

LogOn Baltic Regional reports
44:2007



EXPERT INTERVIEWS IN LATVIA -

**Results and analysis of the
intersectoral expert interviews in
the field of logistics and ICT**

**Riga City Council and
Rode & Weiland Ltd.**



Project part-financed by the European Union
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Riga City Council and Rode & Weiland Ltd.

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EXECUTIVE SUMMARY

This report summarises the findings of interviews conducted with 12 experts representing manufacturing and retail industries, logistics consultants and services providers, research institutions, as well as local authorities and support initiatives in Latvia. Interviews were complemented by a roundtable discussion with some of the experts.

Expert interviews were conducted in the framework of the LogOn Baltic Project financed from the EU Interreg III B programme. Its aim is to present solutions to improve the interplay between logistics & ICT competence and spatial planning and strengthening the competitiveness of small and medium enterprises in the Baltic Sea Region (BSR). There are 10 regions and more than 30 partners involved in the project. Latvia as a region is represented by Riga City Council, Logistics and Customs Brokers Association, as well as the Transport and Telecommunications Institute.

Interviews were based on a standardised questionnaire for all regions and covered five main topics: trends in relation to logistics and information and communication technologies, business connections in BSR, regional development, education and skills, and future outlook.

The results of the interviews indicate that the two key trends affecting the logistics sector are globalisation processes and Latvia's accession to the EU. Latvia is well positioned to exploit its location on the China – Western Europe axis, but taking advantage of it is a matter of coordinated policy development and planning.

Key problem issues in Latvia are the inadequate quality of especially physical transport infrastructure, and the somewhat obsolete system of education in logistics-related disciplines.

Public and private sector players need to develop new forms and instruments for a mutually beneficial dialogue, as well as learning from experience of the 'old' EU countries.

KOPSAVILKUMS

Šajā ziņojumā apkopoti rezultāti intervijām ar 12 ekspertiem no organizācijām, kas pārstāv Latvijas ražošanas un tirdzniecības nozares, loģistikas konsultāciju un loģistikas pakalpojumu sniedzēju uzņēmumus, pētniecības iestādes, kā arī pašvaldības un atbalsta institūcijas. Papildus intervijām tika organizēta apaļā galda diskusija ar vairākiem intervētajiem ekspertiem.

Intervijas ar ekspertiem tika veiktas Eiropas Kopienas finansētās iniciatīvas Interreg III B projekta LogOn Baltic ietvaros, kura mērķis ir sekmēt mazo un vidējo uzņēmumu attīstību, sniedzot tiem atbalstu jomās, kas saistītas ar loģistikas un informācijas un komunikāciju tehnoloģiju (IKT) kompetences paaugstināšanu. Projektā ir iesaistījušies 10 reģioni un vairāk kā 30 partneri. Latviju šajā projektā pārstāv Rīgas domes, Loģistikas un muitas brokeru asociācija, kā arī Transporta un sakaru institūts.

Ekspertu interviju pamatā bija LogOn Baltic projekta vadošo partneru izstrādāta aptaujas anketa, kura aptvēra šādas piecas jomas: tendences saistībā ar loģistiku un IKT, biznesa kontakti Baltijas Jūras reģionā, reģionālā attīstība, izglītība un prasmes, kā arī attīstības perspektīvas.

Interviju rezultāti parāda, ka divas galvenās tendences, kas ietekmē loģistikas sektoru, ir globalizācijas procesi un Latvijas pievienošanās ES. Latvija ir izdevīgi novietota uz Ķīnas – Rietumeiropas ass, taču, lai pilnā mērā izmantotu tās sniegtās priekšrocības, nepieciešama koordinēta politikas izstrāde un plānošana. izmantošana.

Galvenās attīstības problēmas Latvijā ir nepietiekamas kvalitātes fiziskā transporta infrastruktūra, un zināmā mērā novecojusī izglītības sistēma ar loģistiku saistītajās jomās.

Valsts un privātā sektora pārstāvjiem jāmeklē jaunas savstarpējā dialoga formas un instrumenti, kā arī jāapgūst 'vecu' ES valstu pieredze.

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LIST OF ABBREVIATIONS

BSR	Baltic Sea Region
DEMIA	Development Measure Impact Analysis
e.g.	For example
ERDF	European Regional Development Fund
EU	European Union
GDP	Gross Domestic Product
GPS	Global positioning system
ICT	Information and Communication Technology
IS	Information system
IT	Information Technology
PPP	Public Private Partnership
RCC	Riga City Council
SMEs	Small and Medium sized Enterprises
TTI	Transport and Telecommunications Institute
UK	United Kingdom
VAT	Value Added Tax

1 INTRODUCTION

1.1 Project introduction – LogOn Baltic

The LogOn Baltic project was approved within the Baltic Sea Region (BSR) INTERREG III B Neighbourhood Programme, which is sponsored by the European Regional Development Fund (ERDF), as part of the Structural Funds, and co-financed by national project partners.

The purpose of LogOn Baltic is to present solutions to improve the interplay between logistics and Information and Communication Technologies (ICT) competence and spatial planning and strengthening Small and Medium-sized Enterprises (SMEs) competitiveness in the BSR. This is primarily done by the production and dissemination of information for regional development agencies on how to support enterprises in the participating regions in the field of ICT and logistics, thus improving regional development.

The following regions are participating in the project:

- South-West Finland
- Östergötland (Sweden)
- Denmark
- Southern Metropolitan Region of Hamburg (Germany)
- West-Mecklenburg (Germany)
- North-East Poland
- Lithuania
- Latvia
- Estonia
- St. Petersburg (Russia)

LogOn Baltic provides an overview of logistics efficiency and logistics information systems and their exploitation, in order to improve the interaction between SMEs and other public/private actors.

On the one hand, the empirical activities of LogOn Baltic compare the existing logistics services and infrastructure with the logistics needs in the participating regions, making it possible to develop perspectives and action plans for strengthening the logistics competence in the

regions. On the other hand it describes the existing ICT infrastructure and services, revealing up to what extent they meet with the companies' needs for further development. In this way, LogOn Baltic focuses on:

- a. identifying development agencies and evaluating their performance in each region
- b. evaluating the level of logistics and ICT efficiency
- c. suggesting concrete actions for regional and local public sector bodies

Data are gathered in each participating region using four tools, Development Measure Impact Analysis (DEMIA), Logistics survey, ICT survey and Expert Interviews; each of these is presented in a separate report. These results together with secondary data is presented in a regional report, that will describe the state of affairs in the region, with recommendations on what and how the region needs to develop. The regional reports are used as a basis for making an interregional comparison which is reported in an inter-regional report. All reports are available on the project homepage, www.logonbaltic.info.

1.2 Regional partner introduction

In Latvia the leading regional partner is the Riga City Council. The project is implemented also in cooperation with the Logistics and Customs Brokers Association and the Transport and Telecommunication Institute.

Riga City Council is the local government of Riga, Latvia's capital and its most significant economic centre. RCC has been a lead partner or a partner in a number of Interreg and Phare CBC projects, as well as other EC initiatives. Riga City Council has accrued a grounded expertise in EU project management and coordination; it includes projects like Riga Northern Transport Corridor (Northern Corridor), which is the largest transportation infrastructure project in Riga over the last decades. The goal of the project is to create a new transit highway through the city in the west-east direction bypassing the historical centre of the city. It will include Riga Port into the Trans-European Transport Network and will improve the competitiveness of Latvian East-West transport corridor.

Logistics and Customs Brokers Association¹ was established in 1997, with the initial aim of promoting the trade of customs brokers in Latvia through the development of the appropriate legislative base. When the new institution of “customs brokers” was established, the association refocused to develop other elements of business logistics besides customs issues. It acts as a cooperation platform for all interested parties regarding business logistics and customs clearance, as well as aims to promote the development of qualification and education standards in the field.

