint project of both countries with EU funding, which simultaneously facilitated cross-border cooperation and craftsmanship, - the project "Cross-border craft network of crafts as a cross-border cooperation between Latvia and Lithuania" (INTERREG) Cooperation Program 2007-2013 Project LLI-023 "Cross-border network of craft as a promoter of the attractiveness of Latvia - Lithuania borderlands / Mid-Baltic Crafts")⁵⁰.

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⁵⁰<http://www.wood-craft.eu/lv.html>

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Taking into account the great craft of Latvia and Lithuania and the limited market, which, in order to overcome external threats and to compete, require domestic entrepreneurs to produce not mass products, but products with high added value (handmade), crafts chambers could serve as important support institutions for such entrepreneurs .

The experience of UD support organizations in fostering cross-border cooperation in the field of crafts, involving already existing professional organizations and craft chambers, is thus welcomed, thus developing self-initiative and entrepreneurship in the regions.

2.4.7. Startup facilitation – „One-stop-shop” online agency

Startups.ch is the market leader in the launch phase and serves as an excellent example of how one organization provides all the necessary services for setting up a new start-up business in a remote or online mode. The company operates in Switzerland, but can open its own business and receive business support anywhere. The company started its work in 2005, with the help of which 15 000 new companies were established.

Startups.ch provides services such as consulting, legal services, tax consultancy, accounting services, training, company creation and registration, writing business plans, operating a business register.

The company offers online services - an entrepreneur completes an online application, orders a service, and within 24 hours receives an answer and all the necessary documents for setting up the company.

This support function is to facilitate the creation of new businesses through the availability of new information technology. A very convenient system is where all the necessary activities and activities can be carried out in one place, especially in the virtual one, which allows economic operators to save time and solve the problem of fragmentation of business support organizations referred to in the previous sections. Services and activities that are and can be offered in the future with the help of this format - consultations, in particular tax consultancy, organization of administrative activities, registration dossiers and other legal documents.

There is also an online agency in Latvia that helps entrepreneurs to start their own business. True, its profile is narrower - the new project www.registeracompany.lv is designed to facilitate the company registration process in Latvia. According to the authors of the project, young entrepreneurs in Latvia have either to invest several dozens of hours working

on complicated business registration documents, instead of taking care of developing their new business and improving the strategy, or to make a big difference between paying for services to lawyers, which helps to organize documents. Often, a new business startup process is not optimal for your registration number. In this case, as in the example of European experience, all that entrepreneurs need to do is fill in an interactive form on the Internet.

An additional positive effect is that the company focuses on foreign markets and offers information in English. That is why this is also an example of how to foster cooperation with the border areas. The proposal would be that a support organization for this type of service could also be provided in the language of a neighboring country (in Lithuanian or in Latvian), which in turn would facilitate the process of registering and establishing companies in a neighboring country and attracting potential business partners to companies.

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Taking into account the role of the digital economy and the increasingly active provision of services through the use of the Internet and modern technologies, the good practices of the "one stop" online agency can be taken over in the Research Areas.

2.4.8. Mutual aid between entrepreneurs

Continuing to analyze the business support opportunities of the non-governmental sector, we must mention the successful experience of business mutual assistance. For example, Visget is a regional organization that supports the peer-to-peer and mentor group. It is a community of business owners and managers who meet each month to grow their business. Consultative meetings take place under the guidance of experienced people and provide a reliable place where entrepreneurs help each other solve problems, evaluate opportunities, learn new skills and explore effective strategies. Members are also responsible to the organization for achieving their goals. The organization consists of 19,000 members from 16 countries.

The services of self-organized organizations of such entrepreneurs are mainly for a fee, because they are aimed at entrepreneurs with high motivation who want to make their existing business more competitive by learning from other successful entrepreneurs.

* * *

Uzņēmēju savstarpējās palīdzības organizāciju pieredze ir pārņemšanas vērtā arī pierobežas teritorijās. Sadarbībā ar esošiem uzņēmēju klubiem, kuri šobrīd aktīvi darbojas reģionos, tādiem kā Rotari klubs, sieviešu klubs "Zonta" u.c., kā arī jaunu uzņēmēju savstarpējā atbalsta organizāciju veidošanas stimulēšana ir būtisks uzņēmējdarbības attīstības instruments konkrētā teritorijā.

2.4.9. Municipalities as a basis of the creation of a company and their support

In the previous sub-chapters, looking at the functions of local authorities and services provided to entrepreneurs, it was concluded that despite the

limited ability of municipalities to support entrepreneurship, the local government is often the first and most important helper in setting up a new company. 2.3.2. The subdivision discussed a very different approach to local government business support organizations, so it is important to get to know the best practices of local governments.

We welcome the successful practice of several municipalities to organize business ideas competitions for local people, providing winners with the opportunity to get start-up capital for starting a business, as well as favorable conditions for using the infrastructure during the implementation of the idea.

For the development of existing enterprises, the support of several municipalities for the attraction of qualified employees is welcomed, for example, by organizing an annual event "Vacation Market", which provides an opportunity for the employer to meet potential employees. Such a worthwhile initiative, organized in cooperation with the State Employment Agency, helps to tackle one acute shortage of staff and reduce population departures from the region.

In the focus discussions, several entrepreneurs mentioned the good practices of the municipality as beneficial to local entrepreneurs who receive recognition in teaching events, consultations with local entrepreneurs about the possibilities of development of the territory, and good and inspirational words about the contribution of entrepreneurs to the development of the territory can serve as a significant support to the future.

* * *

By organizing business ideas competitions, the "Vocational Market", providing infrastructure support, as well as recognizing and genuine interest in the development of business, can become a better supporter and facilitator of entrepreneurship with the support of both entrepreneurs and local government job seekers.

2.4.10. Entrepreneurship support with culture and art

Another unconventional and attractive way to promote entrepreneurship in the regions is to expand the existing functions of cultural and artistic institutions and complement them with business support activities, thus developing cultural and art organizations as multifunctional centers.

For example, a public institution in Lithuania - the Tent Arts Incubator (Telsiai Arts Incubator) - carries out the following important functions in the field of business development in the creative industries in its region:

- 1) mobilize artists and help them start their own business;
- 2) promote the development of artistic creative enterprises;
- 3) serves as a venue for artists to create and show their achievements to the audience.

The art incubator is aimed at small and medium-sized enterprises from the creative industries. The services provided by the Arts Incubator include the rent of premises, office space with the latest equipment and computers, the necessary technical equipment for specific professions - those who work with wood and metal materials, jewelery and engraving or sewing, a place for

experimentation and creative activity, exhibitions the hall The service price for incubator users is lower than the market price.

An example of good practice is the use of public libraries as a resource for local business development, complementing their functions with the support functions of local businesses. For example, the Rokiškis Municipality Public Library (Juozas Keliuotis, Rokiskis District Municipal Public Library), on the one hand, performs its functions as a library, preserves and promotes universal access to knowledge, experience, information and ideas, but, on the other hand, creates a particularly supportive environment, specialized book tables and exhibitions, discussions and other activities for the involvement of local people in business. Many other institutions, such as the Bauska Central Library, the UL Academic Library, etc., practice similar business support practices, using one of their most important advantages - a large range of information as well as a reliable, hospitable collaborator role that brings together people, provides the necessary literature and information advises on types of support and opportunities, coordinates co-operation with other organizations, thus contributing to the active realization of the goals and dreams of the people.

* * *

Cultural and artistic institutions can serve as unconventional and valuable support organizations for promoting entrepreneurship by organizing business exhibitions, business literature book tables, discussions, providing access to a large range of free information, etc., especially in the creative industries.

* * *

CHAPTER 2 CONCLUSIONS

1. For the purpose of carrying out the relevant business support environment analysis within the confines of the research territory in Latvia and Lithuania an evaluation of the relevant normative enactments, which regulate business support in Latvia and Lithuania, existing BS organisations, the goal of their operations, priorities and area of operations, legal status, functions and target audience, a comparative analysis of the services provided, their demand and relevance analysis, an evaluation of of the activities and cooperation of the organisations that participated in the questionnaire, as well as the compiled vision and suggestions by support organisations on how to strengthen the image of the entrepreneur in society, and the useful experience and practice of the activities and services provided by the organisations.
2. Unlike Latvian legislative enactments, Lithuanian law and planning documents precisely outline the BS priorities, receiver target audiences, support types (material and non-material) and support providers (municipalities or the state), as well as clearly characterizing the organisation of support and its evaluation.
3. The legislation of Lithuania, which is more oriented towards the encouragement of business and facilitation of support than in Latvia, is

overall less fragmented, which facilitates not only an easier perception and understanding of normative enactments, but also a more effective provision business support and development of business overall.

4. Despite the fact that there are many laws, cabinet of ministers rules and other regulative documents the Republic of Latvia which define what is BS, who is the receiver of said support and what are the criteria of thereceiving of support not only to upcoming but also to existing companies.
5. Business support system in Latvia is mostly made up of municipality and state organisations, which operate on the national level and who have offices all across the territory of Latvia for the purpose of being able to provide services closer to the homes of their clients. State establishment functions cover the organisation and development of the business environment, ensuring a unified support policy in all regions in line with the priorities defined by the state, but municipal organisations and business incubator functions are mostly directed towards the local level, ensuring BS facilitation on the local level in line with a specific region/county/city specific and development priorities.
6. The functions carried out in accordance to their legal status by the Latvian business support organisations analysed in this Research point to easy accessibility services provided by BS organisations from one side, and the overlapping of similar support functions in different organisations, even with the same legal status, on the other. The purpose of the planning regions is to create a united network of counseling and provide coordinated support for business development in the region.
7. The business support system in Lithuania is mainly made up of national organisations operating on a national basis with branches throughout the country, business support centers and business incubators.
8. The comparatively large proportion of Lithuanian support organisations in the capital city of Vilnius is also in line with the situation in Latvia, where almost half of the Latvian business support organisations are concentrated in the capital city of Riga, which, once again, confirms the monocentric development of the states and the need to pay more attention to the development of the regions.
9. Similarly to Latvia, the proportions of non-governmental organisations in Lithuania is quite large. However, unlike in Latvia, most non-governmental organisations are not local or regional but national associations.
10. In Lithuania, like in Latvia, business support functions are also provided by the commercial sector – private companies that deal with entrepreneurial counseling, preparation of Project applications, as well as offer entrepreneurs space and office equipment for the facilitation of business, but their percentage too small to consider their influence on the business environment as significant.
11. In Latvia, the largest share of support organizations is made up by local authorities, while in Lithuania they are state institutions. There is also a significant difference between the number of business support

organisations in Latvia and Lithuania. In Latvia, even with a fewer inhabitants, there is a much larger number of business support organisations than in Lithuania, which could be explained by the different administrative and territorial divisions in both countries.

12. In contrast to Latvia, where the functions of organisations are more subordinated to the territory (state, regional or district-level organisations), organisations in Lithuania are more subordinated to functions and forms of support than to the territorial principle.
13. The most important organisations in Latvia in terms of access to business support services are national-level organisations, business incubators and municipal institutions providing a wide range of services ranging from informational and consultative assistance to financial support. Even the percentage of organisations of lesser importance or organisations with a range of specialized services are scientific institutes and commercial organisations that mainly provide their services to a specific, certain group of entrepreneurs and for a fee.
14. Latvian regional policy makers should pay attention to the heterogeneous approach of Latvian municipalities in providing business support, which directly affects the uneven development of regions in Latvia.
15. The most demanded services of Latvian entrepreneurs are: 1) informational support, consultations and seminars, including financial, legal, business consulting and consultations on EU projects; 2) financial support in the form of grants, loans, and other support instruments; 3) technology transfer and commercialization, laboratory and research services.
16. In Lithuania, the most important organisations in terms of access to business support are national-level governmental organizations that are also in line with the situation in Latvia. They provide a wide range of services ranging from informational and consulting support to financial support. Medium-sized support organisations are business centers and incubators, as well as state and local government institutions. Less important organizations or organizations with a narrow (specialized) range of services are scientific parks and commercial organizations, which also correspond to the situation in Latvia.
17. The most demanded services of Lithuanian entrepreneurs are: 1) EU, financial, legal and business consulting; 2) technical services, support of premises and technical equipment; 3) Technology transfer and commercialization services.
18. The range of services in both countries is very similar, diverse and intended for different business groups – both emerging and existing entrepreneurs. In Latvia and Lithuania, support organisations offer training and courses for entrepreneurs on an equal footing, as well as technical services and technology transfer opportunities.
19. Entrepreneurship support organisations in Latvia and Lithuania generally provide a medium-range service, i.e., on average, 3-5 types of services for entrepreneurs in a certain territory, which in Lithuania are mainly provided by the state/local government institutions and business

- centers, and incubators, on the other hand, in Latvia – local authorities and non-governmental organisations.
20. From the point of view of financial accessibility, state and local government organizations in both countries are out of competition, since they mainly provide business support services free of charge, compensating for expenses from the budget allocated to the state or local government. The free provision of services is a significant advantage for their use, but only provided they are of a high quality.
 21. A basic service for public and municipal organizations charge a fee is the lease of premises and equipment. Leasehold service is very attractive for entrepreneurs, especially who have just begun to engage in business.
 22. The majority of the support organizations in Latvia and Lithuania (60%) that participated in the questionnaire provide support to all economic operators, regardless of the sector or specificity of the economy, and only 40% of the participants provide specific support, such as tourism development, support of agricultural enterprises, forestry enterprises, support for recruiting or education the workforce, providing cooperation with educational institutions.
 23. In the support organizations that participated in the questionnaire, the support function for entrepreneurship is largely provided by very minimal human resources - 1 or 2 employees, or by an employee who conducts business consultations in parallel with other job responsibilities. The only support advisor's ability to provide general information support and general questions is one of the reasons why entrepreneurs do not use the opportunity of such counseling at all, or express their dissatisfaction with the need for them to go to various institutions to obtain in-depth information.
 24. When analyzing the budget of support organizations for direct business support, it can be concluded that the largest share (about 30-40%) of the organisation's total budget for direct business support is channeled by state-based business support centers and business incubators, which testify to the importance of these organisations in the business support system as a whole. A relatively small financial contribution to entrepreneurship support is provided by municipalities from the total budget of the organisation, as well as in different municipalities there is a different amount of finance for direct business support
 25. Despite the fact that several services overlap across the national territory, both in Latvia and in Lithuania, the increase in the number of recipients over a three year period indicates that most of the services are useful and should be provided in the future. Overlaps of services or the same offer in several support organisations do not necessarily indicate the inefficient use of resources, but indicates an increase in the demand and the need for high-quality information for as many recipients as possible in both urban and remote regions.
 26. In general, the demand for business support services and the number of beneficiaries in Latvia tends to increase, especially after financial support, incubation and pre-incubation services, mentoring services,

information seminārs and networking events. In turn, a decrease in demand is observed for specificē consultations: financial advisory services for business development, consultations on export markets, export services, consulting in the field of company management.

27. In Lithuania, the number of beneficiaries is generally stable and also shows a slight increase. Demand is increasing after informative seminārs, training and professional development courses, contests and projects, as well as paid services such as investment Project development, business plan preparation and investment attraction for the company. In Lithuania, there is also a decrease in demand for specificē consultations, such as legal aid, financial advisory services for business development, consultations for the acquisition of EU funding, as well as incubation and pre-incubation services.
28. The drop in demande for specific advisory services in both countries signāls the need to make changes to such a narrowly oriented service offering and organisation. In turn, the increase in demand suggests that they have not lost their relevance and are important for entrepreneurs at different stages of the company's development.
29. The image and reputation of the entrepreneurs of support organization's personnel is seen as positive or neutral. In order to strengthen the entrepreneurial mindset, business support organizations recommend increasing the flow of positive information and public awareness of the entrepreneurial contribution to job creation and economic development, as well as securing more support from the municipality and the state in order to encourage the population to form their companies, including the aid of business support organizations.
30. Despite the fact that only 15% of the surveyed support organizations have indicated cooperation with a neighbouring organisation, the cooperation established is very fruitful – training programs have been developed, training for entrepreneurs, mentor consultations, an organized mentoring network, support for future entrepreneurs, established business support with materials and equipment.
31. Cooperation between Latvia and Lithuania has huge untapped potential at the international level, mainly the cooperation between the same support organisations, based on years of contacts with certain partners, nevertheless, there are a number of BS organizations operating in the border areas which do not actively participate in cooperating with other BS organizations in the neighbouring countries or participate to a very small degree. Similarly, the development of a partnership is largely shaped by similar structure and type of organisation, which is considered to be highly positive, but it would be advisable to also develop cross-sectorial cooperation with other profile organizations such as higher education institutions, technology transfer centers, municipalities, publicē and other organizations, and most importantly, for the entrepreneurs themselves. The ability of support organisations to attract entrepreneurs into cooperative projects as partners encourages a better inner and outer business environment threat understanding and possibility realisation.

32. The support provided by Interreg Latvia-Lithuania Program is positively supported by stimulating and financing cross-border cooperation between Latvian and Lithuanian BS organisations in the form of joint projects, but the number of supported projects only partially satisfies the demands for applications submitted for cooperation projects.
33. The potential for developing transnational cooperation between Latvia and Lithuania is also found in the learning and transfer of good practices from neighbouring countries.
34. Good practice in the development of university business incubators in entrepreneurship promotion should be transferable and developable in all higher education institutions in border areas. BS organisations are advised to use the services of adjacent university business incubators and the potential of higher education institutions not only to support future but also existing business entrepreneurs. Higher education institutions can serve both as a place of business and a serious mentor for experienced entrepreneurs in the process of business development.
35. The good experiences that science and technology parks provide in the facilitation of business is based on the combining of business incubator and science, and technology centre support functions, as well as within the framework of a widespread representation of organizations within a single park that provides such organizations with more capacity, cooperation and a wider range of services for business support.
36. Innovate type of business support service – innovation vouchers – provide substantial support for smart business development by promoting collaboration between businesses and research institutes, and this innovative service would be transferable and feasible also in border research areas.
37. It is important for border regions to facilitate cluster mergers at both national and international levels, while BS organisations should establish close cooperation with branch clusters in order to Foster cross-border cooperation, since a cluster of a particular economic sector is a successful example of how the combining of businesses of a similar profile can provide real support in the development of these companies, as well as increase the reputation and competitiveness of the entire branch.
38. Ideas from young people in the business support system plays an important role. The method of brainstorming practiced by a youth organisation as an innovative tool for solving company problems and unlocking the potential should be implemented in the work of BS organisations, both in mentoring work and in the development of a platform or a common tool it will also encourage young people to cooperate with entrepreneurs and to become entrepreneurs themselves.
39. Given the great potential of Latvian and Lithuanian craftsmanship and the limited market that requires the ability of domestic entrepreneurs to produce high-value-added (handmade) products instead of mass produced products, as they can serve as important support institution for the management of external threats and competitiveness for such entrepreneurs.

40. Taking into account the role of the digital economy and the increasingly active provision of services through the use of the internet and modern technologies, the „one-stop“ online agency good practices as a valuable initiative and empowerment could be used in the Research areas.
41. The experience gained from mutual assistance organisations for entrepreneurs is also useful in border areas. Cooperation with entrepreneur clubs currently active in the regions such as the Rotary Club, Women’s Club, Zonta, etc., as well as stimulating the creation of mutual support organizations for young entrepreneurs is an essential tool for business development in a particular area.
42. The role of local government is important both in entrepreneurship support and in support of their local government job seekers by organizing events such as business idea competitions „Vakanču tirgus“, providing infrastructure support, and expressing recognition and genuine interest in business development.
43. Cultural and artistic institutions can serve as support organizations for business development, complementing their usual functions with non-traditional ones, for example, organizing business exhibitions, business literature book tables, discussions, providing access to a large range of free information, especially in the field of creative industries.
44. An analysis of the current environmental support environment in Latvia and Lithuania Research areas suggests that the current situation in BS organisation in both countries is very similar, which serves as an essential prerequisite for the creation of a single business support system.

3. An evaluation of the effectiveness of Latvia and Lithuania border region-based business support organisation activities

Chapter 3 of the study is devoted to the analytical assessment of the operational effectiveness of Latvian and Lithuanian business support organizations included in the study. According to the research work objectives, the changes in efficiency are studied at the level of the project partners over the last 3 years, while Researchers have at their disposal the data of individual business support organizations for the last 5 years. Therefore, in individual cases and where feasible, the study on efficiencies covers a 5 year reference period. For organizations that have been established in recent years, efficiency is only analyzed for the actual duration of the organization.

3.1. An evaluation of the effectiveness of changes made by business support system in the included organizations along with the research restrictions and presuppositions

To develop practical models for increasing the effectiveness of business support organizations, the following business support organizations are included in the detailed study of the efficiency of companies operating in the border regions of Latvia and Lithuania:

- a) in the frontier regions of Latvia::
 - Entrepreneurship Support Center (AN UDAC) established by Aizkraukle County Municipality;
 - Latvian Rural Advice and Education Center (LLKC);
 - Kurzeme Planning Region (KPR);
 - Zemgale Planning Region (ZPR);
- b) in border regions of Lithuania:
 - Panevezys Business Support Center (PAN UDAC);
 - Rokiškis district municipality J. Keliuotis named public library (PAN UDAC);
 - Siauliai Business Incubator (SBI).

In the determination of the effectiveness of the above-mentioned support organizations operating in the border regions of Latvia and Lithuania, the formula for determining the operational efficiency widely used in the academic environment and practice is used:

$$E_{RS} = \frac{\sum R_z}{\sum R_s}$$

where E_{RS} - performance together; R_z - result obtained from the use of certain types and volumes of resources in the period t ; R_s - resources used to reach a certain type and amount of result over time t .

The following key assumptions are used to determine the effectiveness of the support organizations included in the survey and to interpret the obtained result:

- quantitative and qualitative changes in border regions are following a similar trend and do not result in a significant deterioration of business conditions in a region compared to other frontier regions;
- during the reference period - within 3 years or less, if the organization was founded later, the quantitative and qualitative composition of the resources available to business support organizations has not changed significantly;
- the activities of business support organizations and the performance of entrepreneurs during the reference period have not had a local social impact;
- the performance of entrepreneurs and business support organizations working in border regions during the reporting period was not influenced by changes in national infrastructure;
- Decisions taken by politicians working in frontier regions as well as changes in the system of state and local government legislative acts have not had a significant impact on the performance of entrepreneurs and business support organizations operating in frontier regions during the reporting period;
- a three-year period in the study of the effectiveness of enterprise support organizations is considered sufficient to provide the necessary understanding of changes in the effectiveness of support organizations included in the study;
- Differences in the culture of entrepreneurship as well as differences in the system of normative acts between the administrative territorial units of the Border Region are considered insignificant in relation to the changes in the operational efficiency of the business support organizations included in the survey during the reporting period;
- the leaders of the support organizations of the companies included in the survey have behaved fairly in the performance of their duties, have failed to record or other legally inappropriate activities in the presentation of the results of the management organization, and have provided objective data to the Research;
- the impact of climate change in the environment during the reference period was not affected by the operating results of employed and business support organizations, as well as other changes in the natural environment did not significantly impair or improve the conditions under which border business operators and business support organizations operate;
- the quantitative and qualitative creators of the activities of the partner organizations of the study provide an opportunity to gain new knowledge about the efficiency of the functioning of the support system of all enterprises operating in the border regions of Latvia and Lithuania.

The above assumptions and limitations are sufficient to integrate all Project partner organizations into a joint study and to identify changes in

their performance. This means that the results obtained can be attributed to the business environment of the entire Border Region, the conclusions and suggestions made may also be useful for other organizations working in the business support system, if necessary with reservations and limitations regarding the results of the Research.

* * *

The project partner organizations are included in the evaluation of changes in the effectiveness of the business support system, and the quantitative and qualitative indicators of their activities provide an opportunity to gain new knowledge about the efficiency of the operation of the support system of all enterprises operating in the border regions of Latvia and Lithuania. Thus, the results of the study can be applied to the entire business environment of the Border Region, but the conclusions and proposals made may also be useful for other organizations working in the business support system..

3.2. The result of business support organisation activities

The most significant aspect of the operational effectiveness of support organizations operating in the border regions of Latvia and Lithuania included in the study is the product produced by these organizations - support measures implemented by the support organizations. For more detailed information, Latvian and Lithuanian organizations are divided into groups by nationality. The need for such an approach is related to the differences (systemic, organizational, etc.) in the range of support measures implemented by organizations.

3.2.1. The result of Latvia-based business support organisation activities

Among the support organizations working on the Latvian side, one is a local government organization and the rest are formed with state support. It also largely determines the differences between the products produced in these organizations or the operating result, despite the fact that all the supporting organizations operate in a common place - the business environment. The operational mission is also common to all supporting organizations - to foster business development by strengthening the competitiveness of new and employed companies in the target markets for products produced.

Types of services provided by business support organizations operating in Latvia and their quantitative indicators in 2017 3.1. in the table. It should be stressed that this table does not include support measures presented by the support organizations that are unclear, for example, "activity summary" or "participation in commissions".

Tablua 3.1

Business support for the Latvian side in 2017

Business support types	Types of support broken down by
-------------------------------	--

	business AO, number of cases			
	AN UAC⁵¹	LLKC	KPR	ZPR
Consultations	18	x	x	13
Informative and educational seminars	8	4 962	7	10
Business incubation and pre-incubation services	x	x	x	x
Advice for EU funding	43	x	104	87
Coordinated participation in exhibitions, fairs, trade missions, contact liaison	1	x	2	10
Experience exchange trips	2	x	2	2
Networking and collaboration activities	x	x	2	x
Organization of regional competitions for the promotion of entrepreneurship	x	x	1	x
Trade missions	x	x	x	2
Informative support	x	x	x	5
Information on the website	x	x	24	1
Investment object interactive map	x	x	x	1
Rural areas economic activity promotion program	x	694	x	x
Support for rural young people for the facilitation business Promotion (Pilot Project Areas)	x	586	x	x
Support for young people in aquaculture and the promotion of the fishery business	x	8	x	x
Program for the promotion of the economic activity of aquaculture and coastal areas	x	23	x	x
TOTAL:	72	6 273	142	131

Abbreviations used in the table:

AO– support organisations; UD – business/entrepreneurship; AN UAC – Aizkraukle Region Business Support Center; LLKC – Latvian Agricultural Education and Consultation Center; KPR – Kurzeme Planning Region; ZPR – Zemgale Planning Region.

⁵¹ AN UAC operates from 08.09.2017.

Source: table created by authors using data submitted by Latvian support organizations.

The data in Table 3.1 shows that the support measure "informative and educational workshops" or "workshops" is the only measure provided by all business support organizations analyzed in the study.

The largest and most effective support organization operating in the frontier regions is the Latvian Agricultural Education and Counseling Center (LLKC), which in 2017 organized 4 962 workshops or more than 4 seminars per day, Kurzeme planning region has arranged 7 throughout the year, and Zemgale region - 10 seminars.

Despite the fact that the Aizkraukle Region Business Support Center is the smallest and youngest of the support organizations included in the study (it started operations only on September 8, 2017), in 2017 it was able to provide 8 seminars.

The support provided by the LLMC for young people in rural areas who wish to engage in entrepreneurship is important for the development of border regions. Last year 586 young enthusiasts received such support.

Taking into account the common objective of the founding of Kurzeme and Zemgale Planning Region Management Organizations, it would be useful for these organizations to include in their activities similar business support measures that would be measurable with similar entities. This recommendation also applies to other support organizations, as Table 3.1. the data provided clearly indicates that there are wide variations in the activities of these organizations in relation to the measures / types of activities undertaken in support of entrepreneurship and their competitiveness. Often, content-based events are called one-way organizations as informational support, but others - for advice or information on a website.

In order to reduce the differences in the designation of such and similar business support measures, it would be necessary for the support organizations' activities in their internal regulatory enactments to define precisely the types of support provided by the organization so that they are indistinguishable from one another and not overlapping. It would be advisable to develop a single manual for all supporting organizations, defining all types of UD support and their content, as well as indicators for the expected results evaluation in the event of the implementation of the support measure. It would better address the terminology and content of the measures.

* * *

The operating result of business support organizations that determine the effectiveness of an organization's operations are support measures implemented by support organizations.

The support event "informative seminars" is the only measure provided by all business support organizations analyzed in the study.

The largest and most effective support organization analyzed in the study in Latvia, operating in the frontier regions, is the Latvian Agricultural Education and Counseling Center (LLKC), which in 2017 organized the largest number of seminars - less than 5 thousand a year. In total, LLKC provided the largest number of support measures in 2017 - 6 273 measures. However, the lowest number of business support measures from the analyzed

organizations in 2017 was implemented by Aizkraukle County Business Support Center (57 events).

Taking into account the overall operational mission for all supporting organizations, and in order to promote the effectiveness of co-operation with a common understanding of the terminology and content of the support measure / service, designating and measuring them with similar entities, it would be necessary and advisable to accurately define the organization's activities in the internal regulatory enactments of the organization's activities supports ways to differentiate between them and do not overlap, and to develop a common guide defining all types of UD support and their content, as well as indicators of the expected outcome of the evaluation. It would address the terminology and content and create a common understanding.

3.2.2. The result of Lithuania-based business support organizations activities

The support measures implemented by the Lithuanian side and the business support organizations included in the analysis, broken down by type and organization, the quantitative indicators of these types of support, achieved in 2017, are summarized in Table 3.2.

