**RIGA TECHNICAL UNIVERSITY**

**FACULTY OF ENGINEERING ECONOMICS AND MANAGEMENT**

**International Business and Customs Institute**

**Department of International Business, Transport Economics and Logistics**

**Internship report**

**SIA “OLKO” Riga**

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Akhliddin Isomiddinov

Student ID No.191AIC011

Student’s signature\_\_\_\_\_\_\_\_\_\_\_

Internship coordinator at the University: **Assistant professor Astra Auziņa-Emsiņa**

Internship Supervisor at the Company: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Project manager: Mihails Filipovs

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Introduction

The company SIA “OLKO” is located in Riga, Latvia. The company is specialized in wholesale trade of the medical pharmaceutical products. Besides, its additional business activity is production of pharmaceutical products. The company was established in 2004 in Riga, Latvia.

Nowadays, SIA “OLKO” is a company that distributes the pharmaceuticals to the pharmacies and beauty salons all over the country. The assortment of the company consists of more than 100 category of products that include more than 10000 SKU (stock keeping unit). For increasing its competitiveness, the company is working on the increasing the types of products it distributes, hence increasing the quality of its service. Therefore, nowadays, the company is working on the distribution of complex medical equipment for the wholesale trade. The project of production of a new service in the market is not a new procedure for the company, yet the difference in the type of product requires from the marketing team, as well as management board to create a detailed strategy for the entrance in the new market.

The aim of the internship is to analyze the management of the enterprise and give suggestions to the problems of international economic relations encountered.

For the achievement of the aim of the internship, the author sets the following tasks to be conducted in the work:

1. To analyze the general information about company, its internal and external environment.
2. To study the business processes of the company related to management of international economic relations.
3. To observe the economic and financial indicators of the company.
4. To study about management of international economic relations in a company.
5. To elaborate solutions to the problems found in management.

The author of the work relies on PESTEL analysis for learning about the external environment of the company. Finally, the analysis of main international economic relations indicators of the company is conducted.

# General Information about SIA “OLKO”

## Characteristics of SIA “OLKO”

General information about the company analysis can show the current conditions within the company, as well as provide information about the dynamics for the past periods and how the recent challenges impacted on it. At the same time, PESTEL analysis shows the current condition in the external environment of the company, and how this is impacting on the internal condition of the company.

OLKO is a limited liability company, was registered in 1993, and included in the commercial register in 07.09.2004. The shares of the owners are divided between two, which own 25 and 75% of the company respectively (Firmas.lv, 2022).



**Figure 1.1** Location of SIA OLKO (Google Maps, 2022)

The company OLKO is in Riga, Latvia. The exact legal address of the company is at Zemitānu street 3- 104, Riga, Latvia (see **Figure 1.1**).

The main economic activity of the company is wholesale of the pharmaceutical goods and manufacture of the pharmaceutical preparations and medical equipment. As of today, the fixed capital of the company is 264 586 EUR (Lursoft.lv, 2022).

The whole list of the economic activities are as follows (Firmas.lv, 2022):

1. medical equipment, instruments, goods and supplies.
2. manufacture of medical and dental instruments and accessories.
3. wholesale of pharmaceutical products.
4. manufacture of pharmaceutical preparations.

The development of the company comes to the comes to recent years, after Latvia became the part of the European Union. Until that period the company was mostly functioning as a wholesaler of the pharmaceutical production. The European Union membership provided the company as new suppliers in terms of medical products, as well as new buyers across Europe. In the recent years the company is also working in the sphere of medical equipment production. The latest pandemic has provided enough space for the small businesses to be involved in the production of simple equipment for the analysis and metrics, as well as minor healthcare treatment.

**Figure 1.2** Turnover of SIA “OLKO” 2017 – 2021 (SIA "OLKO" Report 2017-2021, 2022)

The turnover of the company and its structure during the 2017-2021 period. As can be seen the turnover of the company have grown since 2017 up to 2020, where its turnover felt just the same number as it was in 2017. Yet, in 2021 it peaked up 2.5 million EUR. As regards the structure of the turnover of the company, the wholesale was always the biggest part of the sales, accounting for almost half of the total sales. Yet, in 2020 the wholesale decreased up to one third of the total amount, and the biggest amount was the manufacturing of medical equipment. (See Fig.1.2)

The company consists of 15 specialists, including the CEO of the company. From this, there is an accountant and a lawyer, as well as specialists responsible for the coordination of distribution of medical equipment and pharmaceutical products. The remaining part of the personnel – 8 people are responsible for the production of pharmaceuticals and equipment. The manufacture of the pharmaceuticals is a significant part of the work, as it makes the vast majority of sales and has its specific requirements in terms of quality and safety. For this reason, the company relies on industrial engineers who take care of the production process in the company.