The work of the **Transport and Telecommunications Institute**² (TTI) is aimed at making productive contributions to the continued progress of the transportation industry of Latvia, in particular through conducting applied research and development work in contemporary and future transportation issues. The Institute encourages collaborative work between practitioners from both private and public sectors and the academics in various facets of transportation research relevant to the needs of Latvia. TTI also has a long experience in transport and logistics teaching.

1.3 Expert interview introduction

Some of the main methodologies used within the LogOn Baltic project are expert interviews and empirical web-based surveys based on a large number of respondents. While the surveys mainly focus on the current status and needs of the logistics community and allow for a quantitative analysis, the expert interviews mainly follow a qualitative approach. The aim is to investigate regional strengths and weaknesses with respect to logistics and ICT. Nevertheless, expectations and future visions of different kinds of institutions and companies are to be determined as well.

The willingness to answer questions in a greater depth and in an open discussion can only be achieved by personal and individual conversations with selected interview partners. Furthermore, it is not only the aim to analyse the current situation but also the background and causes which lead to this situation as well as to give recommendations and to determine future trends of regional

¹ Description of the partner is based on the information from www.lmba.lv.

² Description of the partner is based on the information from www.tsi.lv and www.logonbaltic.info.

development. Thus, the complexity and multifariousness of the research questions require personal interviews and a qualitative approach. With ten to fifteen interviews it is possible to cover the major views on regional development regarding logistics and ICT.

The expert interviews will play an important role in the stage of the project when it comes to the development of a comparative report on the Baltic Sea Region (BSR). Since expert meetings will take place in all participating regions around the Baltic Sea, best practices and recommendations will be deduced for the regional decision makers.

2 INTERVIEW DESIGN

2.1 Target group and sample

The objective was to choose a heterogeneous target group, in order to guarantee for an analysis from as many perspectives as possible. In each region, ten to fifteen interview partners were selected, representing seven different institution or company groups. Another aspect in selecting the companies or institutions was the possibility to contact potential interview partners on a higher management level. Through this it could be assured that the interview partners had the willingness to answer the questions and had a good overview of the development of the industry in the region.

The private sector is represented by four different company groups: The manufacturing industry, the retail industry, logistics service providers and logistics consultants. The latter two were chosen because their employees normally have experience with a lot of different clients and/or projects.

The public sector is mainly represented by the local authorities who are responsible for regional development. Support initiatives may belong either to the private sector, the public sector or represent a public-private-partnership. Both institutional groups have experience in initiating, financing and executing regional development activities. Last, representatives from research institutions complete the target group by an independent and research-oriented perspective.

Geographically, nearly all of the organizations interviewed are based in the City of Riga. This is explained by the disproportionate economic weight of the Latvian capital city, which represents some 65% of GDP. Riga is also the most important transport and logistics hub in Latvia.

Figure 1 shows the target groups distinguished by public or private sector.

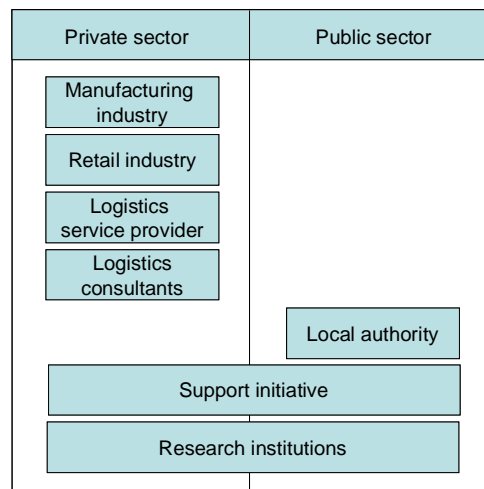


Figure 1 Distribution of target groups by sectors, Latvia

2.2 Main topics covered in the interview

The interviews were conducted according to a half-standardized interview guideline. Most questions were open-end questions. A quantitative scale was used in addition to qualitative answers, when it seemed useful for a later comparison of the interviews.

The interview guideline comprises five major parts. The first part covers general trends regarding logistics and ICT. The second part deals with current and planned business contacts in the BSR. Furthermore, barriers and problems of doing business in the BSR are discussed. Part three analyzes regional development measures. Starting from key issues and from the evaluation of regional development activities, the strengths and weaknesses of the region, the competence level with respect to logistics and ICT and proposals for improvements are examined. Part four addresses the qualification level in logistics and ICT as well as future needs for education. The guideline finishes with expectations, wishes and concrete recommendations of the interview partners.

3 FINDINGS FROM THE INTERVIEWS CONDUCTED

The structure of this chapter follows the structure of the interview questionnaire. Therefore, sections 3.1 to 3.5 refer to the five parts of the questionnaire. Section 3.6 summarizes and interprets the most important results.

3.1 Findings regarding trends in logistics and ICT

Most of the respondents indicated trends in relation to logistics, but few distinguished between trends affecting the region and the company considering that the same applies to both levels.

3.1.1 Trends in logistics

Globalisation is among the most frequently noted trends that are likely to affect the region as well as the organisations interviewed. The supply chains have become longer, including countries as distant as China. As goods consumed in Europe are increasingly produced in China, and product life cycles have become shorter, the demand for logistics services has increased, but so have demands on the quality and precision of logistics.

Considering Latvia's geographical position, the economic rise of both China and Russia is considered as an opportunity for strengthening the country's role as a gateway to Europe. Making the city of Riga into a Baltic centre for logistics, information technology and trade is one of the municipality's development priorities. However, the geographical position per se may not bring about the desired impact on the Latvian economy – as one of the respondents put it, cargo flows only when the conditions are favourable and Latvia need to create those conditions in cooperation with Finland, Estonia and Lithuania. The expert gave the example of the Latvia-Russia border crossing, where a bottleneck of as many as 1,200 trucks has formed recently as a result of poor planning.

Joining the European Union in May 2004 is another recent political event that the interview partners believe to have considerably affected the logistics issues. Certainly, the removal of internal borders has had a positive effect on the speed, precision and predictability of deliveries within the EU. While regarding countries outside the EU, an example of Turkey and India was mentioned, the deliveries have become more complex when Latvia joined the EU. Increase in the range and offering of local logistics services is also believed to be an effect of the EU membership. Previously logistics companies have mainly provided services to serve the needs of exporters.

According to some opinions, the logistics sector only started developing after Latvia became an EU member state. Experts agree that companies are starting to increasingly use logistics services and require services with higher added value. This view of a service provider is also supported by the intention of a production company to outsource its logistics services. Further development of these services is believed to be one of the cornerstones of the overall economic development, especially for the city of Riga. One of the respondents considers it likely that strong local distributors will emerge to relieve smaller enterprises from organising in-house logistics.

Some experts touched upon the issue of workforce. On the one hand, there is a trend of increased demand of logistics specialists, which signals that competences in this area are increasingly appreciated. On the other hand, there is a lack of workforce, which is a trend affecting companies and also one of the issues highlighted under the regional development issues.

Individual criticisms were levelled against the quality of the overall development planning, namely the lack of integrated and specific development plans and the shortage of professional staff at the executive level.

3.1.2 Trends in ICT

Among the trends related to information and communication technologies is the high speed of information flow, which is faster than the flow of goods themselves, and hence the emergence of BSR-wide information standards is likely. Another respondent mentioned that such information systems (IS) are needed to support the increasing speed of information circulation.

An ICT expert was critical of the development of a knowledge society in Latvia, pointing out weaknesses in the creation of content and knowledge itself. The solutions suggested were improving curricula in ICT education, providing training to companies and demonstrating the advantages of modern IT solutions to industry.

One key development that is likely to have an impact on the logistics sector is the relatively recent introduction of e-signature; however, the range of e-service applications, particularly those offered by state and local governments, still has the potential to grow. In addition, to take full advantage of the e-services' potential, the creation of a unified network of national data registries needs to be completed.

