

WORLD FORUM FOR A **SUSTAINABLE SOCIETY**

18th ANNUAL CONFERENCE

Social Sustainability
through Competitiveness
with Qualitative Growth

9-10 October 2015
Sofia University ▪ Bulgaria

www.clubofsophia.org



PROGRAMME

9 October

Friday

Aula Magna

- 08:00-09:00** **Registration**
- 09:00-09:30** **Opening Ceremony Chair: George Chobanov**
Prof. Dr. Joachim Schwalbach, Humboldt University – Berlin
Keynote Speech by: Ralph Andereg
The financial Stability – a Macroeconomic Perspective
- 09:30-12:30** **Research Panel on Sustainability**
Chaired by: Joachim Schwalbach
- 09:30-10:00** **Joachim Schwalbach:**
Reflections on the UN 2030 Sustainable Development Goals
- 10:00-10:30** **Silke Bustamante, Andrea Pelzeter, Andreas Deckmann,**
Rudi Ehlscheidt, Franziska Freudenberger:
The role of CSR for employer attractiveness and employee commitment – a case study approach of the German service sector
- 10:30-11:00** **George Chobanov, Ludmila Ivanova:**
Food Demand Elasticities and Sustainable Healthy Nutrition
- 11:00-11:15** **Muhammad Faraz, Aamir Feroz Shamsi:**
Improved HSE standards and its impact on Performance of textile industry
- 11:15-11:30** **Coffee Break**
- 11:30-12:00** **Kristina Harris:**
Networking the Relationships of Microenterprise Development in Bulgaria
- 12:00-12:15** **Dwariko Pfeifer:**
MeMa® Do we embrace change as an opportunity for transformation?
- 12:15-12:30** **Alexander Atanasov:**
The Survival of the French Manager State
- 12:30-14:00** **Lunch Break**
- 14:00-16:00** **Executive Panel on: Transformation between**
climate change and globalisation
Chaired by: Detelin Elenkov
- 14:00-14:30** **Dieter Flämig: Energy turnaround – Berlin 2050**
- 14:30-15:00** **Andreas Scholz-Fleischmann:**
Three Pillars of Sustainability and Innovation

PROGRAMME

- 15:00-15:30** **Marcus Hastert:**
Cascading Systemic Business Models: Creating Future 's profit
- 15:30-16:00** **Olivier Crevoisier:**
Sustainability: a Social and Economic Value construction
- 16:00-16:15** **Coffee Break**
- 16:15-19:15** **Research Panel on Governance for Sustainability
(New Conference room)**
Chaired by: Juergen Ploehn
- 16:15-16:30** **Rumyana Stoyanova:**
*The Labor Market for Health Professionals in Bulgaria –
Problems and Perspectives*
- 16:30-16:45** **Eleonora Stancheva-Todorova, Iliyana Ankova:**
Factors Influencing Professional Judgements of Accountants in Bulgaria
- 16:45-17:00** **Nadya Sokolova:**
The New Model for Measurement of Expected Credit Losses
- 17:00-17:15** **Elena Makrevska Disoska:**
*Sustainability of the growth strategy in the EU: is it suitable
for the CEE countries?*
- 17:15-17:30** **Aglika Kaneva:**
Bulgaria's accession to the Eurozone – perspectives and challenges
- 17:30-17:45** **Boyan Ivantchev:**
Sustainable Society and the Postmoney
- 17:45-18:00** **Anton Gerunov:**
*Irrational Agents and Economic Cycles: How Disagreement
and Herding Drive Volatility*
- 18:00-18:15** **Ivan Todorov:**
Estimating Bulgaria's Aggregate Production: Methodological Problems
- 18:15-18:30** **George Mengov:**
The Road to Socioeconomic Fractality
- 18:30-18:45** **Maria Vidolova:**
Methodology for Measuring Market Risk in the Bank
- 18:45-19:00** **Bancho Banov:**
*Is the Membership in EU always profitable? The case of Bulgaria,
the failure of KTBank and a wrong EU directive*
- 19:00-19:15** **Dinka Zlateva:**
Building an Online Brand Identity
- 19:15** **Cocktail party**