Table 3.2

Business support for the Lithuanian side in 2017

Business support types	Types of support broken down by UD AO, number of cases		
	ŠBI	PBAC	RPB
Business Consultancy	80	1 026 st.	x
Informative seminars	x	6	3
Training courses	x	18	x
Legal Aid	x	36	x
Financial advice	x	52 st.	x
Advice for EU funding	x	44 st.	x
Participation in competitions, projects	x	1	x
Investment projects, business plans	x	11	x
Provision of premises	x	x	6
Economics and Management School for students	30	x	x
Business training for young people	12	x	x
Business Plan Competition	1	x	x
Rooms for young entrepreneurs	4	x	x
Hall rental	256 st.	x	x
Room rental	1 168 m2	x	x
Consultation on export opportunities	x	x	5
Virtual office space	8	x	x

TOTAL:	135 + 256 st. un 1 168 m2	72+ 1 122 st.	14
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Abbreviations used in the table:

AO – support organizations; UD– business/entrepreneurship; ŠBI – Šiauliai Business Incubator; PBAC – Panevezys Business Support Center; RPB – Rokiskis Municipality Library.

Source: table created by authors using data libraries provided by Lithuanian organizations.

In Table 3.2. the data included clearly indicate a wide diversification of business support forms produced by support organizations. Thus, there is some difficulty in comparing the performance of business support organizations working in the Latvian and Lithuanian side and in determining the efficiency. Moreover, in each of the supporting organizations included in the Lithuanian side, the tracking dimensions of the measures are different. On the Latvian side, the number of units (events or cases) is applied for counseling, but on the Lithuanian side both the number of units and hours spent on consultations are applied - Panevezys Business Support Center, the Rokis Municipality Library lists all types of support in number units, while in the Šiauliai Business Incubator, types of counseling activities are counted in quantitative units, while rent of premises in both hours and m2. In the activities of the Šiauliai Business Incubator business support is provided by a type of support, such as the Economics and Management School for students, in which last year 30 students studied or studied. This is a completely original type of business support not only in the frontier regions but throughout the European Union.

Such diversity in accounting and designation of forms of support reaffirms the need for the development of a common approach for all UD support organizations, which would facilitate not only analytical and research work, but also inter-organizational cooperation and better understanding of the content of the support service and thus the expected outcomes.

* * *

Unlike the Latvian side, the support provided by business support organizations to provide "informative seminars" in all analyzed business support organizations do not include any overlapping service offered by Lithuanian organizations.

The larger support measures in 2017 were provided by Šiauliai Business Incubator, but smaller - the Library of Rokiškis Municipality.

On the Latvian side, support measures provided by business support organizations operating in border areas are more synchronized than those operating on the Lithuanian side. Therefore, in order to establish a common support and cooperation framework, it is essential to first synchronize all types of support provided by the business support organizations involved in the project and their accounting dimensions, for example by developing a single manual with definitions of support types, explanations for measures and uniform quantitative and qualitative indicators for their accounting.

3.3. Financing and amount of employees of business support organisations

The analysis of the effectiveness of the support organizations working in the border regions of Latvia and Lithuania analyzed in the study uses the funding available to the relevant organizations and the employees involved in the provision of business support. The funding received by support organizations in 2017, including business support, as well as the number of employees, is included in Table 3.3.

Table 3.3

Funding and number of employees at business support organizations analyzed in the study, 2017

Entrepreneurship support organizations	AO received funding (thsd. EUR)		Number of employees (load) of UD support
	Together	incl. UDA	
UD AO of Latvia			
Aizrkaule NP UDAC	18,00	7,00	1
LLKC	9 763,90	514,10	169
Kurzeme Planning Region	35,00	15,00	1
Zemgale Planning Region	36,00	15,00	1,5
TOTAL	9 852,90	551,10	172,5
Lithuanian UD AO			
Siauliai Business Incubator	119,11	59,80	7
Panevezys BAC	117,90	1,50	6
Rikiskis PB	733,20	0,00	2
TOTAL	970,21	61,30	15
Together	10 823,11	612,40	187,50

Abbreviations used in the table:

AO - support organizations; UD - Entrepreneurship; NP - county municipality; UDAC - Business Support Center; BAC - Business Support Center; PB - municipality library.

Source: table created by authors using data submitted by Latvian and Lithuanian organizations.

In Table 3.3. the aggregated data indicate a relatively large difference in funding and number of employees in relation to the collaborative organizations included in the study. The availability of funding in this case is very closely related to the performance of the support organizations and the quantitative aspects of the operational effects. In this respect, the Kurzeme planning region business support organization, in which one specialist is provided, provides support in the best possible position, providing support

measures of 15 thousand euros. In turn, in the Zemgale Planning Region, 1.5 business people deal with business support issues - one is full-time and the other is part-time. Thus, a larger number of employees provides measures for the same amount of 15 thousand EUR (10 thousand EUR per employee).

The Latvian Rural Advice and Education Center also distinguishes itself on this issue from the background of other organizations. The funding available to LLKC for one employee of an organization providing consultancy support amounts to just over 3 thousand euros, which is 3 times lower than the financial resources at the disposal of specialist Zemgale Planning Region invested in the implementation of various business support measures and 5 times less in comparison to the Kurzeme region's funding for these purposes. In addition, it should be taken into account that business support measures implemented in Kurzeme and Zemgale planning regions cover all sectors of the economy, while the LLMC concentrates its activities primarily on the development of the agricultural sector and fisheries.

In accordance with 3.3. The financing of business support organizations working on the Lithuanian side in the table shows that only the 7 employees of the Šiauliai Business Incubator (8,5 thousand EUR per employee) manage the most significant amount of 59,80 thousand EUR for entrepreneurship support. According to the data provided by the Panevezys Business Support Center, EUR 1 500 is spent on business support in this organization and 6 employees are employed (0.25 thousand EUR per employee). In turn, 2 employees of the Rokis Municipality Library are involved in providing UD support without the funding allocated for this purpose.

* * *

When analyzing the effectiveness of the support organizations operating in the border regions of Latvia and Lithuania in accordance with the funding available to the organizations and the number of people who are directly involved in the provision of UD support, the best operational efficiency on the Latvian side is evidenced by the Business Support Center of the Kurzeme Planning Region, where one specialist provides support measures by 15 thousand, and in Zemgale Planning Region - by 10 thousand EUR. In turn, the Latvian Rural Advice and Education Center, whose funding for the support of the UD at its disposal, reaches around 3 thousand EUR for one organization, testifies to lower efficiency.

On the Lithuanian side, the Šiauliai Business Incubator with 8.5 thsd. EUR per employee, followed by Panevezys Business Support Center with 0.25 thousand. EUR per employee. Taking into account that the Rokis Municipality Library does not provide financing for entrepreneurship support and is involved in providing UD support only in the framework of the project, it is not possible to assess the operational efficiency at this time.

3.3.1. Financing changes and amount of employees of business support organisations over the last 5 years

Hereinafter, the Frontier Region Business Support Organization, which was founded before 2016, is the most significant financing change over the last 5 years.

Undoubtedly, the Latvian Rural Consultancy and Education Center is one of the country's most prominent business support organizations, which is also active in the external environment of the border regions. Although it specializes mainly in support of agricultural businesses, its total funding for direct business support in 2017 exceeded EUR 0.5 million. LLKC employs 436 economically active people in different occupations. Helping rural entrepreneurs and providing advice and services as close as possible to the client's place of business, LLMC concentrates its business support in the following key areas:

- 1) agriculture,
- 2) forestry;
- 3) fishery;
- 4) rural development;
- 5) non-agricultural entrepreneurship⁵².

The data obtained in the study with the necessary calculations can be seen in Table 3.4.

Table 3.4

The changes in funding available at the Latvian Rural Advisory and Training Center over the years and support measures

Support measures included in the funding	Financing changes by time intervals (thsd EUR)					17./13. %
	2013.	2014.	2015.	2016.	2017.	
Rural territory economic AP	402	444	444	321	222	-44,8
<i>Proportion %</i>	<i>40,9</i>	<i>40,3</i>	<i>43,0</i>	<i>54,0</i>	<i>43,1</i>	<i>5,6</i>
Support for UDV young people	94	164	142	104	127	35,2
<i>Proportion %</i>	<i>9,5</i>	<i>14,9</i>	<i>13,7</i>	<i>17,5</i>	<i>24,7</i>	<i>158,4</i>
Support for UDV young people in aquaculture and fisheries	36	33	16	11	9	-74,9
<i>Proportion %</i>	<i>3,7</i>	<i>3,0</i>	<i>1,5</i>	<i>1,8</i>	<i>1,8</i>	<i>-52,0</i>
Coastal Territories AP	60	71	62	54	54	-9,7
<i>Proportion %</i>	<i>6,1</i>	<i>6,5</i>	<i>6,0</i>	<i>9,1</i>	<i>10,6</i>	<i>72,6</i>
Informative seminars	391	391	370	104	102	-73,9

⁵² LLKC aptaujā iesniegtie dati.

<i>Proportion %</i>	39,8	35,4	35,8	17,5	19,8	-50,1
TOTAL	983	1 103	1 033	595	514	-44,8

Abbreviations used in the table are:

AP - support measures; UDV - Entrepreneurship promotion.

Source: table created by the authors using the data submitted by the LLKC and the results of calculations.

During the reporting period, the LLKC's business support activities are undergoing significant restructuring - as evidenced by 3.4. the data in the table. First of all, it concerns the type of the most significant type of service: rural development measures, which still receive the largest funding, and in 2017 it amounted to 222 thousand EUR or 43.1% of the total funding. However, it has to be acknowledged that this support measure shows the largest reduction of funding since 2013 - almost 2 times. The second most significant event in terms of volume, informative and educational seminars - last year was spent 102 thousand EUR or 4 times less than in 2013 compared to 2013.

Thanks to LLKC's restructuring of funding for business support activities, the organization's focus is on the involvement of young people in entrepreneurship, helping them to manage their dominant threats and exploit opportunities in the external environment. As a result, in 2017, rural households received 2.5 times more support than in 2013, with total use of business support measures of 127 thousand euros. In turn, business support for young people involved in aquaculture activities and fishing has decreased from 36 to 9 thousand EUR, or 4 times.

* * *

Analyzing the changes in the financing of the Latvian Rural Advice and Education Center for direct business support in recent years, it can be concluded that the largest reduction of funding since 2013 has been for rural development measures and informative and educational seminars, as well as support for the promotion of aquaculture and fishing activities. However, more attention is paid to the involvement of rural youth in entrepreneurship by providing them with assistance in overcoming the prevailing threats to the external environment and in using pilot projects.

3.3.2. Financing changes of Šiauliai business incubator over the last 5 years

The necessary data to evaluate the changes in funding allocated for the operation of the Šiauliai Business Incubator are in Table 3.5.

3.5.tabula

Changes in financing available at the Šiauliai Business Incubator over the years and support measures

Support measures included in the funding	Changes in financing by time intervals (thsd EUR) and%					17./13.%
	2013.	2014.	2015.	2016.	2017.	
Economics and Management School for students	6,0	6,2	6,20	6,4	6,4	6,7
Proportion %	12,0	12,4	12,4	10,7	10,7	-11,1
Business training for young people	14,2	14,2	14,2	15,4	15,4	8,5
Proportion %	28,5	28,5	28,5	25,8	25,8	-9,7
Business Plan Competition	7,0	7,0	7,0	9,0	9,0	28,6
Proportion %	14,1	14,1	14,1	15,1	15,1	7,1
Business consulting	17,4	17,4	17,4	23,0	23,0	32,1
Proportion %	35,0	35,0	35,0	38,5	38,5	10,0
Rooms for young entrepreneurs	5,2	5,0	5,0	6,0	6,0	15,4
Proportion %	10,4	10,0	10,0	10,0	10,0	-3,9
IN TOTAL	49,8	49,8	49,8	59,8	59,8	20,0

Abbreviations used in the table are:

AP - support measures; UDV - Entrepreneurship promotion.

Source: table created by authors using the data provided by Šiauliai BI and the results of calculations.

The financing granted to the Šiauliai Business Incubator during the reporting period has increased from 49.8 thousand EUR at the beginning of the report to 59.8 thousand at the end of the report, or 1.2 times. In addition, in the first 3 time intervals, funding remains unchanged and increased by 20% in 2016. The question remains to what extent the funding allocated to Šiauliai Business Incubation corresponds to changes in the business environment of Šiauliai.

By business support types, the largest amount of funding is allocated to consulting new, potential and experienced wealthy business people. At the beginning of the period, 17.4 thousand euros were spent on this type of business support, but at the end of the period the amount has increased to 23 thousand or 1.32 times more. The nature of the changes remains unchanged - at the first 3 time intervals 17.4 thousand, but in the next 2 - 23.0 thousand EUR.

The Šiauliai Business Incubator pays great attention to the involvement of young people in business. Young people living in the area receive not only the necessary advice on business issues they are interested in, they can also integrate other forms of support specifically aimed at young people - participate in special training and receive free space to turn their business ideas into products on the market. The largest amount is allocated for the training of young people - 14.2 thousand EUR at the beginning of the period

and 15.4 thousand at the end of the period - an increase of 8.5%. In turn, for the new entrepreneurs, the business incubator spent the first two years spending the necessary premises for 5.2 thousand euros, while in the latter - 6 thousand - an increase of 15.4%.

For the young people of Šiauliai, the support provided by the organization is important for the Economics and Management School, which has the poorest budget - only 6.4 thousand EUR, with an increase of 6.7% over the last 2 time intervals. It is entirely possible that the knowledge provided to young people in the Business Training course and in the School of Economics and Management is tested in Business Plan Contests, which spend 9 thousand euros a year. In addition, this measure for business support shows the largest increase in funding - 1.28 times. Comparing the funding spent on competitions with the budget of the Economics and Management School, it can be seen that the amount spent on competitions at the end of the reporting period is 1.4 times, which indicates the priority accents of the Šiauliai Business Incubator in organizing business support. The only issue that remains to be resolved is the question of the compliance of the Siauliai business environment and the prevailing threats and opportunities in the area with the most significant support structure for the structural budget of the organization's budget by type of business support.

* * *

Analyzing the changes in the financing of the Siauliai Business Incubator for direct business support in recent years, it can be concluded that the financing of all support measures provided by the incubator has increased by 20% compared to 2013, which indicates the demand for support measures implemented by the incubator and the management's ability to increase the support. The Siauliai Business Incubator pays the greatest attention to the involvement of young people in business, with the largest amount of funding being devoted to business counseling and business training for young people.

The question remains to what extent the funding granted to Šiauliai Business Incubator corresponds to changes in the business environment of Šiauliai county.

3.3.3. Financing changes of Panevezys business Advisory centre over the last 5 years

Panevėžys county is less than 7.7% in comparison with the Siauliai area, but in terms of population it lags behind 18%. Although there are differences in the area and population among these border areas, the funding of Panevezys Business Support Center is significantly higher in comparison with the Siauliai Business Incubator at certain time intervals. A more detailed and idea of the operation of Panevezys Business Center is provided in Table 3.6.

Table 3.6

The change in funding available at Panevezys Business Support Center over the years and support measures

Support measures included in the funding	Changes in UDA funding by time intervals (thsd EUR)					17./13. %
	2013.	2014.	2015.	2016.	2017.	
Advice on UD issues	17,9	88,8	18,1	29,1	4,6	-74,2
Informative seminars	0,2	1,1	4,2	0,5	0,0	-100,0
Training and courses	6,0	1,7	3,4	0,7	95,9	1 500,7
Legal aid	11,0	7,8	5,6	8,0	3,9	-64,3
Financial advice	3,6	17,8	3,6	5,8	0,7	-80,7
Advice on EU funding	2,4	11,8	2,4	3,9	0,5	-80,7
Participation in projects, competitions	2,2	5,3	3,8	0,0	1,0	-54,0
Investment projects, business plans	5,1	3,3	2,1	0,6	3,3	-35,3
IN TOTAL	48,4	137,5	43,3	48,7	109,9	127,3

Abbreviations used in the table are:

UDA - business support; EU - the European Union.

Source: table created by author using data provided by PAC-BAC and calculations.

Analyzing and evaluating the financing of the Panevėžys Business Support Center during the reporting period and in time intervals, attention should be paid to drastic changes in total financing and breakdown by types of business support. Total funding during this period has increased from 48.4 to less than 110 thousand EUR or 2.3 times. The most significant dynamics of this funding is that in 2014 the amount allocated to Panevezys Business Support Center was increased by 2.8 times compared to the previous year.

A similar leap in funding growth is observed in 2017, when the center's cash increased 2.3 times. As a result of these changes, the financing of Panevezys Business Support Center in the last year of the reporting period has reached almost 110 thousand EUR. Thus, the financing of the Panevėžys Business Support Center 1.8 times exceeds the financing of the Šiauliai Business Incubator, despite the fact that the Panevėžys area is smaller in terms of territory and population compared to Šiauliai. Moreover, the number of inhabitants of Panevėžys city is considerably smaller in comparison with the number of inhabitants in Siauliai.

After analyzing the structural distribution of outbound cash flows, it has to be established that similar dynamics remain in the differences in financing between individual business support types. Major fluctuations are observed in

the section "Training and courses", where the allocated financing has increased from 6 to 95,9 thousand EUR or 16 times. In addition, the funding allocated to this type of support was reduced four times in 2014 compared to 2013, but in 2015 it will increase again, this time 2 times, but in the following year it will again decrease by a factor of five to reach a significant increase in the last year of the reporting period - 95,9 thousand, increasing by 128 times within one year.

Relatively large volatility amplitudes are also observed in other forms of business support that are analyzed using the relative structural indicators summarized in Table 3.7.

Table 3.7

Structural breakdown of financing of Panevezys Business Support Center

Support measures included in the funding	Changes in UDA funding by time intervals (thsd EUR)					17./13. %
	2013.	2014.	2015.	2016.	2017.	
Advice on UD issues	37,1	64,5	41,9	59,7	4,2	-88,7
Informative seminars	0,4	0,8	9,7	1,1	0,0	-100,0
Training and courses	12,4	1,2	7,9	1,5	87,3	604,3
Legal aid	22,7	5,7	12,8	16,5	3,6	-84,3
Financial advice	7,4	12,9	8,4	11,9	0,6	-91,5
Advice on EU funding	4,9	8,6	5,6	8,0	0,4	-91,5
Participation in projects, competitions	4,5	3,8	8,7	0,0	0,9	-79,7
Investment projects, business plans	10,5	2,4	5,0	1,3	3,0	-71,5
IN TOTAL	100,0	100,0	100,0	100,0	100,0	x

Abbreviations used in the table are:

UDA business support; EU - the European Union.

Source: table created by author using data provided by PAC-BAC and calculations.

One of the integral structural indicators and their changes is the absolute mirror. To this end, structural indicators can identify the cause, changes in absolute figures broken down by type of business support. The funding fluctuations under the heading "Training and courses" have already been described, but 3.7. The table also provides information on other types of support. For example, "Financial Advice" - the share of funding granted in this type of business support has decreased from 7.4% at the beginning of the period to 0.6% at the end of the period, or more than 10 times. A similar structural decrease is observed in the "Consultation on the possibilities to receive EU funding" - a decrease by more than 12 times, the share of financing allocated for legal consultations has decreased by 6.3 times, but only five times in the last year. In turn, the amount of funding allocated for business consultations has decreased by a factor of 6, but in structural terms more than 14 times.

* * *

Despite the fact that the Panevėžys area is smaller in terms of area and population than in Šiauliai, the financing of the Panevėžys Business Support Center is significantly higher in comparison with the Šiauliai Business Incubator at certain time intervals. Total funding for the period from 2013 to 2017 has increased from 48.4 to less than 110 thousand EUR or 2.3 times.

The funding available to Panevezys Business Support Center, its quantitative and structural distribution across various types of business support can be largely explained by the competence of the managers of Panevezys municipality and business support center in the field of business environment and support.

3.4. The effectiveness of business support organisation activities in he border regions

3.4.1. The inner and outer activity effectiveness of business support organisations

The operational effectiveness of Latvian-Lithuanian border business support organizations is determined on the basis of the data obtained during the research on the results of the support organizations and the funding received by these organizations. Thus, the experts involved in the study agreed on the distribution of indicators used to study the effectiveness of support organizations in the following groups:

- a) the effectiveness of the internal workings of the business support organizations, or **internal efficiency**, based on the resources and financing available to each support organization, as well as on the support measures offered to operators;
- b) the effectiveness of the external action of the business support organizations, or **external efficiency**, based on the resources and financing available to each support organization, as a result of changes in

the external business environment, in its constituent dimensions of competitiveness.

Analyzing the external and internal regulatory acts regulating the activities of Latvian-Lithuanian border region business support organizations, as well as the indicators used in the activities of these organizations, it can be concluded that the support organizations included in the research mainly focus on the effectiveness of their internal activities. In practice, internal efficiency is often referred to as internal efficiency, which is widely used to measure the performance of different systems and evaluate its changes.

The following general equation is used to determine the internal efficiency of a business support organization:

$$EF AO_{INTt} = \frac{\sum AP}{\sum RS}, [2.]$$

where

EF AO_{INTt} - supports the internal efficiency of the organization's activities over time t;

AP - Support measures produced by the support organization over time t;

RS - the resources spent by the organization supporting various business support activities in time period t.

Equation 2 can determine the internal effectiveness of any support organization's activity by specifying its form according to the type of resource used and taking into account the results achieved. However, in this case, the quantitative and qualitative characteristics of support provided by the organization should be defined as precisely as possible, for example, what is a consultation, a seminar, an investment project, etc. For this purpose, the internal laws and regulations of the support organization must be used. Of course, nobody doubts that each consultation or seminar is different, but the determination of efficiency is unthinkable without accounting for the work done, it is an axiomatic truth.

Taking into account the differences in the legal and economic nature of the support organizations included in the survey, equation 2 is used to determine the effectiveness of the support organizations. In determining efficiency, the funding available to the relevant support organization, which is used for the various support measures, as well as the number of persons employed in the implementation of these measures, is taken into account.

To determine the external effectiveness of a business support organization, the following general equation is used:

$$EF AO_{OUTt} = \frac{\sum RZ UDV}{\sum RS}, [3.]$$

where

EF AO_{OUTt} - Supports the external efficiency of the organization over a period of time;

RZ UDV -Supplies the organization's performance due to changes in the external business environment;

RS - the resources spent by the organization supporting various business support activities in time period t.

The third equation has very limited usability. This equation can provide better results if the country-region-wide business support system is judged by applying appropriate constraints and assumptions. The result obtained in

this way, with less error of opportunity, would be applicable to cross-country comparisons. The biggest limitation to this approach is the lack of adequate data, the high consumption of resources for acquiring them and the relatively low significance of the management decision making. Economic theory and practice do not define the efficiency of open systems.

In this case, the business environment in frontier regions and also support systems are largely open systems, whose structure elements are influenced by many and varied events, and their impact is impossible to assess.

* * *

Taking into account the above-mentioned arguments, the in-house effectiveness of the support organizations included in the study will be analyzed and evaluated in the future..

3.4.2. Activity effectiveness of business support organisations operating in Latvia

A study commissioned by the Zemgale Planning Region on the functioning of the business support organizations of Latvia-Lithuania border regions, the efficiency of these organizations and the establishment of a unified business support system in the border regions is seen as a great step in the right direction. This decision clearly indicates the efforts of the leaders of that organization to mobilize subordinate units and their employees to make more efficient use of the resources and funding available to the planning region.

The operational effectiveness of business support organizations working in frontier areas in Latvia is determined on the basis of the data obtained during the research on the results of the support organization's activities and the funding received by these organizations. In this case, the effectiveness of the employment of business support organizations is determined. Estimated labor force utilization rates in 2017 are summarized in Table 3.8.

3.8.tabula

The indicators of the effectiveness of Latvian business support organizations included in the study

Indicators	Zemgale PR		Kurzeme PR	
	2016.	2017.	2016.	2017.
Funding for UD support	15,0	15,0	15,0	15,0
Employed in UD support	1,5	1,5	1,0	1,0
UDA service delivery efficiency (thous.EUR / node)	10,0	10,0	15,0	15,0

Abbreviations used in the table are:

UD - Entrepreneurship; UDA - Business Support.

Source: table created by authors using data submitted by Latvian organizations.

The results of the calculations lead to the determination of the efficiency of the employment of employees of the business support organization using the equation 2 of this subdivision. This results in the total value of resources used by the business support organization in terms of the various support measures per employee. These support measures form the aggregate value of the services provided by the support organization in monetary units. As can be seen from 3.8. In the table, the highest productivity is reached in the Kurzeme planning region business support unit, but in Zemgale PR it is 1.5 times lower.

Aizkraukles Business Support Center has been operating since September of last year. According to the data provided by the research, this organization employs one person, and in the 4 months of last year various support measures of a total value of 7 thousand euro were provided. This means that the effectiveness of this organization is 7 thousand. EUR per employee in 4 months.

LLKC is a fundamentally different organization compared to the above-mentioned business support organizations. It is the largest and most experienced rural business support organization, which also provides paid services related to various issues of interest to rural entrepreneurs, mainly in the production of agricultural and forestry products. The performance of the LLKC and its main indicators are summarized in Table 3.9.

Table 3.9

Performance indicators of LLKC performance

Performance Indicators	Indicator changes by years			2017./ 2015. %
	2015.	2016.	2017.*	
Net sales. (ths EUR)	7 545	8 303	8 675	20,9
Funding UDA (Thousand EUR)	1 103	1 033	595	-53,4
Gross profit (thsd EUR)	234	287	324,6	129,3
Operating profitability -%	0,17	0,26	0,18	37,7

Abbreviations used in the table are:

UD - Entrepreneurship; UDA - Business Support.

Source: table created by the author using the published reports of the LLKC and expert estimates for 2017.

LLKC has its own legal status as a limited liability company, it provides paid services and participates in business support activities. Therefore, in this case, the profitability indicators of an organization are used to determine the effectiveness of business support measures. Table 3.9. The data included in the data show that the profitability of LLKC is very low - it does not exceed 0.5%, however, during the reporting period it has increased by a factor of 1.4, but the funding for business support has more than doubled in the last 3 years.

* * *

Analyzing the internal efficiency of the activities of business support organizations working in Latvia, one can conclude that the highest productivity is achieved in the Kurzeme planning region business support unit, followed by Zemgale Planning Region Business Support Center and the lowest internal efficiency is observed at the Latvian Rural Advice and Education Center.

3.4.3. Activity effectiveness of business support organisations operating in Lithuania

According to the data of the Survey, support organizations working in the Lithuanian side have more experience and are more similar, apart from the Rokis Municipality Library, whose performance in business support is several times lower compared to Panevezys Business Center and Siauliai Business Incubator. The assessment of the effectiveness of business support measures provided in these support organizations is related to the determination of the useful use of the staff employed, i.e., a methodology that is appropriate to the methodology used to determine the operational effectiveness of supporting organizations in Latvia is used.

The results of the calculations on labor force efficiency in Rokiškis district municipality business support organization and indicators of the effectiveness of support measures are Table 3.10.

Table 3.10

Activity indicators of Rokis district municipality libraries in business support activities

Performance Indicators	Indicator changes by years			2017./ 2015. %
	2015.	2016.	2017.	
Total funding (thsd EUR)	544,1	609,6	733,2	34,8
of which UDA (thsd EUR)	0,00	0,00	0,00	0,00
Employed by UDA	2	2	2	0,0
UDA service delivery efficiency (EUR / NZD)	0,00	0,00	0,00	0,00

*Abbreviations used in the table are: TR - business; UDA - Business Support.
Source: table created by authors using the data provided by Handheld RP library and data processing results.*

As can be seen from 3.10. In the table below, the Rokis district municipality support organization has not carried out financially supported business support activities until the project of engagement, therefore its efficiency can not be assessed at present. We welcome the involvement of the

2 staff members in the UD support, but in order to talk about the increase in internal efficiency in UD support, it would be necessary to provide for a co-financing of continuous funding in support of UD, which would not only be co-financed by the Interreg project.

The indicators characterizing the performance of the Panevezys Municipal Business Support Center and the effectiveness of support measures are reflected in Table 3.11.

Table 3.11

Panevezys Municipal Business Support Center Performance Indicators in Business Support Activities

Performance Indicators	Indicator changes by years			2017./2015. %
	2015.	2016.	2017.	
Total funding (thsd EUR)	95,97	63,89	117,88	22,8
from it UDA (ths. €)	0,91	0,14	1,50	64,8
Employed by UDA	6	6	6	0,0
UDA service delivery efficiency (EUR / NZD)	0,15	0,02	0,25	66,7

Abbreviations used in the table are:

UD - Entrepreneurship; UDA - Business Support.

Source: table created by authors using Panevezys BAC data and data processing results.

Table 3.11. The aggregated data show that the Panevezys municipality has increased its funding for UD support by 64.8%, while the total financing of the business center has increased by 22.8%, which indicates that Panevezys Municipality's BAC management's purposeful activity in increasing the efficiency of business support during the reporting period is, however, lower than in Šiauliai Business Incubator, reaches 0.25 thousand per employee at the end of the reporting period. This indicator clearly indicates the quantitative and qualitative differences in the provided business support measures compared to the support measures in Rokiškis and Šiauliai. It is important that the efficiency of the services provided by the business support center has increased by 66.7% at the end of the reporting period.

The indicators characterizing the effectiveness of the activities of the Šiauliai Business Incubator and the support measures are summarized in Table 3.12.

3.12.tabula

Performance indicators of the Šiauliai Business Incubator in business support activities

Performance Indicators	Indicator changes by years			2017./ 2015. %
	2015.	2016.	2017.	
Total funding (thousand EUR)	158,4	180,0	191,1	20,6
from support for UD (EUR 1000)	49,8	59,8	59,8	20,1
Employed in UD support	7	7	7	0,0
UDA service delivery efficiency (EUR / NZD)	7,1	8,5	8,5	19,7

Abbreviations used in the table are: UD - Entrepreneurship; UDA - Business support.