Regarding the number of employees, there are 15 people working in SIA “OLKO” today. The number has not changed since 2020. Since 2019 the number of employees increased by 2 people.

**Table 1.1**

Tax indexes of SIA “OLKO”

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2019 | 2020 | 2021 |
| Total amount of payments to the State General Budget, thousand EURO | 225.66 | 351.29 | 136.84 |
| Personal income tax, thousand EURO | 22.18 | 19.58 | 34.51 |
| Compulsory state social insurance contributions, thousand EURO | 44.88 | 41.68 | 32.04 |
| Average number of employees | 13 | 15 | 15 |

Overall taxes and budget payments for the last three years. The amount of taxes and payments to the budget have increased in 2020 due to the increase of turnover however, in 2021 the number have fall almost 2.5 times. At the same, the income tax of personnel decreased in 2020 due to the tax exemptions in 2020 and increased again in 2021. (See Table 1.1)

Analysis of the organizational structure of the company gives valuable insight into how these employees are coordinated in the work process. As the economic activity includes at least four directions, the organization structure and the management of the company is in a hierarchical form. The main parts of the company are production, import and export of medical equipment and pharmaceuticals and the wholesale of the pharmaceuticals.

The production process is divided into two independent directions which are responsible for the pharmaceutical goods. Another part of production is equipment, and both of them are the part of the manufacturing department. At the same time, there is a distribution department which is mainly responsible for the wholesale trade and logistics, that consists of warehousing and transportation to the wholesale customers. It is important to be noted that the logistics operates not only in the local market, but actively exporting production to the European Union countries, and the bordering European countries. Among the export countries there are Baltic countries, Poland, Finland, as well Moldova, Ukraine, Russia, Belarus etc. The logistics are organized mainly by the vehicles and railway transportation.

The finance and marketing part of the company is mainly organized by the individuals, which are responsible for the analysis of prices, searching for new b2b customers. Supplies, accounting, and control of assets.

**Figure 1.3.** Organizational structure of SIA “OLKO” (made by author, 2022)

Overall, the organizational structure of the company is of the functional type, that divides responsibilities between several types of activities, such as marketing, finances, distribution and production. As can be seen from the example of SIA “OLKO” in **Figure 1.3**

Each department is responsible for the list of tasks in company, as finance controls accounting and legislation, production is divided into production of equipment and medical products, as well as distribution is responsible for the two types of business in company. Undoubtedly, the advantages of the functional organizational structure are (Vepreva, 2022):

* high level of professionalism and specialization.
* a clear understanding of who to obey and who to contact with questions.
* specific distribution of responsibility between departments.
* high quality of task execution.
* the equivalent importance of each subject.

Although tasks of different departments at SIA “OLKO” are related to each other, the highly specification of production requires division of tasks, therefore the functional structure is useful for this case. On the other hand, there are a range of drawbacks as well (Vepreva, 2022):

* it is difficult for different departments to communicate with each other and exchange information.
* an employee engaged in a narrow specialization has difficulty moving up the career ladder to positions that require broader knowledge.
* some tasks may be duplicated — employees focus not only on immediate supervisors, but also on functional managers.
* the system is complex and sometimes difficult to manage.

For the current state of business of SIA “OLKO” is comfortable with functional organizational structure as the limited number of employees make it easier for management, when it is divided into divisions based on their functionality. There are the divisions that perform different tasks which have unique objective related to finance, logistics, human resources etc., of the similar strategic plan though.

## PESTEL analysis for European medical equipment market

The company SIA “OLKO” functions in the market of medicals in Latvia. Nowadays it is functioning in the market of medical product sale and production of medical equipment.