10 October

Saturday

New Conference Hall

- 09:00-12:30** **Research Panel on Sustainability**
Chaired by: George Chobanov
- 09:00-09:15** **Teodor Sedlarski:**
*Socio-Psychological Aspects of the Market Exchange
in an Unsustainable Society*
- 09:15-09:30** **Tsvetan Davidkov, Desislava Yordanova:**
Growth Plans of Bulgarian Family Businesses
- 09:30-09:45** **Miroslava Christova:**
*Strategic Behavior of Bulgarian Firms: Lessons from
a Longitudinal Study 2007-2015*
- 09:45-10:00** **Elena Stavrova:**
Liquidity Crisis or Crisis of Value – the Question is not Rhetorical
- 10:00-10:15** **Diana Tisheva:**
*Survey of the Students' Attitude Towards the Self-Service BI as a Topic in the
Curriculum of the Information Technologies and Systems Course from an MBA*
- 10:15-10:30** **Stoyan Tanchev:**
Flat Tax and Economic Growth: The Case of Bulgaria
- 10:30-10:45** **Raya Kanazireva:**
*Sustainable Entrepreneurship in the Context
of Stakeholder Capitalism*
- 10:45-11:00** **Albena Antonova:**
*How new technologies lead to new "rules of the game" – the role of
institutions and the impact of new technologies on the social change*
- 11:00-11:15** **Atanas Georgiev:**
*Regulatory Challenges for New Nuclear Energy Projects
in the Framework of the European Climate and Energy Policies*
- 11:15-11:30** **Carmine D'Arconte:**
Critical Aspects in an Indiscriminate Sales Policy
- 11:30-11:45** **Michel Landu:**
Invasion of African World
- 11:45-12:00** **Katharina Frosch:**
*Human capital for clean technology innovation:
Hiring and selecting R&D workers*
- 12:00-12:15** **Zhelyu Vladimirov:**
SME Innovations and Performance: the Mediating Role of Product Innovation

PROGRAMME

- 12:15-12:30** **Anastassia Bankova:**
What is New in the New Global Sustainable Development Goals (2030), Adopted by the World Leaders, Participating in the UN Summit, September, 2015, New York?
- 12:30-14:00** **Lunch Break**
- 14:00-18:00** **Doctoral Academy in Competitiveness: Strategy and Added Value**
Session organized and chaired by Joachim Schwalbach and Henrik Egbert
- 14:00-14:15** **Teodora Peneva:**
Energy poverty in Bulgaria – Current Situation and Measures
- 14:15-14:30** **Hristina Stoyanova:**
Transformation of Offshoring Partnerships: The Supplier's Perspective
- 14:30-14:45** **Nikolay Nikov:**
Problems and Future Outlook of the Regional Development of Bulgaria
- 14:45-15:00** **Marina Stefanova:**
Models for Inclusion of Corporate Social Responsibility into SMEs' Business Models
- 18:00-19:00** **Students' session**
- 18:00 -18:15** **Akbota Karibayeva:**
Diabetic foot as a disease that affects population depending on social class
- 18:15-18:30** **Abay Jumabayev:**
Children as a public good
- 19:00-20:00** **Conference roundup and a glass of wine**

Poster Session

WORLD FORUM FOR A SUSTAINABLE SOCIETY

18th ANNUAL CONFERENCE and Doctoral Workshop on

Social Sustainability through Competitiveness with Qualitative Growth

9-10 October 2015

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Venue:

Aula Magna Sofia University,
Tsar Osvoboditel blvd 15,
1000 Sofia, Bulgaria

Organized by:

CLUB OF SOPHIA



Hosted by:

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Faculty of Economics and Business Administration

Co-organized with:

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Faculty of Management, Economics and Social Sciences, University of Cologne

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THE SUSTAINABLE SOCIETY

Club of Rome initiated in the early seventies a worldwide movement concentrating on sustainable use of resources. Very soon, it became clear, that issues of environmental sustainability go beyond environmental protection and sustainable use of resources and involve economic and social sustainability of human society. Environmental sustainability grew up involving economic and social aspects of sustainability and forming the concept of a sustainable society.

Sustainable human society is functioning in harmony with laws of nature. It is based on environmental, economic and social balances.

Sustainable society could be developed by an international science-based movement, bringing incentives for changes in human behavior norms, for a new conception of the world, for the need of sustainable social and economic development of human society, for a new social agreement.

Two universities: Sofia University in Bulgaria, Humboldt University in Berlin, Germany are initiating a movement of all people who accept the idea for creating a sustainable society and would like to be involved in its development. For coordinating the movement towards a sustainable society, 12.10.2012 in Aula Magna of Sofia University, Club of Sophia was founded.

Club of Sophia

Club of Sophia is a forum addressing those, who share a value system, based on harmony of society and nature, on balance of individual and common, on private and public, on efficiency and necessity.

