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Case study on Employee Competence Regarding Competitiveness and CSR issues of the Forest Industry Companies

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Abstract— **It would be helpful if the companies operating in the forest industry in Latvia in the management process use advantages of strategic management. To make further progress in competitiveness management, the developed strategy should be effectively managed and the achieved progress - assessed. [8.;13.;14.] The strategy consists of the intended activities and the requisite improvements. [5.]**

The aim of the case study on competence of the employees regarding the competitiveness issues in the forest industry companies is to find out internal problems of the companies operating in the forest industry and provide recommendations of possible solutions to balance potential changes of the industry external environment. [9.]

By choosing optimal and economically, socially and environmentally balanced "way" of the development, the appropriate strategy and tactics of competitiveness management and the competitiveness of strategic decision-making based on employee competence with regard to the sector's competitiveness and CSR issues, should be chosen.

Keywords— company's competitiveness, CSR, competence, strategic management

I. INTRODUCTION

During the development of the research the quantitative study has been conducted. *The research method* applied within the framework of the study was a specialized survey (*Ad-hoc*), but computerized telephone interviews (*Computer Assisted Telephone Interviews*) were chosen as the *survey method*, taking into account the respondent's choice to provide answers to the questions asked either in Latvian or Russian.

Large, medium and small companies representing forestry sector of Latvia were included in the target group. While senior executives of the companies were chosen as the target respondents. 207 companies representing forestry sector, which account for 5%, were surveyed within the framework of the conducted research. [1]

One of the goals of the research was to find out the opinion of the companies representing forest industry of Latvia regarding current situation in the sector and its contribution to the national economy.

During the study the opinion of the representatives of the companies surveyed regarding the concept of competitiveness, as well as the contents and significance of competitiveness in business development was found out. Self-assessment of the company's competitiveness was carried out and competitive advantages of the company over its competitors were determined.

In order to identify business expertise of the companies regarding positive and negative factors that influence competitiveness, the issues characterizing business competence in the market (company size, number of employees, turnover, etc.) were included in the particular study.

To obtain more complete and comprehensive view of the current activities taking place in the forest industry of Latvia and to get opinion regarding industry challenges and issues to be addressed in the forest sector and find out how to increase competitiveness of the companies operating in this industry, the target audience of the conducted study that was included and interviewed consisted of the respondents from different areas related to forest industry. [3; 4; 10]

II. RESULTS AND DISCUSSION

Analyzing the breakdown of the respondents, the majority of companies surveyed (~ 50%) have associated their activities with forestry and logging, 34.5% of companies are involved in manufacturing of the wood products, 13.75% of companies are dealing with furniture manufacturing while 2.3% of the surveyed companies are producing paper and paper products.

With regard to the core business activities, the survey clearly indicates that it is related to the industry in which the companies carry out its daily entrepreneurship activities and this allows to conclude that the companies operating in the forestry sector do not consider business activities in the sectors related to the forest industry.

The core business activities of the companies that are not directly involved in the forest industry are either related to the

service provision sector or production. Majority of these companies operate in retail business (see Figure 1).

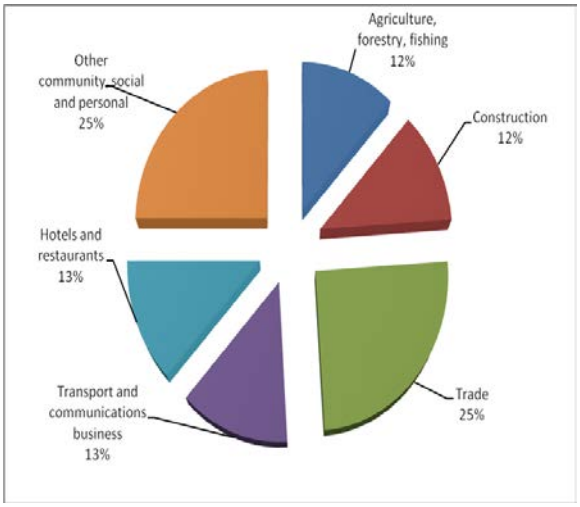

Fig.1: Main areas of company activities. [developed by the authors]

It should be highlighted that companies the activities of which are directly related to the forest sector mainly do not operate in other sectors (thus, differentiating their activities) (~ 70% of respondents).