Three companies explained steps taken to optimise their business processes; in case of one manufacturing company it involves links with the information systems of major Latvian retailers. There is certainly some movement towards greater process automation, involving initiatives at a sector level to standardise and optimise the supply chain – for example, in the woodworking sector.

A general comment made by one expert was that there is a lack of adequate (scope and price-wise) IT solutions for small and medium companies.

One of the interviewed organisations stipulated that there actually exists no legitimate proof that information systems really increase work efficiency. This is to some extent supported by the experience of another respondent (logistics service provider) whose recent IT project encountered considerable difficulties at the initial stage of implementation resulting in the decrease of the service standard, at least temporarily. Another expert countered that stipulation by specifying the exact amount of savings and sales increases as a result of introducing a logistics IS.

3.2 Findings regarding business connections in the Baltic Sea Region

The nature of work of the organisations represented by the interviewed experts and the country itself is such that there need to be close ties with countries inside and outside the Baltic Sea Region.

3.2.1 Current business contacts and projects in the BSR

The table below summarises the distribution of responses about the number of business connections in the different countries of the Baltic Sea Region.

Table 1 Business contacts in BSR (n=10)

Number of contacts	0-5	6-15	16-25	>25
Federal Republic of Germany	7	0	1	2
Poland and Baltic States (Lithuania, Latvia, Estonia)	4	1	2	3
Russia	6	1	1	2
Scandinavia (Denmark, Sweden, Finland, Norway)	5	3	0	2

A total of 10 out of 12 respondents indicated the geographic spread of their partners. Overall, the interviewed experts found it somewhat difficult to estimate the exact number of business connections in the different countries.

Federal Republic of Germany: most responses lie within the range of “0-5” connections. In the case of one respondent (manufacturing industry), the count is 0 because most of its clients are outside the BSR, for example, in France, Benelux countries, the UK. Higher number of cooperation partners in Germany as well as other BSR regions was for logistics service providers and consultants. This could be explained by the nature of their work, which was also one of the most common reasons to explain the number of cooperation partners in any given country.

Poland and Baltic States: 4 out of 10 respondents to this section indicated that they have “0-5” partners in this area. 3 respondents have more than 25 partners; the other 3 are in the range between 6 and 25 cooperation partners.

The higher number of partners in this area is most probably due to the geographic proximity of and hence closer economic ties with these countries. Primarily these are various suppliers and/or clients. In the case of one research institution, these are various development projects (such as, for example, LogOn Baltic) implemented in partnership with organisations in the BSR.

Russia: The number of partners in Russia seems to be relatively small. 6 out of 10 respondents say that they have “0-5” connections in this country, one of which has no connections there. 2 companies have

more than 25 connections in Russia. One of them is a logistics service provider. Considering the trends explained in section 3.1 indicating the rise of Russia, its geographic location between China and Europe and the overall globalisation of the supply chain this is a logical consequence. The other company with over 25 partners in Russia is a logistics consulting company with a considerable amount of consulting projects in Russia. The experience accumulated in Latvia in combination with other factors such as the knowledge of language and better understanding of the business context makes the expertise of these consultants sought-after.

Yet, one of the experts expressed a view that Latvian companies are now on equal footing with other Western entrants to the Russian market, as much of the goodwill and advantages accumulated during the common history have been lost to political difficulties and reorientation to other markets.

Scandinavia: the number of partners is varied. 5 respondents have “0-5” connections, 3 respondents “6-15” and 2 interviewees cooperate with more than 25 companies in this region. Representatives of the manufacturing industry have partners in Scandinavia either in the range [0-5] or [6-15]. This could be explained by the higher price level of raw materials and services. On the other hand, according to one of the interviewed manufacturing industry representatives, cooperation with the suppliers in Poland and Baltic countries often lacks quality assurance hence some of the companies may opt for the more reliable partners in the Scandinavian countries. Again, the larger number of connections in this region applied to logistics service providers (destinations) and logistics consultants.

3.2.2 Planned business contacts and projects in the BSR

Seven out of the 12 interviewed experts responded to this question, while five did not. The table below shows the distribution of responses of the industry and research organisations.

Table 2 Planned logistics projects (n=7)

	0-2	3-5	6-10	>10
Number of logistics projects	2	3	2	0

Among the specific projects identified were:

- Infrastructure development such as company warehouse, a larger logistics centre (a national project)
- Development of new business – clients, distributors
- Creating of a joint resource management IS platform for woodworking industry
- Academic contacts, research, implementation of research results

3.2.3 Constraints and problems of co-operations in the BSR

The challenges identified by the respondents in relation to business relations included the following:

- Quality of the sourced products, lack of unified service standards
- Language barriers in the digital world, lack of language knowledge including Russian which is gradually being forgotten by Latvians, confusion of Latvia with Lithuania
- Excessive internal competition among the Baltic States when more could have been achieved through cooperation

As regards institutional setup, one of the respondents mentioned the legal framework in Russia as an obstacle, namely the existence of many unwritten rules, lack of the knowledge of which could make doing business with Russian partners unnecessarily more complex.

Another respondent mentioned that if one's services are sought after, the attitude of the clients in other countries will also be more favourable, hence diminishing the possibility of cultural clashes.

Generally, the respondents felt it was difficult to draw a line between an issue/problem and a normal business situation. Certainly, there are cultural differences among the different countries – both actual and imagined ones, but a business should be able to overcome these obstacles or leave the market. Especially for companies like logistics consultants, being able to adapt to different situation and environments is the key to successful activity.

3.3 Findings regarding regional development

Unless the interviewed expert representing the private sector was involved in a support initiative or a larger network, or represented a

support initiative itself, research institution or local authority, their commitment to or interest in the regional development issues was low.

There was a lower rate of response to the questions on information and communication technologies, partly because the companies did not feel they were qualified to give expert opinion in this area and/or their activities had less to do with ICT and more with logistics. On the other hand, the expert from the ICT industry had little opinion of logistics issues.

3.3.1 Known regional development activities

Nine out of the 12 respondents indicated that they have knowledge of some regional development activities, 1 had no knowledge and 2 experts did not give an answer to this question.

Some of the organisations represented by the experts are themselves involved in one or more development initiatives; others mentioned the National Development Plan as the framework for regional development.

Among the specific projects named were: the IT training programme for general population Latvia@World; the infrastructure projects Via Baltica, Rail Baltica and the TEN-T programmes; Interreg projects Baltic Tangent and LogOn Baltic; funds available to urban regeneration of 7 Latvian cities; investments in the development of Riga International Airport; establishment of special economic zones; creation of local government IT competence centres.

3.3.2 Key regional development issues

The regional development issue mentioned most frequently was that of poor or insufficient infrastructure. Six respondents mentioned overall road infrastructure in Latvia, three of which specifically pointed out traffic congestions and transport planning in the city of Riga, and one highlighted the insufficient quality of secondary roads.

Another issue highlighted by 3 respondents (1 respondent in another question) is that of logistics education. Currently there are no unified standards for logistics specialists in Latvia, and the existing academic education programmes in this area are insufficient (as described in section 3.4). Hence some of the specialist organisations suggest that a

certification system should be introduced, adopting an EU certification system or at least developing a unified standard for the Baltic States.

Another infrastructural issue brought up by a manufacturing company is the lack of good quality warehouses in line with sanitary standards outside Riga area.

On a more general note, the lack of coordination among the different stakeholders was mentioned as a regional development issue. Experts believe that the state often gives little beyond “moral” support to some large-scale development initiatives, such as the creation of logistics centres. The expectation would be that the state is able to perform a coordinating function or advise business on the support instruments available for the implementation of the particular initiative.

Two respondents brought up issues related to logistics and information management – in one case, the lack of universal standards in logistics IT systems and in another case, the lack of standards to optimise the logistics of raw materials in the woodworking sector.

This brings us to the second block of issues – related to information and communication technologies. Although only 6 experts responded to this part of the question, 3 of them pointed out the insufficient internet infrastructure, in particular in rural areas.