A harmony of society and nature perception has deeper roots in ancient civilizations expressing their wisdom.

Goddess of wisdom Sophia is the Club of Sophia symbol.

Club of Sophia is for all people, who like to live in a wise society. Wise society is synergistically sustainable in its three aspects: ecological, economic and social.

We do not wait for the Prophet. The communicating, feeling and creating human society is the Prophet. We do not only recognize problems, we suggest solutions.

We promote an interdisciplinary movement towards a science of global sustainability – with a strong and efficient transfer to practical users.

World Forum for a Sustainable Society

WORLD FORUM FOR SUSTAINABLE SOCIETY is inviting scientists, researchers, educators and entrepreneurs to share ideas, theoretical developments and good practices in order to find ways of creating a sustainable society.

Financial and economic crises last years made clear, that sustainable social and economic development of human society requires basic changes in economic theory, human behavior norms and the value system of society.

Existing economic theory is basically build up on the dominance of the own utility principle. This is a necessary, but not sufficient condition for sustainable societies. For its sustainability, society needs a long term balance by adding the common utility principle based on the necessities of today and tomorrow. Balance of public and private utility allows harmony in a society for a longer period of time. This balance of contradictory complementarities is implemented already in the classical works of Adam Smith "The Wealth of Nations" and "The Theory of Moral Sentiments". Unfortunately, most of the later developments in modern economic theory were concerned with the first reference, ignoring the second one. This brought essential distortions in human value system and behavior norms, being directed mainly towards a society of profit maximization and disregarding social issues.

Social aspects belong to every serious economic theory. The simple fact, that human beings are social beings has been recognized in ancient time by great philosophers like Aristotle but quite often disregarded. Ignorance of human beings social nature is a main reason for economic system misbalances and non sustainability like economic and financial crises with catastrophic implication for human society.

People have a common code, a common spiritual space. Common is more essential than particular. Society could exist without every of its individual members but not vice versa.

Currently, theoretical developments, mainly in Institutional Economics are concerned with rules and behavior norms in human society.

In the recent past, we were able to recognize tendencies like Good Corporate Governance, Corporate Social Responsibility, Social Entrepreneurship, approaching common values of human society.

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ABSTRACTS

HOW NEW TECHNOLOGIES LEAD TO NEW “RULES OF THE GAME” – THE ROLE OF INSTITUTIONS AND THE IMPACT OF NEW TECHNOLOGIES ON THE SOCIAL CHANGE

Albena Antonova

New technologies lead to many economic and social changes. The world economy transformed substantially during the last few decades and we can hardly predict how our societies and companies will look in the next years. The effects that information technologies and Internet have on businesses are evident – companies become more efficient, physical products become cheaper, e-business and global trade expanded, business processes between organizations become coordinated in complex boundary-less conglomerations and international chains. In the same time, due to intensified global competition, many companies and SMEs struggle, even innovating constantly and working with shorter product life-cycle. More companies in Europe face the realities to relocate their activities to destinations with cheap labor costs, to close operations or to become part of larger structures. In this dynamic situation, even new technologies are already available on the market like robots, 3d printers and internet of things, promising to transform profoundly our society as a whole. Following these trends we can see that the requirements for the labor force change substantially, opening many questions and discussions for future societies. While some professions and industries still have a “digital multiplier” (like programmers) many others are expected to disappear or to become obsolete in the next decade of driver-less cars, drones and robotized production facilities.

With the digital economy many new flexible labor options emerged as part-time work, tele-work, freelancers, digital entrepreneurs and micro-companies, that replace the permanent labor contracts. People get more options to earn money sharing their car (Uber), their flat (airbnb), selling C2C or old stuff (ebay), promoting on social media (FB, Tweeter) or making crafts (etsy). Thus more companies and people use technologies to improve inefficiencies, to provide more value for customers and to discover more hidden opportunities. However, new emerging economy cannot fit in or hardly involve the existing social structures that are inherited from the past. Permanent labor contracts and social protection mechanisms often become too costly, risky and binding for companies.

However, all institutions and systems in our economy as educational system, social security and retirement systems, healthcare and labor tax systems, banking, financing and insurance systems – all of them are organized around permanent jobs and constant cash flow streams. How new labor options will replace or co-exist with permanent jobs? How societies and institutions will react and reform facing these new requirements?

In our article we will discuss the role of institutions as setting the “rule of the game”, and we will analyze how they can respond on the current technological challenges. We will point out some of the main characteristics of the labor force today in EU (including the NEET population, young unemployment, social security systems, company restrictions and others). Then we will identify the main social systems and institutions that are directly connected to the social change. Finally we will provide more argumentation for some of the popular debates (as for example the case of UBER, the value/price of education and the options of life-long learning as Coursera and others).