Although the production of medical equipment and products is one of the strictly controlled markets of the economy, its low investment requirement stimulates the countries develop the production and sale in the country. Here, Latvia is not the exception and its location as well as membership in the European Union creates possibilities for the development of the production for the local companies.

As it was mentioned the production of medicals and equipment is highly standardized sector of the economy, and companies are obliged to obey the European standards. Therefore, from 142 companies working in the Latvian market of the medical equipment only 23 are local producers. The remaining part is registered in Latvia, yet they are foreign companies (Semyonova, 2018).

In the recent years the market of medical equipment as well as medicals is influenced by different factors including of the global level, like pandemic, or the regional like military conflict in the region. All of these are having their direct impact in the business, both positive and negative.

**Table 1.2**.

PESTEL analysis for the SIA “OLKO” in European medical equipment macro-environment

|  |  |
| --- | --- |
| Factors | Influence |
| Political | The military conflict in Ukraine is impacting the safety and economy of the country, as a result it may be resulted in investment potential of the local companies |
| Economic | Increasing inflation rate is impacting the cost of production |
| Social | The level of migration from conflict regions may increase the demand for the medical products and equipment |
| Technological | The logistics because of the conflict in the region is increasing in price, as well as it is required to search for the alternative routes |
| Environmental | Pandemic is being one of the main stimulators of the increase of the demand for the medicals and medical equipment |
| Legal | New regulatory framework influencing the safety and the efficiency of the medical equipment in the European union |

In the recent years the market of medical equipment as well as medicals is influenced by different factors including of the global level, like pandemic, or the regional like military conflict in the region. All of these are having their direct impact in the business, both positive and negative. (See Table 1.2).

It is obvious that the military conflict in the region which covers three bordering countries: Russian Federation, Ukraine and Belarus Republic is impacting the safety issues of the Baltic countries and of the whole Europe. One of the recent responds to this conflict might be the desire of Finland and Sweden to be a part of the NATO. As a result, the nearby military conflict is impacting the business environment as well. As a result of the political issues companies would have to limit or cancel partnership relations with the sanctioned companies or lose relations because of the force majeure clauses. As a result of the military conflict small companies like SIA “OLKO” have to cope with the limitation in the export of the equipment to the bordering countries, and cope with the increasing expenditure on the production.

As it was mentioned, the regional military conflict is being the main reason to the economic instability in the Baltic region, as well as the European economy. It is forecasted that the economic instability will impact on the decrease in the trade with the countries in conflict region: Russian Federation, Ukraine and Belarus (Swedbank Biznesam, 2022). Besides it is increasing the production costs because of the increase in the oil price, due to the stop of the Nord Stream pipeline from Russia. Such uncertainty is impacting the whole business atmosphere in the region: both the investment potential and the demand from the side of society.

Namely, the society is now concerned about more personal and safety issues than the economic and business matters. It is stimulated by the increase in the number of migrants from the bordering countries and war refugees. Undoubtedly this would influence the overall demand for the pharmaceuticals among the society.

Also, because of the recent political conditions and conflict in the region the logistics from the bordering countries is stopped. Mostly from the sanctions and the inability of the countries to provide the safety of the logistics the companies are in search of the alternative partner companies from other EU countries. However, as the resource providing companies were mostly located in bordering countries, the cost of logistics is increasing for small enterprises as well.

The environmental issue is not related to the military conflict yet being the reason to another global instability is the pandemic. Although the peak of the pandemic is thought to be eliminated, the population would have to cope with the outcomes of the virus spread. The consequences of the virus infection might be the direct reason to the increase of the demand for the healthcare and pharmaceuticals as well as the medical equipment. Hence, such factors are also impacting the functioning of the SIA “OLKO” in the market.

Finally, in recent years the European Union Parliament is implementing new regulations to the legal aspect of the medical equipment market. Therefore, the control of the standards of the realization of the medical equipment is getting stricter, up to having a specific employee obliged to control the standards within the enterprise. At the same time, the regulations are controlled throughout the chain of the production and distribution of the medical equipment, whether these are small shops selling medical equipment or the companies producing medical equipment (Laane, et al., 2021).

Overall, the main factor that is influencing almost all the aspects of the economic and social wellbeing of the country is the military conflict in the region, which is impossible to neglect due to its scale and level of influence. The examples can be problems with the oil distribution, logistics, safety issues, migration problems, travel restrictions, and business relations, social instability.