Another ICT-related issue was that of low IT penetration in the business sector. The two interviewed experts explained that many of their cooperation partners do not use ICT in everyday work. Another of the respondents mentioned the lack of a GPS map of all addresses in Latvia as an issue, noting, however, that it was being worked on and the solution was expected in the timeframe of 2 years.

One expert also underscored the insufficient quality of education curricula in IT and the limited supply of IT specialists as a problem area for Latvia, and suggested importing specialists from neighbouring countries as part of the solution.

3.3.3 Successful regional development projects

Five out of the 12 respondents had no opinion regarding this issue, 2 experts named some projects but did not indicate a specific rate of success. Of the 5 experts who did point to a rate of success, 4 marked “below 25%” and 1 marked “above 75%” (see Table 3).

Table 3 Successful regional development projects (n=5)

	<25%	25-50%	51-75%	>75%
Number of successful regional development projects	4	0	0	1

Respondents named as success cases the development of Latvian aviation industry, Riga International Airport, Via Baltica, Jekabpils and Kuldīga Wood Processing Parks, some transport solutions in the city of Riga. One expert suggested that the rate of success varied from sector to sector. For example, there are a large number of successful projects in rural tourism; hence this area could be evaluated as successful as opposed to other fields where the budgeted resources have not been fully dispensed.

When they chose the lower success rate (below 25%), experts named lack of strategic vision and framework, especially for smaller projects. One expert mentioned the fact that even the administrative territorial reform is not completed yet, making it difficult to speak of regional development activities in Latvia.

Another expert opinion was that regarding the development of cargo transit industry there seems to be no discussion in the society or the government of its benefits vs. costs, such as wear and tear on roads due to intensive truck traffic. Another view was that often solutions are created to nonexistent problems, giving the example of special economic zones, and insufficient capacity of public sector to analyse alternative solutions that could yield the same or better results with lower costs.

3.3.4 Strengths and weaknesses of the regions

One of the most frequently named **strengths** in the field of **logistics** (indicated by 10 experts) is the geographic position of Latvia. More specifically, the references included: centre of the Baltic States; located on the Trans-Siberian transport axis (direction East – West), on the East – West supply chain as resources are located to the East of Latvia and markets to the West; the sea coast and border with Russia.

Existing infrastructure was named as strength of the region by 4 experts: good railway network (including the same rail width with Russia), existence of ports, development of airport, roads (for wood products EU is the biggest export market and their transportation by road has cost advantages).

On 3 occasions, interview partners referred to workforce, calling it qualified and relatively cheaper than in the Western Europe. The developing logistics sector was quoted as strength: potential for private investments in logistics infrastructure projects, and the emergence of cargo transport companies focusing on the local market.

On two separate occasions experts referred to the legal framework, highlighting good tax policy (which, however, is at times inadequately applied), as well as the large number of inhabitants in Riga.

Among the **logistics weaknesses** the most commonly mentioned (by 5 experts) was the poor infrastructure: inferior road quality, underdeveloped transport infrastructure, lack of warehousing space and large-scale logistics distribution centres.

Various attributes of logistics services in Latvia were mentioned as a weakness by 4 experts, referring specifically to the following: lack of a unified strategy for development of the sector; very fragmented freight carrier market that causes excessive internal competition and hinders development; focus on export logistics; services of Latvian freight companies expensive in comparison with Lithuanian and Polish competitors.

Four experts highlighted public sector capacity and support as an issue: lack of state support for logistics projects; lack of intellectual resources in local government institutions to find the best solutions, suggesting that those could be increased by outsourcing professionals from the private sector; lack of internal cooperation, such as among ports of Riga, Ventspils and Liepaja or among border towns of Daugavpils and Rezekne; lack of support to introducing unified IS, which was attributed to a combination of a lack of systems and concepts and private vested interests.

References to the legal framework were made 4 times pointing at the sometimes inadequate application of the legislation (at the executive level), poor VAT law, existence of bills of goods, contradictions of EU and Russian customs policies.

One of the experts had a strong opinion on education in the field of logistics, calling the system outdated and inefficient, and claiming that teachers are often unaware of modern developments and hence unable to pass this knowledge on to their students; as a consequence, companies need to spend their own time and resources to retrain the newcomers.

Finally, the issue of a shortage of workforce, in particular low- and medium-skilled blue-collar workforce, was brought up, which was also echoed in responses to other questions.

In the field of **ICT**, the most frequently mentioned (by 3 experts) **strength** of the region was its workforce: qualified and competent and relatively cheaper than in Western Europe.

The market was brought up by 2 interview partners believing that there are a number of good IT companies offering modern IT solutions and that the de-monopolisation of the communication and internet services has helped to reduce costs and improve the range of services.

Infrastructure with the existing communication networks was stressed by 2 experts, while the relatively high level of education in the field of IT and the political/public sector support and government's interest to develop e-business and e-services was brought up by one expert each.

As with logistics, experts offered a greater range of views on **ICT-related weaknesses**.

An expert representing a support initiative referred to Latvia's knowledge society as lacking in both knowledge and content, but having at least some of the latest technology. However, five respondents emphasized the insufficient availability of technology: limited application of up-to-date technology in the logistics sector, unavailability and/or long lead-times for latest technology. Some experts believe this could be caused by the peripheral position of the Latvian market vis-à-vis the EU. High prices (like the high costs of e-signature for citizens) and underutilisation of technology possibilities (even of that technology that is already in use) were also noted.

Three experts expressed their dissatisfaction with the public support in the field of ICT. They believe there should be more support and stimuli from the state for the application of latest IT solutions. Lack of IS support for multimodal cargo freight was mentioned by the expert representing a support initiative.

Underdeveloped ICT infrastructure and insufficient throughput capacity, especially during peak hours, were brought up on 2 occasions. Furthermore, 1 expert highlighted the fragmented market, dominated by small companies; another emphasized the language problem, specifically the transcription of Latvian language in the electronic environment.

3.3.5 The logistics competence level

Nine out of the 12 respondents answered this question. In one case the competence level of the organisation was not estimated at all, in

another case the competence of the organisation was assessed against the competitors in Latvia and then separately against competitors at the EU level. Competence of the local authorities in one instance was assessed twice to mark the difference, echoed in another comment that the competence was not uniform among local authorities.

Table 4 Logistics competence (n=9)

	very low	questionable	acceptable	high	very high
of your company/ institution in comparison to leading companies in your branch?	0	0	2	4	2
of your region in comparison to other regions in the Baltic Sea Region	0	1	8	0	0
of the local authorities in the region?	2	3	2	2	1
of the support agencies in the region?	0	2	5	1	0

For companies the rating of logistics competence varied between acceptable (2) and very high (2), while the majority of responses indicated a company competence level at high (4). It seemed in the interviews that sometimes the experts were reluctant to assign the highest rating to their level of competence, noting that they still had a lot to learn.

Overall competence in the region of Latvia was estimated to be acceptable, with only 1 of the 9 interviewed experts marking “questionable”.

The estimation of logistics competence in local authorities covers the full range. The most frequent response was “questionable” (3 of 10), “very low” (2) and “high” (2) and 1 each for “acceptable” and “very high”. The respondents also pointed out that there is a difference among the municipalities, with the level of logistics competence in the larger municipalities of Riga, Liepāja and Venstpils being much higher than that in smaller municipalities. Again, it was pointed out that

municipalities could outsource some professional services, which could result in both cost savings and better solutions.

As regards support agencies, of the 8 respondents that assessed this group of organisations, one evaluated it as high, 5 indicated that the level of competence is acceptable and 2 experts assessed it as questionable, noting that sometimes their approach lacked professionalism. Three experts indicated that they had no contacts with these institutions hence no opinion about their logistics competence. It was also commented that given the existing education system it is unreasonable to expect in-house logistics competence in local authorities and support agencies.