Source: the authors' table, using the data provided by Šiauliai BI and data processing results.

The Siauliai Business Support Organization works more efficiently than Panevezys Municipal Business Support Center and Rokiškis District Municipality Library - the value of support measures provided per year per employee is in the range from 7.1 to 8.5 thousand with an efficiency increase of almost 20%.

* * *

Analyzing the internal efficiency of the activities of the business support organizations included in the research in Lithuania and the research, it can be concluded that the highest productivity is achieved in the Siauliai Business Support Organization, followed by the Panevezys Municipal Business Support Center. The Rokiškis district municipality support organization started business support activities only with the involvement in the Interreg project, which is to be regarded as an example of good practice and the constant funding in case of UD support can serve to start the UDA's efficiency in providing services. Among the supported organizations of UDI in Lithuania, the jump in the efficiency of the Panevezys Municipality Business Support Center from 2015 to 2017 by 66.7% is to be welcomed, indicating that the management of Panevezys Municipal Business Support Center is committed to increasing the efficiency of business support.

3.5.A questionnaire for business support system participants from Latvia and Lithuania, and an evaluation of the result

Lai gūtu Latvijas un Lietuvas pierobežas reģionos strādājošo uzņēmējdarbības atbalsta organizāciju darbības efektivitātes kvalitatīvu vērtējumu un izstrādātu priekšlikumus organizāciju darbības efektivitātes paaugstināšanai, ir būtiski analizēt uzņēmējdarbības atbalsta sistēmas dalībnieku viedokļus un vērtējumus. Vissvarīgākie uzņēmējdarbības atbalsta sistēmas dalībnieki ir paši uzņēmēji, kuru atbalsta nodrošināšanai un attīstības sekmēšanai tiek veidotas un uzturētas atbalsta organizācijas un kuru viedoklis, pieredze un priekšlikumi ir būtiski Pētījuma mērķa

sasniedzšanai un priekšlikumu izstrādei uzņēmējdarbības organizāciju darbības pilnveidošanai.

3.5.1. The organisation of the questionnaire for entrepreneurs

A survey of entrepreneurs who carry out their economic activities in the border areas of Latvia and Lithuania was organized for the clarification of entrepreneurs' opinions. The questionnaire consists of 27 closed and open questions and is available in appendix 4. In the study, as the main method of data acquisition, a sociological survey was used, offering respondents the opportunity to fill out a questionnaire for this purpose on the Internet at www.visidati.lv. The survey was conducted from November 2017 until December 2017.

As a result of the survey of entrepreneurs, the areas of activity of entrepreneurs operating in the border areas were determined, their activity duration, received and received support types, their support quality, need for new support services, recommendations for the improvement of business support, overall assessment of the image of the entrepreneur, etc. The completed questionnaire was sent to 1 530 business organizations in Latvia and Lithuania, as well as distributed through social networks and support partners. The results of the survey of entrepreneurs were presented in 5 focus groups for business environment participants in Latvia and Lithuania to gain complementary views during the presentation.

3.5.2. Activity profile of questioned companies

A total of 193 Latvian and Lithuanian entrepreneurs, including 103 (n = 103) Latvia and 90 (n = 90) Lithuanian entrepreneurs operating in the border area, filled out the questionnaire and expressed their views.

Most respondents in Latvia perform their activities in Kurzeme (36.9%) and Zemgale (35.0%) regions, while 2 enterprises (1.9%) registered in the Zemgale region, however, operate in Riga. 27 companies (26.2%) state that they operate not only at the regional level, but also export and operate throughout Latvia, the Baltic States, other European Union countries and Russia. The territory of Kurzeme region respondents is mostly Liepāja, Ventspils, Brocēni, Aizpute, Sabīle, and Zemgale region - Jelgava, Auce, Pļaviņas and Rundāle.

Lithuanian respondents mostly cover a wider area of activity - 18.9% of entrepreneurs indicate that their territory is the whole of Lithuania; as many entrepreneurs work throughout the European Union. A large proportion of respondents (16.3%) are in Panevėžys county; the same number of respondents indicated their area of activity to Kaunas and its surroundings, while 12.2% of the surveyed entrepreneurs are operating in Šiauliai district. 10.2% of respondents work in Klaipėda's area. 8.2% of respondents indicated that their area of operations is Marijampolė and its surroundings.

An analysis of the number of employees of the surveyed companies shows that micro enterprises with a maximum of 10 employees (68.6% in Latvia and 62.2% in Lithuania) have participated in the survey. In both countries, small and medium-sized enterprises, respectively, are 53.9% and 18.6% in Latvia (totaling 72.5%) and 50.0% and 15.6% in Lithuania (65.6% in total), as it is shown in image 3.1.

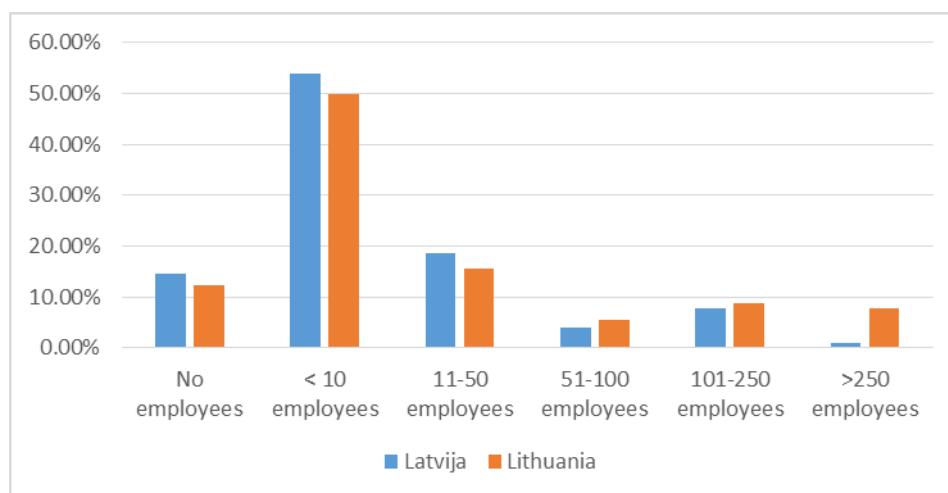


image 3.1

Number of employees surveyed.

Source: Survey on business support in the border area of Latvia and Lithuania, 2017.

As shown in image 3.1., the number of micro-enterprises is relatively high in both countries where companies do not have employees, i.e., the employee is the owner of the company itself - in Latvia it is 14.7% and in Lithuania 12.2%.

Analyzing the duration of respondents, image 3.2 shows that the majority of respondents have filled in the questionnaire and interest in the effectiveness of business support has been shown by companies with a long-term (21 and more) experience - almost 30% in Latvia and 31.1% in Lithuania. The poll was attended by a large number of completely new border businesses with a life span of up to 3 years; they are 22.5% in Latvia and 22.2% in Lithuania. Lower activity in Latvia has been shown by respondents with a duration of 4-5 years (3.9%), while in Lithuania - respondents who work 9-10 years (2.2%). This could be explained by the fact that the biggest interest in business support is usually shown by the new companies, which receive any support for the development of the business, as well as long-term enterprises that have stabilized their position in the market and are thinking of developing new directions of business.

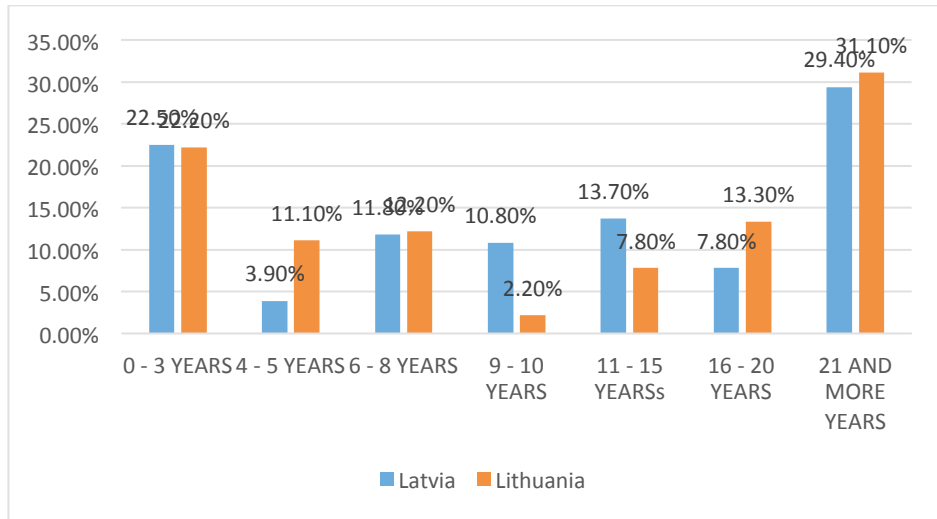


image 3.2

Duration of the company activities, years.

Source: Survey on business support in the border area of Latvia and Lithuania, 2017.

Figure 3.3. shows the activities of companies surveyed by Latvia and Lithuania. As can be seen from the picture, most respondents in Latvia are employed in the manufacture of goods - 22.1%, in trade - 16.2%, in agriculture - 14.7%, and in the provision of various services, such as bookkeeping services, legal services, IT services, child car rental , port services, project development, printing services, etc. - 14.7%.

In Lithuania, the number of respondents is relatively lower among respondents - 14.4%, while agricultural enterprises account for only 4%. The number of respondents employed in trade is similar to that in Latvia - 15.2%. However, unlike the priority activities of Latvian enterprises, Lithuanian companies are mainly engaged in the provision of various types of services. The majority of respondents in Lithuania indicate that they are engaged in the provision of educational services -17.6%, or with the provision of other specialized services - 22.4%, such as IT services, the production of personnel records, the provision of various types of counseling, driver training, services for occupational safety research, as well as day-care services.

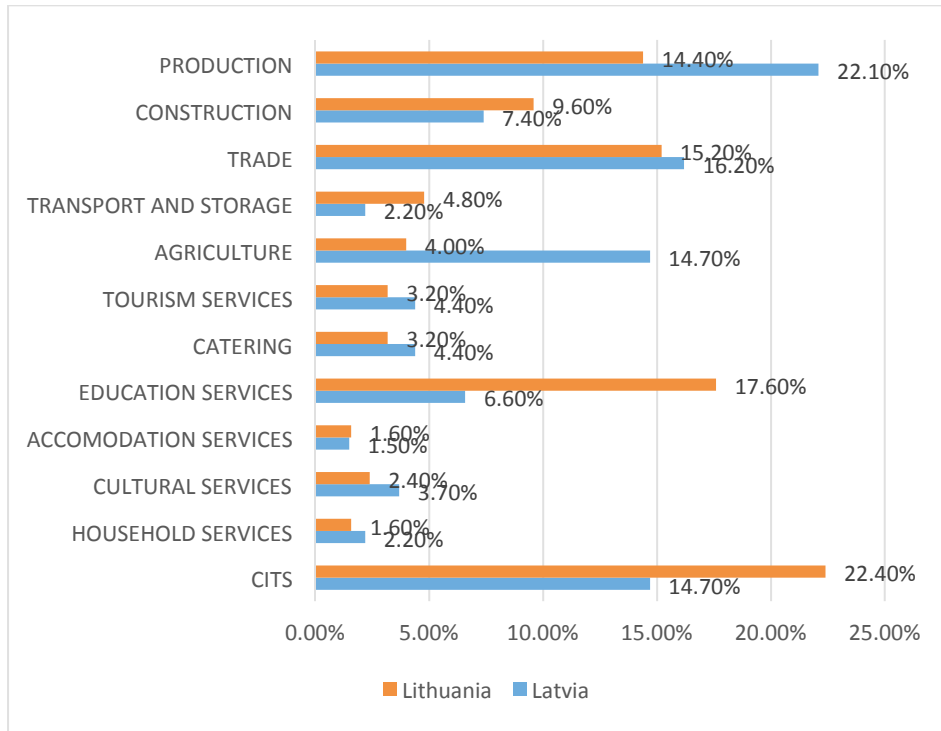


image 3.3

Business sectors of the surveyed companies,%

Source: Survey on business support in the border area of Latvia and Lithuania, 2017.

Analysis of the market for basic products on the market shows that, in both manufacturing and services, the supply of low-end products, such as furniture by design drawings, production of ceramic products, theater performances, theater improvisation classes, rent of sauna on wheels, manufacture of christmas decorations, manufacture of cosmetics, manufacture and sale of orthopedic products, etc., while the most popular services in both countries are IT, legal and accounting services.

Educational services - training, seminars and organization of practice, English language courses for children and adults, business training seminars, etc. - are very popular in Lithuania.

* * *

Analyzing the respondents' activity profile, it can be concluded that in the border areas the employees are mostly micro enterprises employing up to 10 employees and engaged in providing services or offering quality niche products to a small number of consumers. A relatively large number of respondents in both countries (13.5% on average) are self-employed or single-person enterprises, the owner of the business is self-employed, without recruitment. The majority of respondents are long-term companies operating on the market for more than 20 years, or new, newly established companies with a duration of 0-3 years. Companies operating in the border area represent different sectors of the economy, however, the most popular types of business in Latvia are goods production and agriculture, but in Lithuania, the provision of services, in particular IT and education services.

3.5.3. An analysis of the existing activity of business support organisations and a prognosis of their future development

In the study, it's important to find out how financially independent are existing merchants and what financial support is important for business development. Respondents' answers to the question of which sources of financing they use for business development are reflected in section 3.4. in the picture. The results of the survey show that most of the companies (more than a half in both Latvia and Lithuania) are financially independent and rely on their own resources in business: in Latvia they are 52.2%, in Lithuania - 54.2% of all respondents. However, entrepreneurs often use bank loans and European Union funds in addition to their own funds. As can be seen in 3.4. In the picture, Latvian entrepreneurs prefer to use bank loans (21.3%), whereas Lithuanian entrepreneurs use EU funds (17.4%). Businesses in both countries use state aid relatively little (only about 6% in both countries), investor finances (3.9% in Latvia and 0.7% in Lithuania), as well as other sources of finance, such as various projects, municipal co-financing in grants, leasing for the purchase of fixed assets (4.9% in Lithuania and 2.2% in Latvia).

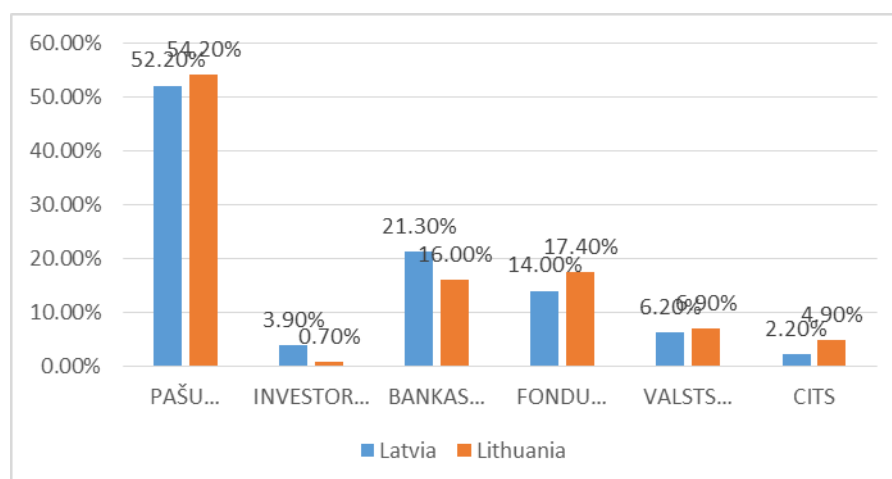


image 3.4

The funds used by surveyed enterprises for the development of UD, %.

Source: Survey on business support in LV and LT border area, 2017.

In order to find out the dynamics of entrepreneurship development in the border areas during the last year of operation, the questionnaire included a request for assessment of business results in 2017 compared to 2016.

Comparing the responses of Latvian and Lithuanian entrepreneurs, it can be concluded that Lithuanian entrepreneurs appreciate the development dynamics of their company more positively than Latvian entrepreneurs. Almost half or 47.8% of Lithuanian respondents indicated that the situation had improved in 2017, 33.3% admit that the situation has not changed, and only 13.3% indicate that the year 2017 was worse than the previous one. In Latvia, a larger proportion of respondents (38.2%) do not see the difference between 2016 and 2017, 29.4% estimate that the company's performance in

2017 has improved and almost a fifth of Latvia's respondents (17.6% that in 2017 the business situation deteriorated).

Entrepreneurs' forecasts for the future development of the company are reflected in 3.5. in the picture. Here you can see the more optimistic mood of Lithuanian entrepreneurs about the company's development in 2018. 66.6% of Lithuanian businessmen surveyed believe that the situation in 2018 will improve or substantially improve, while the proportion of optimistic Latvian entrepreneurs is only half - 52%. The second half of Latvia's business (48.1%) does not plan changes in 2018, or it anticipates that performance will deteriorate or even worsen significantly. The share of Lithuanian entrepreneurs, who enter this mood in 2018, is lower - 33.4%.

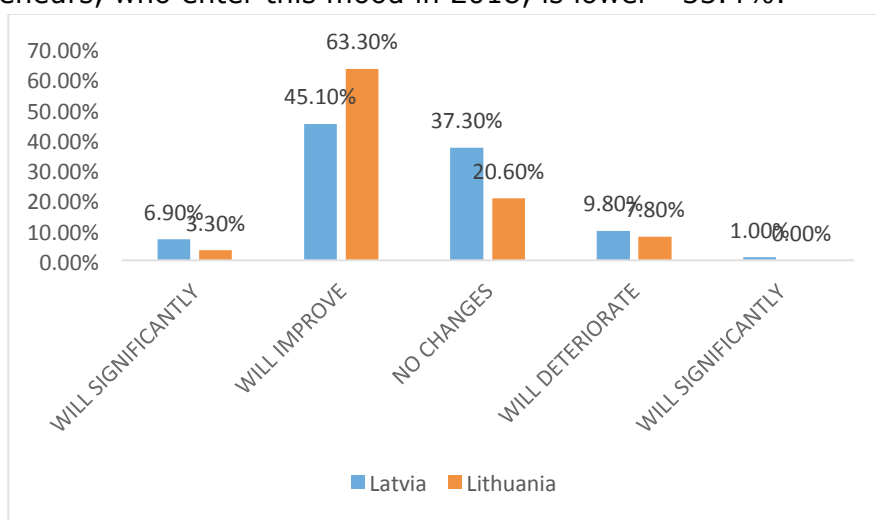


image 3.5.

Aptaujāto uzņēmumu nākotnes prognozes 2018. gadam salīdzinājumā ar 2017. gadu, %.

Source: A Survey on Business Support in Latvia.

Considering the large proportion of entrepreneurs who see the difficulties in business development in 2018, it is important in the further analysis to determine which particular factors hinder the development of the company. The list of factors hindering the development of the entrepreneurs' activity is surveyed Table 3.13.

Table 3.13

Factors influencing the development of surveyed companies, %

Developmental factors	Proportion of enterprises, %	
	Latvija	Lithuania
Excessive taxes	16,9%	13,5%
Difficulties obtaining information from business support organizations	1,8%	4,3%
Unauthorized inspections	3,6%	0,5%

Lack of adequate space for the company to operate	3,6%	2,4%
A limited range of business support organizations	2,3%	5,4%
Lack of qualified staff	9,2%	8,9%
Lack of financial / working capital	12,0%	11,1%
Lack of information on business support, export opportunities, etc.	2,6%	0,8%
Complex procedures for receiving financial support / credit	4,3%	3,8%
Lack of qualifications	0,3%	8,1%
High space rent	2,8%	0,8%
Lack of ideas for company development	1,0%	3,0%
Difficulty in attracting customers	3,8%	1,9%
The slow pace of service of state institutions	5,4%	5,4%
Low quality business support organization services	1,0%	5,4%
Insufficient knowledge and skills in company management	2,3%	2,7%
Too much competition	3,8%	1,9%
High bank rates for business development	2,8%	5,4%
Lack of objective information about planned procurement and competitions	1,3%	3,2%
Difficulties in establishing cooperation with foreign markets	2,6%	0,8%
Instability of business laws / regulations	12,0%	2,2%
The development of the company is not a hindrance	1,3%	7,0%
Other	3,3%	1,6%

Source: Survey on business support in border areas of Latvia and Lithuania, 2017

A significant part of the respondents in both countries admits that the biggest obstacle to the development of the company is over-taxation, which is a dilemma for the development of the company: it is thought by 16.9% of respondents in Latvia and 13.5% of Lithuanian respondents. The second most

disruptive factor in the development of companies in both countries is the lack of financial and working capital (12.0% in Latvia, 11.1% in Lithuania).

In third place among the factors hindering development, entrepreneurs of Latvia are insolvent laws / regulations of entrepreneurship, 12.0% of respondents mentioned this as a disturbing factor. By contrast, only 2.2% of Lithuanian entrepreneurs perceive the impediment of regulatory instability in their country. The result of this survey is confirmed by Study 2.1. The conclusions of the chapter on significant differences in the legislation of Latvia and Lithuania governing and influencing the development and support of business and pointing to the stability of the legislation of the Republic of Lithuania and long-term planning at the national level are made.

There is a shortage of skilled workers in both countries - 9.2% of respondents in Latvia, 8.9% in Lithuania. Lithuanian entrepreneurs also point out the lack of qualification raising opportunities (8.1%), which does not seem to be a complete obstacle for Latvian entrepreneurs (0.3%). Interestingly, the attention will be paid to the fact that 7% of Lithuanian entrepreneurs do not face the inhibitory factors in the development of the company in general, and only 1.3% of Latvian businessmen do not see obstacles to the development of companies.

Analyzing the impact of business support organizations on the development of companies, as seen in 3.13. In the table, more dissatisfaction is evident in the assessment of Lithuanian entrepreneurs. Although the proportion is not high, however, 5.4% of Lithuanian entrepreneurs believe that business support organizations have a limited range of offerings (only 2.3% in Latvia) and the same number of Lithuanian entrepreneurs - 5.4% - assess the quality of business support organizations' (In Latvia - 1%). 5.4% of businesspeople from both countries believe that the slowdown is also in the institutions of the service-oriented state.

At the same time, it is important to find out not only the factors hindering the development of business, but also the vision of those entrepreneurs who intend to increase the competitiveness of the company and predict the development in the near future. In the questionnaire "What measures are you planning in the near future?" 20.3% of Latvian businessmen and 19.3% of Lithuanian businessmen replied that they want to expand the range of products or services they produce, 20.2% of Lithuanian entrepreneurs and 19.2% of Latvian entrepreneurs are planning increase production capacity and / or sales volume. Planning to increase production capacity, as well as expand the range of products (services), reckoning that labor force will be needed, therefore 9.9% of Latvia and 11.9% of Lithuanian entrepreneurs plan to increase the number of jobs.

It should be emphasized that shortages of skilled workers are equally felt by the businessmen of both countries, therefore, in the near future, plans will be made for a number of measures that would allow the existing workforce to be preserved and the personnel turnover will be avoided. The increase in employee salaries motivates employees to stay in the existing workplace, therefore, entrepreneurs plan to increase their salaries for staff, as indicated by 9.9% of Latvia and 16.1% of Lithuanian entrepreneurs.

Businessmen also understand the role of entrepreneurship support in increasing competitiveness and achieving the company's goals, therefore 9.3% of Latvia and 10.1% of Lithuanian entrepreneurs in the near future are planning to receive support for business development. 11% of Latvia and 6% of Lithuanian companies say that they do not plan to change anything in the near future, but there are also companies that are planning to stop the company in the near future. A small number of companies are planning to sell the company, initiate legal proceedings with the state on the application of regulatory acts, or implement a project, during which the company's turnover will increase 3-4 times.

* * *

Analyzing the surveyed companies' existing activities and future development forecasts, it can be concluded that while state or bank financial support and EU funds stimulate business, it is not a decisive or priority type of business support in modern business, entrepreneurs are cautious and mostly use their own funds to provide business (more than half of the respondents). Latvian entrepreneurs choose to use bank loans (21.3%) from external financial support instruments, while Lithuanian entrepreneurs use EU funds (17.4%). Businesses in both countries use state support relatively little (only around 6% in both countries).

Lithuanian businessmen appreciate the development of their company in the last year more positively than Latvian entrepreneurs. Looking ahead, 66.6% of Lithuanian businessmen surveyed believe that the situation will improve or substantially improve in 2018, while the optimistic view of Latvian entrepreneurs is only half - 52%.

When analyzing the factors hindering entrepreneurship, a significant proportion of respondents in both countries acknowledged that the biggest obstacle to the development of the company is excessive taxes, and the second place is the lack of financial and working capital. In the third place among the factors hampering the development of Latvian entrepreneurs is the volatility of Latvian business laws / regulations. This hindrance is not intrinsic to Lithuanian companies, which indicates the stability of the legislation of the Republic of Lithuania. The shortage of skilled workers is equally a problem in both countries. Only 7% of Lithuanian entrepreneurs and 1.3% of Latvian entrepreneurs do not see any obstacles to the company's development, because they are confident that everything is in their own hands.

Despite the inhibitory factors and the threat to the external business environment, in order to maintain the current level of development and increase its competitiveness, entrepreneurs plan to increase production capacity and sales volumes, expand production, increase the number of employees, and increase their remuneration. In other words, entrepreneurs are able to see and develop the opportunities of an external business environment, despite its threats.

3.5.4. An evaluation of business support organisation activity: entrepreneur opinion

Within the framework of the survey it is important to find out the entrepreneur's opinion about the utility, availability and quality of the services provided by business support organizations.

The question of whether existing information on business support organizations, their services and measures implemented is sufficient, half of the surveyed entrepreneurs (52.9% of Latvia and 51.1% of Lithuanian entrepreneurs) answered in the affirmative, while the other half - negative, noting that their information on business support organizations, their services and measures taken is inadequate. This means that only every second businessman is aware of the existence of support organizations and the opportunities offered by them for business development. In turn, only 6.9% of uninformed entrepreneurs feel that they themselves are not actively interested in available support options.

Where do entrepreneurs working in frontier areas look for in support of business development? The degree of visibility of specific business support organizations among entrepreneurs and the share of attendance and support of UD support organizations can be seen in Table 3.14.

Table 3.14

Business support organizations whose services are used by business people

Business support organization	Latvia	Lithuania
Municipality	16,9%	12,8%
Planning Region Business Support Center (Latvia)	7,2%	-
Invest Lithuania - The Lithuanian Investment Promotion Agency (Lithuania)	-	4,7%
	-	10,5%
Lithuanian Business Support Agency (LVPA) (Lithuania)	13,5%	23,3%
LTRK (Latvia) / Chamber of Regional Trade, Industry and Crafts (Lithuania)	11,6%	-
LIAA (Latvia)	8,2%	-
ALTUM (in Latvia)	2,9%	-
CFLA (in Latvia)	12,7%	12,4%
Other public organization	5,3%	2,9%
Industry Association	12,6%	11,6%
Bank	1,9%	7,0%
Consulting company	2,9%	6,4%

Higher education institution	1,4%	0,6%
Foreign organization	2,9%	7,8%

Source: Survey on business support in the border area of Latvia and Lithuania, 2017.

As can be seen in 3.14. In the table, both Latvian and Lithuanian entrepreneurs usually turn to **state institutions** after support. Almost half of Latvia's surveyed entrepreneurs (42.6%) use the services of state support organizations, including 11.6% of entrepreneurs use the services of the Latvian Investment and Development Agency (LIAA), 8.1% of services provided by AS "Development Finance Institution Altum", 8.2%, The services of the Center for Business Planning Region Support Center - 7.2%, the CFLA (Central Finance and Contracting Agency) - 2.9%, and 12.7% are used by other state organizations such as the Latvian Rural Support Service, the Ministry of Education and Science, the State Education the Development Agency, the Farmers' Saeima, the State Culture Capital Foundation, the KPFI (Climate Change Finance Facility), the Latvian Rural Consultancy and Education Center.

In Lithuania, the proportion of use of state-owned organizations is slightly lower than in Latvia - 27.6%, however, it is also decisive and is in the first place compared with the use of other support organizations. Particularly active Lithuanian entrepreneurs use the services of the following government organizations: the national business support organization Lietuvos Vakarų agentūra - 10.5%, InvestLithuania - 4.7%, other state organizations such as INVEGA, MITA, Infobalt, Siauliai Business Incubator, Panevezys Crediting Association (PanevėžysKreditoUnija) etc. -12.4%.

In the second place in the rating of UD organizations, after the availability of visibility and support, entrepreneurs are in both the **national chambers of commerce and industry** (hereinafter - Chambers). In Lithuania, the services offered by the chambers are used by 23.3%, in Latvia - 13.5%. The camera types and services provided are similar in both countries, but the differences are in the organization of camera operations. In Lithuania, in each area, an independent Chamber of Commerce and Industry operates in support of entrepreneurs of a specific area (totaling 10), but the Latvian Chamber of Commerce and Industry is a single institution with divisions in regions (in total there are 7 regional divisions, including 2 in the Kurzeme region (Liepāja and Ventspils), and 1 - Zemgale region (Jekabpils)), which is managed centrally. Perhaps, such differences in the structure of the Chamber's organization and management principles in Latvia and Lithuania affect the proportion of entrepreneurs in the use of these services.

After recognition, the next organization, whose support is actively used by entrepreneurs, is the **local municipality** (in Latvia - 16,9%, in Lithuania - 12,8%). This encouraging finding indicates that local government employees are aware of the importance of business support and their commitment to working with entrepreneurs, but for the better development of rural areas and territorial cohesion, it would be important for entrepreneurs to be more active in supporting these institutions.