While, 30% of companies which their business associate both with the forest sector as well as with related industry, mostly are involved in the transport and communications business, trade and agriculture, hunting and fishing.

Within the framework of the conducted study the opinion of the companies representing forestry sector regarding the concept of competitiveness and factors that influence it (affect) was found out.

Summarized results indicate that companies operating in the forestry sector consider competitiveness concept and the factors affecting it in a relatively "simplified" way as the competitiveness, according to the companies' opinion, are associated with the price, quality, and the price-quality ratio. But these are not the only factors affecting the competitiveness.

To make the assessment of the forest sector, it is strategically important to find out the factors that positively and negatively affect the competitiveness of the companies operating in the forest sector.

The main factors that have a positive impact on the company competitiveness are employees and business experience (32%), high-quality products (24%) and the availability of resources (24.6%).

Demand is also mentioned as one of the factors positively influencing the competitiveness of the company (12.7%), while for 6.3% of the respondent companies it was difficult to find answer to this question (see Fig. 2).

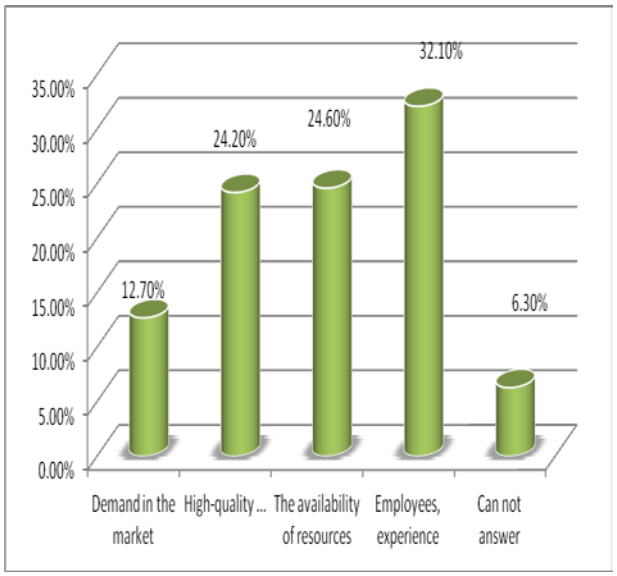

Fig.2: Factors positively influencing the competitiveness of the company. [developed by the authors]

The survey results show that one of the main advantages the companies consider is the availability of resources (28.6%) associated with both wood availability, as well as availability of skilled and loyal staff. 27.7% of the surveyed companies as one of the important advantages mention the experience of the company, while 15.5% think that their advantage over its competitors is the quality, but 8% of the surveyed companies stress that their main advantage is the price.

Unfortunately, 19.5% of the companies surveyed could not be define their competitive advantage, some of them said that their company does not have any advantages, but some expressed the view that "all are the same" (see Fig.3).

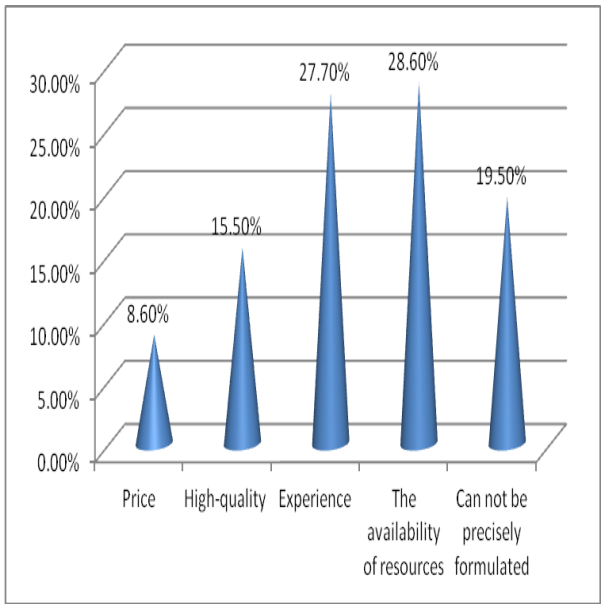

Fig.3: Company advantages over other competitors. [developed by the authors]