Our research comes in a moment of high differentiation between different social groups, shrinking middle class, deepening social crises and increasing social unrest, opposed to expanding global wealth. While technologies cannot fix social problems, we believe that they can provide more instruments for institutions to reach the sustainable society of tomorrow.

“WHAT IS NEW IN THE NEW GLOBAL SUSTAINABLE DEVELOPMENT GOALS (2030), ADOPTED BY THE WORLD LEADERS, PARTICIPATING IN THE UN SUMMIT, SEPTEMBER, 2015, NEW YORK?”

Anastassia Bankova

The paper compares the UN Millennium Development Goals (2000-2015) and the Global Sustainable Development Goals (2016-2030), newly adopted by the World leaders from all UN member countries. It presents the leading idea of the goals orientation and speculates on the expected approach of their implementation. To the strengths of the new approach belongs the consideration of all countries as developing in aspect “sustainable development”. The paper analyses the potential weaknesses of the new goals – the lack of explicit given goal about the elaboration of the paradigm change in doing business and society development as the most important global challenge, the problems of integration

of the voluntarism in this paradigm and its implementation, the dominating approach of improving parts (subsystems) instead of improving the system as whole and others.

IRRATIONAL AGENTS AND ECONOMIC CYCLES: HOW DISAGREEMENT AND HERDING DRIVE VOLATILITY

Anton Gerunov

The drivers of economic volatility present a natural point of interest where macroeconomic theory, forecasting and policy-making intersect. Large-scale rational expectations DSGE models are sometimes used to represent the economy and follow its development over time but their results are not always satisfactory. In particular, economic fluctuations are largely driven by exogenous factors and the volatility of the simulated economies tends to be more subdued than what is observed in practice. Here we present a small behavioral DSGE model which explicitly models agent heterogeneity in expectations formation. Such approach allows us to study how market sentiments are able to generate and sustain the business cycle even in the absence of significant exogenous shocks. Moreover, we will explore the role of adaptive reasoning and herding behavior in driving economic fluctuations in order to outline possible venues for further research and inform public policy.

REGULATORY CHALLENGES FOR NEW NUCLEAR ENERGY PROJECTS IN THE FRAMEWORK OF THE EUROPEAN CLIMATE AND ENERGY POLICIES

Atanas Georgiev

During the liberalization of the national electricity markets in the European Union, the capital-intensive electricity generation such as nuclear energy faces new challenges. The rise of renewable energy sources and their participation in the wholesale markets through power exchanges and bilateral contracts lead to lower prices and intermittency of the system loads. This report explores the current challenges and outlines some new regulatory mechanisms for ensuring the availability of capital-intensive capacities through “contracts for differences” for new nuclear units as well as for existing power plants.

IS THE MEMBERSHIP IN EU ALWAYS PROFITABLE? THE CASE OF BULGARIA, THE FAILURE OF CT BANK AND A MISCALCULATED DIRECTIVE OF EU

Bancho Banov

On 22 April 2015 Sofia District Court decided to declare Corporate Trade Bank to be insolvent and terminated its activity. This is a normal process for a country with a market economy. Except for one: Guarantee of the deposits: The CT Bank was a rather big bank, and the Bulgarian Deposit Guarantee Fund had to pay approximately 3,8 billion Leva or 1,9 Billion Euro. GDP of Bulgaria for 2014 was 82,164 million leva. I.e. the Guarantee was 4,62% of Bulgarian GDP. Deposit Guarantee Fund did not have that much money, so the state had to borrow a loan of 1,6 Billion leva or 800 Million EUR to cover Fund's deficit. The amount was that big because the level, guaranteed for a citizen was 196 000 leva or 100 000 EUR. The amount was that big, because it was fixed in EU Directive 94/19/EC, amended with proposal No.2008/0199(COD) made on 15.X.2008. The survey discusses whether the guarantee level is too high for a low income country like Bulgaria.