In both countries banking services are used to a similar extent (12.6% in Latvia and 11.6% in Lithuania). This small proportion of utilization of banking services among entrepreneurs correlates with 3.4. The percentage of use of bank loans reflected in the picture is among the operators of both countries. The poor use of banking services for business support is related to less access to their branches in rural areas, as well as to the prudential policies of banks in issuing loans.

According to researchers, the sectoral associations that bring together industry professionals as well as the business support potential of higher education and research institutions, for example, in developing new products and improving existing ones, are under-used. At present, the support of sectoral associations is used more by Latvian entrepreneurs - 5.3% and less Lithuania - 2.9%. In turn, Lithuanian entrepreneurs are turning to support in higher education institutions - 6.4% and less in Latvia - 2.9%. Currently, only 0.9% of Latvia and 1.6% of Lithuanian entrepreneurs are using technology transfer and research projects.

The share of using foreign organizations' services (used by only 1.4% of Latvia and 0.6% of Lithuanian entrepreneurs), as well as the proportion of use of other private consulting companies (7.0% in Lithuania and 1.9% in Latvia) is relatively small, which is explained by the fact that the services of these organizations, in contrast to the state, local government or non-governmental sector services, are mainly chargeable.

One of the most important tasks to achieve the goal of the research is **to find out what services of business support organizations are in demand for Latvian and Lithuanian entrepreneurs** and where there is a so-called "free niche" business support.

The most demanded support service in both countries is informative workshops on company-specific topics. They are visited by 20.9% of Latvian businessmen and 12.2% by Lithuania. It should be noted that such services are actively used by merchants on condition that they are free of charge (or for a small membership fee) and are binding and relevant to the specific needs of a particular company.

Similarly, training and professional development courses are attended by 10.3% of the surveyed businesspeople from both countries.

A very similar proportion of entrepreneurs - 8.1% in Latvia and 8.5% in Lithuania - indicates that they are happy to use advice for acquiring EU funding.

In Lithuania, 7.5% of the entrepreneurs who participated in the survey are using financial support options in the form of investments, loans, grants, but in Latvia entrepreneurs use relatively less 5.9% of financial support options, indicating that receiving financial support is difficult or financial support is not available for a particular to his sector of interest.

Latvian entrepreneurs, in turn, actively use the opportunity to participate in competitions and projects (7.2%) and are keen on taking advantage of the opportunity to visit mutual networking activities for establishing contacts, cooperation and exchange of experience (6.6%).

Lithuanian entrepreneurs are not as active in networking events as only 3.8% use this service.

The demand of Latvian businessmen has been identified also for the following services:

- 1) consultations in the development of a business plan;
- 2) use of the infrastructure of other companies to provide services of their company;
- 3) attraction of young people in the operation of the company;
- 4) customs brokerage services;
- 5) exchange of experience with similar companies in EU countries;
- 6) coaching services;
- 7) cooperation with similar companies;
- 8) opportunities for training abroad;
- 9) consultations of the partners;
- 10) private exchange of experience between industry and professionals..

Lithuanian entrepreneurs are also keen on using the above mentioned services:

- 1) participation in regional project competitions;
- 2) logistics and transport services;
- 3) IT services;
- 4) consultations of psychologists, as well as telephone consultations;
- 5) real estate tax rebates.

Entrepreneurs who do not use services provided by business support organizations (2.2% in Latvia, 4.4% in Lithuania) are the main reasons for this:

- 1) there was no need;
- 2) there is no support for the required industry;
- 3) will not be able to use support options anymore because the desired result has never been achieved;
- 4) none of the submitted projects has been approved;
- 5) the level of knowledge is sufficient to avoid outsourcing;
- 6) barriers to obtaining credit due to the small turnover of the company.

How do entrepreneurs who have used business support organizations value their quality? Is it qualitative despite the free availability of the service and would the entrepreneur reluctant to re-use the service or to recommend another entrepreneur? In order to obtain feedback and evaluate the quality of services provided by organizations in the survey questionnaire, entrepreneurs were offered the opportunity to evaluate the quality of services received and their compliance with the price if the service was for a fee.

The quality assessment of support services received by surveyed entrepreneurs is reflected in Table 3.15.

image 3.1

Assessment of services provided by business support organizations

Evaluation	Latvia	Lithuania
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VERY GOOD	-	-
GOOD	<ul style="list-style-type: none"> • Informative seminars (62.7%) • Financial consulting for business development (61.5%) • Training and professional development courses (56.3%) • Networking measures for entrepreneurs (43.3%) • Consultation on EU funding (43.2%) • Legal Aid (39.5%) • Support for the use of office equipment (36.8%) 	<ul style="list-style-type: none"> • Training and professional development courses (48.1%) • Informative seminars (45.2%) • IT services (43.3%) • Consulting in the field of corporate governance (41.2%) • Networking measures for entrepreneurs (39.3%) • Legal aid (36.8%) • Financial support (35.7%) • Support for technology transfer and research projects (35.7%) • Consultation on export markets and services (34.5%) • Support for participation in exhibitions (34.3%) • Participation in competitions and projects (30.6%)
AVERAGE	<ul style="list-style-type: none"> • Personnel selection / recruitment support (63.2%) • Support for participation in exhibitions (54.2%) • Export guarantees (52.9%) • Business premises (47.8%) • Credit guarantees (47.6%) • Mentor services (47.4%) • Consultation on export markets and services (45%) 	<ul style="list-style-type: none"> • Support for the use of office equipment (50%) • Export Guarantees (47.8%) • Loan guarantees (46.4%) • Personnel selection / recruitment support (42.9%) • Business premises (41.7%) • Access and / or support for research (40%) • Consultation on entrepreneurship and its launch (40%) • Financial advisory

	<ul style="list-style-type: none"> • IT services (42.1%) • Consulting in the field of corporate governance (41.2%) • Tax Rebates (40.7%) • Financial support (40%) • Consultation on entrepreneurship and its launch (38.1%) • Access and / or support for research (38.1%) • Participation in competitions and projects (36.7%) • Incubation and pre-incubation services (30.4%) • Support for technology transfer and research projects (29.4%) 	<ul style="list-style-type: none"> services for business development (33.3%) Incubation and pre-incubation services (29.6%) • Consultation on EU funding (29.5%)
BAD	<ul style="list-style-type: none"> • Soft loans (38.1%) 	<ul style="list-style-type: none"> • Soft loans (40.7%) • Mentor services (37.5%) • Tax Rebates (36.4%)

Source: Survey on business support in the border area of Latvia and Lithuania, 2017.

As seen in 3.15. the operators of both countries did not evaluate any of the services received as a very good quality service due to the relatively skepticism of the business support organizations as a whole.

The operators of both countries rated the following services as good quality:

- 1) informative seminars;
- 2) training and professional development courses;
- 3) measures for the networking of entrepreneurs;
- 4) legal aid.

The provision of these services in good quality can be considered as a **strength** for business support organizations in providing business support. Latvian entrepreneurs also assess the above-mentioned good quality services as financial advisory services for business development, while Lithuanian colleagues regard their reception in Lithuanian support organizations as medium-quality services, but they appreciate already genuine financial support.

Lithuanian entrepreneurs evaluate their participation in exhibitions and projects with a good quality rating, but respondents in Latvia regard it as a medium quality service, pointing out that tenders and projects are often targeted at large companies and do not produce the required results.

Although as mentioned above, comparatively few entrepreneurs use support for technology transfer and research projects, Lithuanian entrepreneurs who have experience in obtaining a service, assess this as a good quality service, as indicated by 35.7% of respondents, while Latvian entrepreneurs evaluate it with an average quality mark. Such an assessment demonstrates the hypothesis put forward by researchers about the inadequate use of such a service.

As shown in 3.15. The information gathered in the table, the highest proportion of received services is assessed with a mid-grade mark (16 services in Latvia and 10 services in Lithuania). Although the ratings are comparatively similar in both countries, attention must be paid to two services - mentor services and tax rebates, which are judged by Latvian entrepreneurs as of average quality, while in Lithuania they are rated as poor quality services.

Both countries respondents as equally poor service appreciated by soft loans, taking the view that those essentially does not exist or is intended for a very restricted circle, because if the initial conditions are relaxed, then the interest rate will increase almost double, in addition, many respondents indicated that because of the size of the company (too small a company or too little turnover), they are not even able to apply for such a service.

Business support organizations should pay particular attention to those services that, in their view, are secured by medium and poor quality.

Such support quality of service performance comparison analysis allows support organizations not only to identify and assess the "white spaces" in their activities of certain service quality and develop a strategy for the improvement, targeted to share its experience either as service provider between the countries, in-depth consultation with the neighboring available services that are rated by the respondents with a high quality mark.

image 3.6 shows the compliance of the prices of services received with their quality in the evaluation of the Latvian and Lithuanian entrepreneurs.

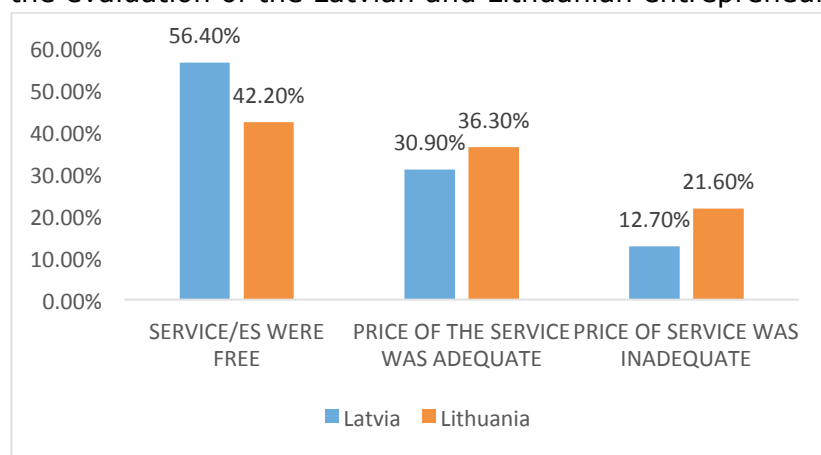


image 3.6

Evaluation of service prices and their conformity to the quality received, %.

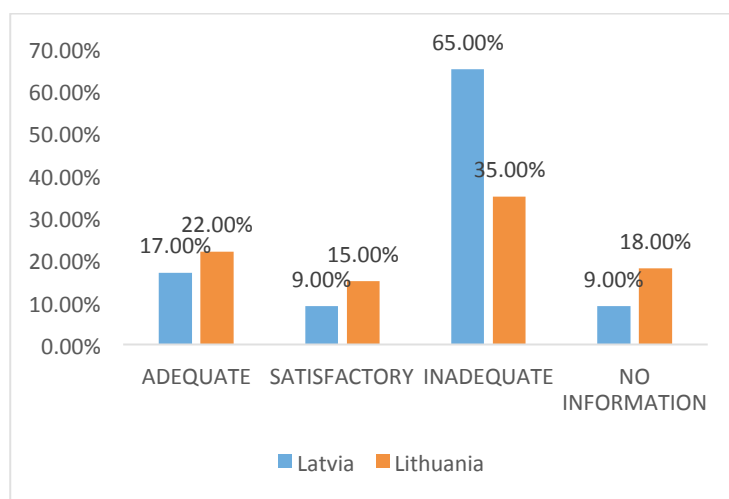
Source: Survey on business support in the border area of Latvia and Lithuania, 2017.

As can be seen in 3.6. In the picture, most respondents in both countries - 56.4% in Latvia and 42.2% in Lithuania - indicate that they used the service because it was free. This is a major advantage of the competitive position of state aid organizations in comparison with the commercial sector, the opportunity to provide free services, which in turn motivates entrepreneurs to receive this service.

Lithuanian entrepreneurs who have experience in the use of paid services, in 36.3% of cases evaluate the price of the service as being of adequate quality, and 21.6% - as inadequate quality. In Latvia, this proportion is slightly lower: 30.9% of entrepreneurs are considered to be paying the sum of the corresponding amount, but 12.7% - as inappropriate, as much more (56.6%) in Latvia use the services free of charge.

Although in both countries, the higher the number of entrepreneurs is evaluated for the quality of the received services, the subsidized organizations providing paid services should pay attention to the percentage of unsatisfied entrepreneurs. As is known from marketing theory and practice, on average, one disgruntled customer tells the negative experience of 11 of her friends who, in turn, distribute this information further. Therefore, 21.6% of those who are dissatisfied with the quality of service received in Lithuania and 12.7% in Latvia have a large number that could significantly affect the reputation of a particular business support organization and increase the distrust of the business support system as a whole.

The next question, which is important to evaluate during the study. **Does the existing business support system in frontier areas consider entrepreneurs to be adequate and adequate in comparison with the obstacles faced by entrepreneurs?** Does, from the point of view of entrepreneurs, the business support system react in a timely and adequate manner to business threats? Answers to this conceptual question can be seen in image 3.7.



3.7. attēls

Business System Compliance Assessment in the Business Environment, %.

Source: Survey on business support in the border area of Latvia and Lithuania, 2017.

As can be seen in 3.7. In the figure, a solid number of respondents (especially in Latvia - 65%, as well as in Lithuania - 35%) believe that the established business support system is insufficient and inappropriate to the obstacles faced by entrepreneurs in their day-to-day work. As the main reasons for this assessment, respondents in Latvia based their explanations on the questionnaire:

- 1) "the business support system in Latvia is characterized by episodocity and fragmentary nature",
- 2) "the support system is too fragmented, it is not clear where to go in any case";
- 3) "The barriers to business are greater than support";
- 4) "there is a lack of concerted action between the ministries and also at the level of the Cabinet of Ministers";
- 5) "dozens of different service providers do not need to be deployed, but a common vision for all institutions is needed";
- 6) "all the problems are unattractive in tax policy";
- 7) "some industries have too much lobbying that prevents certain companies from being competitive and developing";
- 8) "the system is unstable, takes a lot of time to get real benefits, and is expensive";
- 9) "business support is genuinely supported by cities in cities, while regional business is neglected and often without system support is often unable to evolve";
- 10) "such a system does not exist in Latvia".

Lithuanian respondents in turn point out the following main reasons for the non-compliance of the business system with the threats:

- 1) "i do not use support because I do not trust the competence of the providers";
- 2) "The support system is too divided, and in order to receive real support, it is necessary to go from one organisation to another";
- 3) "the disadvantages in attracting funding since the annual turnover in order to receive EU support must exceed EUR 300000, which is unrealistic for small businesses";
- 4) "the system exists only on paper, but it is very difficult to get real action and help, and only for certain business sectors".

According to the results of the survey, 26% of Latvian entrepreneurs and 37% of Lithuanian entrepreneurs consider adequate and satisfactory business support system by indicating in the questionnaire the strengths and weaknesses of such business system:

- 1) "good support available for trade missions, exhibitions, certification";
- 2) "there is sufficient support for large companies, while for some small businesses, some free SRS workshops, and no matter how much system support it is, it is less than the pressure of the supervisory authorities";
- 3) "system support is good enough and adequate, there is only a lack of professional advisory support for micro enterprises and it is too centralized, which means that good quality services can only be obtained in Vilnius";

- 4) "the information on the support is sufficient, but the service itself is often of poor quality";
- 5) "Business Incubators are well-trained in Latvia, providing support to entrepreneurs in any ambiguous issue";
- 6) "Support is available through many channels and companies of various sizes and industries, but the support will never eliminate the tax burden, lack of skilled workforce, infrastructure";
- 7) "the support system is good; however, it would be necessary to compile information in one place for the institutions in which the documents necessary for business provision should be harmonized.";
- 8) "the support system is sufficient if the entrepreneur has an initiative and a desire to get involved".

Respondents who could not assess the current business system as adequate or inappropriate (9% in Latvia, 18% in Lithuania), submitted the following comments in the questionnaire:

- 1) "there is no need for special support, but rather proportional rules for the development of entrepreneurship in rural areas";
- 2) "there is no need to concentrate support on new enterprises, because support is also needed after the company has been in existence for three years";
- 3) "if the support system would contribute to the overall development of the country, there would be no obstacles to it".

If more than half of the surveyed entrepreneurs in Latvia believe that the support does not compensate for the existing business environment threat, this indicates a low level of efficiency of such a system.

A critical assessment of the entrepreneurs' current business support system, especially among respondents in Latvia, serves as an alarm signal and indicates the need for reforming the business support system.

Simultaneously with the assessment of the compliance of the existing system In the study it is important to find out **what kind of support entrepreneurs would like from the support organizations to develop their business**, i.e., the current demand of entrepreneurs and the provision of possible "free niche" services.

Analyzing respondents' answers to this important question, they can be divided into 3 necessary support groups:

- 1) **financial support for infrastructure, as well as working capital**, namely, grants for infrastructure improvement, financing for the purchase of production equipment, repair of premises, soft loans or small percentages, as well as increased EU support intensity and credit guarantees, loans for working capital, IT support for the development of new technologies and products that would be particularly important at the start of the company's formation - software and other IT tools that are essential for entrepreneurs while starting up, but which are costly;
- 2) **political stability and legislative support**. Businesses in both countries want a clear and stable tax policy and tax relief. As a large part of the respondents are micro, small and medium-sized entrepreneurs, they expect small business entrepreneurship policies as

well as the representation of state-owned enterprises in rural areas for the convenience of arranging tax and other regulatory requirements. Latvian entrepreneurs are advised to reduce taxes, considering that tax rates in the country are too high, which puts a burden on businessmen and discourages entrepreneurs with employees. In addition, entrepreneurs point out the need to develop a long-term policy to hold on, rather than to change legislation, creating instability not only in business but in the country as a whole. Respondents believe that support should be such that small businesses can get it and use it, as currently the existing legislation and support system is more supportive of big entrepreneurs and less friendly to small entrepreneurs;

- 3) **qualitative informative and consultative support.** Both state entrepreneurs point out that business support organizations expect wider and more accurate information support as well as accurate, accurate information on the homepage of business support providers, as it is often chaotic and incomprehensible. The following comments are also included in the entrepreneurs' questionnaires: "Previous consultations are of poor quality, without attachment to the real situation without going into it"; "Professional advice is needed from a professional, competent staff who, if necessary, will also contact other business organizations so that the entrepreneur does not have to look for the organization to whom it is to receive assistance"; "There is a real need for cooperation between business and support organizations and business organizations with each other so that there is no situation that organizations point out to each other, but the entrepreneur is in the role of hostage because he does not know how to solve the problem"; "Willing to apply for transnational projects, but such projects do not have access, and among business organizations there are not enough competent staff who could help with the consultation." Lithuanian entrepreneurs, who previously indicated low quality of the services offered by the company, want to receive high-quality mentor services. A large proportion of respondents indicates that there is a lack of clarity as to where and what support services, with the exception of some free seminars, is possible in support institutions, suggesting that it would be very useful to have a real help desk designed for understandable form for small and medium-sized enterprises on how to calculate wages, what services can be received without seminars and where to turn them around, what are the supported sectors, who need to know about changes in tax and employment legislation, so that the entrepreneur is not penalized for his ignorance, etc.

On the questionnaire question "**What are your proposals for improving the performance of business support organizations and improving the support system in general?**" Entrepreneurs, in contrast to the UD's support organizations, generously and constructively shared their vision and considerable, practical recommendations. Here are the key ones:

- 1) **to centralize business support organizations by creating a one-stop shop** in which it would be possible to receive high-quality,

- professional advice on various subjects that are binding on the entrepreneur and avoid the situation where the entrepreneur does not understand where to turn to the situation, because the support organizations direct him from one place to the next;
- 2) **to improve the availability and quality of information**, and to organize the websites of support organizations;
 - 3) to improve co-operation between support institutions in order to facilitate receipt of information by the entrepreneur and increase the possibility of obtaining real support, **closer cooperation between support institutions is required**;
 - 4) **to eliminate obstacles to the acquisition of EU funds** - to remove limits for projects, to extend deadlines for submission of projects, to provide a transparent, short evaluation system. It is advisable to support not only new companies but also companies that need support regardless of the duration of their activities;
 - 5) to grant **tax deductions for new job creation**;
 - 6) **to strengthen sectoral associations** with high potential for supporting a development-oriented enterprise as well as to provide greater capacity for entrepreneurship support to **local authorities** that are familiar with the needs of their area's entrepreneurs, their needs and provide personalized support for business development;
 - 7) Lithuanian entrepreneurs recommend **cutting document bureaucracy** and simplifying the rules for submission of applications for support, so that they are clearly open to the entrepreneur;
 - 8) both Latvian and Lithuanian entrepreneurs face a lack of information, several respondents have not even heard of the support organizations; **they therefore advise to provide more information on the possibilities of support organizations and their providers**;
 - 9) There is a need for **more open and constant communication between entrepreneurs, support organizations and public authorities** in order to find the most effective solutions to problems. Entrepreneurs in both countries recommend that public authorities **consult entrepreneurs** when drafting new legislative norms when planning available EU funds, etc., so that there will not be situations where new buildings that are empty are eroded, since business has been lost in a particular region, the population has left and new buildings are no longer in use;
 - 10) the human resources of the organizations are minimal and it would be **necessary to increase the number of public business consultants**;
 - 11) Business support organizations should understand that small and large companies are not equal players in the market, hence the rules should also be different, and it would be necessary **to reorient support for small and medium-sized enterprises operating in the regions**;
 - 12) In-depth work in the regions would encourage the development of regional enterprises, therefore, it would be advisable **to work more at the regional level by creating local mentoring networks**;

- 13) entrepreneurs also recommend that **entrepreneurs themselves be more active**, seek out retail outlets, build business with each other and improve relationships with researchers;
- 14) **helping to build long-term and sustainable entrepreneurs' cooperation with scientists**, so that scientists are not separated from business and entrepreneurs can use scientific advances to develop their activities, increase productivity.

* * *

Having analyzed the opinions expressed by entrepreneurs in the surveys and the performance evaluation of business support organizations, the following important conclusions can be drawn:

1. according to the results of the survey, only every second businessman is informed about the existence of support organizations and the possibilities offered by them for business development, thus existing information on business support organizations, their services and measures implemented is insufficient.;
2. Both Latvian and Lithuanian entrepreneurs most often turn to state institutions after support. Almost half of Latvia's surveyed entrepreneurs and almost 30% of Lithuanian entrepreneurs use services of state support organizations. In the second place, in the rating of UD organizations, after the availability of visibility and support, entrepreneurs have chambers of commerce and industry in both countries, and in the third place - the local municipality;
3. In the opinion of researchers, the potential of business associations in the sectors as well as higher education and research institutions is not sufficiently used.;
4. Currently, the following support services are most demanded in both countries: 1) informative workshops on company-specific topics, provided that they are free of charge and appropriate to the specific needs of a particular company; 2) training and professional development courses; 3) consultations for the acquisition of EU funding; 4) the possibilities of financial support in the form of investments, loans, grant programs; 5) the opportunity to participate in competitions and projects and to attend mutual networking activities for establishing contacts, cooperation and exchange of experience;
5. the operators of both countries did not evaluate any of the services received as a very good quality service, but the following services were assessed as good: 1) informative seminars; 2) training and professional development courses; 3) measures for the networking of entrepreneurs; 4) as well as legal aid. Providing these services in good quality is a strong part of UD support organizations in providing business support;
6. The highest proportion of services received by entrepreneurs is assessed by a mid-grade mark (16 services in Latvia and 10 services in Lithuania). Particular attention should be paid by business support organizations to those services which, in their view, are medium and poor in quality, in order not only to identify and evaluate the "white spots" in their activities in the quality of the provision of certain services

and to develop a strategy for their improvement, but also to purposefully share their experience in one or another providing a service between countries, in-depth knowledge of the services available in the neighboring country that the respondents have assessed with a high quality mark;

7. the majority of respondents in both countries - 56.4% in Latvia and 42.2% in Lithuania - use the service because it is free. This is a great advantage of the competitive position of state aid organizations in comparison with the commercial sector, the opportunity to provide services free of charge, which in turn motivates entrepreneurs to receive this service;
8. In case of using paid services, the higher number of entrepreneurs in both countries receives the quality of service received according to the paid price. However, business support organizations providing paid services should pay attention to the percentage of unsatisfied entrepreneurs in quality (21.6% in Lithuania, 12.7% in Latvia). The number of dissatisfied with the quality of service received could significantly affect the reputation of a particular business support organization and increase the distrust of the business support system as a whole.;
9. Strong number of respondents (65% in Latvia and 35% in Lithuania) believe that the established business support system is insufficient and inadequate to the barriers and business environment threats faced by entrepreneurs in their daily work, which testify to the low level of efficiency of such a system . The critical assessment of the entrepreneurial business support system, especially among Latvian respondents, serves as an alarm signal and indicates the need for reforming the business support system;
10. The study identifies three main types of business support services that are particularly relevant for entrepreneurs operating in frontier areas: 1) financial support for infrastructure as well as working capital; 2) political stability and legislative support; 3) qualitative informative and consultative support;
11. The entrepreneurs surveyed offer the following proposals for the improvement of the activities of business support organizations and improvement of the support system as a whole: 1) to centralize business support organizations by creating a one-stop shop; 2) improve the availability and quality of information; 3) to improve cooperation between support institutions; 4) to reduce barriers to the acquisition of EU funds; 5) to grant tax deductions for the creation of new jobs; 6) to strengthen the role of sectoral associations and local authorities in the business support system; 7) reduce the bureaucracy of documents; 8) provide more information about the support organizations and their providers; 9) to ensure open and more permanent communication between entrepreneurs, support organizations and public authorities; 10) increase the number of public business consultants; 11) strengthening support for small and medium-sized enterprises operating

in the regions; 12) create local mentoring networks; 13) Enhancing entrepreneurship themselves by seeking out retail outlets, building business with each other and improving relationships with researchers; 14) helping to build long-term and sustainable cooperation with scientists.

3.5.5. Latvian – Lithuanian crossborder cooperation

In order to assess the effectiveness of co-operation between Latvian and Lithuanian business support organizations in the research area, it is important to find out the opinions and opinions of respondents about existing cross-border cooperation, its obstacles and development opportunities.

It is also important to take into account the indicators of development of the foreign business environment and trends, which show that Lithuania is the largest foreign trade partner of Latvia (according to data of the Ministry of Foreign Affairs of the Republic of Latvia on bilateral relations between the Republic of Latvia and the Republic of Lithuania)⁵³. In the first half of 2017, the total trade turnover of the two countries amounted to 2.17 billion euros (18% of Latvia's total foreign trade turnover). Compared to the first half of 2016, total sales increased by EUR 573 million, or 36%. In the first half of 2017, exports of goods to Lithuania made up 928 million euros (increase by 20%), while imports of goods - 1.2 billion euros (an increase of 50%). In turn, the turnover of Latvian and Lithuanian trade in services in the first half of 2017 amounted to 292 million EUR, compared with the first half of 2016, it has increased by 5.42% or 15 million EUR. These statistics show the significant potential of the bilateral economic cooperation between Latvia and Lithuania and the positive annual growth dynamics.

What is the situation in the frontier areas, which in development planning documents are often described as poorly developed territories?

To clarify this question, respondents - entrepreneurs from Latvia and Lithuania working in the frontier area - were invited to evaluate existing cooperation with border businesses, as well as future plans for business development in the neighboring country.

As shown in 3.8. In the figure, the convincing proportion of companies surveyed (83.3% - Latvian enterprises and 58.9% - Lithuanian companies) do not carry out or even plan to carry out business in the neighboring country. Only a very small number of companies (4.9% - Latvian companies and 16.7% - Lithuanian companies) are doing business in neighboring countries, while 16.7% of Latvia and 41.1% of Lithuanian entrepreneurs plan to do it in the near future.

⁵³Latvijas Republikas un Lietuvas Republikas divpusējās attiecības: sadarbība ekonomikā. Latvijas Republikas Ārlietu ministrija. Tiešsaistē: <http://www.mfa.gov.lv/arpolitika/divpusejas-attiecibas/latvijas-un-lietuvas-attiecibas> [Skatīts 18.01.2018].

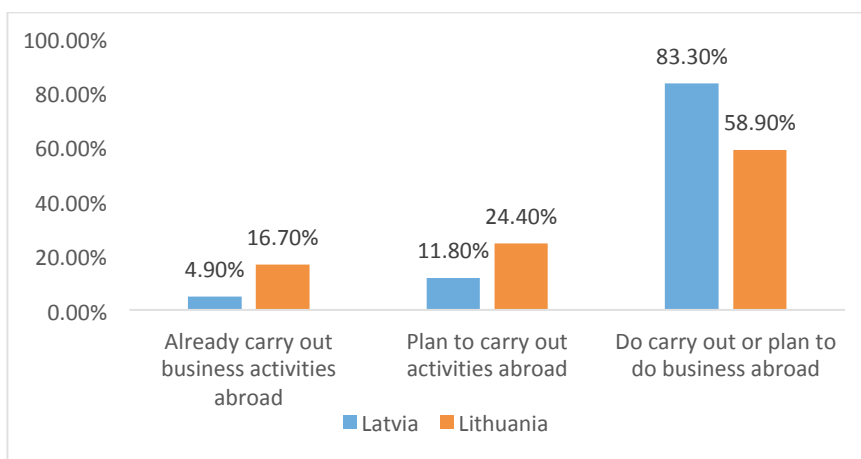


image 3.8

Existing and planned business of surveyed companies in neighboring countries, %.

Source: Survey on business support in border areas of Latvia and Lithuania, 2017.