Taking into account the fact that the CSR issue is becoming more and more topical with regard to company employees, the public and society as a whole, therefore, performing business activities, which include sustainable development and conservation of resources for future generations, there is a need to find out to what degree the companies "feel" their responsibility for their employees, public and society as a whole and how these principles are implemented in the company. [18; 19; 20]

It should be added that following these principles in daily business activities in some way can affect the company's competitiveness in the market.

Taking into account the fact that majority (79%) of companies have no opinion on the importance of the CSR concept, while only 20% are aware of the scope of this concept, it appears that only a small number of the companies has emphasized and included this concept in their business activities (see Fig.4)

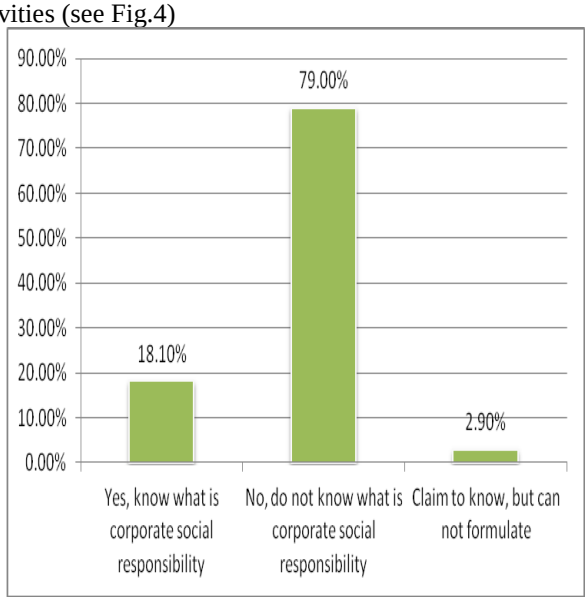

Fig.4: Awareness of the companies of the CSR concept. [developed by the authors]

Whereas, taking care of the employees (40%), the company's responsibility towards the society as a whole (35%), the company's responsibility towards the State (11%) are mentioned as the main components of the CSR concept, while nearly 14% of the surveyed companies could not precisely define what is the CSR (see Fig.5) .

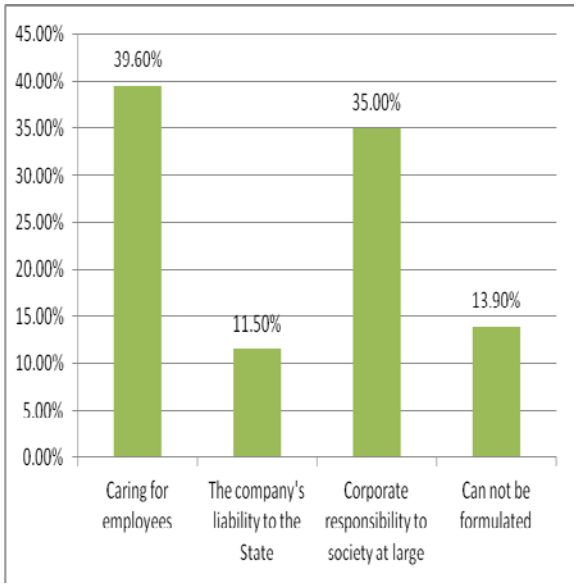

Fig.5: Components of the corporate social responsibility (CSR). [developed by the authors]

Consumers pay more attention to the fact either forest industry companies produce their goods in accordance with sustainable forest management principles.