# Analysis of international medical equipment and products market

## Analysis of medical equipment manufacture market

Analysis of the global market of the medical equipment along with the wholesale of the medical products provides the information that could be compared to the Latvian market. Hence, shows the trends in the market. Based on the studies the future perspectives of the SIA “OLKO” can be made. Furthermore, the analysis can show the relations between the market of medical equipment and medical products.

The medical equipment industry consists of the manufacture and wholesale of the devices that are related to the healthcare. This may cover the devices for monitoring or diagnosis, therapeutics, as well as implants and other reconstructive tools (SME, 2022).

The global device market amounted to €488.98 billion in 2021, and in 2022 it is forecasted to be around €495.46 billion. The market is growing; hence the forecast is optimistic and is expected to grow with the CAGR of 5.5% annually. Therefore, by 2029 the global market of medical equipment will reach the amount of €718.92 billion (Fortune business insights, 2022).

The main reason for the market growth is suggested to be the growth of the chronic deceases and increase in the emphasis on the diagnosis of the diseases in early phase is being the main reason for the growth of the market. On the other hand, it can be mistakenly supposed that the COVID-19 has been the key reason to the overall awareness about the medical equipment. Yet, as the studies show during 2020 the growth has declined by 1.4% compared to 2019. This was caused by the total lockdown for a period, when people couldn’t leave their houses, and minor healing cases were left for future. Only serious cases of COVID-19 were taken to the hospitals. As a result, cases like dentists or orthopedic healing, were not as serious and were not count as inpatient admissions (Fortune business insights, 2022).

At the same time, a year after the pandemic was less infective and the lockdowns were cancelled, it was a time for healing the diseases left from the 2020, hence in 2021 there was a serious increase in the sales of dental and orthopedic surgery devices and materials (Fortune business insights, 2022).

The market of medical devices is highly diversified as it is with the case of medical equipment categories. There are undoubtedly leaders of the market as which occupy the majority share in terms of the market of medical equipment. These companies are mostly American and European, which are mostly occupying the market because of the well-developed distribution all over the world, or investments in Research & Development, as well as collaborations. The list of key companies of 2021 by market share are (Fortune business insights, 2022):

1. Metronic (Ireland).
2. Stryker (U.S.).
3. Johnson & Johnson Services, Inc. (U.S.).
4. Fresensius SE & Co. KGaA (Germany).
5. Koninklijke Philips N.V.(Netherlands).
6. F. Hofmann La-Roche Ltd (Switzerland).
7. General Electric Company (U.S.).
8. Siemens Healthineers AG (Germany).
9. BD (U.S.).
10. Boston Scientific Corporation (U.S.).

At the same time, in the global market most of the turnover is accumulated by small and medium-size enterprises, as their share of the turnover accounts to 95% of the total market. At the same time, it is expected a 3.5% increase in the turnover annually (Semjonova, 2020). In terms of the regions, which produce medical development is still lead by the U.S. companies. From the list above it can be seen that five companies are from the U.S.: Stryker, Johnson & Johnson Services, General Electric Company, Boston Scientific Corporation, BD. Besides, in big scale, the majority are from the U.S.

**Figure 2.1** Global medical devices turnover 2014-2018 (Semjonova, 2020)

As the biggest medical devices turnover stays U.S. second place is a Europe, and the companies from Asian countries also have considerable amount, but the cumulative turnover of companies from other countries not mentioned list is higher than of the Asian countries. (See Fig. 2.1)

As regards the Latvian market, the growth of the medical device market is around 0.7% annually, hence specialist suggest this increase rather the impact of inflation than the real growth of the industry.

The turnover of the Latvian market of medical devices is around 65 million EUR, which has considerably increased in the recent years.

**Figure 2.2** Net turnover of Latvian market of medical devices (Semjonova, 2020)

As it was mentioned above, the development of SIA “OLKO” has increased since Latvia has become the member of European Union. A similar situation can be observed with the development of the whole industry of the medical device market in Latvia. Besides the 2008 recession the industry was steadily growing to 10 million EUR turnover a year in 2012 - 2013. However, after the development has rocketed, and besides a slight decrease in 2015 it has reached the annual turnover of around 65 million in 2019 (see Fig. 2.2).