SURVEY OF THE STUDENTS' ATTITUDE TOWARDS THE SELF-SERVICE BI AS A TOPIC IN THE CURRICULUM OF THE INFORMATION TECHNOLOGIES AND SYSTEMS COURSE FROM A MASTER PROGRAM OF BUSINESS ADMINISTRATION

Diana Tisheva

The term Business Intelligence (BI) has become widely used to refer to the analysis of vast amounts of corporate data during the last decade. The most recent move is towards utilization of the Self-Service BI as one of the most important tools to support the decisions not only of the big companies but also of the smallest ones. Thus it was supposed that the inclusion of this technology in the curriculum for a Master Program in Business Administration will make the course in Information Technologies and Systems more attractive and oriented towards the needs of the business. This paper presents the approach used to deliver the subject matter and a comparative study of the students' feedback that reveals their opinion in the beginning and at the end of the course.

BUILDING AN ONLINE BRAND IDENTITY

Dinka Zlateva

The new business environment puts the entrepreneurs daily to the test. Today, it is increasingly difficult to attract consumer attention, and even more difficult to turn the customers into loyal clients. Technological changes put high demands on companies that are well within the reach of the ultra-modern entrepreneurs who realize the power of the Internet as a natural environment in which "lives" the new type of user. Creating a sensation and passing the gap between off-line to online reality with enhancing the customer experience is the key to successful online positioning through building a strong brand, which involves the user in an interactive dialogue with the company.

SUSTAINABILITY OF THE GROWTH STRATEGY IN THE EU: IS IT SUITABLE FOR THE CEE COUNTRIES?

Elena Disoska

Over the past two decades, the European Union (EU) was holding its positions on the world market competing with the USA and Japan, as well as new rivals such as China and India. However, even before the crisis, the productivity growth had been slowing down and the internal and external balance was imperiled by the different economic structures of the member states. The EU faced the serious challenges of losing world market positions due to the loss of competitiveness.

This paper argues about the sustainability of the current economic policies of European Union. The influence of the world crisis only aggravated previously existing needs for readjustment of the functioning of the Union. Not only that the crisis showed that the problems in the Union were not created recently (long-term structural imbalances, weaknesses of the EU-level governance structures and "frozen" enlargement strategy) but, also it demanded urgent needs of new improved policy in order to regain the economic strength and performances.

Overall growth has become anemic and irregular and there is high and persistent unemployment. Contrary to declarations (and efforts), the new European system does not promote sustainable catch-up of income levels of poorer regions and countries. The

orientation of national fiscal and wage policies has become non-cooperative to the point of becoming mutually harmful (the 'Beggars-Neighborhood' attitudes). The common currency and the common monetary policy as conducted by the European Central Bank proves to be an instrument of disintegration (Laski and Podkaminer, 2012).

The EU is consisted of low, middle and high income countries, and therefore the question is whether the current economic policies are really suitable for all of the EU member states. Are they differentiating between countries or are they dominated by "the best practice policies"? Special emphasis is given to the Central Eastern European (CEE) countries and their experience of implementing "the best practice model" for more than a decade. It seems that the economic model of transformation into the market economy and integration towards the EU, followed by liberalization of the markets, privatization, sound fiscal policies and large FDI inflows, did not proved to be the best suitable model for these countries.

There is obviously a need for a well-designed reform agenda that could boost productivity and economic growth. The CEE countries need to change their economic model from finance-dependent and debt-intensive growth based on externally financed consumption towards growth driven by investments (directed to the tradable sector) and make improvements in the productivity by innovations. There is also need for: industrial upgrading, re-industrialization, increasing the flexibility of the labour market, adjusting education to the needs of contemporary labour markets, improving the business and investment climate, governance and rule of law, fighting corruption and organized crime, etc.

The main change that is needed in the CEE countries is orientation towards more knowledge-intensive sectors, which require improving innovativeness, and higher spending on research and better education. Since, low cost production is no longer comparative advantage for the CEE countries, due to the competition that came from the emerging markets (particullary in Asia), the CEE needs to adopt a new strategy. The countries needs to find a way to combine their own R&D and innovative activity with absorption and adaption of foreign knowledge – smart specialization (Radosevic, 2014).

On the other hand, the reformulated strategy of the EU needs to be based on openness and innovation. Deepening the Single Market by removing the trade barriers is needed. Except trade liberalization, there is a need for a financial sector reform such as completing the Banking Union. Strengthening fiscal and macroeconomic discipline will help to improve growth prospects. It is clear that the effects of deep integration of the EU has not yet been achieved, and expected benefits may not be realized, if internal and external balance of the Union is not maintained.

FACTORS, INFLUENCING PROFESSIONAL JUDGEMENTS OF ACCOUNTANTS IN BULGARIA

Stancheva-Todorova, Eleonora / Ankova, Iliyana

Nowadays companies' economic activities are becoming more complex which makes professional decision making process much harder to different parties involved. Financial reporting focus is shifting towards accounting policies disclosure, accounting estimates and professional judgements as they bring bias into financial statements preparation.