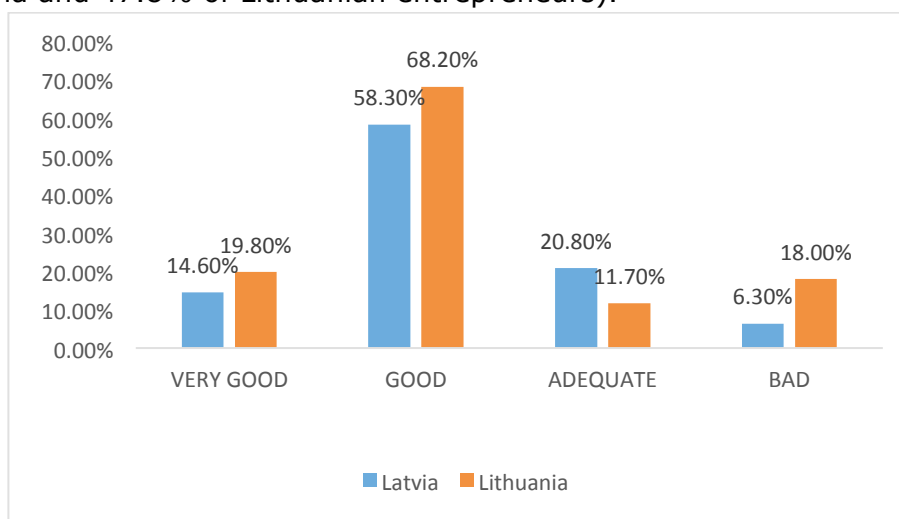
Figure 3.8. the data presented shows very low activity of frontier entrepreneurs in the neighboring country, despite their geographical proximity and political support at the transnational level. Those entrepreneurs who are currently doing business in a neighboring country indicate that entrepreneurship does not face significant barriers that would hinder their activities in the neighboring country, but some entrepreneurs point to difficulties such as linguistic barriers, bureaucratic burdens, complicated permits and required certificates, uncertainty in the business environment, as well as a subjective factor such as the very fear of starting something new in a foreign country. Lithuanian entrepreneurs are impeded by the lack of information about Latvia's business environment in Latvia, but for Latvian entrepreneurs, the Lithuanian national protectionist policy, protecting their internal market, which makes it difficult to start a business in Lithuania. At the same time 3.8. The figure reflects the higher performance and entrepreneurship of Lithuanian entrepreneurs (41.1% do or plan to do business in Latvia) compared to Latvian entrepreneurs, among whom only 16.7% do or plan to do business in Lithuania, which is 2.5 times less.

What support and assistance measures would be needed for entrepreneurs who are planning to develop their business in a neighboring country? Almost half of the respondents (41.6% of Latvia and 50.0% of Lithuania) state that additional information or support is not needed at this time. Other respondents list the following support measures:

- 1) there is a need for various information about the business environment in the neighboring country in their mother tongue - about the tax system, requirements for the marketing and production of food products, legislative norms, etc. Therefore, the business environment in the neighboring country would need to be translated;
- 2) It is necessary to find good, skilled employees and reliable partners in the neighboring country.

It is not always necessary to develop business in other countries - it is sometimes enough to establish and maintain reliable and successful

cooperation, which is also used by respondents from both countries (47.1% of Latvia and 47.8% of Lithuanian entrepreneurs).



3.9. attēls

Latvijas un Lietuvas uzņēmēju sadarbības novērtējums, %.

Avots: aptauja par uzņēmējdarbības atbalstu Latvijas un Lietuvas pierobežas teritorijās, 2017.

As can be seen in image 3.9, the respondents from both countries evaluate the cooperation as good or even very good (72.9% of Latvia and 88% of Lithuanian entrepreneurs). This points to the similarity between the two partner countries' entrepreneurs in mentality, business sense and cultural values.

* * *

Despite the overall weakness of the entrepreneurial activity of entrepreneurs operating in border areas in neighboring countries, existing cooperation with neighboring business people is very successful, indicating the great potential of cross-border business development. It is welcome to appreciate the susceptibility of Lithuanian merchants, openness to new markets and greater activity in conducting their business in the territory of Latvia than Latvian entrepreneurs in Lithuania, which can serve as a positive example and lesson for merchants of Latvia. For their part, business support organizations can promote cross-border cooperation and the development of cross-border business by providing the following support measures: 1) access to information on the neighboring tax system, binding legislation and possible support in the native language of the target country's entrepreneurs; 2) assistance in selecting the business partners and potential employees in the neighboring country.

3.6. Mutual entrepreneur networking events, cooperation principles and practice

In order to analyze the currently required networking and cooperation measures among entrepreneurs and to develop proposals for business support organizations to promote these activities, the study clarified the entrepreneurs' opinion about which networking measures among

entrepreneurs in their opinion are most effective for the establishment of new contacts, the development of cooperation and the exchange of experience.

It should be emphasized that of all surveyed entrepreneurs in Latvia and Lithuania more than a half - 66.3% or 128 respondents use this support instrument for co-operation and business development, which testifies to the high demand for networking organization services. The share of entrepreneurs who do not use networking capabilities and is based only on their ability to establish contacts and co-operate on the average is about 30% (22.3% of entrepreneurs in Latvia and 35.6% in Lithuania). Thus, Latvian entrepreneurs are more active users of networking opportunities than entrepreneurs in Lithuania.

As seen in 3.16. In the table, both Latvian and Lithuanian entrepreneurs use different networking measures, but they are more effective in their personal contacts with the viewpoint of entrepreneurs (14.06% of respondents consider it), **workshops** (12.50%), **exchange of experience at both national and international level**, including as well as with Estonia and Poland (11.72%), **industry-crafts hamber industry measures** (10.94%) for specific sectors, helping to build the Alliance's export market or full service, and to formulate common views at the level of public organizations and professional associations ;**participation in contact liaison and business missions** (10.94%), **the opportunity to use a common informational space for the exchange of experience,advertising and communication** (10.94%); as well as **informal joint events** (10.16%), such as business parties, sports games, discussion clubs with a specific discussion topic, to help address specific issues of importance to business people. Less popular but still effective networking events in which entrepreneurs are keen to participate include **participation in conferences and forums** (7.03% of surveyed entrepreneurs use them), **participation in regional and international exhibitions** (6.25%), master classes, **various types of training and courses** (3,12%) and **participation in joint international projects** (2,34%).

Table 3.16

Most effective networking activities in Latvia and Lithuania

Networking event	SkaitisNumber	proportion, %
Personal contacts	18	14,06
Informative seminars	16	12,50
Exchanges of experience at both national and transnational level	15	11,72
Industry-specific associations of industry, industry and crafts camera events	14	10,94
Contact and Business Missions	14	10,94
A shared information space for sharing experiences, advertising on the Internet, social networks	14	10,94

Informal joint events	13	10,16
Conferences, forums	9	7,03
Exhibitions (both regional and international)	8	6,25
Master classes, training, courses	4	3,12
Joint international projects	3	2,34

Source: Survey on business support in the border area of Latvia and Lithuania, 2017.

As a good example of networking and collaboration, Lithuanian entrepreneurs point out their **participation, together with other entrepreneurs in the field, in international industry projects and competitions**, such as the purchase of works or services. Combining the experience and capacity of two or more companies to participate in national or international competitions increases not only the chances of winning but also the competitiveness of these companies.

Latvian entrepreneurs consider **the organization of networking activities on a regional scale** as an effective tool, for example, joint exchange of experience at the level of one county or region, joint regional exhibitions, seminars of intercity and neighboring countries, regular meetings of entrepreneurs working in a given municipality. Businessmen pointed out the important role of the municipality in promoting entrepreneurship support, highlighting the local authorities' awareness and interest in supporting local enterprises.

The authors especially focus on business support organizations on the **need to develop a common information space for the exchange of experience among entrepreneurs working in border areas**, promoting good examples and socializing entrepreneurs. Many entrepreneurs from both countries point to **the effectiveness of networking activities in exchanging experience and establishing contacts**. It can be both the creation of a common platform for the exchange of information and experience, the use of social networks, and live workshops and conferences, which are often the best solution, due to the current rapid pace of life and the lack of time of businessmen, and to use IT capabilities in all areas of business. When evaluating social websites, respondents find useful links to LinkedIn, Facebook, Skype, etc.

When analyzing the entrepreneurs' opinion about the principles of cooperation, in the opinion of the business, the most important of them is the willingness to use networking measures, such as freedom of choice in cooperation, the availability of measures, especially the availability of information in understandable language and, preferably, free of charge, **as well as the quality of the activities and their innovative content**, that is, In addition to new contacts, you will also need to acquire new knowledge, get acquainted with the positive examples of other countries and / or other entrepreneurs for the development of their business.

* * *

Analyzing the most demanded networking and cooperation activities among entrepreneurs, it can be concluded that they are personal contacts, seminars, experience exchange events both at the national and international

level, industry associations of specific sectors, industry and crafts camera events, participation in contact liaison and business missions, the opportunity to use sharing information space for sharing experiences, advertising and communication as well as informal joint events.

From the analysis of entrepreneurs' opinions, **the following suggestions and examples of good practice for promoting business support organizations are provided:**

- 1) Given that entrepreneurs are mostly using personal contacts rather than looking for collaborating partners in networking activities, it is important for business support organizations **to be useful in finding personal contacts and exchanging between entrepreneurs.** Entrepreneurship Support Organizations need to create and regularly update databases with contact information, activity profiles, etc. for businesses in the area.;
- 2) to facilitate **the creation of alliances between entrepreneurs for participation in international sectoral projects and competitions,** the provision of a full service cycle and the acquisition of export markets;
- 3) to create **a common platform for the exchange of information and experience,** the use of social networks and the organization of live seminars and conferences;
- 4) to continue the **organization of such networking events** that entrepreneurs evaluate as most effective: **seminars, exchange of experience at regional, national and transnational level, industry-specific associations, industry and crafts camera activities, participation in contact liaison and business missions, the opportunity to use a common information space for the exchange of experience , advertising and communication, informal joint events,** etc.;
- 5) organizing networking activities for entrepreneurs, it is important for business support organizations to take into account **the following core business principles:** the willingness to use networking measures or **freedom of choice in cooperation,** the availability of measures in terms of language comprehension and prices, and **the quality of the activities and their innovative content** by providing Entrepreneurs have a new knowledge and positive experience of other countries and / or other entrepreneurs, which would facilitate the development of entrepreneurship.

3.7. Entrepreneur image and the strengthening of entrepreneur reputation in society

In order to analyze the entrepreneur's image and develop proposals for raising the entrepreneur's reputation in society, both the business support organizations and the entrepreneurs' opinion about the general image of entrepreneurs in today's society were identified and what measures would be needed to increase the number of companies in the country and strengthen

the reputation of entrepreneurs in society. The opinion of the surveyed entrepreneurs is reflected in image 3.10.

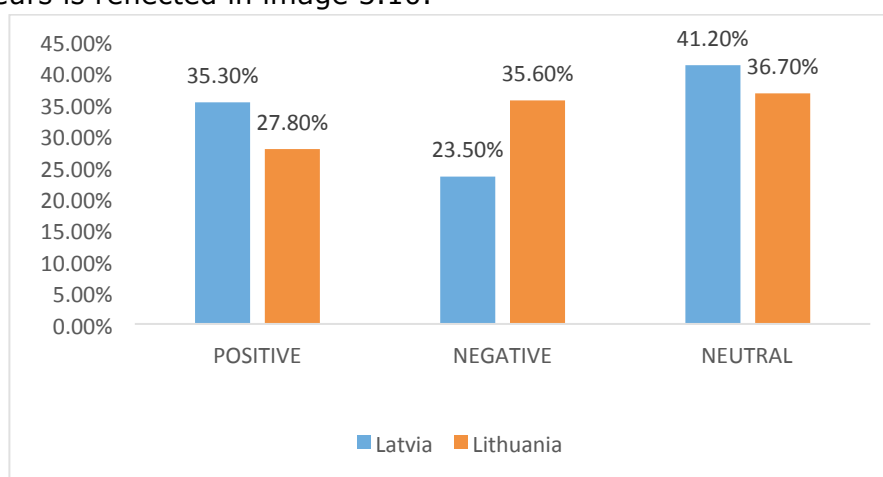


Image 3.10

Opinion polls of entrepreneurs of Latvia and Lithuania on the general image of entrepreneurs in society, %.

Source: Survey on business support in the border area of Latvia and Lithuania, 2017.

As can be seen in 3.10. In Figure 2, the largest proportion of respondents surveyed believes that **the image of entrepreneurs in both Latvian and Lithuanian society is neutral**, 41.2% of Latvian businessmen and 36.7% of Lithuania think it. Such a vision of entrepreneurs points to their conviction that the image of the host depends on the actions of each particular entrepreneur, it can not be generalized and applies to all entrepreneurs in general.

A roughly **similar number of entrepreneurs evaluates the image of entrepreneurs in contrast categories - either positive or negative**. Businessmen 's image is more positively appreciated by Latvian entrepreneurs (35.3%) and less by Lithuanian entrepreneurs (27.8%), but Lithuanian entrepreneurs (35.6%) and less - Latvia (23.5%) are more negative than Lithuanian entrepreneurs.

Taking into account that almost one third of entrepreneurs consider: the image of entrepreneurs in society is negative, it is important to identify what is necessary to strengthen the image and reputation of the business in society and to promote tolerance to mistakes in the business process.

Entrepreneurs believe that the image of entrepreneurs and their reputation in society can be improved, as well as the strengthening of tolerance to business errors through the following measures:

- 1) through various publicity campaigns, **to inform and educate the public on the role and importance of entrepreneurs in the national economy in the life of a company**, informing both good and bad business practices and practices. It is important for the entrepreneur to emphasize the ability of successful entrepreneurs to overcome difficulties in order to inspire new entrepreneurs not to stop at the gains and overcome barriers and mistakes in the business process, and to inform the wider public about the problems faced by entrepreneurs;

- 2) **to ensure targeted and regular public education work on entrepreneurship and its role in the national economy, starting with general education schools.** As a compulsory subject, there is a need to introduce a subject providing knowledge of entrepreneurship and finance in the state secondary education standard and programs. It is important for young people to develop entrepreneurship and entrepreneurship awareness at school;
- 3) **to reduce the negative attitudes of public authorities towards entrepreneurs** and the lack of understanding about the role of entrepreneurs in economic growth. Entrepreneurs emphasize that it is precisely from the attitude and understanding of public authorities that the entrepreneur pays taxes to the state and depends on the reputation of entrepreneurs to a large extent. Entrepreneurs expect public authorities, including state-sponsored organizations, to respect friendly and not punitive, arrogant or bureaucratic attitude, respect for the principle of "advising first" and a desire to truly go into each specific case when an entrepreneur turns to the organization for help;
- 4) **to reduce the misunderstanding and negative attitude of employers and employees** that can be achieved through fiscal and informational support;
- 5) **to improve tax policy** through tax reform with a view to reducing the tax burden, ensuring its stability and predictability in the long term, as well as creating a more friendly tax policy for young entrepreneurs;
- 6) **to arrange the regulatory basis for entrepreneurship;** it must be thought over in the long run, coherent and appropriate for micro-enterprises, not only for large enterprises, thus increasing their viability;
- 7) **Reduce excessive bureaucracy,** thus reducing administrative costs for an enterprise, including accounting, especially for small entrepreneurs;
- 8) **increase the volume of business support and development by public authorities and business support organizations;**
- 9) **to ensure faster and simpler procedures for the examination and award of co-financing,** easier access to loans and loan packages;
- 10) **to promote the attraction of foreign investments at the national and regional level,** so that foreign entrepreneurs are motivated to choose Latvia and Lithuania as their place of business;
- 11) **develop specific support instruments and state support programs to support enterprises in the regions,** motivating them to continue their entrepreneurship in the regions and to provide jobs for the people living in the region;
- 12) **not to support municipalities' desires and opportunities to engage in entrepreneurship** by creating municipal capital companies that allow citizens to provide services at a lower price than the average market, thereby limiting the possibilities of equal competition and distorting the market as a whole;

- 13) Business support organizations focus not only on increasing the number of companies, but first of all on **improving the quality of existing enterprises and strengthening their competitiveness.**

The surveyed entrepreneurs are convinced that the above-mentioned measures, as well as raising the society's standard of living, will create greater public confidence both for businessmen and for the state as a whole.

Summarizing the opinion of entrepreneurs of Latvia and Lithuania on the image of entrepreneurs in society and their proposals for strengthening entrepreneur's reputation and society's tolerance to business mistakes, the following significant conclusions can be drawn:

1. In contrast to the assessment of BS organizations where the majority of employees consider the entrepreneur's image as positive (see Section 2.3.4), the largest proportion of surveyed entrepreneurs (40%) believes that the image of entrepreneurs in both Latvian and Lithuanian society is neutral and is depends on the performance of each particular entrepreneur;
2. 60% of respondents evaluate the image of entrepreneurs in similar proportions - either positive (30%) or negative ($\approx 30\%$);
3. In order to change the negative image of entrepreneurs, improve their reputation in society, and strengthen their tolerance for entrepreneurship mistakes, the following support measures for entrepreneurship should be implemented by the state and support organizations in the business community: 1) publicity and information campaigns on the role and importance of entrepreneurs in the development of the state; 2) targeted and regular public education work on entrepreneurship and its role in the national economy, starting with general education schools; 3) the change of the negative attitude of public authorities towards entrepreneurs and the lack of understanding about the role of entrepreneurs in economic growth; 4) promoting mutual understanding between employers and workers; 5) improvement of tax policy, promoting the reduction of the tax burden and ensuring its stability and predictability in the long term; 6) adjustment of the regulatory base for entrepreneurship; 7) reduction of bureaucracy; 8) increase the amount of support for business support and development; 9) ensuring faster and simpler procedures for the examination and award of co-financing; 10) promotion of attraction of foreign investments at national and regional level; 11) the development of specific support instruments and state aid programs to support regional companies; 12) the prevention of local government business; 13) supporting not only young but first-time enterprises in strengthening their competitiveness;
4. Comparing the visions of entrepreneurs and BS organizations about the strengthening of entrepreneurs, entrepreneurship support organizations from the 13 listed business proposals mentioned only two: to increase the flow of positive information and public awareness of the entrepreneurial contribution to job creation and the provision of

economic development, and to provide more support from municipalities and the state, in order to encourage the people to build their own businesses. Thus, the results of the study serve as an essential additional resource for expanding the UD support organizations' perspective and providing appropriate activities to strengthen entrepreneurial reputation and society's tolerance to business mistakes.

3.8. The strengths, weaknesses, potential threats and opportunities of business support organisation services and of the services they provide

Based on the analysis of the previous sections and taking into account the opinions and suggestions of focus group entrepreneurs and specialists, this section identifies the strengths and weaknesses of business support organizations and their services in order to identify growth prospects and development reserves of business support organizations.

In the course of the study, 5 focus groups were organized, in which 115 people participated and expressed their opinions on the work of the business support organizations and the system as a whole. They included entrepreneurs from border areas, business support organizations, local politicians and other interested parties. Work in focus groups took place on 14.12.2017. Skriversi (Latvia), 10.01.2018. Jelgava (Latvia), January 18, 2018. Rokiškis (Lithuania), February 19, 2018. Jelgava (Latvia) and 27.02.2018. Panevezys (Lithuania). Using the focus group as a qualitative method to achieve the purpose of the study allows to supplement the obtained results of the analysis.

Both quantitative and qualitative research methods allow **to identify the strengths, weaknesses of the Latvian and Lithuanian business support organizations and their services, as well as the opportunities and threats of the development of organizations.**

The research outlined the following strengths of the Latvian and Lithuanian business support organizations: **entrepreneurship supports the organization of work organization and approach:**

- The realization of the principle of "**first-aid counseling**" in dealing with entrepreneurs, especially controlling and monitoring organizations, focused not on punishment and the search for mistakes in the business development process, but on explanation, the provision of development opportunities, and encouragement of trust among entrepreneurs. Regardless of the UD's legal status as an organization, as a strong partner, entrepreneurs note a courageous and interested attitude, a genuine desire to go into business problems and help them find solutions;
- **Supports the organization's ability to work with other support organizations in its own and neighboring countries** to provide professional assistance to entrepreneurs, thus advising them, in the vicinity of their place of residence or, according to their field of

activities, the services, activities, support instruments, etc. of other support organizations. Such a network of partnerships between organizations and professionals will enhance the effectiveness of the whole support system;

- **A wide network of support organizations** is available to provide services to entrepreneurs close to their place of residence, even in rural areas;
- **Supports the support services provided by the organization to a wide audience** - for both young and experienced entrepreneurs, both natural and legal persons. The ability to receive support for individuals who are considering starting a business, including hatchery support for individuals and new businesses, is a motivational aid;
- **the ability of business support organizations to provide a large part of quality services free of charge**, reducing the financial burden on business.

The strengths of the services provided by Latvian and Lithuanian business support organizations are as follows:

- **Organizing business-to-business (B2B) business events at a very good level.** Both Latvian and Lithuanian entrepreneurs welcome the important role of UD support organizations and their good experience in organizing networking activities, which serves as an effective tool for establishing new contacts and exchanging experiences among entrepreneurs;
- The surveyed entrepreneurs also support the following services at the support of the organization: **informative seminars, training and professional development courses, as well as legal aid**;
- A type of support such as **tax rebates** and a well-considered policy for granting them is an essential strength of the organization which motivates the entrepreneur to start a business in a particular place or region, especially in the border area (for example, Rokiškis municipality allocates 2% of the real tax to the development of small businesses in their territory);
- entrepreneurship supports the **provision of intermediate assistance** from the organization or its partner to business development, such as **support for cheap housing** purchase close to the business location, promoting rural populations such as the *Altum* State Guarantee Program for housing, Ventspils Municipality housing support for professionals, etc., providing additional bonuses to specialists, attracting them to rural areas;
- **support for recruiting trainees and employees** and **professional training of potential employees** to tackle company staff shortages;
- In general, entrepreneurs are provided with **a wide range of support options** and a **variety of support services** that they can use to develop their business, with a particularly **broad supply of support services for farmers**.

During the research, the following **weaknesses in the activities of business support organizations** were identified:

- Despite the fact that all UD support organizations surveyed in the survey evaluate the image of businesspeople as positive or neutral (see Figure 2.13), in a number of focus groups, entrepreneurs pointed out that they are **not interested in bureaucratic or arrogant attitudes** from individual UDI-supported organizations. Namely, the human factor and the attitude of a specific specialist towards entrepreneurs greatly affects the results of communication between the entrepreneur and the support specialist. Especially entrepreneurs are disappointed with bureaucratic attitudes, when they deal with the entrepreneur's problem very formally, without going into the context of the particular business, as well as the attitude "you can and can know everything yourself." Such an attitude could also be based on the lack of experience of the UD support expert, which creates a lack of mutual dialogue and trust in supporting organizations and affects the quality and effectiveness of the provision of assistance;
- The BS organizations' **dependence on political decisions and / or centralized decision-making**, which does not always correspond to the needs of the site and the rapid changes in the business environment. The proximity of local government elections affects Members' priorities, often supporting a certain electorate that forms the majority of the territory, for example, pensioners, families with children. The limited ability of local UD support specialists to influence the decision-making process will increase the risk of a slow development of the site;
- a significant weakness that was identified as a result of the survey of UDO-sponsored organizations, as well as in the focus groups, **the lack of a long-term support system**, namely that most UD support organizations do not keep track of the support provided, monitoring and impact assessment in the long run. The lack of data and support for the results of the support system does not allow us to assess the external operational efficiency of the UD support organizations as well as plan the development of the UD support system based on realistic performance indicators and an assessment of the impact on the external business environment. There is a lack of systematic data collection and compilation of data on companies that have received support. In the opinion of the entrepreneurs, they should be obtained from the SRS (on the basis of the corresponding normative act), and not required from the entrepreneurs, creating an increasing bureaucratic burden. The lack of monitoring and monitoring of the support provided is also observed in higher education institutions that do not record and analyze how many graduates have started their own business;
- **The organization's large fragmentation and duplication of functions** make it difficult for the entrepreneur to navigate the offer and understand which authority is responsible. The lack of "one stop

shop" makes it difficult for entrepreneurs to receive support services in one place. Finding the necessary information also makes it difficult for the support organizations to have unstructured or incomplete information on the websites, as well as the lack of a single website for all support organizations;

- **entrepreneurship supports centralization in major cities and digitalisation of services.** Despite the possibility of receiving services in remote online mode, this does not always correspond to the needs and preferences of those entrepreneurs, especially the countryside, who prefer personal contact and personalized approach closer to their place of residence.

The research identified the **following weaknesses in the services provided by business support organizations:**

- **insufficient range of services and support for existing, experienced and large companies.** In the organization of support systems for UD support organizations, SMEs, new start-ups or emerging entrepreneurs, as well as innovative (so far unrealized) ideas are preferable, it is more difficult for other companies to get help;
- **The following support services have been poorly developed:** soft loans for business development loans by credit institutions, mentor services as well as opportunities for tax deductions;
- **There is a lack of support services such as advising on developing a business plan,** using infrastructure of other companies to provide services for their company, attracting young people to the company's operations, customs brokerage services, exchange of experience with similar companies in EU countries, coaching services, cooperation projects with similar companies, joint participation in regional project contests, logistics and transport services, IT services, psychological counseling etc .;
- **the support funding for several support programs is reduced,** for example, LIAA and LAD programs demand is higher than the existing offer;
- **Difficulty obtaining specialist support** in a specific business area, such as flowering;
- **Lack of information on neighboring country support organizations** and opportunities for cooperation with cross-border regions in their mother tongue.

Both focus groups and surveys can identify **the following business support organizations and systems as a whole development opportunities:**

- To develop and implement in Latvia (like in Lithuania) **a unified law** regulating business support in the country as a whole, **as well as possibilities to influence the decisions of the Cabinet of Ministers that deal with business** by combining the ideas and opinions of several business support organizations and associations;

- Possibility to use **smart immigration** by attracting labor force from other countries, which is acutely necessary for specific business development in particular regions, and assists organizations in seeking and recruiting employees;
- **Development of B2P (business 2 municipality) relations**, involvement of entrepreneurs in addressing the problems and challenges of the municipality and the use of the entrepreneurs' perspective on the development of the territory, while the local authorities are more actively involved in business support issues with the provision of infrastructure, financing and labor attraction;
- In all focal groups, entrepreneurs called on local governments and local support organizations to appreciate the entrepreneur's investment in the local economy and to express their **gratitude - appreciation** for the contributions and efforts of entrepreneurs;
- **the opportunity to honor "success stories" in business**, also at the local level, with the help of the mass media and with the UDO supporting organizations, thus strengthening the positive image of entrepreneurs;
- The opportunity to use the potential of **schools, vocational schools and crafts centers** for the development of local business, including the involvement of entrepreneurs in vocational entrepreneurship education programs, to promote entrepreneurship and entrepreneurial mindsets, from the school / vocational school promise to teach children financial education, creative thinking, ability to take responsibility and initiative , risk management, etc. The disadvantages of the existing education system have a negative impact on the development of entrepreneurial skills among young people;
- opportunities to **further develop student business incubators at higher education institutions** specializing in entrepreneurship training;
- large untapped opportunities **to develop cooperation with research organizations, technology transfer centers**, incl. Involving researchers as entrepreneurs in co-ownership, promoting the development of a joint venture with entrepreneurial practitioners.

During the research, the following main threats to the development of the business support system and the business environment were identified:

- **Lack of workforce and the outflow of young people** from the countryside pose the greatest threat to the long-term development of rural areas. With the emigration of the population and the deterioration of the demographic situation, purchasing power is also falling;
- **a large proportion of newly dismantled companies**, which risks the companies that have received state aid ineffective in the long run, including the risk of a new entrepreneur's bankruptcy in the post-incubation period, when faced with the real environment, it may not be able to operate independently under relaxed conditions. This threat is

also related to the lack of understanding of the potential entrepreneur about his compliance with the profession of entrepreneur, the lack of courage and initiative to turn to support, lack of personal qualities and knowledge for the development of successful business;

- **A distorted social policy** that is geared towards supporting consumer attitudes. If receiving benefits is more beneficial than engaging in the labor market or in business, such a lifestyle - living only from social benefits - parents pass on to their children and generations develop consumers' attitude to work, lack of responsibility and entrepreneurial skills;
- **the lack of a common vision at national level** on its investment directions and long-term development priorities, especially after the end of the EU funding period in 2020, which makes it difficult to plan business development activities;
- **a fragmented territorial and administrative distribution** that affects the location of BS organizations and contributes to unbalanced territorial development.