**Figure 2.3** Number of employees in the Latvian market of medical devices (Semjonova, 2020)

The upward trend, then, was continued in other sectors of the economy related to medical device market. For instance, the number of people busy in the market of medical devices has also increased since 2015, and the growth was sharper and bigger than compared to the period before.

In 2014, the number of people working in the sphere of medical device market was around 550 people, yet in 2019 the number has reached around 700 people. Taking into account the population of Latvia, which is comparingly small than in other countries of Europe, and the overall number of people had been working in the industry, the growth has amounted to almost 30% during a five-year period 2015-2019. (See Fig.2.3)

Overall, the modern trends in the industry of medical devices is developing towards the research and development, as the world is facing new challenges like pandemic, and the example of key companies in the industry show that research and development investments, as well as strong position in the market can keep a decent market share. At the same time, the Latvian market is still developing, although the numbers are not as high with the whole market, the growth rate is higher than of 2000’s in the market.

## Overview of medical product wholesale market

The company SIA “OLKO” is working in the market of medical products as well as a wholesaler to the Latvian market and to the bordering countries. Therefore, it is worth analyzing the market of wholesale of medical products.

The current size of the medical product wholesale market amounts to €138.4 billion in 2022, yet the number is forecasted to grow with the CAGR of 3.4% annually and reach €163,5 billion in 2027 (Markets and Markets, 2022).

Unfortunately, there is small data regarding the wholesale of the medical supplies in Latvia, and the data provided is cumulative with the market of medical equipment.

**Figure 2.4** Number of enterprises in the manufacture of medical and dental instruments and supplies in Latvia from 2008 to 2016 (Statista Research Deparment, 2021)

The trends are similar to those of medical equipment market in Latvia, and the graph provides information about the number of enterprises working in the sphere of medical equipment and medical supplies in Latvia. In particular, the 2008 recession has impacted to the market dramatically, as more than 10% of companies have cancelled their activity, and the number of companies in 2009 dropped to 70, from 81 in 2008. The sharp development has started from 2014 and in 2016 there already were 90 companies in the industry. (See Fig. 2.4)

Overall, the industry repeats the case of medical equipment, hence the trends are mostly related not to the recent changes because of the pandemic, but with the continual process of aging among the population. On the next part of the work, the author analyzes the forecasts regarding the market of medical equipment and wholesale of supplies, as well as compares to the available data of SIA OLKO for future forecasts of the company.

# . Forecasts about SIA “OLKO” international economic activity

## Analysis of operational and management problems

Forecasts on the future international economic activity of the company are based on the analysis of the current problems existing in the operational sector and the management. Based on the results of the analysis author provides suggestions. Finally, the forecasts are made based on the existing data and suggestions.

Analysis of the operational issues, the author relies on the interview with distribution manager that controls the operations with the distribution of medical equipment and products. Based on the results of the interview, the following results can be made:

1. Nowadays, the wholesale of medical equipment and products are imported from Chinese enterprises. The main issue here can be that company relies on several manufacturers that adds diversity to the assortment of SIA “OLKO”. The strategy is quite safe as the company can change the product with another brand, and the assortment will not harm considerably from this.
2. The negative side of the wide diversification of assortment is necessity to provide that variety of products, although it may be inefficient from the point of sales. The company imports and delivers wide range of medical equipment, based on seasonality and demand, however, not all of them are sold easily in the market.
3. Another drawback of wide diversification of the assortment is necessity of more space in warehouse for holding it until its sale. From the point of finance, the money loses its liquidity when it’s kept in form of goods.
4. Usually, it is extra personnel that should keep control of the logistics of the equipment and products imported from overseas. In recent times, the company added also semi-finished equipment and medical products, for final production in Riga.
5. The managemental problem of this process is the human resource that are employed individually. In other words, each position has maximum of one-two employees, and when any of employees leave the company, the management have to solve the problem of recruitment, adaptation and training. At that time, the work of the company worsens.

Based on the further analysis of the assortment matrix of the company, the author can prepare the following matrix of the products of the company (see **Table 3.1**). In particular, the table provides information about the assortment of SIA OLKO divided based on the turnover and average profit margin. Overall, the company products are divided into 14 product groups that are further can be divided into categories based on their characteristics.