The purpose of this paper is to study factors, influencing professional judgements of accountants in Bulgaria in applying the requirements of the International Financial Reporting Standards (IFRSs). These factors are characterized with a diversity, interdependence and complex influence and they should be considered with attention. Most of them are analysed in the current paper.

Some possibilities for efficiency improvement of accountants' professional judgements in our country are considered based on best international practices, including a new and more active role of Bulgarian higher accounting

THE ROLE OF CSR FOR EMPLOYER ATTRACTIVENESS AND EMPLOYEE COMMITMENT – A CASE STUDY APPROACH OF THE GERMAN SERVICE SECTOR

Silke Bustamante, Andrea Pelzeter, Andreas Deckmann, Rudi Ehlscheidt, Franziska Freudenberger

Due to the skilled worker shortage in many western societies companies increasingly seek to enhance their attractiveness to recruit and bind employees. Along with these, the new generation of employees expects a good and fair working atmosphere, possibilities for training and development and a good work-live balance (enacatus 2014). At the same time corporate responsibility for social and ecological aspects seems to have positive impacts on employer attractiveness (Bustamante & Brenninger 2014): it is a way to respond to the altering values and expectations of potential company members and at the same time implies fairness and the intention to care for employees.

Academic literature until now focuses on the relationship between CSR perception and commitment and/or employer attractiveness (e.g. Brammer et al., 2007; Ditlev-Simonsen 2012; Turker, 2009; Albinger & Freeman, 2000; Greening & Turban, 2000; Bustamante & Brenninger 2014). The current paper aims to take a more holistic view: Based on the study of 6 German companies of the service sector we analyze the relationship between CSR performance, its communication and perception and the resulting effects on employer attractiveness and employees' commitment. In a first step we evaluated CSR performance using a self-evaluation tool for 27 CSR related items within a five-dimensional differentiation of CSR (corporate governance, ecology, employees, market and society). In a second step middle management employees were invited to discuss which general employer-related attributes are most relevant to them and to evaluate the specific relevance and importance of the before mentioned 5 CSR dimensions and 27 CSR items. These intermediate and partially surprising results will be discussed in this paper. Further steps of the research project incorporate a communication analysis and a quantitative survey of employees in order to find out the relative importance of CSR aspects for employer attractiveness and commitment.

TRANSFORMATION OF OFFSHORING PARTNERSHIPS: THE SUPPLIER'S PERSPECTIVE

Hristina Stoyanova

Companies from the U.S. and Western Europe first relocated manufacturing to Asia, afterwards customer services and research & development moved to India, Latin America and Eastern Europe, is senior management going to be the next to be offshored to the East? This PhD research aims to offer a model that will help understand the transformation of the offshoring partnership between the client (the company that hands off internal functions to a foreign company to perform) and the supplier (the company that performs functions on behalf of a foreign client) over time. Empirical data from 12 case studies from Bulgaria is used to describe the features of the partnership from the supplier's perspective in dynamics and identify the factors that the supplier needs to focus on to enhance the quality, the value and the duration of its relationship with the client.

ESTIMATING BULGARIA'S AGGREGATE PRODUCTION: METHODOLOGICAL PROBLEMS

Ivan Todorov

The present article discusses five equilibrium approaches to estimating elasticities in Bulgaria's aggregate production function. The study has two objectives: first, to identify the best equilibrium approach to calculating elasticities in Bulgaria's aggregate production function; and second, to measure quantitatively the contributions of capital, labor and total factor productivity to Bulgaria's economic growth under a currency board arrangement (CBA). An econometric procedure—ordinary least squares (OLS) estimation of Bulgaria's aggregate production function—has been used to determine the best equilibrium approach to calculating elasticities in this function. The OLS estimation has demonstrated that the first equilibrium approach, which is based on the final expenditure structure of Bulgaria's gross domestic product (GDP), provides the most reliable results of all five equilibrium approaches. The second objective of the research has been accomplished by applying the growth accounting (GA) technique to Bulgaria for the period 1997-2013. The GA results imply that total factor productivity and capital stock have been the main supply-side determinants of economic growth in Bulgaria under a CBA.

