
The Economic Situation in the Regions Vs. Changes in Governance – The Case of Lithuania

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Abstract:

In recent years, Lithuania has been characterized by economic progress, which is higher than the EU average. Despite this, Lithuania is characterized by untapped economic potential in the regions – their GDP per capita is only 70% EU average. The main reason why the potential in the regions is not used is the lack of competence, which chronically affects both entrepreneurs and local self-government. Changes in corporate governance, such as the creation of boards in municipally owned enterprises, could significantly increase their economic performance, while creating a positive economic effect on a wider regional scale. The presentation delivers the results of scientific research analyzing the data of 20 Lithuanian municipalities. Two types of municipalities were selected for the research – those with professional boards and those that directly appoint company CEOs. The analysis of quantitative data showed the lack of resilience of companies in the case when independent boards are not formed. The financial indicators of the companies are significantly behind the projections indicated in the research, based on the data of the most progressive municipal companies. The performed trend analysis shows existential threats to those companies that do not change their management model and do not show quantitative growth.

Keywords:

Sustainable development, governance, regions, Lithuania.