This allows making a conclusion of what is the company vision and attitude towards sustainable forest management and its influence on their business companies.

Based on available information, it should be recognized that in Latvia more than 200 companies are certified according to the requirements of FSC (*Forest Stewardship Council*) certification system [2; 12; 16.], but only 6 companies are certified according to the PEFC (*Programme for the Endorsement of Forest Certification*) certification system requirements. [11; 15].

It is also important that companies monitor the quality of its operations with regard to ISO 9000 standards (*ISO - International Organization for Standardization*) and environmental monitoring (e.g. ISO 14000 standards) and have chosen to certify companies in accordance with the respective certification systems. [6; 7; 17].

Based on the aggregated results, it must be admitted that 80% of companies surveyed do not have any certification system.

Other companies have their business operations certified according to one of the certification systems. The authors highlight that 13.4% of the companies surveyed "comply with" the sustainable forest management principles in their business activities (see Fig.6).

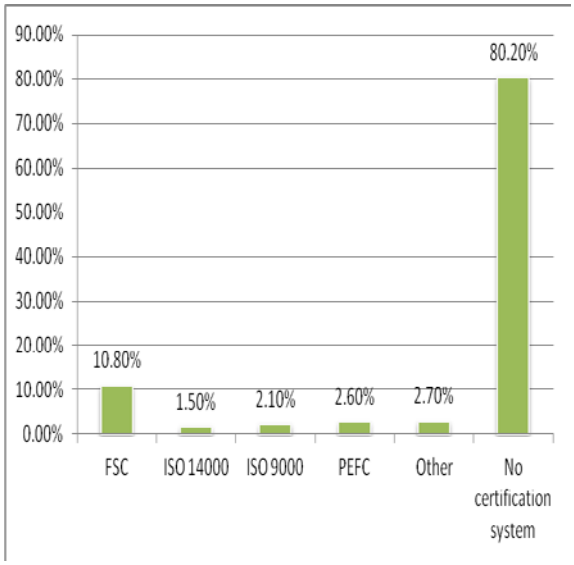

Fig.6: Current certification systems in companies [developed by the authors]

III. CONCLUSIONS

Evaluating the results of the study, the authors acknowledge that the respondent companies the competitiveness concept and its contents mostly identify by price, quality, and price-quality ratio, but the concept of competitiveness should be understood much wider and deeper as the price and quality are not the only factors affecting the competitiveness.

While, assessing the factors which positively or negatively influence forest sector competitiveness, it should be noted that the main factors that positively influence competitiveness of the companies are company employees and experience as well as high quality products and resource availability.

The authors conclude that companies themselves see their competitiveness positively influencing factors in the company's internal environment. Assessing the competitiveness negatively influencing factors, public policy and resource availability are mentioned as the main factors influencing competitiveness negatively.

It is important to note that many of the companies could not clearly and unambiguously define their opinion, because they believe that the State has many issues, which are not put in order, and sometimes contradiction between the actions performed by the State legislative and executive powers bodies are experienced.

Based on the answers provided by the companies regarding the factors which positively and negatively affect competitiveness of the company, the authors acknowledge that some of these factors are, company's internal environment factors, but part of them are external environmental factors.

While, in accordance with the acquired results regarding the main advantages of the companies over their competitors, mainly availability of resources (availability of timber resources, availability of skilled and loyal personnel) and the company's experience were indicated as the major ones.

Unfortunately, one fifth of the companies surveyed could not define their competitive advantage, some of them even said that their company does not have any advantage, but some expressed the view that "everyone is equal – all are the same".

It should be admitted that companies the competitive advantage of their company recognize directly within the company, that indicate the need for companies to find strength and development potentials in the internal environment by aligning and optimizing resources procurement – supply chain, manufacturing processes, product distribution, as well as implementing and increasing efficiency of strategic decision-making processes for business development and increasing the competitiveness.

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