* * *

CHAPTER 3 CONCLUSIONS

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

1. In order to determine the effectiveness of the support organisation activities and to interpret the obtained result, the assumptions necessary for the purpose and tasks of the research are used. The necessity of assumptions is determined by the differences in the business environment between Latvia and Lithuania border regions, the heterogeneity of support organisations, the different experience of these organisations in cooperation with entrepreneurs, and several other aspects included in the outcome of the study.
2. The assumptions and limitations contained in the work are considered sufficient for the joint study to bring together all organizations involved in the Project, make necessary calculations and comparisons of their effectiveness.
3. The evaluation of the effectiveness of the business support system includes Project partner organizations, and the quantitative and qualitative indicators of their activities make it possible to apply the results of the Research into the entire business environment of the border region, thus the conclusions and proposals made may also be useful for other organizations working in the business support system.
4. A study commissioned by the Zemgale Planning Region on the operation of business support organizations of Latvian and Lithuanian border regions, the effectiveness of these organizations and the establishment of a unified business support system in the border regions is seen as a great step in the right direction. This decision clearly indicates the

efforts of the heads of the organisation to increase the efficiency of the subordination unit and the employees working therein in using the resources and funding available to the Planning Regions

5. One of the performance results of business support organisations that determines the effectiveness of an organisation's operation is the support measures implemented by the support organisations. In view of the overall operational mission for all supporting organizations, and in order to promote the effectiveness of cooperation by ensuring a common understanding of content of the support/service, by designating and measuring them in similar units, it would be necessary and advisable for the support organisations to clearly define the types of support provided by the organisation in their internal laws and regulations so that they can be distinguished from their types and do not overlap.
6. The largest and most effective research organisation supported in Latvia, which operates in the border regions, is the Latvian Agricultural Education and Consultation Center which organized the largest number of seminārs in 2017. The Latvian Rural Advisory and Training Center, established in support of the activities of rural entrepreneurs, specializēs in providing entrepreneurship support to entrepreneurs operating in the agricultural sector and the type of business support provided is by this is quite different from that of other organisations. On the Lithuanian side in 2017 the largest number of support measures was provided by Siauliai Business Incubator.
7. The support measures provided by the Latvian side in the border areas operating in business support organisations are more synchronized compared to the organisations working in the Lithuanian side. Therefore, in current circumstances, the establishment of a common support system should be accompanied by significant reform measures for business support organisations.
8. Upon gaining new knowledge about the external and internal regulatory enactments regulating the activities of the Latvian and Lithuanian border region BS organisations, as well as the indicators used for the activities of these organisations, it is concluded that the support organisations included in the research mainly focus on the effectiveness of their internal activities. In practice, intrinsic performance is often referred to as internal efficiency, which is very widely used to measure the performance of different systems and evaluate its changes.
9. In assessing the internal effectiveness of support organizations, the quantitative and qualitative characteristics of support provided by the organisation should be defined as precisely as possible, for example which is a consultation, a seminar an investment Project, etc. For this purpose, the internal laws and regulations of support organisations must be used – the determination of effectiveness cannot be conceived without a record of the work done.
10. There are different dimensions of support measures in the support organisations working in the Latvia and Lithuania: counties are applied

in Latvia in terms of number of units, but in Lithuania – hour spent for consultations in Panevezys Business Support Center, while consultations at the Siauliai Business Incubator are listed in quantitative units. Therefore, in order to form a common support and cooperation framework, it is essential to synchronize all types of support organisations involved in the Project and their accounting dimensions, for example by developing a single manual with definitions of support types, explanations for the measures, and the combined qualitative and quantitative indicators for their accounting.

11. The operational effectiveness of business support organisations operating in the border areas of Latvia and Lithuania is determined on the basis of the data obtained during the research on the results of the support organisation's activities and the funding received by these organisations. This identifies the effectiveness of the use of personnel employed by business support organisations, which is one of the most widely used performance indicators in the research activities of different organisations. The experts involved in the study agreed on the separation of indicators of the internal organisation performance of support organisations from external performance indicators that are not being explored in the work.
12. The results of the Research indicate a relatively large difference in funding and in relation to employees in the collaborative organisations included in the study. The availability of funding is largely linked to the performance of support organisations and the quantitative aspects of operational efficiency. Analyzing the effectiveness of the support organisations operating in the border regions of Latvia and Lithuania in accordance with the funding available to the respective organisations and the direct number of employees involved in providing business support, the greatest productivity is reached in the Kurzeme planning region business support unit, followed by Zemgale Planning Region Business Support Center and the lowest internal efficiency is observed at the Latvian Rural COnsultancy and Education Center.
13. In Lithuania, the highest productivity is achieved in the Siauliai Business Support Organisation, followed by the Panevezys Municipal Business Support Center, but the effectiveness of the Rokis District Municipal Library in providing business support is currently not feasible as it initiated business support activities only with the involvement of the Interreg project.
14. It is not necessary to make hasty conclusions in evaluating the work of supporting organisations in the performance of the work of the employed personnel. Although the achieved productivity in any organisation is one of the most significant indicators of the organisation's performance, it should be taken into account that the funds are used in these organisations while applying it to state and local government organisations, but manufacturing organisations earn money. And this is a significant difference, despite the fact that the methodology is similar in both cases.

15. The performance indicators for BS organisations calculated within the framework of the study would be important in the management decision making process on increasing efficiency or assessing employee compliance. Employees in the BS organisations and their funding are just one of the many performance indicators that should be set for each of the Business Support Organisations included in the project.
16. Each of the BS organisations is different, they work in a different environment; each of them has a ratio of its resources used and its own instructions „from the top” in both written and non-written form. All this and many other aspects affect the effectiveness of the support organisation’s operations.
17. The largest reduction of funding from the Latvian Rural Advisory and Education Center for direct business support since 2013 has affected rural development measures and informative and educational seminars, as well as support for the promotion of aquaculture and fishing activities. But more attention in this organisation is devoted to the involvement of rural youth in entrepreneurship, helping them to overcome the prevailing threats to the external environment and use opportunities in pilot projects.
18. The financing of the Siauliai Business Incubator for direct business support in all the support measures provided by the incubator has increased by 20% compared to 2013, which indicates the demand for support measures implemented by the incubator and the management’s ability to achieve an increase in support. The Siauliai Business Incubator pays great attention to the involvement of young people in business. Young people living in this area receive not only the necessary advice on business issues of interest to them, they can also incorporate other forms of support specifically designed for young people – participation in special training and receiving free space to turn their business ideas into marketable products.
19. Panevezys is smaller than Siauliai both in terms of area and population. In spite of the discrepancies found between these border areas, Panevezys Business Support Center funding is significantly higher than the Siauliai Business Incubator. We welcome the jump in the operational efficiency of the Panevezys Municipal Business Support Center from 2015 to 2017 by 66.7%, which suggests that the management of the Panevezys Municipal Support Center is committed to increasing the effectiveness of business support.
20. The surveyed entrepreneurs mostly represent micro enterprises with a number of employees of up to 10, whose activities are related to the provision of services or offering niche products to a small number of consumers.
21. A large proportion of respondents in both countries work without employees, i.e. the owner of the business is also an employee.
22. The majority of the respondents are long-term enterprises that have been in existence for more than 20 years.

23. The economic sector represented in Latvia is the production of goods and agriculture, in Lithuania it is a service area, in particular IT and education services.
24. Most companies use their own funds to provide business, but also to use bank loans and EU funds.
25. Lithuanian businessmen appreciate the development of their company over the last year more positively than Latvian entrepreneurs. Also, in the future, in Lithuania, the proportion of optimistic entrepreneurs is higher than in Latvia.
26. Entrepreneurs believe that key factors such as the tax system in the country (over-taxation), the lack of financial and working capital and the lack of skilled workers hamper business development.
27. The instability of the laws and regulations of Latvian business regulation, which in turn is not characteristic of Lithuanian companies.
28. Despite the hindering factors and the threat of the external business environment, entrepreneurs in the near future plan to increase the production capacity and sales volumes, expand the range of production, increase the number of employees, increase their remuneration, which will enable businessmen to become more competitive in the market.
29. Existing information on BS organisations, their services and measures implemented is inadequate, as only every second entrepreneur is aware of the existence of support organisations and the opportunities offered by them for business development.
30. Both Latvian and Lithuanian entrepreneurs most often turn to state institutions after support. The second place in the ranking of business organisations after the availability of visibility and support is the Chamber of Commerce and Industry of the two countries, and the third one – the local municipality.
31. In the opinion of the researchers, the potential of entrepreneurial support for sectoral associations, as well as higher education and research institutions is not sufficiently used.
32. In both countries, support services such as informative workshops on company-specific topics are most in demand, provided they are free of charge and are tailored to the specific needs of a specific company, training and professional development courses, advice on how to obtain EU funding, financial support options for investment, loans, grants programs, participation in competitions and projects and networking activities for establishing contacts, cooperation and exchange of experience.
33. The quality of the services provided by the support organisations is valuable feedback, and although most services were regarded by mid-sized operators as medium-sized, several services, such as informational seminars, training and professional development courses, legal assistance, and networking activities for entrepreneurs, were appreciated by both countries' entrepreneurs.

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

participation in contact liaison and business missions, the opportunity to use common informational space for sharing experiences, advertising and communication, as well as joint informal events. In terms of entrepreneurs, the most effective are the personal contacts, not the search cooperation partners in networking events organised by support organisations.

42. In order to improve the quality of the networking and cooperation activities, entrepreneurs make a number of significant proposals for business support organisations: to create and regularly update databases with contact information of companies operating in the area, profile of activities, etc., to promote the creation of alliances between entrepreneurs for participation in international projects and competitions to provide a comprehensive platform for the exchange of information and experience, the use of social networks and the organisation of live seminārs and conferences and to continue to organise networkin events that entrepreneurs evaluate as the most effective ones – seminārs, exchange of experience at regional, national and transnational levels, industry-crafts room industry events for specific sectors, participation in contact liaison and business missions, the use of a joint informative space for the exchange of experience, advertising and communication, joint informal events.
43. In organizing networking activities for entrepreneurs, it is important for business support organisations to take into account the following core business principles: volunteering and networking activities, freedom of choice in cooperation, the availability of measures in terms of language comprehension and rices and the quality of the activities, and their innovative content by providing entrepreneurs with new knowledge and positive experience of other countries, and/or other entrepreneurs that would facilitate the development of entrepreneurship among participants in the event.
44. Contrary to the assessment of business support organisations, which assesses the image of entrepreneurs among the majority of the respondents as positive, the largest proportion of respondents surveyed in both countries considers the image of entepreneurs in society as controversial and believes that the image of entrepreneurs in both Latvian and Lithuanian sociaty depends on the performance of each particular entrepreneur.
45. In order to improve the enterpreneur's reputation in society and to strengthen tolerance towards entrepreneurial mistakes, the business community should, in the opinion of entrepreneurs, implementē the following business support measures: publicity and information campaigns on the role and importance of entrepreneurs in the development of the stae, targeted and regular publicē education work on entrepreneurship and its role on the national economy, ranging from general education schools, the change of the nehative attitudes of publicē authorities towards entrepreneurs and the lack of understanding about the role of entrepreneurs in economic growth, the mutual

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

46. On the other hand, business support organisations consider the need to increase the positive flow of information and public awareness of entrepreneurial contribution to job creation and the provision of economic development as well as greater support from municipalities and the state in order to encourage the population to build their own enterprises, in order to increase the reputation of the entrepreneur.
47. As a result of quantitative and qualitative research methods, the research has identified the strengths, weaknesses of the Latvian and Lithuanian BS organisations and their services, as well as the opportunities and threats of the development of organisations.
48. BS organisation approaches and organisation of work strengths and weaknesses are as follows: the real introduction of the principle of „first-aid counseling” with the business, the support organisation’s ability to work with other support organisations in its own and neighbouring countries for the provision of professional assistance to entrepreneurs in close proximity to the place of residence, also in rural areas, as well as the availability of support services provided by the organisation to a wide audience – both for young and experienced entrepreneurs, for both natural and legal persons, the possibility to provide a large part quality services free of charge.
49. The strengths of the services provided by business support organisations in Latvia and Lithuania are: organisation of B2B events, information seminars, training and professional development courses, as well as legal assistance at a very good level, tax relief and their providing assistive policy in individual municipalities, providing intermediate support, such as facilitating access to housing close to the place of business, supporting trainees and staff recruitment and training of potential employees, and the availability of multi-faceted support options and varied support services, especially for farmers.
50. The study also identified weaknesses in the activities of BS support organisations such as uninteresting, bureaucratic or arrogant attitudes from individual BS organisations on political decision and/or decentralized approach in decision making, support accounting, monitoring the lack of a long-term impact assessment, the high degree of fragmentation of support organisations and duplication of functions

that make it difficult for the entrepreneur to be able to navigate the offer, in other words, the lack of a „one-stop shop” and the centralization of business support in major cities and the digitization of services does not always meet the needs of rural entrepreneurs who give preference to personal contact and a personalised approach closer to home.

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

4. Applicable models for increasing the effectiveness of Latvian and Lithuanian border region business support organisations

The previous chapters give an insight into the most significant theoretical aspects of business support, identify aspects of objective and subjective necessities of business support, analyze the current situation of business support environment in Latvia and Lithuania - both the activities of regulatory regulatory acts and existing business support organizations and their services have been assessed. A comprehensive and objective analysis of the results of the survey of entrepreneurs in the border area of Latvia and Lithuania, the survey results of the work of entrepreneurship support organizations, as well as the findings of the focus groups and interviews were used and summarized.

Based on the results of the comprehensive analysis carried out and the conclusions of the preceding chapters, this chapter addresses the models that are applicable to the effectiveness of Border Region Business Organizations. From the elementary unit, in this case it is the support organization and its different forms, ending with the macro system, an intergovernmental business support system, which includes several hundred organizations involved in providing various types of support to business entities and / or entities. The model optimization possibilities are examined and innovative models of business efficiency improvement of the business support system of the border regions of Latvia and Lithuania are developed, which is one of the main tasks of the research.

4.1. A systematic approach to the construction of models for increasing the effectiveness of the business support system

In the development of practical models, the systemic approach is used to increase the effectiveness of business support organizations. The compliance of the chosen methodology with the research on the possibilities for introduction of the business support system in Latvia and Lithuania is determined by the following main aspects:

- The border area of Latvia and Lithuania is a relatively large socio-economic, technical and political system, which has developed as a result of the targeted activities of the inhabitants of the territory, state and local government institutions;
- The Zemgale region, together with the Kurzeme region from Latvia, is in the sub-system, the same was true for the Lithuanian state areas in

the border area of Latvia-Lithuania: Klaipeda region, Taule region, Šiauliai county, Panevezys county and Utena district. Thus, any region simultaneously falls into two other socio-economic systems: they are the Latvian or Lithuanian state and the border area of Latvia and Lithuania;

- the management of any region, together with regional governments, regional state institutions and public organizations, is part of a regional governance system that is one of the subsystems of the system. This is the most significant subsystem in terms of quantitative and qualitative characteristics of the business environment;
- politicians and institutions, as well as local government and regional public organizations, are constantly interacting in a state of business and its regions with a view to reducing threats and increasing opportunities for expanding and / or modernizing economic activity, improving the quality of life of the population and the surrounding environment, in the framework of a democratic system of national governance. reduction of environmental damage from various economic actors;
- in democratic countries, state and local authorities, as well as politicians, are largely responsible for intervening in market economy processes - about the ongoing state and changes in the business environment, the prevailing threats and opportunities. Therefore, politicians often take political responsibility for the consequences of their actions or inaction in the more developed countries of Europe;
- the business support system is part of the regional business environment system as a subsystem. This means that the business support system is in constant interaction with the other subsystems forming the business system - the social, technical, managerial, economic and environmental subsystem;
- none of the subsystems constituting the business support system has the ability to leverage power over the business system as a whole; therefore, all the threats and opportunities faced by economic operators, their quantitative and qualitative aspects are determined by the positive and negative effects of interaction between the elements of the business environment system;
- the quantitative and qualitative effects of the operation of the business support system, as well as efficiency, are closely related to other business environment subsystems, the positive and negative effects of their activities.

Here are just the most significant features of the social system that are used to develop business support system performance models. These models reveal the possibilities that should be used to increase the effectiveness of business support organizations and the whole system.

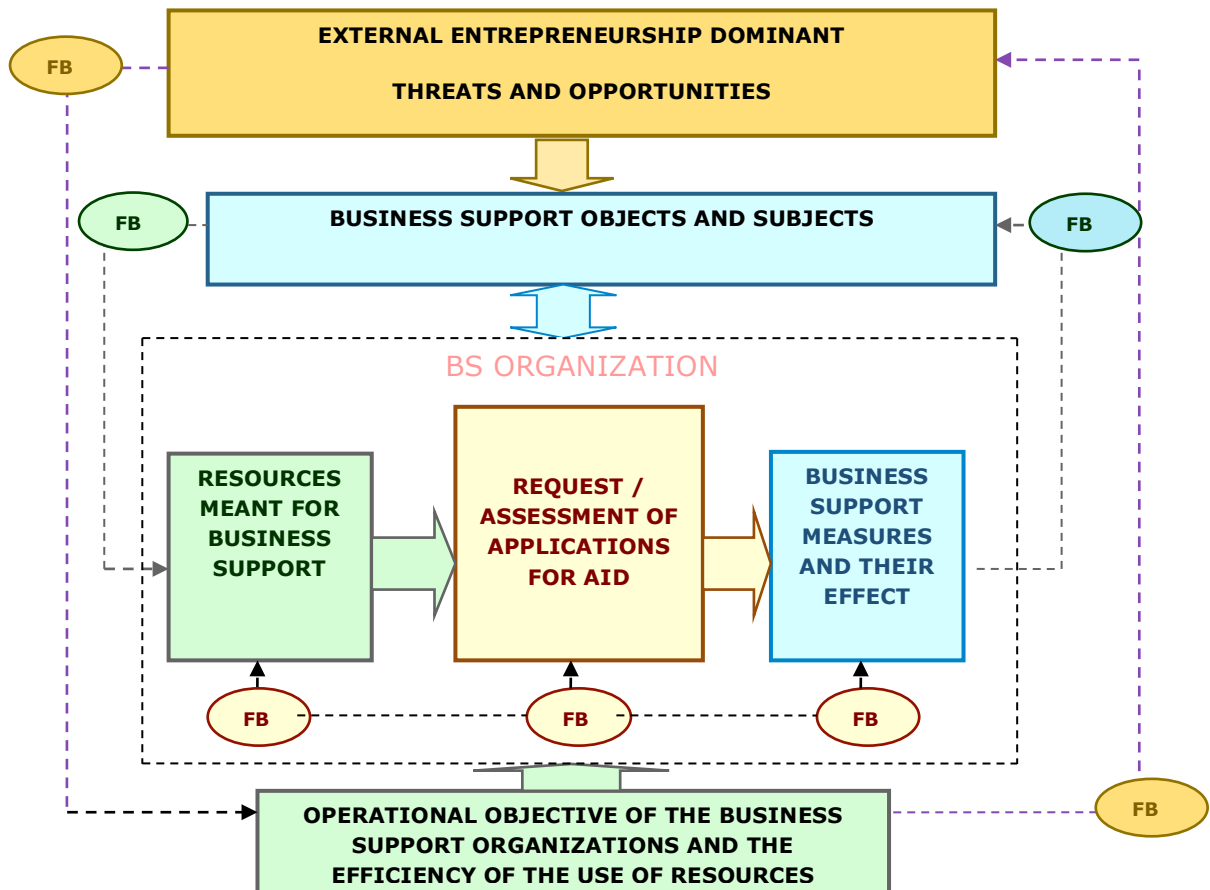
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Models implemented in practice use a systemic approach and the most significant features of the social system for increasing the efficiency of business support system.

4.2. Business support system model

The research developed models for increasing the effectiveness of business support organizations and the whole business support system are discovered using deductions and induction methods, ranging from simple to the most complex. This means that the business model of the business support organization is first discovered, in which each interested person can acquire the following new knowledge:

- Knowledge about the structure of support organizations - the most important elements that make up this organization;
- knowledge of the interconnectedness of the components of the business support organization;
- knowledge of the core business activities of business support organizations - from the identification of the need for support and ending with the provision of adequate support;
- Knowledge about the basic conditions for the compliance of business support organizations;
- knowledge of the most important elements to be used in determining the operational effectiveness of business support organizations
- Knowledge of internal and external feedback links created in business support organizations.



Abbreviations used in the picture:

FB – feedback

image 4.1.

A systemic model of business support organization support measures to measure the effectiveness of measures.

Source: Model developed by the authors of the research.

According to the research tasks, the functional model of the business support organization is shown in image 4.1. All the support organizations in the study are based on this model.

According to the model in image 4.1, the business support organization structure consists of the following key elements:

- 1. the resources and financial resources available to the business support organization** for specific support services in a given situation, in a specific place and time. This means that each support organization has a structural unit or individual individuals involved in the management of resources and financial resources, so that they can be diverted to support the region's own region or city or start-up enterprises. At this stage, all applications and other requests from businesses in the region's business environment come in.
- 2. examination of applications and other claims received for business support.** This is one of the most important elements of both the companies that need support or the authors of the applications and the organization itself and its effectiveness. The errors made at this stage drastically reduce the effectiveness of the aid organization;
- 3. a business support product, or result,** consisting of a set of measures taken by the business support organization to support a particular company.

Image 4.1. has shown that support organizations are constantly linked to the region's business environment by using an efficiently **working feedback**. Therefore, employees in these organizations are constantly aware of the threats and opportunities prevailing in this environment, their quantitative and qualitative aspects. If an organization's management decision-making personnel are not sufficiently aware of the changes that have taken place in the region's business environment, this is the beginning of a negative change in the performance of the organization concerned. In this respect, it is important to emphasize that in order to increase the operational effectiveness of organizations, it is necessary to maintain the quantitative and qualitative relevance of the purpose of the support organization's activities and the external business environment. This means that the support organization must have at its disposal a quantitative and qualitative set of resources for support that is in line with the threats and opportunities prevailing in the external business environment.

The model also includes business **entities and subjects** - an entity as an independent organization that is at the start of a business startup or for some reason experiencing difficulties that are not self-sustaining. This means that the company's equity is too small to purchase the resources that would

be needed to maintain business in the place and at the time. But the sponsor is a manager and / or owner of a firm in difficulty. In practice and in scientific studies, it has been proven that the support actor is the most important element in the entire support system, that it is the company's manager and / or owner who is the most important reason for the need for support, despite the fact that petitioners generally support different ideas about the causes of the support.

According to the model, the potential objects and entities of business support are constantly in the external environment, their activities and performance results - **positive and negative effects** - constantly affect the threats and opportunities prevailing in the external environment. It is the external environment and its constant change that is the most important reason for receiving support in cases where the management and / or owners of the company have not made gross mistakes in management decisions. This is one of the most important reasons why entrepreneurs have the greatest gift and greatest value from the external business environment is stability.

In the model, every interested person can notice several feedback, colored in different shades. Thus, feedback is split into 2 groups - **internal and external feedback links**. The internal feedback is colored yellow in red, but the external feedback is in violet and green. It is important for business support organizations to recognize that feedback is one of the most important aspects of supporting the organization's operational efficiency. Feedback is the best and most effective means of acquiring new knowledge about changes in the business environment of an external region, the prevailing threats and opportunities. In turn, this knowledge is the most important aspect for identifying the objective necessity of business support and choosing the most effective support measures.

* * *

The model of the business support organization developed by the authors of the research reflects the organizational structure of business support, according to which all the support organizations included in the research work. It consists of 3 key elements: the resources and financial resources at the business support organization, the demand for business support - applications received from citizens or enterprises, and the final product of business support or the result of a set of measures taken by the business support organization to support a particular company / company. Support organizations are continually linked to the external business environment of the region, and the degree to which decision makers are aware of the changes that have taken place in the region's business environment, depends on the compatibility of the support product or the outcomes with threats and opportunities prevailing in the external environment and the overall external effectiveness of the organization concerned.

Internal and external feedback is the best and most effective means of acquiring new knowledge about changes in the business environment of an external region, its dominant threats and opportunities, and is one of the most important aspects of supporting the organization's operational

efficiency.

Business support objects are companies as independent organizations that are at the start of a business startup or for some reason experiencing difficulties that are not self-sustaining.

Business support is the leader and / or owner of a firm in difficulty, which is the most important element of the entire support system.

4.3. Business support system model

For further analysis and evaluation, a model is proposed that includes the system of business support organizations operating in the region's business environment.

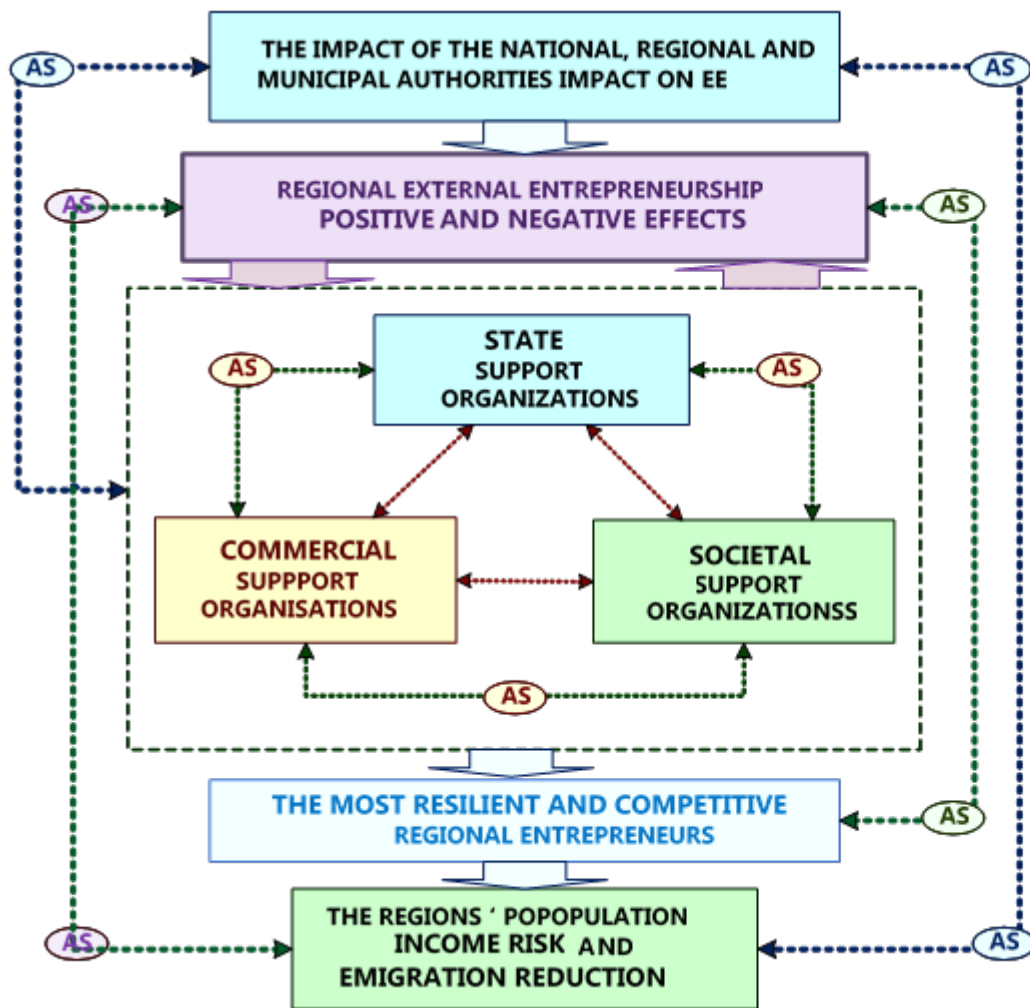
Within the framework of the study, the term "business support system" is explained as follows:

Business support system – a set of national, commercial and social organizations involved in the support of entrepreneurs, whose aim is to provide the necessary support to businesses operating in a particular territory in order to increase their competitiveness in a certain place and time. According to the above definition of the business support system, the organizations within it are divided into the following groups:

- Business support organizations;
- Business support organizations of a commercial nature;
- Public-supported business support organizations whose activities are aimed at supporting certain types of companies operating in a specific location and time;
- Households participating in a business support measures in cases where other types of support are not available to a particular company, or is not available in other cases.

The groups of organizations mentioned above form the elements of the support system or subsystems. This means that within the system these elements are in constant direct or indirect interaction. The positive and negative effects of the operation of these elements largely determine the effectiveness of the regional support system. All organizations operating in the regional support system try to act rationally and continuously increase operational efficiency. However, state control and other supervisory bodies have revealed a number of cases when state institutions act irrationally and under-utilize the resources at their disposal. In addition, it should be taken into account that public organizations provide support to economic operators, not only on the basis of economic efficiency, but also taking into account aspects of social efficiency which are no less important for the development of the region today. The principle of rationalism or the principle of rational behavior is more clearly and more convincingly revealed by the activities of commercial support organizations; therefore, these organizations constantly determine the level of aid effectiveness provided, and each case of support is assessed in accordance with the established efficiency criteria, which are closely related to the objectives of the commercial support organization.

The model of the business support system developed within the framework of the research skatāms Image 4.2.



Abbreviations used in the picture:
AS – feedback; EE – External environment

Image 4.2

Regional Business Support Organization model of the system developed

Source: Model developed by the authors of the research.

The included systemic model in image 4.2 reflects the structure of the business support system of the region, its relation to the external business environment, its positive and negative effects, as well as to the objects and entities in the frontier regions. The model also shows the links between the partners involved in business support. In addition, the model shows the impact of state, regional and municipal institutions on the business support system.

Thus, the state, with the help of its institutions, determines, directly or indirectly, the efficiency of the operation of the business support system. Relevant elements in the business support system model are feedback, which in this case is also crucial for the quantitative and qualitative compatibility of the support system with the threats and opportunities prevailing in the

external business environment. Equally important is the efficiency of the functioning of the entire support system, which is the responsibility of the respective state and local government institutions.

* * *

The developed regional business support system model, which includes the system of business support organizations operating in the region's business environment, is also applicable to the creation of a joint support system for the Kurzeme and Zemgale regions and / or the creation of a joint support system for Šiauliai and Panevėžys. In this case, rules for cooperation between regional support system organizations are being developed by breaking down the institutional barriers between the regions in order to provide the companies needed in the regions with the necessary support in the best and most effective way, taking into account the place of activity of the object being supported and the subject.

The business support system model is created in accordance with the definition of the business support system developed by the authors of the research, while the business support system is a set of state-owned, commercial and public organizations involved in the support of entrepreneurs, the aim of which is to provide the necessary support to enterprises operating in a particular territory in order to increase their competitiveness in a certain place and time.

The state, with the help of its institutions, determines, directly or indirectly, the efficiency of the whole business support system, as state and local government business support organizations form the socio-economic basis for the whole business support system and its performance.