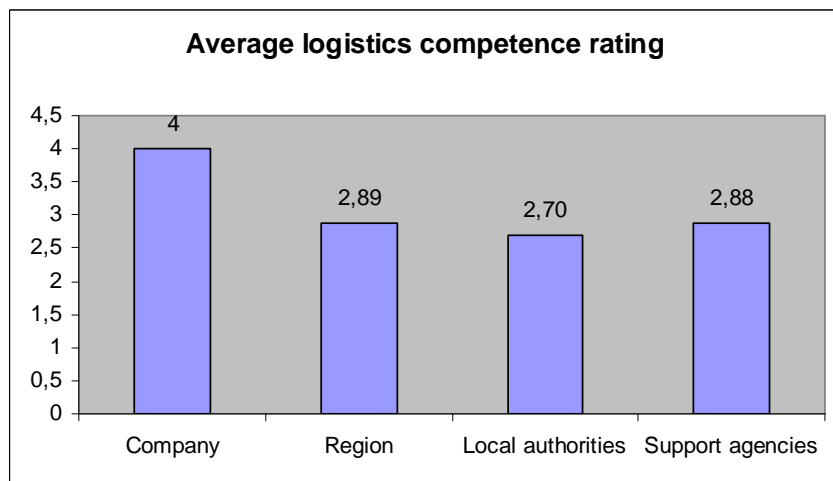


Figure 2 Average logistics competence rating

The chart above summarises the average ratings given to the different types of organisations by the interviewed experts³. Their own organisations received the highest rating – 4 on a scale of 1 to 5. Considering that for many of the respondents logistics competence is a resource at the core of their business, it is fair to assume that their competence level is high.

³ This rating was calculated by assigning values of 1 to 5 to ratings from very low to very high (very low = 1, questionable = 2, etc.). Based on the number of responses in each category, the obtained total value was divided by the number of responses.

3.3.6 Participation of the interviewed companies in logistics support agencies, networks or initiatives

8 out of 12 respondents answered positively to this question. One of the experts highlighted that for their organisation (research institution) participation in such agencies and networks is a possibility to boost their competitiveness and competence. Two respondents indicated that they are not involved in such initiatives due to lack of time, and two others saw no reason to participate.

Of the active organisations, majority are involved in industry associations (including Latvian Logistics and Customs Brokers Association) or industry networks in connection to their core business. Others also indicated networks within projects (such as this LogOn Baltic Project).

One of the respondents whose organisation is involved in support networks commented that very often the efforts of professional bodies to achieve changes and/or improvements (e.g. in legislation) are not welcomed by the authorities. The overall impression is that there are many stakeholders who benefit from faults of the system.

This view is supported by another respondent who confirmed that, for example, full roll-out of customs information systems would reduce the possibility for gray cargo passing through customs points, which, according to some experts, is one of the reasons why Latvia is chosen for cargo transit. The possibility to push gray cargo through the Latvian border crossings, according to one expert, allows to reduce the cost per truck by as much as €15 000 to €20 000.

3.3.7 Assessment of local authorities' support and policy concerning logistics and ICT issues

There were altogether 11 responses about the satisfaction with the local support in the field of logistics and 5 responses relating to support for ICT, the rest are in the category "not specified". Tables 5-6 summarises the distribution of these responses.

The majority – respectively 7 respondents for logistics and 12 for ICT support – seem to have no strong opinion about such support, choosing either "neither satisfied nor unsatisfied" or "not specified". Among the most common justifications was the response "we do not need anything from the local authorities" or "no such support exists".

These answers indicate that respondents do not expect support from local authorities rather than that there is no such support.

Table 5 Satisfaction with municipal support for logistics (n=12)

very unsatisfied	rather unsatisfied	neither unsatisfied nor satisfied	satisfied	fully satisfied	not specified
1	2	4	1	1	3

Table 6 Satisfaction with municipal support for ICT (n=12)

very unsatisfied	rather unsatisfied	neither unsatisfied nor satisfied	satisfied	fully satisfied	not specified
0	0	5	0	0	7

In the case of logistics support, one of the respondents from the logistics service provider group specifically pointed out the activities of Valka and Liepāja city councils as positive examples. Two other experts from the same category were particularly dissatisfied with the support activities of Riga City Council, one of them explained that 'they work too slowly'.

Another expert indicated that municipalities often lacked problem-solving skills and capacity, failing to address all aspects of a problem to find the optimal solution. This could be solved by increased outsourcing of some specialist skills from e.g. logistics or engineering consultancies. Experts also stressed that it is important to involve businesses in making decisions that affected business, and to motivate businesses to cooperate with public authorities by offering incentives and demonstrating benefits to the private sector.

3.3.8 Proposals for improvement

The logistical and ICT improvements that respondents indicated as pending for their own organisations are summarised in Table 7.

Table 7 Logistics-related improvements in the organisation

Company – Logistics improvements	Company – ICT improvements
<ul style="list-style-type: none"> – Raise the level of competence in the organisation through education and training of staff; – Involve industry representatives in the education process to ensure better match of skills taught and demanded; – Speed up the production-delivery life cycle; – Optimise costs of warehousing and transportation vs. cost of retooling of production lines (adjustment for the production of different product brands); – Investing in own transport fleet 	<ul style="list-style-type: none"> – Introduce modern technologies to support process automation; – Continue development of the existing IS, integrate existing IT systems; – Outsource IT infrastructure; – Purchase new IT equipment; – Develop long-term programmes for the education of specialists.

Regarding the improvements, one of the experts specified that there is a vast array of possibilities. The improvements that will really be made, however, are up to the company's top management that may or may not be willing to make the necessary investments.

Table 8 presents the list of proposed improvements for local authorities, while Table 9 does the same for support agencies. It needs to be noted that the respondents were reluctant to express their opinion regarding these two groups as they either have little contact or little if any opinion about the capacity of these organisations.

It is worth noting that across the respondents there were no suggestions for ICT improvements at local authorities. One local authority respondent in fact noted their full satisfaction with their ICT solutions, such as the project management system. The lack of suggestions probably is based in insufficient knowledge of local governments' ICT solutions on the part of most respondents.

Table 8 Logistics-related improvements in local authorities

Local authorities – Logistics improvements	Local authorities – ICT improvements
<ul style="list-style-type: none"> – Political will to make decisions on important infrastructure projects – Take holistic approach to development by elaborating integrated programmes addressing all aspects of issues; – Increase level of staff competence, consider outsourcing expertise on a short-term basis; – Become more involved with and understanding of the logistics issues; – Build road infrastructure; – Develop logistics in metropolises, solve transport/traffic issues, e.g. congestions in the city of Riga; – Promote city-port cooperation; – Employ PPP approach more. 	

Table 9 Logistics-related improvements in support agencies

Support agencies – Logistics improvements	Support agencies – ICT improvements
<ul style="list-style-type: none"> – Increase number of specialists; – Give more support for logistics training, development of targeted training programmes in logistics; – Improve logistics for processing the projects submitted for support; it takes too long; – More involvement, less formal approach. 	<ul style="list-style-type: none"> – Development of targeted training programmes in the field of information technologies; – Support the development of industry-wide information systems (e.g. the IS platform in the pipeline for the woodworking sector).

3.3.9 Roles and responsibilities in regional development

The typical response to the question about the division of responsibility for regional development was that initiative should come from both the public and private sectors.

It was suggested that the public sector – state and municipalities – should coordinate their efforts to promote the development of the territory and create the necessary conditions by having in place spatial development plans, investing in the infrastructure, coordinating business support efforts such as business incubators and logistics parks, and ensuring the adequate application of legislation. Companies will bring their businesses when the right conditions are in place.

Some respondents argued that because businesses know best what they need they should be the main drivers for various development initiatives, channelling their ideas through industry associations, while others said that the initiative should come from the state. In 3 responses it was specifically pointed out that, where appropriate, public-private partnership (PPP) models should be applied to a greater extent.

Another expert suggested that public-private partnership principles should be standardized on the EU level, similar to e.g. the services directive, before they can be widely applied in new member states like Latvia where there is little tradition of PPP.