NETWORKING THE RELATIONSHIPS OF MICROENTERPRISE DEVELOPMENT IN BULGARIA

Kristina VanOverschelde Harris

Bulgarian small businesses are significant contributors to business growth and employment opportunities, but the lack of capital and inadequate managerial skills lead to instability. Some Bulgarian MED leaders lack the strategies to help sustain small businesses in Bulgaria. Guided by the actor-network theory, the purpose of this case study was to explore strategies that MED leaders use to help sustain small businesses in Bulgaria. Semi-structured focus group data were collected from a MED Bulgarian business in Rhodope Mountain Region. Company data consisting of financial reports, marketing presentations, and company business plan were also collected. The data analysis entailed using keyword frequency comparisons, coding techniques, and cluster analysis. Three themes were identified: (a) access to financial and non-financial capital, (b) networking and relationships, and (c) sustainability and scalability. The key themes indicated that the participants' strategies and scalability

impede their ability to expand and service more small business owners. The recommended change in business practices of MED leaders included the formalization of networks of other MED leaders and partner organizations to efficiently meet the demands of the Bulgarian small business market. The implications for social change include poverty reduction and development of human potential by making financial and nonfinancial capital more accessible to entrepreneurs.

METHODOLOGY FOR MEASURING MARKET RISK IN THE BANK

Maria Vidolova

The methodology presented in detail applied by some commercial banks methods and assumptions for measuring market risk and specific interest. The methodology applied for the calculation of the meter "Value at Risk" (VaR). The methodology is based on the experience of a particular commercial bank for use of Monte Carlo simulation on the basis of specific data on bank's trading book. 5 000 cases are used for simulation calculations portfolio.

MODELS FOR INCLUSION OF CORPORATE SOCIAL RESPONSIBILITY INTO SMEs' BUSINESS MODELS

Marina Stefanova

This work aims to create an empirical model and determine the factors for implementing CSR into SMEs in Bulgaria. The author seeks to discover the relationship between market performance of companies and their CSR activities. Subject of the analysis are SMEs (28,265), which make up to 7.49% of all enterprises in Bulgaria. The survey is performed between 2012-2014. As a result, it contains responses of 309 owners or managers of small and medium-sized companies in the country. On this basis the author seeks to develop a model that summarizes the key elements that influence the implementation of CSR in SMEs in the Bulgarian economy.

The theoretical base of the research is built upon the literature synthesis of the understanding and the factors of adoption of CSR into SMEs from the academical publications. On this basis key effects of these factors upon the existence or lack of socially-responsible practices into SMEs

are detected and systematized. The main theories derived from the literature are the theories of social contract, liability, public welfare and shared values. In addition, SMEs' behaviour may be also explained with the concepts of social capital, social license, good governance, business ethics and others. They affect different aspects of corporate social responsibility and can be applied simultaneously in the analysis of the successful implementation of CSR.

The inclusion of CSR practices into SMEs business models can be analytically divided into two stages. The first stage focuses on the understanding of CSR. It contains the assumption that CSR applies to them. The second stage focuses on the regular application of CSR. It proves that CSR activities are appropriate and relevant for the particular companies and their primary business.

The thesis of this paper claims that CSR practices in SMEs depend on internal and external factors, the most significant of which are the interest and partnership with the most important stakeholders, the system management and own patents/trademarks; the impact on the company performance, the obstacles and the incentives to further promote these activities.

The factor analysis proves that the main elements of performing CSR activities are connected with the existence of a clear monitoring of the benefits, external market approval, supportive legal framework and active partnership with some of the other stakeholders. In the same time the role of the owner and employees proves to be extremely important.

THE NEW MODEL FOR MEASUREMENT EXPECTED CREDIT LOSSES

Velinova, Nadya

In July 2014, the IASB issued IFRS 9's impairment requirements, containing detailed guidance on the recognition of expected credit losses. The requirements affect all entities that hold debt-type financial assets or issue commitments to extend credit that are not accounted for at FVTPL. In publishing these requirements, the IASB aims to rectify what was perceived to be a major weakness in accounting during the financial crisis of 2007/8, namely the recognition of credit losses at too late a stage. IFRS 9 does not retain the practical expedient available in IAS 39 to measure impairment on the basis of an instrument's fair value using an observable market prices.

In the current research the new model for the measurement expected credit losses have been analyzed. The basic principles of disclosures the effects of the measurements have been presented.

PROBLEMS AND FUTURE OUTLOOK OF THE REGIONAL DEVELOPMENT OF BULGARIA

Nikolay Nikov

This report aims to present the main aspects of the Regional Development in Bulgaria by criticizing the inability of our society to deal with the major national challenges. The report will lay out two completely independent economic issues, namely the circular economy and energy sector. The report will illustrate how the Bulgarian society fails to identify the main problems in the country and cannot bring the effects of these national events in the development of the country's regions. The document proposes a new model of economic development and points out the necessary further actions. Bulgaria has a great future but needs to properly establish the principles of democratic capitalism in the national economy and disassemble the economic and political power. Otherwise, the subject of regional development will find place only in academic papers and pre-election campaigns.