4.4. Latvian and Lithuanian border region business support system activity model for increasing efficiency

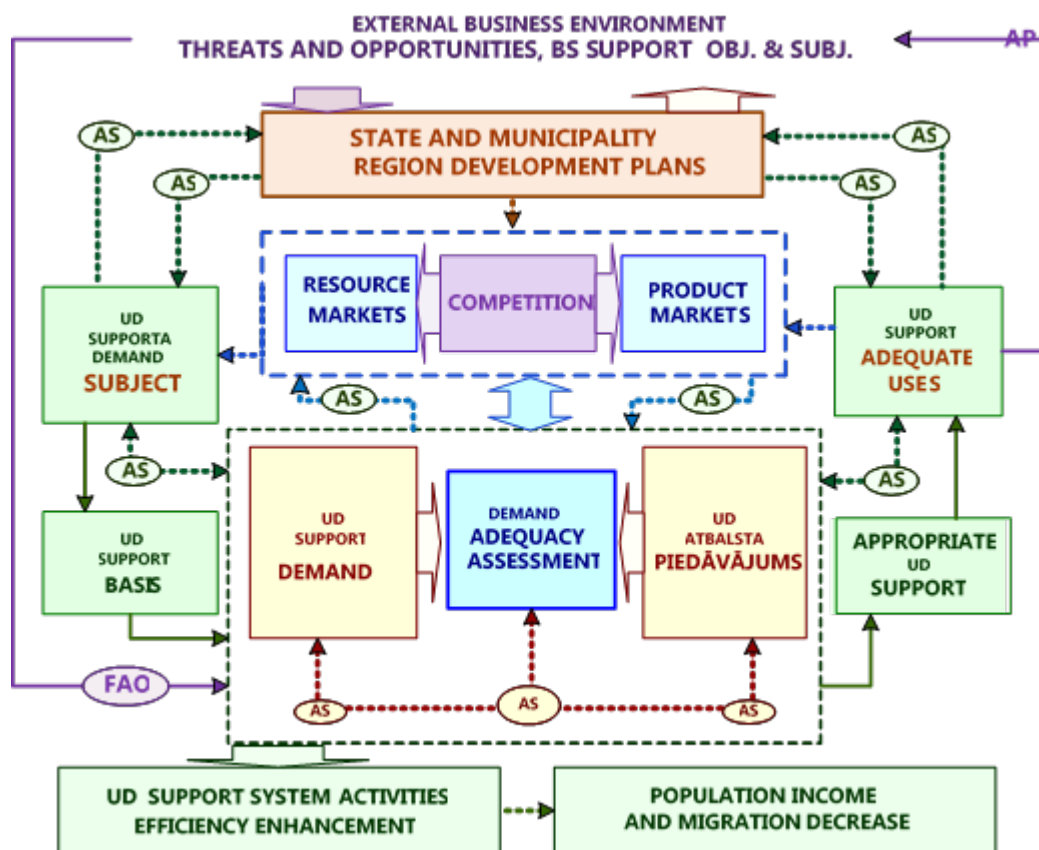
According to the objective of the Research, which is oriented towards the development of effective cooperation between Latvian and Lithuanian business organizations, this section of the research describes a practical model of cooperation between support organizations in the border regions of Latvia and Lithuania. Building a single business support system in accordance with the developed model can significantly increase the efficiency of the support organizations operating in the border area, the effectiveness of each support measure and the entire support system. It is important to emphasize that supporting organizations when developing their activities in accordance with the system included in this model can drastically reduce unnecessary competition among support organizations, minimize overlaps, which can greatly increase the effectiveness of support organizations and the importance of these organizations in increasing the competitiveness of the external business environment.

The primary necessity of increasing the efficiency of a national business support organization is linked to the following aspects of the functioning of the support system of the most advanced countries:

- a) state and local government business support organizations form the socio-economic basis for the whole business support system, the territories designated for its performance in certain circumstances;

- b) state and local government business support organizations hold the largest share of all resources and / or financial resources spent on business support;
- c) the state institutions determine the basic rules for the operation of the business support system, which are binding on state and local government support organizations and, in some cases, also on commercial support organizations;
- d) It is important for participants in the business support system and its initiators of restructuring to recognize that the proportion of economic support provided by the state in each economic activity is limited by international law.

The practically-implemented model of cooperation between support organizations in the border regions is seen in image 4.3.



Abbreviations used in the picture:

AP - support event; AS - feedback; FAO - funding for the support organization; NA - normative acts; UD - Entrepreneurship.

Image 4.3

Model for assessing and improving the functioning of the regional business support system

Source: Model developed by the authors of the research.

The model included in image 4.3 has been developed taking into account management, system theory and economic theory, as well as practical knowledge about determining the efficiency of an organization's

operation and its possibilities to increase. The model includes the key elements needed to help organizations work together more effectively and achieve a higher operational impact. The necessary knowledge of the business system, the elements in it and the interconnections between these elements can be obtained from models shown in images 4.2 and 4.3. The model shown in image 4.3 is to be used to allow support organization managers to develop management decisions to provide business support in the regions wherever possible. Supporting organizations and the entire business support system have input and output elements that can be used to measure efficiency:

- system input - economic resources and financial resources dedicated to business support in a specific area and in time;
- system output - support the organization's business support activities at a specific location and time.

In theory, system input and output are relatively understandable concepts, but difficulties arise from their application in practice. In essence, state aid organizations receive funding from the relevant state institutions according to the budget of the respective year, regulatory enactments and guidelines for state aid policy. But the question remains, to what extent the funding received by organizations is in line with the threats and opportunities prevailing in the external environment, which is one of the most important criteria for determining effectiveness.

The threats and opportunities prevailing in the external business environment are shown in image 4.3 at the top and it is not accidental. Exactly the external environment, the market for resources and finished products in it, as well as competitors and other elements of the external environment, their transparent changes, the tendency of these changes is the most important criterion for assessing the appropriateness and effectiveness of funding for support organizations. The question remains as to the extent to which this criterion is applied in practice. The results of the research prove that the funding allocated only to the Rural Support Service and the State Employment Agency is related to changes in the quantitative and qualitative composition of the prevailing threats and opportunities in the external environment. A careful reader may also notice other elements in the model that are useful in determining the effectiveness of support organizations and developing measures to increase it, most notably:

- a) Compliance. The relevance of each support organization's activity is the most important aspect used to determine the effectiveness of change. In this case, the following conditions of eligibility are met:
 - the quantity and quality of the resources available to the organization must be in line with the threats and opportunities prevailing in the external business environment, their changes at a specific place and time;

- compliance of the beneficiaries with certain national regulatory enactments;
 - the use of state aid received in accordance with the intended purpose;
 - the correspondence of the feedback to the purpose of the support organization's operation, the operational tasks of the structural units and the descriptions of the staff positions and other internal regulatory enactments;
- b) **identification of the objects and entities supported and their assessment of compliance.** If the aid organization wishes to maintain and / or increase the level of performance achieved, it must be constantly ensured that the state enterprise support receives those objects and / or entities that meet the supported characteristics at a specific place and time;
- c) **There are certain links between the support organization's departments and employees,** as well as the key elements of the external environment, there is a flexible working link. It is used to support the organizations to continuously cooperate with each other and not unnecessarily compete, to constantly monitor the changes in their performance, taking into account changes in the organization and the entire system in its internal and external environment;
- d) **co-ordination between the State aid organizations.** State aid organizations should coordinate their activities in order to minimize duplication and other efficiency, even all systems that mitigate aid delivery;
- e) **State aid as a means of increasing the quality of life of the population.** In the organization of a unified business support system, it is important to understand that state support in essence is not the sole purpose of a state or local government's socio-economic activity, but a means by which the harmonious development of the territory of the state is promoted, the quality of life quality of the population and the decrease of emigration flow.

* * *

Building a single business support system in line with the developed regional business support system model can dramatically reduce unnecessary competition among support organizations to minimize overlaps, thus significantly increasing the effectiveness of support organizations operating in the border area, of each support measure and of the entire support system. The model used for evaluating and improving the efficiency of the regional business support system reflects the key input and output elements for the business support system that can be used to measure efficiency: system input elements - economic resources and financial resources for business support in a given area and time, and system output elements - Supports business support measures implemented by the organization at a specific place and time.

One of the most important criteria for determining effectiveness is the adequacy of funding received by organizations to external threats and opportunities.

Other key criteria for determining the effectiveness of aid organizations and developing measures are the aspect of compliance (foreseen purpose, regulatory environment, threats and opportunities prevailing in the external business environment, etc.), the support objects and entities are matched to the supported features at a specific location and time, flexibly working feedback, coordination of the mutual support of state support organizations, understanding of state aid as a means of raising the quality of life of the population.

Taking into account the above-mentioned findings, in determining the effectiveness of state aid organizations, consideration should be given not only to the quantitative and qualitative changes in the composition of companies operating in the region, but also to the region's most significant socio-economic effects, such as household income growth, regional value added distribution among households in the region, natural increase and migration, etc. indicators.

4.5. Latvian and Lithuanian border region business support system model

The proposal for the Zemgale Planning Region to expand the business support system at the transnational level is an innovative idea. The theoretical viability of this idea is determined by the location of Latvia and Lithuania in a single socioeconomic and political system - the European Union. Objectively assessing the global processes of global development and the need for the European Union countries to maintain their ethnic and cultural identity as well as socio-economic competitiveness, closer cooperation between EU countries and the expansion of cooperation is inevitable. Therefore, the proposal on the creation of a joint business support system in the border regions of Latvia and Lithuania should be highly supported by the supreme politicians and state institutions in both countries.

Before developing a more effective business support system model, it is important to find out the current situation in the frontier regions with regard to the opportunities for companies working here, if necessary, to receive support for continued economic activity and job security.

4.5.1. Current business support system model used in Latvian and Lithuanian border regions

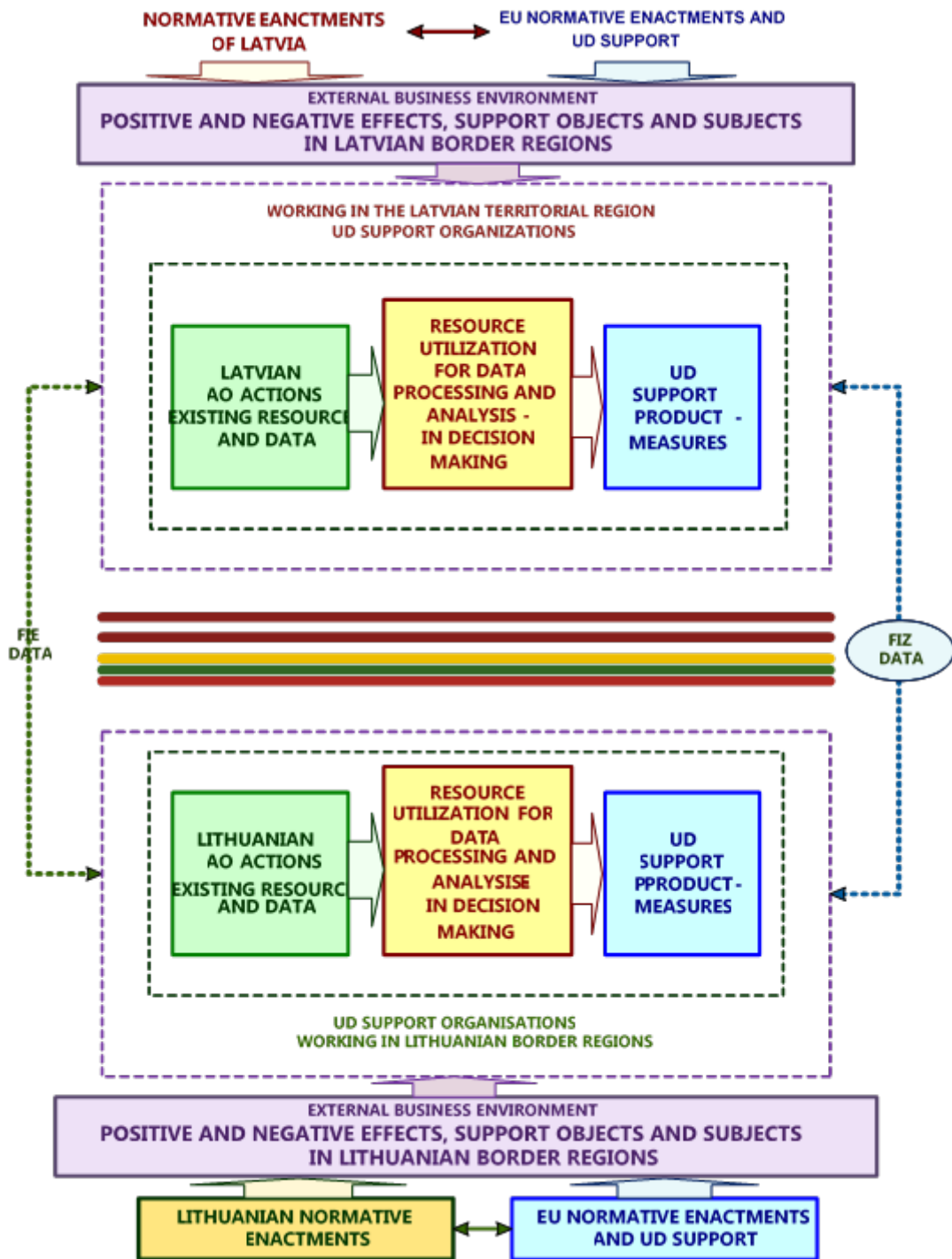
The data received in the framework of the study on support organizations working in the border regions of Latvia and Lithuania are used to identify the current model of the business support system of the border regions of Latvia and Lithuania.

The current model of business support organizations in the Border Region is presented in image 4.4.

The model developed in image 4.4 may be binding on state and local government institutions operating in Zemgale and Kurzeme planning regions

as well as on Lithuanian administrative units located in the border area of Lithuania and Latvia. According to the data received from the organizations involved in the study, the model identified is dominated by fragmentation - each business support unit unit operates on its own and in accordance with individual, declared and undeclared operational objectives, which are determined taking into account national laws and regulations, threats and opportunities in the external business environment, as well as other considerations that are relevant to each supporting organization.

In any system with fragmentary nature, its constituent elements or subsystems work to a large extent in isolation, in accordance with their interests, or at best, formally comply with regulatory acts following the letter of the law rather than the essence. Therefore, the feedback between the elements of the fragmentary system is formal, they contain casual data, which are often not used in decision making, but accumulate in the computers of the employees of the organizations concerned.



Abbreviations used:

AO - support organization; AS - feedback; FIE Data - fragmentary input data; FIZ Data - fragmentary output data; UD - Entrepreneurship.

Image 4.4

The current model of business support organizations in the border regions.

Source: Model developed by the authors of the research.

Despite the fact that in the present model of the business support system operating in the border regions of Latvia and Lithuania it can be seen

some elements of the system, it reveals quite clearly the elements of fragmentation, the most significant of which are as follows:

- There is no systematic exchange of data on issues of importance to support organizations in the business support organizations operating in the frontier regions;
- **There is no formal agreement** between local government and regional management organizations working in the border regions on joint action to support businesses and entrepreneurs operating in the border area;
- **the amount and content of the data necessary for joint action has not been determined**, the time of their actualization and their use in mutually beneficial decisions regarding coordinated action to promote entrepreneurship development in the border regions of Latvia and Lithuania;
- **Most of the resources and financial resources available to state support organizations and business support** are not in line with the prevailing threats in the business environment;
- **The resources and financial resources available to organizations and business support are often used in terms of the organization's managers and / or specialists**, without taking into account the views of the potential beneficiaries;
- **Business support** to companies operating in the border regions of Latvia and Lithuania **is provided strictly according to the nationality of the objects being supported.**

The model included in image 4.4 in this report is intended to identify the separate and sometimes fragmentary nature of the current support organizations in connection with the necessary support to businesses in the Border region of Latvia and Lithuania. On the other hand, the practical implementation model for transnational cooperation is included in image 4.5.

In theory and in systems theory, as well as in practice, it has been proven that each system has a certain level of efficiency. Inefficient working systems do not exist, they disappear naturally, soon after they are created, without compromising the fight against more efficient systems. If the performance of systems subject to the basic rules of a market economy is determined by competitors, then the systems developed by the state or municipalities are often out of competition with all the consequential consequences. Therefore, it is often axiomatic in the political circles that all national systems operate inefficiently, or more precisely, with a low level of efficiency. But this is also a mistake. The operational effectiveness of non-state actors is determined by internal and external forces - direct and indirect competitors operating in the system's internal and / or external environment. But in those cases where competition does not exist, the efficiency of an operation is determined by the body that provides support to organizations for allocating resources and / or financing within the current financial year.

Growing global competition and global threats to Europe, Latvia, other Baltic countries and border regions shown in image 4.4 and the inherent disadvantages should be used to manage the border regions together with

the relevant public authorities to take appropriate measures to improve the business support system. As a result of developed and targeted measures, the activities of business support organizations working in the border regions of Latvia and Lithuania should be strengthened.

* * *

The current model of business support organizations in the border regions of Latvia and Lithuania, which has been created according to the results of the survey and the focus group survey, reflects the current situation in the Border region. The developed current model is dominated by fragmentation - the unit for each business support system works on its own and in itself, according to individual operating objectives. The components of such a system are largely isolated, in accordance with their interests, or in the best of their case formally comply with regulatory acts, its feedback between elements of the fragmentary system is formal.

The most important elements of the existing fragmentation system are as follows: there is no systematic exchange of data between the business support organizations operating in the Border Region and the formal arrangements between municipal and regional management organizations working in the border regions; there is no definition of the amount and content of data required for joint action; the support organizations and the business resources and financial resources are not always in line with the prevailing threats to the business environment and are often used in the opinion of the managers and / or specialists of the organization, without taking into account the views of the potential beneficiaries, as well as business support to companies operating in the regions of Latvia and Lithuania given strictly according to the nationality of the objects being supported.

Support organizations must agree on common operational objectives and measures to be taken in their implementation, by creating a single support system in which each supporting organization works in its own interest and at the same time contributes to the achievement of the objectives of the whole support system.

4.5.2. Enhanced structural model of business support system used in Latvian and Lithuanian border regions

This sub-chapter focuses on a practical model of cooperation between support organizations in the border regions of Latvia and Lithuania. Based on the conclusions of the research presented in the previous section of the Survey and taking into account the operational weaknesses of the current business support system operating in the border regions of Latvia and Lithuania, an improved model of the Lithuanian - Latvian business support system is developed. In the new model, the main emphasis is put on closer cooperation between support organizations working in border regions in terms of increasing the capacity and viability of companies operating in these regions, thus contributing to increasing the income and quality of life of local

people, which is the most effective means of reducing the flow of external citizens' emigration.

The model of support system for enterprises working in the developed frontier region, as reflected in image 4.5 it can be seen from the picture that the support organizations working on the Latvian and Lithuanian sides are not united in one. Although the systems that have more and strictly regulated relations between its elements operate more efficiently, this is practically impossible and this solution does not correspond to the functioning of a democratic society and a market economy. the basic principles.

Instead of bringing together the relevant group organizations, the model proposes **to establish a mutual agreement** between the organizations within the same group and between the groups of organizations. To a large extent, it relates to public organizations, while the other groups will adapt. In addition, it should be noted that among the other groups there is an informal support agreement for a joint action, based on the rationale of the principle of behavior - the interest in benefiting from self helping others.

In any case, the creation of a unified business support system in border regions is important to bear in mind that the implementation of this task is largely due to appropriate political decisions and subsequent work on the development of regulatory enactments necessary for the functioning of such a system.

According to the Research Objectives, the Border Region Business Support System model consists of two parts. They are made up of two complementary models. The first model focuses on the **joint business support system to be developed in the Border Region of Latvia and Lithuania**. But in the second model, the emphasis is on strengthening cooperation links and increasing the effectiveness of bordering region support organizations.

The refined model of support system for businesses operating in frontier regions is reflected in section 4.5. The figure shows in detail the structure of a more efficient business support system, which is being developed by involving local government and state institutions and other interested parties working and co-operating in the border regions of Latvia and Lithuania.

The system of support for enterprises in the newly established Transnational Border Regions comprises **the following key elements:**

- a) business support organizations established or established by Latvia and the Lithuanian State or their structural units operating in the business environment of the border regions of Latvia and Lithuania;
- b) commercial business support organizations and / or branches of such organizations that have deployed their activities in the Border region of Latvia and Lithuania;
- c) socially-supported business support organizations and households living and working in the business environment of the Border Regions of Latvia and Lithuania;
- d) a well-functioning feedback system that maintains links not only between different groups of support organizations but also enables the

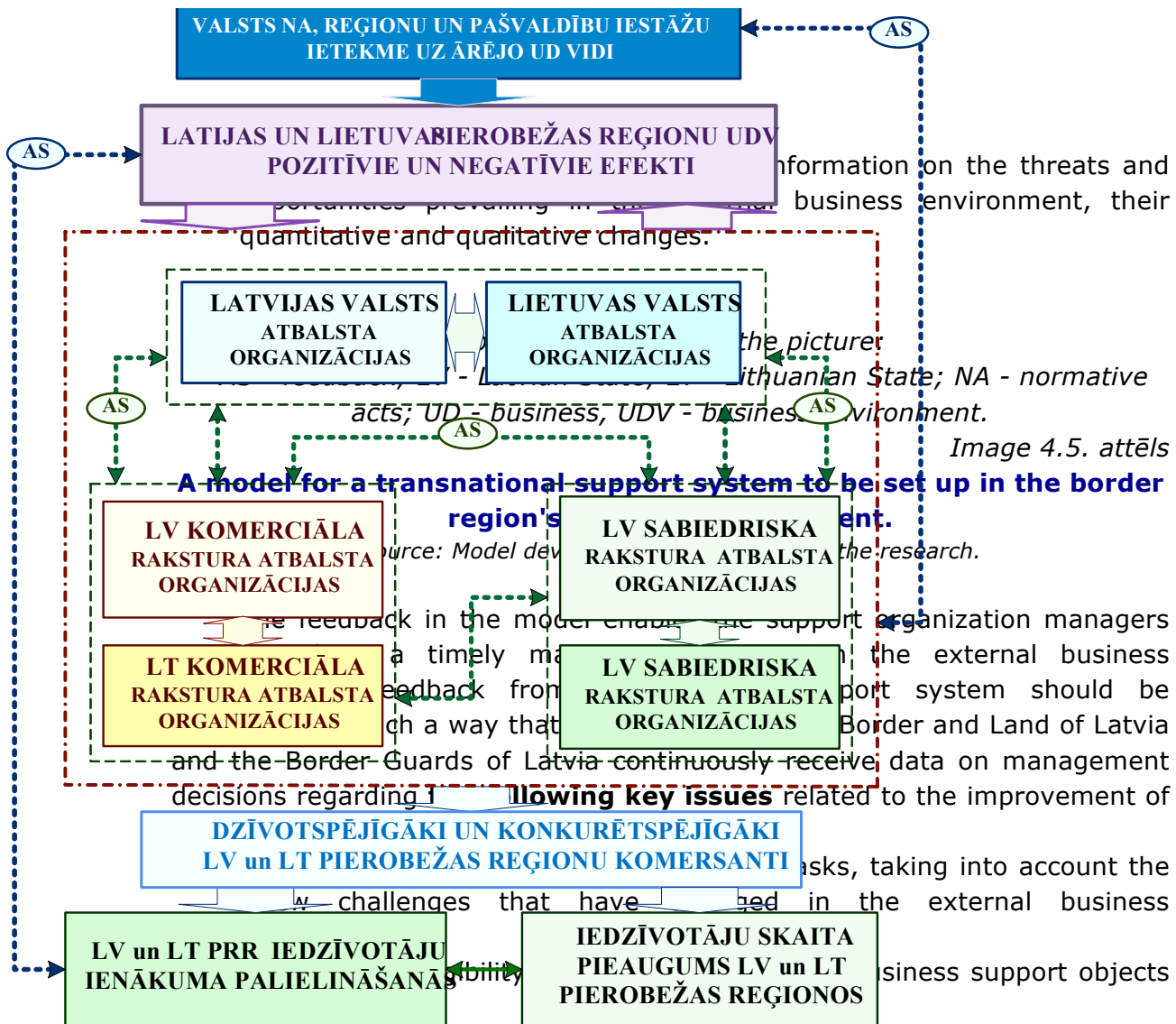


Image 4.5. attēls

- select and implement support measures that are appropriate for a place and time;
- increase or decrease the resources and financial resources for business support;
- the appropriateness of the use of the aid granted at a specific place and time;
- the effectiveness of the use of the aid granted and its impact on the business environment in the border regions;
- Changes in the operational efficiency of business support systems operating in the border regions and on other issues that may be relevant at a specific place and time.

An active, rather than reactive, operation of the control element of this system is essential for the establishment and functioning of an intergovernmental business support system with an appropriate level of efficiency. This means that the leaders of the state and local government institutions working in the border regions of Latvia and Lithuania and in the region should constantly strive to maintain the maximum possible compliance of state and local government legislation with changes in the external business environment. This compliance issue between regulatory enactments and the business support system is of paramount importance amongst others in an effort to increase the efficiency of the functioning of this support system.

* * *

A practical model of the support system for cooperation between support organizations and the work of enterprises in the Border region was developed taking into account the operational weaknesses of the existing business support system operating in the border regions of Latvia and Lithuania and emphasizing the closer cooperation of supporting organizations working in the border regions with the aim of increasing the number of enterprises operating in these regions performance and viability.

In the model developed, the support organizations working on the Latvian and Lithuanian sides are not united in a single whole, but a mutual agreement is established between the organizations within the same group and between the groups of organizations.

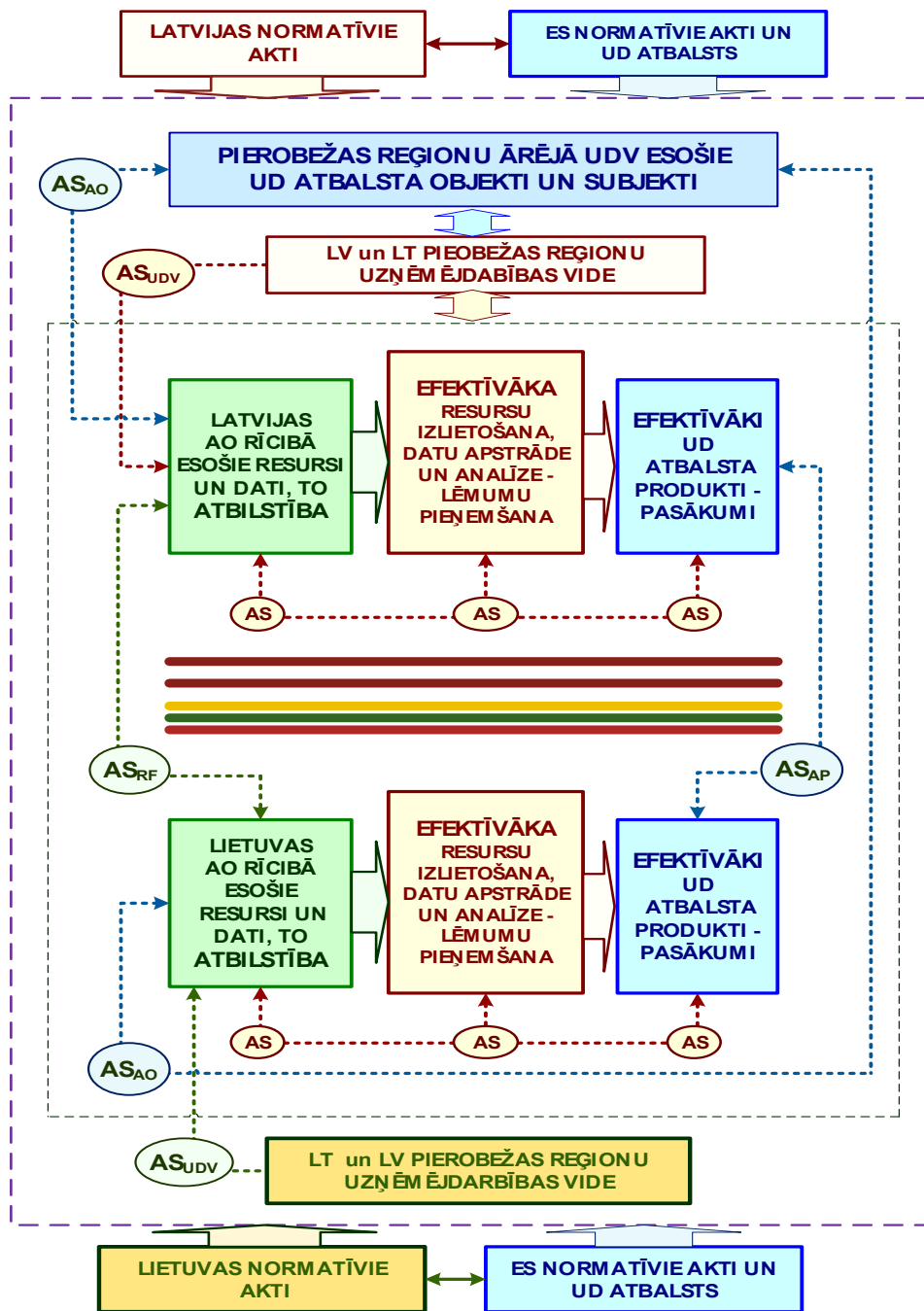
The developed Border Regions Business Support System model consists of two mutually reinforcing parts - the establishment of joint business support systems on the one hand from the Latvian and Lithuanian Border Regions, on the one hand, and the strengthening of cooperation links and increasing the effectiveness of cooperation between the Border Region Support Organizations, on the other.

The most significant elements that constitute the support system for newly established Cross-border Border Region companies are state-owned and established business support organizations or their structural units, commercial business support organizations, as well as socially-supported business support organizations and households living and working in the Latvian and Lithuanian Border region business environment.