3.4 Findings regarding education and skills in the regions

Many of the surveyed experts emphasised that, while there are several education programs for logistics-related disciplines in Latvia, they are somewhat out of date, and graduates need to be retrained as they join companies. Because entry-level qualifications are quite low due to the lack of modern and high-level training in logistics, most of the learning happens on the job.

3.4.1 Qualification of employees in logistics

The distribution of responses about the logistics competence by employee groups in the company and region is summarised in Table 10 below.

Table 10 Logistics competence by employee groups

Logistics competence in the company (n=9)					
	very low	rather low	acceptable	high	very high
blue-collar worker	1	2	3	1	2
white-collar worker	0	2	3	1	3
management	0	1	3	2	3
Logistics competence in the region (n=10)					
	very low	rather low	acceptable	high	very high
blue-collar worker	1	2	4	1	2
white-collar worker	0	1	5	1	3
management	0	0	5	2	3

Across all employee groups both in the companies and in the region, the typical assessment of logistics competence was “acceptable” (4 out of 9 for every group in companies and 5 or 4 in the region). Yet a substantial number of responses give a favourable competence rating (“high” and “very high”) – 3 for blue-collar workers both in the company and region, 4 for white-collars and 5 for management respectively, both in the company and the region.

Figure 3 shows the average rating of logistics competences in the different employee groups (on a scale of 1 to 5), comparing company and region alongside one another⁴.

⁴ This rating was calculated by assigning values of 1 to 5 to ratings from very low to very high respectively. Based on the number of responses in each category, the obtained total value was divided by the number of ratings.

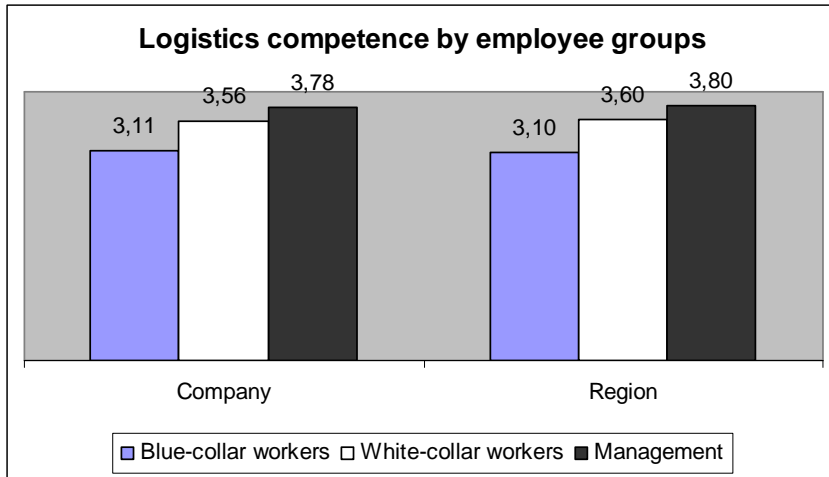


Figure 3 Average logistics competence rating by employee groups

As could be expected, the average grows the more senior the position. Blue-collar workers have a lower level of competence both in logistics and ICT (see next part) than the white-collars and managers.

3.4.2 Qualification of employees in ICT

ICT competences were rated by 9 out of 12 respondents. For blue-collar workers the most common ICT competence level was “rather low” (5 on company level and 4 ratings on the regional). Company white-collars received 4 ratings of “acceptable” and 3 “rather lows”; at the regional level the average ICT competence of white-collar workers was assessed as “acceptable”. Management ICT competence on both levels was rated as “acceptable”. Unlike logistics competence, ratings “high” and “very high” were used much less frequently evaluating ICT competence of the employees.

Table 11 ICT competence by employee groups

ICT competence in the company (n=8)					
	very low	rather low	acceptable	high	very high
blue-collar worker	2	5	1	0	0
white-collar worker	1	3	4	0	0
management	1	2	4	1	0
ICT competence in the region (n=9)					
	very low	rather low	acceptable	high	very high
blue-collar worker	2	4	0	3	0
white-collar worker	1	1	5	1	1
management	1	1	3	3	1

The chart below reflects the average rating of ICT competence, comparing company and regional averages.

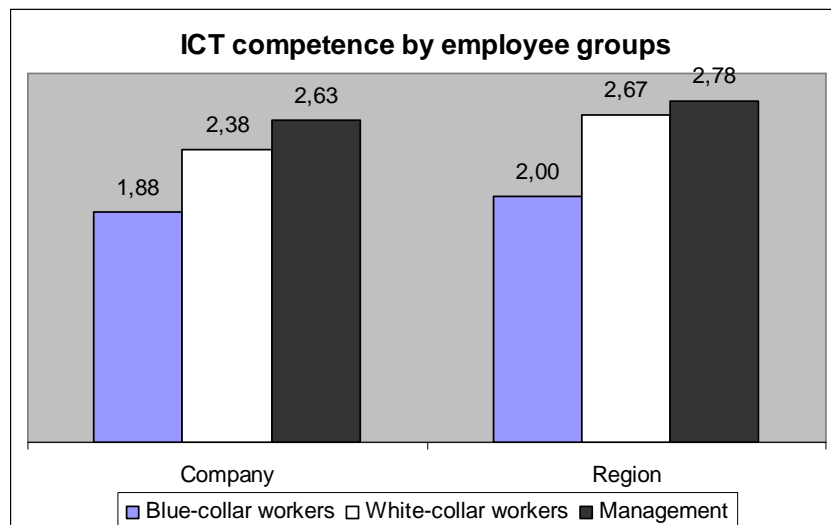


Figure 4 Average ICT competence rating by employee groups

Comparing the above chart to the one in section 3.4.1, the average ICT competence assessment comes out about 1 point lower than the average logistics skills, both on a company and regional level. This can be explained by the fact that more of the respondents were involved in

the business of logistics than ICT, and therefore felt less confident of their and others' ICT skills.

Few of the respondents gave specifics on their staffs' education background, mentioning the following disciplines:

- Logistics management
- Organisation of automotive fleet
- Transport economics
- Economics

The respondents to this question reemphasised that most employees learn on the job because their qualifications at the time of joining the company usually are below the company's requirements. Some respondents mentioned that logistics consultants and service providers sometimes nurture employees that are later hired by their clients, i.e. they educate specialists for larger manufacturing or retail companies. This, however, was described as a 'normal' process.

3.4.3 Expectations for future educational training in logistics and ICT

The views expressed regarding the potential educational training needs for the future were very varied.

Two respondents highlighted the need for a professional certification in the field of logistics by adopting a certification system, like one of the European Certification Board for Logistics. Joining the scheme, however, is subject to a membership fee; hence there are negotiations with the Ministry of Transport as to who should pay it. If the Ministry covered the cost of membership, it would help to promote a uniform professional standard in the industry.

A group of respondents argue that training is required in information and communication technologies. One expert mentioned that in larger companies with a higher degree of automation it is exactly the ability to deal with information that is of more value than the specific logistics competences. There is a wish that educational training should be better linked with the needs of the private sector by involving companies in the design of education curricula, and by providing company facilities as training platform for students.

Another respondent believes that since people mainly learn on the job, the need for additional training is less likely. Other experts, however, do believe that there should be more training available in logistics issues (one with specific focus on urban planning, another

mentions customs processes) and that such training should at least partly be subsidised by the government. Language training is also mentioned.

3.5 Findings regarding company expectations

The two key expectations of the surveyed experts were improved education system and better infrastructure, especially roads. Educational improvements relate both to the modernisation of the academic system, as well as professional and further education.

On a broader level, the respondents wish to find integrated and long-term development policies, complete with concrete action plans for planned investment. They would also like to see better understanding in the public sector of the importance of logistics. Some experts suggest believe that the state should invest in increasing ICT the proficiency of users in Latvia and their expectations towards ICT. Experts also believe that the state should create support instruments in the area of logistics, including logistics training.