SUSTAINABLE ENTREPRENEURSHIP IN THE CONTEXT OF STAKEHOLDER CAPITALISM

Raya Kanazireva

The article examines the application of strategic management to corporate entrepreneurship and stakeholder model. Stakeholder capitalism, shared value and CSR theory and practice are critically examined. A comparison between benefit corporation and certified B corp vs other business is drawn. A stakeholder entrepreneurship framework with relevant metrics is proposed. The practical perspective of sustainable business in B corp movement is reviewed with example of European sustainable banking practice.

THE SURVIVAL OF THE FRENCH MANAGER STATE

Alexander Atanasov

The paper tries to answer the question 'how can we improve the regulatory role of the French Manager State based on macroeconomic theory'. Part one gives practical examples of failed and successful financial and non-financial regulation from both the US and France. The purpose of this paper is to show how the French Manager State can emulate the successful examples of macro-economically conscious regulation. The solution proposed is transformation of elements of macroeconomic theory into legal principles. Although dealing with specific French and US regulation, analogies of how other countries can booster economic development through the application of the principles of law and macroeconomics can be made.

GROWTH PLANS OF BULGARIAN FAMILY BUSINESSES

Tsvetan Davidkov, Desislava Yordanova

Extensive research on firm growth has been done in Western market-based economies [1]. However, the research findings in Western economies may not be applicable to transition economies due to differences in the institutional environments [1]. The research objective of this study is to identify individual, organizational and environmental influences on the presence of growth plans in a sample of Bulgarian family enterprises. The paper provides a discussion of implications for practitioners and suggestions for future research.

SME INNOVATIONS AND PERFORMANCE: THE MEDIATING ROLE OF PRODUCT INNOVATION

Zhelyu Vladimirov

The innovation management literature shows mixt results in respect to the "innovation-performance" relationships, which might be due to different contributions of different types of innovations to performance, and to the mutual interaction of types of innovations. Based

on data of 500 manufacturing SME this study tested a path model with the mediating role of product innovations between process innovations and other external and internal factors, and performance. The factors were extracted through exploratory factor analysis.

The results reveal that product innovations impact directly and positively on performance, while process innovations and external factors have positive and significant, but indirect influence on performance. Firm size and export orientation have a direct and significant impact on both product innovations and performance. Therefore product innovations mediate fully the effects of process innovations and external factors and partially the effects of internal factors on performance. Based on the positive and indirect contributions of process innovations to performance, some practical implications are proposed.

LIQUIDITY CRISIS OR CRISIS OF VALUE – THE QUESTION IS NOT RHETORICAL

Elena Stavrova

The global financial and economic crisis after 2007th provoked not only the stability of the global economic system, but the system of principles of ethical behavior, generally accepted endured the pressure of time thousands of years ago. The series of financial scandals, financial bubbles, and boundless attempts to launder money of unknown origin or criminal activity complemented annals summarizing criminal failures played a destabilizing effect on the financial markets and the economic system as a whole internationally.

Replacement of the basic principles of corporate governance of banks, investment funds, credit rating agencies, financial analysts, the central banks of mismanagement and deforming vision of reality, as happens with the characters from Andersen's fairy tale "The Kings new clothes" led a collapse in trust in business with money from the general public – and depositors and investors simultaneously.

Liquidity crisis or a crisis of values – hardly these two reasons that caused the collapse of Corporate Commercial Bank – one of the banks with a competitive market share and the complex structure of the investment portfolio.

Measuring and evaluating the impact of this bankruptcy with its financial and non-financial dimensions will be the subject of this study.

SOCIO-PSYCHOLOGICAL ASPECTS OF THE MARKET EXCHANGE IN AN UNSUSTAINABLE SOCIETY

Teodor Sedlarski

Analyzed are the socioeconomic phenomena of negative external effects of status gains and relative deprivation in the context of the newest insights from behavioral economics. Consequences of the 'hedonic treadmill' for contemporary patterns of consumption, utility and life satisfaction, as well as of cognitive biases for human behavior on 'superstar markets' are outlined. Economic conclusions are drawn for the long-term sustainability of a social organization based on free market exchange and features of alternative social orders are discussed.

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