An effective functioning feedback system is essential for helping organizations' managers respond in a timely manner to changes in the external business environment, obtaining topical data for management decisions and maintaining the compliance of state and local government regulatory enactments with changes in the external business environment.

4.5.3.A model for increasing effectiveness of the business support system used in Latvian and Lithuanian border regions

The model to be used to improve the effectiveness of the business support system in the frontier region see image 4.6



Abbreviations used in the picture:

AS - feedback; AO - support organizations, LV - Latvian state; LT - Lithuanian State; UDV - business environment; UD- business

Image 4.6

A model for increasing the efficiency of a support system for frontier region business environment.

Source: Model developed by the authors of the research.

Using the lessons of the previous section of the research about the structure of the operating support system of enterprises operating in the regions of Latvia and Lithuania in the Border Regions, it is possible to create a model that can be used to identify the changes in the efficiency of this newly developed support system and to continuously increase the efficiency.

In terms of efficiency and disclosure of the possibilities of raising it in each particular case, it is important to remember the following axiomatic truth in the figurative form:

*the **mother** of any system performance is its **suitability**, but the **father-resources** that enter the system and are connected in a certain way and in order to achieve a certain goal in time.*

Taking into account the figurative efficiency statement formulated by the above-mentioned researchers, image 4.6 shows **integration and resource integration**, which results in the organization implementing effective processes and efficiently constructed final product - a measure for business support.

What does resource relevance mean? This means that the business support organization and the whole system of incoming resources, their quantitative and qualitative composition must be consistent with the objectives and tasks of the system's operation. But what happens in those cases where the resources at the disposal of the organization do not correspond to the purpose and / or tasks of this organization? This situation is very characteristic of the practice of Latvia and other new EU member states. In the event of non-compliance with resources, other forms of compliance arise: the organization's goals and objectives are subordinated to the resources available, their quantitative and qualitative composition. This conformance transformation takes place regardless of the declared purpose and tasks of the organization, regardless of the fact that it is not formally changed, but the actual purpose and tasks are subordinated to the resources at the disposal of the organization.

Correspondence does not end with the resources received, it will continue in the resource pooling phase. The support organizations in this phase are analyzing the received applications and other types of requests to verify their compliance with the declared and / or undeclared operational objectives and tasks of the organization concerned. In addition, each resource-mixing process achieves a certain level of efficiency that greatly affects the overall performance of the organization. The required efficiency level of resource pooling processes is included in the procedures and other relevant internal regulatory enactments of the organization. In cases where the amount of resources used increases and the efficiency decreases, mismatches appear and the main task of the organization's management is to eliminate such inconsistencies in the shortest possible time and to reduce the causes that could lead to a similar recurrence of non-compliance. In all cases where the organization does not have procedures and other internal laws aimed at maintaining or increasing the desired level of efficiency of the organization.

It can be seen in image 4.6 that the support received by the organization turns the adequacy of the resources received into a sufficiently effective or more effective support measure. This means that the adequacy of the business support measures is not limited to the support of the

organization's internal environment. Sufficient and higher efficiency of business support measures is formed as a result of the interaction between the internal environment of the organization and the external environment - the leaders of the organization support the current data on changes in the external business environment. These data are used to make managerial decisions in order to offer entrepreneurs the most relevant support product at a specific location and time, taking into account the dimensions of each company, its manager and / or owner uniqueness. The uniqueness of each aided business is shaped in the external environment, and the need for support is the function of the external environment. Therefore, the effectiveness of the organization's support is largely due to the ability of this organization's managers and other employees to orient themselves in the external business environment.

It is important for heads of state support organizations to be aware that all state organizations have a targeted effect on the internal and / or external environment of the business. This means that the appropriate influence of other public authorities on the external environment can reduce the threat of the establishment of new enterprises and the continuation of the work of enterprises, which can significantly reduce the workload of support organizations. Such an outlook leads to other important lessons: state aid organizations need to constantly cooperate with other public organizations in order to increase their operational efficiency. And not only with a higher level of efficiency.

The main objective of cooperation between public organizations in the context of the research is to reduce the threat to the external business environment, which creates an insurmountable barrier for many entities to continue business and / or start new businesses. Therefore, state aid organizations, cooperate with other organizations operating in the support system and public organizations outside the system, it is important to timely notice the incompatibility of state and / or local government regulatory enactments with the prevailing threats, changes in their quantitative and qualitative composition in the external business environment. Thus, timely changes in the regulatory enactments and other preventive actions can dramatically increase the efficiency of the state aid organizations and the entire support system. This is why the entire International Support System, which is aimed at border regions, is within the framework of legislative acts of the state and local government institutions of Latvia and Lithuania, which is why in the model of increasing the efficiency of the support system of enterprises operating in the border regions of Latvia and Lithuania.

The establishment of an intergovernmental business support system between the border regions of Latvia and Lithuania needs to take into account certain barriers that will have to be overcome by the implementers of such measures and the **conditions** that should be taken into account in order to implement such a system of cooperation in life. The most significant are:

- a) **preparation of the common legislative package for the companies operating in the border regions of Latvia and Lithuania to receive support**, if necessary, in a support organization

that is closer to the company's location and / or place of business. This is a significant condition for increasing the efficiency of the business support system and increasing the competitiveness of the support system;

- b) the formal participants of the business support system of the border regions of Latvia and Lithuania must agree on a **common business support policy, objectives and tasks of the operation**;
- c) it is necessary to conclude a **cooperation agreement between the participants of the business support system** operating in the border regions of Latvia and Lithuania;
- d) Establish a **system of mutual settlements for the support provided to a company operating in the frontier region of the other country** if it is foreseen in the cooperation agreement;
- e) Participants in the Business Support System of the Border Regions of Latvia and Lithuania **must agree on the contents of the data set and the exchange of data**, changes in the business environment, support for businesses in the Border Region, as well as the effect of the support received;
- f) Participants in the international support system should develop sufficiently **effective preventive measures** aimed at reducing the quantitative aspects of the prevailing threats to the external business environment and raising the compliance of the regulatory enactments binding on entrepreneurs to topical changes in the business environment.

* * *

Using research findings on the structure of the operating support system of enterprises operating in the regions of Latvia and Lithuania in the border regions, the authors of the study created a model for increasing the efficiency of the UD support system in the border regions, which contributes to the integration and the integration of resources and is used to identify changes in the effectiveness of the support system and to continuously increase the efficiency.

The developed model shows that the effectiveness of the support organization's organization is largely due to the ability of the organization's managers and other employees to orient themselves in the external business environment. The appropriate impact of public authorities on the external environment can reduce the threat of the establishment of new companies and the continuation of the work of enterprises, which can significantly reduce the workload of support organizations. Therefore, state aid organizations need to constantly cooperate with other state organizations for the purpose of increasing their efficiency, including to timely notice the incompatibility of state and / or local government regulatory enactments with the prevailing threats, changes in their quantitative and qualitative composition in the external business environment.

Thus, timely changes in the regulatory enactments and other preventive actions can dramatically increase the efficiency of the state aid organizations and the entire support system.

The most important conditions that should be taken into account in the development and implementation of the Intercountry Business Support System are the following: preparation of the common legislative package, conclusion of cooperation agreement between the participants of the Latvian and Lithuanian border regions on the common business support policy, objectives and tasks of the operation, development of a mutual settlement system for the provided support for the company operating in the frontier region of the other country, agreement on the contents of the data set and data exchange, changes in the business environment, support to businesses in the Border Region, as well as the effect of the aid received, the development of effective preventive measures aimed at the quantitative risk of prevailing threats to the external business environment. reduction of aspects and enhancement of conformity of regulatory enactments binding on entrepreneurs to topical changes in the business environment.

The models of business support organizations and all support system efficiency improvement developed by this study, with minor changes, can also be used to determine the efficiency and increase the efficiency of other organizations and systems.

* * *

CHAPTER 4 CONCLUSIONS

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

1. Chapter 4 of the study forms a bridge between theory and analysis to practice, and therefore includes models of business support organisations and all support systems, ranging from the elementary unit, which in this case is the support organisation and its different types, to the macro-system – the transnational business support system that includes several hundred organisations involved in providing various types of support. A system approach was used to develop practical models.
2. The structure of business support organisational model consists of several key elements: the resources and financial resources at the business support organisation; development of measures necessary for supporting business support and/or examination of received applications; business support product or result set up by a business support organisation to support a particular business or create the desired change in the external business environment.
3. In order to increase the efficiency of the support organisations, it is necessary to constantly keep in mind the objectives of the support organisation and the adequacy of the necessary resources and the external business environment. This means that the support organisation must have at its disposal such quantitative and qualitative resources for support, which correspond to the objective of the organisation and the dominant threats and opportunities of the external business environment.
4. The developed business support model also includes objects and entities for business support. BS support objects are companies as independent

organisations that, for some reason, are in difficulty. Support subject is a manager/or owner of a firm in difficulty.

5. It has been demonstrated in practice and in scientific studies that it is precisely the support subject who is the most important element in the entire support system, namely, the manager and/or the owner of the company, his lack of competence is the main reason for the need for support, despite the fact that petitioners may also be in other thoughts about the causes of the support.
6. The external environment and its permanent changes are the main reason for receiving support in cases where the management and/or owners of the company not made gross mistakes in the management decisions. This is one of the most important reasons why for entrepreneurs the greatest gift and the greatest value from the external business model is stability.
7. The feedback links included in the model are the best and most effective means of acquiring new knowledge of changes in the business environment of an external region and of the prevailing threats and opportunities. In turn, this knowledge is the most important aspect of identifying the objective necessity of business support and choosing, and offering the most effective support measures.
8. The support system developed within the framework of the study consists of a set of governmental, commercial and public organisations involved in supporting entrepreneurs, whose aim is to provide the necessary support to businesses operating in a particular territory in order to increase their competitiveness at a specific place and time.
9. The groups of different organisations included in the support system model from the elements of the support system or subsystem, within the framework of the system, these elements are in permanent direct or indirect interaction. The positive and negative effects of the operation of system elements largely determine the efficiency of the regional support system.
10. Having been acquainted with the model of the business support system of the border region every professional specialist in business organisations can acquire new or supplement existing knowledge about the structure of the business support system, its relation to the external business environment, its positive and negative effects, as well as the support objects and entities.
11. The developed regional business support system model is applicable to the creation of a joint support system for Kurzeme un Zemgale border regions and/or Siaulai and Panevezys counties.
12. Before establishing a joint support system, it is necessary to establish rules for cooperation between the organisations included in the system, breaking down the institutional barriers between regions. As a result, companies operating in the regions would be provided with the support they need in the best and most effective way, taking into account the place of activity of the facility and the subject.

13. The business support system models developed in accordance with the definition of the business support system developed by the research author, according to which the business support system is a set of state-owned, commercial and public organisations involved in the support of entrepreneurs, the aim of which is to provide the necessary support to enterprises operating in a particular territory in order to increase their competitiveness at a specific place and time.
14. The state, with the help of its institutions determines, directly or indirectly, the efficiency of the operation of the business support system, since state and local government business support organisations form the socio-economic basis for the entire business support system and its performance.
15. The creation of a single business support system in accordance with the developed regional business support system model can dramatically reduce unnecessary competition between support organisations, minimize overlaps, thus significantly increasing the effectiveness of supporting organisations operating in the border area and of each support measure, and of the entire support system.
16. The model used for evaluating and improving the efficiency of the regional business support system reflects the key input and output elements for the business support system to be used in determining efficiency: system input elements – economic resources and financial resources and financial resources for resources for business support in a given area and time, and system output elements – supports the organisation's business support measures at a specific place and time.
17. In light of the above, in assessing the effectiveness of state aid organisations, consideration should be given not only to the quantitative and qualitative changes in the composition of companies operating in the region, but also to the major socio-economic effects of regional development, such as household income growth, regional value added distribution among regional households, natural increase of population and migration, etc. indicators.
18. In the current model of BS organisations, the fragmentary nature of the border regions of Latvia and Lithuania is dominated by the fact that each business support unit operates on its own and in accordance with individual operational objectives. The components of such a system are largely isolated, in accordance with their interests, or in the best case formally comply with regulatory acts, its feedback between elements of the fragmentary system is formal.
19. The most important elements of the existing fragmentation system are as follows: there is no systematic exchange of data between BS organisations working in the border regions and the formal agreements between local government and regional management organisations operating in the border regions, no amount and content of the data required for joint action, resources and financial resources available to BS organisations are not always adequate for dealing with the dominant threats in the business environment and often are allocated based on the

opinion of the managers and/.or specialists of the organisation, without taking into account the views of potential beneficiaries, as well as business support institutions providing support to companies in the border regions of Latvia and Lithuania strictly adhering to the nationality of the supported subjects.

20. Support organisations must agree on common operational objectives and measures to be taken in their implementation by developing a single support system in which each supporting organisation works in its own interest and, at the same time, contributes to the achievement of the objectives of the whole support system.
21. The implementation of a well-developed model of support system for support organisations and worker enterprises in the border regions was developed taking into account the operational weaknesses of the existing business support system operating in the border regions of Latvia and Lithuania, with the main emphasis being placed on closer cooperation of support organisations working in the border regions with the aim of increasing the performance and viability of companies operating in the regions.
22. In the newly developed model, support organisations working on the Latvian and Lithuanian sides are not united into a single whole, but mutual agreements are established between organisations within the same group or between groups of organisations. The developed model consists of two mutually reinforcing parts: from the Latvian and Lithuanian border region, joint business support systems, on one side, and from the strengthening of cooperation links to increasing efficiency of cooperation between the support organisations of the border region, on the other.
23. The efficient functioning of the feedback system plays an important role in enabling enables the leaders of support organisations to react in a timely manner to changes in the external business environment, to receive up-to date data for management decisions and to keep the state and local government regulatory enactments in line with changes in the external business environment.
24. The authors of the Research also developed a model for increasing the efficiency of the business support system in the border regions, which contributes to the matching and resource integration, and is used to identify changes in the effectiveness of the support system and to continually increase their effectiveness.
25. The most significant conditions that should be taken into account when establishing an intergovernmental business support system and implementation in the improved model are: preparation of common legislative package, conclusion of cooperation agreement between the participants of the Latvian and Lithuanian border regions on the overall business support policy, operational objectives and tasks, mutual settlements on the development of the support system for the support provided to the company operating in the border region of the other country, the agreement on the content of the data set and the exchange

of data on changes in the business environment, the support provided to enterprises operating in the frontier regions, and the effect of the aid received, the development of effective preventive measures aimed at the external business environment minimizing the quantitative aspects of the prevailing threat and increasing the compliance of regulatory enactments which are binding on entrepreneurs to topical changes in the business environment.

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

5. Recommendations for increasing the effectiveness of business support

5.1. Recommendations for business support policy developers

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

- 1) in order to increase the competitiveness of entrepreneurs and to promote the development of entrepreneurship in general, it is advisable to **develop a single law** on state support to entrepreneurship and state business support organizations that would define business support, target groups of support beneficiaries, types of support and criteria for receiving support not only for future generations but also as well as the specific arrangements for organizing, redirecting and evaluating state-owned enterprise support. The law "On Development of Small and Medium Enterprises" in force in Lithuania can serve as a good example. Within the framework of this newly developed law, it is essential to **accurately determine the rights, obligations and responsibilities of the state, Planning regions, cities and local authorities** in providing business support to businesses. In defining the functions of business support organizations, it is important to subordinate them not only to the operating area (state, regional or district-level organizations), but first of all to the content of the functions and types of support that would reduce the overlapping of functions and inefficient state and local government funds;
- 2) **Increase the role of business support organizations in regions, cities and districts** in choosing the most appropriate state support measures, developing new forms of support and monitoring the appropriateness of the support granted, including by providing, in law, greater capacity for entrepreneurship support to municipalities that are familiar with the entrepreneurs of their territory and their needs; thereby developing a B2P relationship (business 2 municipality);
- 3) **increase the coordinating role of the border regions in coordinating the activities** of business support organizations in the regions and ensuring their continuity and raising their efficiency. To implement this recommendation in the new law, it is important to define the "one stop shop" function for the regions, thus centralizing the activities of business support organizations and improving the availability of services provided to entrepreneurs in the regions. As identified in the Study, the purpose of the Planning Regions is to create a united network of counseling and coordinated support for business development in the region. The creation of one-stop-shop support organizations in the regions would be an important solution for both the

entrepreneur by facilitating access to services and raising awareness about the services needed for a qualitative development of the company, and the one-stop shop of such support organizations would promote stronger cooperation among support organizations, not only within the country, but also at transnational level. This functionality can be ensured in Latvia by the Planning Regions, while in Lithuania, craft and commerce chambers covering certain territories cooperate with local government and state institutions; these organizations have knowledgeable and competent staff who can provide the entrepreneurs with the first necessary assistance, besides working for existing companies, but also for existing companies, regardless of their size or location;

- 4) **improve the Law "On the New Business Support Act"**, which has been in force in Latvia since January 1, 2017, by reviewing the criteria for attraction of a venture capital investor with the aim of facilitating the real introduction of support programs for start-ups of new enterprises;
- 5) reduce the fragmentation of legislative initiatives regulating business support, facilitate easier reception and understanding of regulatory enactments, and strengthen the role of entrepreneurs in the development of the national economy and their reputation in society by carrying out the inventorization and necessary amendments to regulatory bases which influence the promotion of entrepreneurship and promotion of support, inventory and the necessary amendments , emphasizing less control and monitoring functions, but creating clear and transparent conditions for receiving support and positioning the entrepreneur as a direct beneficiary, thus motivating the population to engage in active business;
- 6) **develop a socio-economic justification for all legislative acts** aimed at changes in the external business environment;
- 7) Latvian politicians should **review the territorial administrative division of Latvia in the context of reducing fragmentation**, based on the concept of municipalities of one level in the division of Latvia's 26 districts. According to the results of the research, in Latvia at the present time the existing territorial division reduces the efficiency of the system of business organizations;
- 8) include **measures aimed at enhancing the competitiveness of the business environment in the operational guidelines** of party leaders;
- 9) continuously **take measures to reduce threats and increase opportunities** in the external business environment. To implement this recommendation, **improve the Annual Entrepreneurship Plan with specific measures** according to the current situation of the business environment;
- 10) ensure **a stable tax policy in the long term** by carrying out tax reduction programs under certain conditions aimed at business development and / or investment entry, such as tax deductions for investments that provide new jobs;

- 11) considering the increased capacity of U programs such as the INterreg cross-border cooperation program, etc., support the growing demand for cross-border development initiatives; **consider the possibility of developing and offering business support organisations other state / municipal support instruments and / or programs for cross-border cooperation between Latvia and Lithuania**, thus promoting and financing cross-order cooperation between Latvian and Lithuanian business support organisations in the form of joint projects.
- 12) **review and improve the state employment and social policy, the basis for social security benefits, as well as immigration policies, promoting "smart immigration"**, attracting labor force from other countries in particular regions and addressing the problem of labor shortages and the outflow of young people from rural areas, as well as anticipating social support instruments that promote not the consumer's attitude, but responsibility and employment;
- 13) develop a common vision at national level **as a strategic document on investment development priorities beyond 2020.**

5.2. Recommendations for business support policy facilitating organisations

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

- 1) **Improve the operating regulations of UD support organizations**, other internal regulatory enactments, including business support functions and taking into account the results of the research.;
- 2) support the activities **of the organizations in the internal regulatory enactments to precisely define the types of support provided by the organization** in such a way that they are distinguishable from other types and do not overlap, for example, which is a consultation, a seminar, an investment project, etc., thus ensuring a unified understanding of the content of the support measure / service, its identification and measurement with similar units. Potentially precise identification of the support provided by the organization for the quantitative and qualitative characteristics of the aid is essential for the assessment of the in-house effectiveness of the aid organizations.;
- 3) **supplement the descriptions of the positions of the UD support organizations** taking into account the results of the research. It is possible to precisely determine the duties, rights and responsibilities of each employee for fulfilling their duties in providing business support functions;
- 4) **Create an external business environment monitoring system;**
- 5) **identify a set of preventive and corrective UD support measures;**
- 6) **determine the procedure for the application of each aid measure;**

- 7) to establish procedures **for the monitoring of the conformity of the applicable aid measures**, as well as the long-term assessment of the support, monitoring, and impact assessment of the system;
- 8) indicate the procedure for **determining the effectiveness of the business support measures to be implemented**;
- 9) keep track of **changes in the external business environment**:
 - To develop a data matrix for identifying external business threats and prevailing threats;
 - organize the timely collection and processing of data;
 - take a management decision on the timely implementation of the most effective UDI support at a specific time and place;
- 10) develop **a single set of preventive and corrective measures in support of businesses**, taking into account the role of the donor in the common state support system;
- 11) determine **the eligibility of criteria for the applicable support methods** in relation to changes in the external business environment;
- 12) determine **the methodology for assessing the suitability and effectiveness** of each business support measure;
- 13) assess **the appropriateness and effectiveness of the application of the implemented support measures**;
- 14) if necessary, make adjustments in the implemented support measures package and / or in a separate measures contents and / or implementation order;
- 15) Improve **the availability and quality of information by providing more information on the possibilities** offered by support organisations;
- 16) **reduce the bureaucracy of documents** by developing simpler and more comprehensible rules for submission of applications / requests by entrepreneurs;
- 17) create **local mentoring networks**;
- 18) **maintain a constant link with other interested parties in the support system**. Develop a targeted cooperation initiative with local authorities on business support issues, with sectoral associations, with researchers, and with other support organisations.
- 19) Business support organisations are advised **to use the services of the closest high school institution incubators** and higher education institution potential not only for the support of upcoming companies, but also for currently operating companies;
- 20) It is advisable for existing business support organizations **to establish close cooperation with sectoral clusters** in order to foster cross-border cooperation, since a cluster of a specific economic sector is a successful example of how, by pooling relevant profile entrepreneurs, can provide real support for the development of these companies, as well as increase the reputation and competitiveness of the whole industry.;
- 21) it is advisable to take into account the development of the business support system for **young people to engage in the implementation**

- of their own ideas and the ideas of others, and starting a business.** The method of brainstorming practiced by youth organizations as an innovative tool for addressing a company's problem would be introduced in the work of business support organizations - both in mentoring work and in the development of a platform or a single tool, this will also promote youth cooperation with entrepreneurs;
- 22) Considering the role of technology and digitalisation in the economy and the increasing provision of more and more services through the use of Internet and modern technologies in the development of the knowledge economy, consider the possibility of **setting up one-stop-shop online agencies** in the Research Areas;
 - 23) maintain **constant and open communication with local entrepreneurs** in order to find the most effective solution to problems;
 - 24) continue to **develop the following most demanded and most efficient services for emerging and existing Latvian entrepreneurs:** 1) informative support, consultations and seminars on topical issues of the company; 2) financial support in the form of grants, loans and other support instruments; 3) incubation and pre-incubation services, 4) mentor services, 5) networking measures, and 6) technology transfer and commercialization, laboratory and research services;
 - 25) continue to **develop the following most demanded and most effective services for prospective and existing Lithuanian entrepreneurs:** 1) informative seminars on the topics of the company, training and professional development courses, 2) participation in competitions and projects, 3) development of investment projects, preparation of business plans and attraction of investments to an enterprise ; 4) technical services, support of premises and technical equipment; 5) technology transfer and commercialization services;
 - 26) ensure the provision of support services with the appropriate and expected quality;
 - 27) in order to **improve the quality of mutual networking and cooperation measures**, business support organizations are encouraged to create and regularly update databases with contact information of companies working in the territory, profile profiles, etc., to promote the creation of alliances between entrepreneurs for participation in international industry projects and tenders, provision of a full service cycle to develop a common platform for the exchange of information and experience, the use of social networks and the organization of live seminars and conferences; to continue to organize networking events that entrepreneurs evaluate as the most effective ones - seminars, exchange of experiences at regional, national and transnational level, associations, industrial and craft camera events, participation in contact liaison and business missions, the opportunity to use a common information space for the exchange of experience , advertising and communication, informal joint events. When organizing

business networking measures, it is important for business support organizations to take into account the following core business principles: the willingness to use networking measures, or freedom of choice in cooperation, the availability of measures in terms of language comprehension and prices, and the quality of the activities and their innovative content, giving entrepreneurs such new knowledge and positive experience of other countries and / or other entrepreneurs, which would facilitate the development of the entrepreneurship of the event participants;

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

environment, receive topical data for management decisions and maintain compliance to the state and local government regulatory enactments in the external business environment.

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

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

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

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

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

The results of the research indicate a very successful cooperation between certain neighbouring countries' organisations, as a result of which common training materials have been developed, joint training for entrepreneurs, mentor consultations, a single organised mentor network and a common methodological basis for its further application in the process of supporting business in both countries.

At the same time, significant untapped potential has been identified in co-operation between Latvia and Lithuania at the intergovernmental level, and the following key measures to promote cooperation between support organizations working in the LV and LT Border Regions are recommended:

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

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

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

- 1) the necessity to increase the **effectiveness of business support organizations and their activities**;

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

CONCLUSIONS

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

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

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

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

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

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

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

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ABBREVIATIONS USED IN THE RESEARCH

- AN UDAC – Aizkraukles novada pašvaldības izveidots Uzņēmējdarbības atbalsta centrs [Aizkraukle County Business Support Center]
- SO – Support organisations
- SM– Support measures
- RL – Reverse link
- BS– Business support
- BSC – Business support center
- B2B – Business-to-business
- B2P - (Business-to-municipality)
- CFLA – Central Finance and Contracting Agency
- CSB – Central Statistical Bureau
- DM – Job seekers
- EU – European Union
- EC – European Commission
- FID Data – Fragmentary input data
- FOD Dati – Fragmentary output data
- GDP – Gross Domestic Product
- HOA – Horizontal oscillation amplitudes
- INVEGA –*Investment and Business Guarantees*
- IT – information technologies
- ICT – Information and communication technologies
- NC – newly created
- CCFI– Climate Control Financial Instruments
- KPR – Kurzemes planning region
- KPRAP –Kurzeme planning region development program 2015.–2020. gadam
- KPRIAS –The Sustainable Development Strategy of the Kurzeme Planning Region 2015– 2030
- KR – Kurzeme region
- LV - Latvia
- LT – Lithuania
- LCCI – Latvian Chamber of Commerce and Industry
- LDDK – Employers’ Confederation of Latvia
- LIAA – Investment and Development Agency of Latvia
- LAD – Rural Support Service of the Republic of Latvia
- LLU – Latvia University of Life Sciences and Technologies
- LU – University of Latvia
- LLKC – Latvian Rural ADvisoy and Training Centre
- LR – Republic of Latvia
- LBSA–*Lithuanian Business Support Agency*
- MS – Households
- MSI – Household income
- MK – Cabinet of Ministers
- SME – Small and medium-sized enterprises
- MITA – *Agency for Science, Innovation and Technology*

- NVA – State Employment Agency of Latvia
- NGO – Non-Government ORganisation
- EP – employed people
- NI – net salary
- RE – Real Estate
- LG – Local Government
- OECD – Ekonomiskās sadarbības un attīstības organizācija (*Organisation for Economic Co-operation and Development*)
 - PAN UDAC –Panevezys Business Advisory Centpieauguma temps re
- GR – Growth rate
- VA – value-added
- S - Services
- BR–Border Region
- ML – Municipality Library
- PBAC – PanevezysbusinessAdvisory centre
- RML – Rokiskis Municipality Library
- Rs – resources
- Rs – results
- STEPE – social, technological, economic, political and ecological factor analysis
- SWOT – Strengths, Weaknesses, Opportunities, Threats analysis
- SBI –Siaulai Business Incubator
- ES – Economic Sector
- t –time
- UDV – Business Environment
- BSC – Business support centre
- BF – Business faciliation
- VIAA – State Education Development Agency of the Republic of Latvia
- ZR – Zemgale Region
- ZPRAP –Zemgale Planning Region Development Program 2015-2020
 - ZPRIAS –Zemgale Planning Region Sustainable Development Strategy 2014–2030
- ZPR – Zemgaleplanning region

IMPORTANT TERMS USED IN THE RESEARCH

- **Business** – organizational economic entity.
- **Entrepreneur** – an individual in society who has invested his / her property and / or financial resources in order to start a business and maintain it..
- **Business support** – any material and / or intangible assistance for the entrepreneur to implement business development and / or modernization measures in accordance with the needs of the entrepreneur.
- **State support** – the normative acts provide for a targeted state intervention measure for the development of entrepreneurship and / or increasing the competitiveness of enterprises operating in a particular sector on the local and / or foreign market.
- **System** – a combination of interoperable, complementary and continuous interacting elements that has a defined development goal.
- **Business support system** in broad terms – purposefully formed, interconnected and interactive elements, which has a common goal - to promote business development in a specific place and time..
- **Business support system** in narrow terms – a set of national, commercial and public organizations involved in the support of entrepreneurs, whose aim is to provide the necessary support to businesses operating in a particular territory in order to increase their competitiveness in a certain place and time.
- **Internal business environment** – the space created by the owners and / or managers of the company, in which the production of goods and services is made according to the indications of the owner and / or the manager of the company, as a consequence of the threat and opportunities of the internal and external environment.
- **External business environment** – the interaction between the inhabitants, state and other organizations of a specific country's territory has resulted in a system in which the production, change and consumption of products takes place, as well as the targeted influence of public authorities on other market participants.
- **Regional external business environment** – the State Entrepreneurship External Environment Sub-System, which creates the goods and services in the region, processes and consumption of goods, as well as the targeted influence of state and local government institutions on other market participants, has developed as a result of the interaction between the inhabitants of the territory of a particular region, the state, local government and other organizations.