Regarding ICT, the experts also pointed out that there should be a better availability of IT solutions on the market and they should be more affordable to smaller companies.

Some believe that the state involvement is not always satisfactory; however, the problems are more at the executive and not the policy level. An example is given of the inappropriate application of legislation in cases where the employees at ministries often lack experience of the real-life context. Therefore, some experts suggest that the state should “leave companies alone and just let them work”.

3.6 Interpretation of results and conclusion

This part briefly highlights the key conclusions in each of the interview guideline fields.

3.6.1 Trends

Globalisation and Latvia’s joining the European Union have been established by the experts as two most significant factors that have and will continue to make the highest impact on both their company and the

region. Latvia's position on what will be the long-term EU-Russian border, and the rapid economic development of China and Russia create opportunities to develop Latvia as a logistics hub servicing the flow of goods between China and Russia and the EU.

In relation to ICT, the experts considered the potential impact of the recently introduced e-signature and the need to integrate national databases of records to take full advantage of e-government services. It was suggested by some that Latvian market is peripheral to Europe and this may be a reason for the delay with which the most recent technology appears on the Latvian market. It was also noted that IT solutions available in this market are not always suited for the needs of SMEs and their prices often exceed what SMEs would be willing to pay for them. This may be one of the reasons why the rate of application of more specific solutions such as automation of business processes through the application of information management systems is fairly low.

3.6.2 Business connections

The results show that Latvia is quite well connected with the other countries in the Baltic Sea Region; however, there seems to be a relatively lower number of business connections to the East of Latvia – in Russia. This is also where most potential is, as Latvia's geographic position next door to Russia gives it an advantage to develop logistics services to serve East-West flows of goods.

Generally no significant obstacles were identified to the cooperation with partners in other BSR countries. Experts agreed that a business needs to be able to adapt to the specifics of different markets. Some examples were given, however, when the inability to adapt to specifics has made companies leave those markets or not to enter them in the first place.

3.6.3 Regional development

The interviewed experts believe that initiative should come both from the public sector and the private sector, yet it is important that both stay within the realm of their competence. Companies are good at doing business and will do so once the right conditions are established. This means having in place the necessary legislation and ensuring its

effective enforcement, existence of the required infrastructure and preferably its good condition, and availability of qualified workforce. The national and local governments can give some direction to development, but there is a limit to how far they can influence business decisions.

Additional interviews that we conducted in the framework of assessing the effectiveness of regional development actors show that private companies are sometimes reluctant to participate in the activities organised by regional development agencies. However, this attitude often results not from interaction with the public sector but rather the lack of it.

Some interviewees expressed the views that public sector today often lacks the capacity to deliver the necessary support to private sector. Experts also suggested that there is a need for new structures and instruments for private-public dialogue, and that private sector should be better at formulating its interests and demands. Industry associations and professional bodies could play an important role in representing the interests of the private sector in interaction with public authorities.

One of the interviewed experts suggested that local governments should learn more from their counterparts in the old EU countries, e.g. Germany, and initiate innovative projects based on this exchange of experience. We may only agree with this and remind everyone that cooperation is a two-way street.

3.6.4 Education and skills

The competence ratings for Latvia at the different levels and in the different groups are higher for the logistics competence than the competence related to ICT. This can be explained by the fact that most of the interviewed organisations and experts are in the business of logistics. Yet, several experts stress that the high level of logistics competence in companies is not a result of high quality education in logistics disciplines, but rather the result of continuous on the job training of the new specialists.

Majority of experts agreed that the education in logistics available in Latvia is not up to date. This is explained as a result of most teaching staff's having little connection with professional practice and some teachers not updating their own knowledge.

The doors are not closed, however; the representative of a private research institution that also offers education and professional training in logistics mentioned their desire to cooperate more with employers who actually are the consumers of the skills produced at his institution. This may present an emerging mutual understanding between the academia and the business, leading to the improvement of professional standards and level of qualification available in Latvia.

The trend related to ICT competence justifies but also somehow contradicts Latvia's efforts to promote information society by increasing ICT and internet penetration and growing ICT competence, in both households and small and medium businesses. The experts' rather low opinions of the existing ICT skills show that such efforts are indeed necessary to increase the competitiveness of Latvian companies. On the other hand, it shows that the government's initiatives in previous years have not made the full effect yet.

Despite the considerable criticisms of the level of competence and the education system itself, only a couple of recommendations with respect to future training needs were specific: the introduction of a logistics certification system that would help to establish professional standards in this area in Latvia, and the suggestion for universities to cooperate more closely with employers.

Overall, there seems to be an expectation that education and skills development is an area where considerable initiative should also come from the state. Companies apparently see themselves as the consumers of competent workforce and its education and training as one of the conditions of an attractive business environment.

3.6.5 Outlook

The interviewed experts had two key expectations – improved infrastructure and modernisation of the education system. These are classically public realms hence it is only normal that the private sector would expect the state to take care of these.

This also connects with the earlier statements on regional development roles, that the public sector should create the necessary conditions so that businesses can do what they do best – business. Again, this points towards the need of a dialogue among the public and private sectors.

4 SUMMARY AND OUTLOOK

This report presented the findings of interviews conducted with 12 experts representing the manufacturing and retail industries, logistics consultants and services providers, research institutions, as well as local authorities and support initiatives in Latvia. In addition, a roundtable discussion was organized with participation of some of the experts interviewed.

Interviews were based on a standardised questionnaire for all regions involved in the LogOn Baltic Project and covered five main topics: trends in relation to logistics and information and communication technologies, business connections in BSR, regional development, education and skills, and future outlook.

The key trend emphasised by the experts is the globalisation process, which causes the supply chains to become increasingly longer. As supply chains for goods stretch from China to the West, favourable opportunities emerge for Latvia to utilise its geographic position on the eastern borders of the EU. Another key event was Latvia becoming an EU member state in 2004, which has made deliveries within the EU easier, more predictable and precise, although somewhat complicating the connections with countries outside the EU. Among the negative trends noted by several experts is the shortage of workforce in Latvia.

The distribution of business connections in the Baltic Sea Region is quite wide. An interesting fact here is the fairly low number of cooperation with partners in Russia, which suggests an upward potential. Asked to identify cultural or institutional obstacles in cooperation with partners in other countries, experts replied that dealing with difficulties is a matter of business; hence they are not really perceived as obstacles. Cultural and institutional differences exist, without doubt, but companies see them as a task rather than a problem.

Key regional development issues identified by the experts are insufficient physical and communications infrastructure, the quality of education in logistics-related disciplines, and the need for coordination among the different stakeholders to the regional development process. As regards the division of responsibility for the regional development

process, majority believes that initiative should come from both the public and the private sectors. Public sector is seen as responsible for creating the necessary conditions, while business will enter the scene with investments, jobs and tax payments when the conditions are right.

Strengths of the region include the favourable geographic position of Latvia on the East-West axis, existing infrastructure, qualified and relatively lower-cost workforce, government support for the promotion of information society and the positive development trends of both logistics and ICT markets in Latvia.

Weaknesses include the poor condition of the physical transport infrastructure, some legislation and practice issues in tax and customs, limited capacity of the public sector to deal with logistics issues, and lack of coordination and cooperation among businesses, which contributes to unnecessary internal competition.

According to the experts' assessment, the level of logistics competence in companies and the region is on average acceptable, with blue-collar workers having a lower, white-collar a higher and management the highest level of competence. This progression holds true also for ICT competence, although it is on average seen as being on a lower level than logistics competence. This, however, can be explained by the fact that the majority of interviewed experts work in logistics not ICT.

In terms of the future outlook, two key expectations voiced by the experts are improved physical infrastructure, and modernised education and training in logistics-related disciplines. Other expectations are of an increased understanding by the state of the importance of logistics sector, and increasing the public sector capacity to promote the development of this sector. The state should also continue to promote the application of information technology in the society and business.