**Table 3.1**

ABC analysis of SIA OLKO assortment 2020-2021 ( (SIA OLKO Annual report, 2022)

|  |  |  |  |
| --- | --- | --- | --- |
| Margin/Turnover | A | B | C |
| A | Dental equipment  Dental products | Care accessories  Products for beauty professionals | Mother and child products |
| B | Medical clothing, surgical linen, gloves | Dressings and wound care products | Products for strengthening health |
| C | Products for oral hygiene  Products for beauty, hygiene | Express Diagnostics  Equipment for surgery | Detergents and cleaning products  Medical sports equipment |

It is worth noting that each category of products has its individual profit margin cost, therefore the profitability of the categories is different as well. At the same time, each category of product is imported in different amount, which also impacts on the profit margin cost and amount. The data provided is based on the annual sales of each category. However, it is significant to be noted that, the company relies on the demand and seasonality, as well as availability of the product in the market. Therefore, the turnover can be regulated by the demand and seasonality. (see Table 3.1)

Figure 3.1. Turnover amount of SIA OLKO in 2021 (Made by author, 2021)

The data is based on the annual turnover of the company in wholesale of medical products and equipment for 2021. The biggest amount of turnover in wholesale in 2021 amounted to 303.75 thousand EURO, that was around one forth of the total amount — dental equipment. At the same time, the dental products were less than the first category, yet also had considerable share in the turnover of 2021 — 20%. From the notable categories there were care accessories with 15% of the share, and mother and child products – 6%. The remaining categories amounted to around 5% (beauty professionals’ products, beauty and hygiene products, express diagnostics, oral hygiene products etc.) At the same time, there categories which have the least amount of share in the turnover like health strengthening products, medical clothing and others. (See Fig. 3.1)

As it was mentioned, the categories have different profit margins which fluctuate around 15 and 35 percent, The highest margins have dental products and dental equipment, as well as medical clothing, whilst the least margins have mother and child products and detergent products of approximately 15% average. as can be observed in **Table 3.2** in the appendixes.

## Improvement suggestions on the management problems

Based on the analysis of the management and operational problems at SIA “OLKO” the author can provide the following **improvements**.

**First**, it is important to analyze the assortment of products based on the recent changes in the ecological and political sector of life. Because of the pandemic, the preferences in hygiene and prophylactics of diseases have increased. The use of masks and gloves, antiseptics and vitamins has peaked in the period of pandemic. Therefore, taking into account the previous analyses of the use of medicals in the world, as well as taking into account the turnover of the company, it could be beneficial to eliminate the categories of medical products that do not have enough demand in the market. This would help to focus the resources of the company in equally high demanded and accessible medicals. Based on the analysis of the company (Table **3.1**), the author provides suggestion to concentrate on the AA, AB, BA and BB sells of the table. In this occasion the company can focus on the products that are in leading positions both from the point of turnover and demand (see Table 3.3).

**Table 3.3**

Optimized assortment matrix of SIA “OLKO” (Made by author, 2022)

|  |  |  |
| --- | --- | --- |
| Margin/Turnover | A | B |
| A | Dental equipment  Dental products | Care accessories  Products for beauty professionals |
| B | Medical clothing, surgical linen, gloves | Dressings and wound care products |

**On the other hand**, the company requires improvements in the human resource management. As can be obvious that the company works with the wide assortment, as well as both with production and wholesale, it requires not only specialists performing these tasks, but those who can change positions in case of urge.

For this, the author provides the following suggestion based on the increase of the personnel, although with the increase in the salary payments of the company. First, it is permanent development of a database of specialists who can change the position in case of necessity and this list needs to be from those who already in company. Another method is creation of assistants who will not only prepare for future career, yet work for the expenditure of the business, in terms of the geography of export and import. This is done by permanent implementation of training measures and assessment during a three-month period of time. Hence, in case of emergency the specialists with the highest assessment points in given sphere can go in that position.