Experts noted the need for new forms and instruments for a dialogue between the private and the public sectors. It was suggested that innovative solutions could be learned from the experience of 'old' EU countries.

APPENDIX

Appendix 1 Interview guideline

Structure

Introduction:

<i>Introduction of the interviewer</i>
<i>Short presentation of the LogOn Baltic project and its objectives</i>

Question clusters:

<i>I: Trends (1 question)</i>	<i>Σ min 5 min</i>
<i>II: Business Connections (3 questions)</i>	<i>Σ min 12 min</i>
<i>III: Regional Development (9 questions)</i>	<i>Σ min 30 min</i>
<i>IV: Education/Skills (2 questions)</i>	<i>Σ min 5 min</i>
<i>V: Outlook (2 questions)</i>	<i>Σ min 8 min</i>

Interview – Basic information

<p><u>Interviewer</u></p> <p>Name:</p> <p>Institution:</p>

<p><u>Interviewee</u></p> <p>Name:</p> <p>Function:</p> <p>Name of institution:</p> <p>Type of institution:</p> <table style="width: 100%;"> <tr> <td><input type="checkbox"/> Manufacturing industry</td> <td><input type="checkbox"/> Local authority</td> </tr> <tr> <td><input type="checkbox"/> Retail industry</td> <td><input type="checkbox"/> Support initiative</td> </tr> <tr> <td><input type="checkbox"/> Logistics service provider</td> <td><input type="checkbox"/> Research institution</td> </tr> <tr> <td><input type="checkbox"/> Logistics consultant</td> <td></td> </tr> </table>	<input type="checkbox"/> Manufacturing industry	<input type="checkbox"/> Local authority	<input type="checkbox"/> Retail industry	<input type="checkbox"/> Support initiative	<input type="checkbox"/> Logistics service provider	<input type="checkbox"/> Research institution	<input type="checkbox"/> Logistics consultant	
<input type="checkbox"/> Manufacturing industry	<input type="checkbox"/> Local authority							
<input type="checkbox"/> Retail industry	<input type="checkbox"/> Support initiative							
<input type="checkbox"/> Logistics service provider	<input type="checkbox"/> Research institution							
<input type="checkbox"/> Logistics consultant								

Date, duration and location of interview

Date:

Duration:

Location:

Interview – Questions**I: Trends**

I.1.) What do you think are currently the most important trends relevant for logistics and ICT that will influence:

a) your company / institution / organisation?

Logistics:

ICT:

b) your region?

Logistics:

ICT:

II: Business Connections

II.1.) Do you have any business contacts to the Baltic Sea Region? If so, please differentiate among:

Number of contact	0-5	6-15	16-25	>25
Federal Republic of Germany	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poland and Baltic States (Lithuania, Latvia, Estonia)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Russia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scandinavia (Denmark, Sweden, Finland, Norway)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Why do you have so many / no contacts?

II.2.) Are there any logistic projects planned with new suppliers / customers in the BSR in the next year(s)? *[for industry and research]*

Number of logistics projects	0-2	3-5	6-10	>10
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

What kind of projects?

II.2.) Are there any (state-run) cross-national projects planned with local authorities / institutions / companies in the BSR in the next year(s)? [for local authorities and support agencies]

Number of cross-national projects	0-2	3-5	6-10	>10
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

What kind of projects?

II.3.) When cooperating with partners from Eastern Europe, new EU member countries, Russia, Scandinavia¹ respectively what kind of challenges did emerge?

Please describe inhibitors or possible constraints when dealing with these foreign business partners:

- a) concerning the business relations (e.g. intercultural differences, business performance factors, skills of workforce, management skills)
- b) concerning institutional setup (e.g. transport and ICT infrastructure, general political conditions, ...)

III: Regional Development

III.1.) Do you know of any regional development activities in your region?

III.2.) What are the key regional development issues (e.g. concerning infrastructure, location, training, local support ...) for:

- a) logistics in your region?
- b) ICT in your region?

III.3.) What kind of former regional development projects in your region have been successful?

Number of successful regional development projects	<25%	25-50%	51-75%	>75%
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

How did you come to this judgement?

III.4.) In your opinion, what are the strengths and weaknesses in the area of logistics and ICT in your region? What determined your decision to

¹ Eastern European countries, Russia, Scandinavia will add Federal Republic of Germany respectively and cancel their home country.

locate in this region (please refer to special regional logistics competences, locational factors, infrastructural conditions, support programs, skilled workforce ...)?

	of Logistics	of ICT
Strengths		
Weaknesses		

III.5.) How do you think is the logistics competence level...

	very low	question-able	accept-able	high	very high
of your company/institution in comparison to leading companies in your branch?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
of your region in comparison to other regions in the Baltic Sea Region	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
of the local authorities in the region?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
of the support agencies in the region?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please comment.

III.6.) Is your company participating in logistics support agencies, networks or initiatives (e.g. for Hamburg Region: Logistics Initiative Hamburg, Süderelbe etc.²)? Why?

III.7.) How satisfied are you with the local authorities' support and policy (e.g. for Hamburg³: Wirtschaftsbehörde) concerning logistics and ICT issues?

Logistics:

very unsatisfied	rather unsatisfied	neither unsatisfied nor satisfied	satisfied	fully satisfied
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please comment.

² please add locally the most important local agencies

³ please adapt locally

ICT:

very unsatisfied	rather unsatisfied	neither unsatisfied nor satisfied	satisfied	fully satisfied
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please comment.

III.8.) Where do you see room for logistical and ICT improvements?

Improvement	of Logistics	of ICT
a) in your company / organisation		
b) in local authorities		
c) in support agencies		

III.9.) How do you see the different roles and responsibilities for regional development (e.g. who should start development activities: state, public-private-partnerships, companies by themselves, associations, etc.)?

IV: Education/Skills

IV.1.) How would you value the employees' qualification level in logistics / ICT

a) in your company?

Qualification level in logistics					
	very low	rather low	acceptable	high	very high
blue-collar worker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
white-collar worker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Qualification level in ICT					
	very low	rather low	acceptable	high	very high
blue-collar worker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
white-collar worker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

b) in the region?

Qualification level in logistics					
	very low	rather low	acceptable	high	very high
blue-collar worker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
white-collar worker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Qualification level in ICT					
	very low	rather low	acceptable	high	very high
blue-collar worker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
white-collar worker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please provide some background information on the professional qualification of your employees.

IV.2.) What educational training do you expect to be relevant in the future and how do you support further education and training in the area of logistics and ICT?

V: Outlook

V.1.) What are your expectations and wishes for further logistics and ICT development (from local authorities, support agencies...)?

V.2.) Do you have any concrete policy recommendations in the area of logistics / ICT?

Appendix 2 The distribution of the interview partners in Latvia

Group	Name of the company/organisation	Interview partner(s)
Local Authority	Riga City Council: City Development Department, City Planning Board	Chief Territorial Planner
Logistics Consultant	<i>Loģistikas Partneri</i> (actively involved in the Latvian Logistics and Customs Brokers Association)	Partners
Logistics Service Provider	<i>Latvian Postal Service</i> (state-owned provider of general postal services)	Director of Logistics and Trade
	<i>Schenker Latvia</i> (also representing the Latvian Logistics and Customs Brokers Association)	Director
Manufacturing Industry	<i>Marko KEA</i> (one of Europe's top 10 producers of wooden pallets and packaging)	Owner, director
	<i>Aldaris</i> (largest brewery in Latvia)	Financial Director
Retail Industry	<i>Nakts mēbeles</i> (one of the largest domestic retailers of furniture)	Owner, Director
Research Institution	Transport and Telecommunication Institute	President, Professor, Vice-Rector for Research and Development Affairs
	Forest and Wood Product Research and Development Institute	Director, Board Member
Support Initiative	Latvian Information Technology and Telecommunications Association	Board Member
	Latvian Transport Union	President
	Riga Region Development Agency	Chairman of the Board

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