**Figure 3.2**. Total import share by country of SIA “OLKO” 2021 (Made by author, 2022)

The overwhelming majority of the imports of SIA “OLKO” comes from China, where the specialists are focused on. However, there are other countries as well, which provide the necessary shares of the turnover and critically important products like equipment for surgery and sports equipment from Germany. The amount of import from Germany is 8%, which is similar to Poland, that provides mother and child products and express diagnostics products for the company. (See Fig. 3.2)

Overall, the company is working with the wide assortment of goods, and most imports come from China. However, due to recent uncertainties the company cannot guarantee continuous supplies through a long period of time. Hence, in period of uncertainty in international relations, the author provides suggestions on decrease of the assortment, and widening the import geography.

Conclusions and Proposals

To sum up, the company SIA “OLKO” is working in the sphere of medical equipment in Latvia. Yet, its geography of work goes outside the country, as it has imports and exports from overseas. During the analysis of the business of the company, the author has made the following **conclusions**:

1. The company has functional organizational structure, where the responsibilities are divided between departments, and the head of the company manages the departments with the heads of departments. However, as for today, the company has only 15 employees, which creates risks if one of employees leave the company. The company would have to cope with recruitment, training etc. Yet, it doesn’t have the ready candidates and assistants for each position.
2. The company is working both with European and Asian countries in terms of import, and bordering countries in terms of export. However, as the recent cases show that neither Asian countries, nor European or bordering countries cannot be absolutely guaranteed importing and exporting countries. Pandemic 2020 and 2022 conflict in Ukraine and Russia has created problems in terms of logistics and transactions. Hence, a limited number of importing countries cause breaks in work in critical conditions.
3. The wide number of assortments also can be a problem in terms of logistics from overseas, as reliance on one country can stop the majority of imports in critical conditions.
4. Although, the period of pandemic was trouble for the medical sales of some categories like dental and beauty, in 2021 their rate has increased.
5. Although of the widespread of the pandemic has started from China, the company has the majority of imports from this country. Germany and Poland have also their shares in equipment and mother and child products.
6. The biggest shares of the turnover are dental products and equipment. The other shares are care accessories and mother and child products. The remaining categories have less than 5% share in the turnover 2021 of the company.

The **proposals** provided are focused on the improvement of company management in case of critical conditions that are frequent in recent years. Therefore, the author suggests improvements in terms of human resource management, assortment management, and geography of international relations.

1. First, it is important to increase the number of personnel in terms of replacement for the current human resources. The assistants in each position or multifunctional employees can be a base for the future changes in the personnel. In this aspect, the recruitment and training of new personnel would not damage the company with the loss of time. And it would cost for a company approximately 2000 EURO per month with all taxes to pay for an employee.
2. Secondly, the increase in the number of employees can be beneficial for the expenditure of the geography of international activity of the company. The reliance in majority on one country as importer or exporter can be risky in critical conditions. Hence, the extra personnel would develop other directions one additional manager of costs of hiring of international relations of the company.
3. Finally, the company has to minimize the assortment of goods provided to the customers. The wide range of medical equipment with various marginal cost creates additional tasks for the company to control and analyze. Therefore, the limitation of assortment in certain categories is beneficial both from the point of logistics and management.

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# Appendices

**Appendix 1**

**Table 3.2**

Average profit margin (Made by author, 2022)

|  |  |
| --- | --- |
| Categories of medical equipment imported | Average margin cost for category |
| Care accessories | 25% |
| Dental equipment | 30% |
| Dental products | 35% |
| Detergents and cleaning products | 15% |
| Dressings and wound care products | 20% |
| Equipment for surgery | 20% |
| Express Diagnostics | 20% |
| Medical clothing, surgical linen, gloves | 30% |
| Medical sports equipment | 15% |
| Mother and child products | 15% |
| Products for beauty professionals | 25% |
| Products for beauty, hygiene | 20% |
| Products for oral hygiene | 20% |
| Products for strengthening health | 22% |

**Appendix 2**

**Table 4.2**

Import structure and turnover of wholesale of SIA “OLKO” in 2021 in thousand EURO (Made by author, 2022)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Categories of medical equipment | Austria | China | France | Germany | Italy | Korea | Poland | Total |
| Care accessories |  | € 189.31 |  |  |  |  |  | € 189.31 |
| Dental equipment |  | € 303.75 |  |  |  |  |  | € 303.75 |
| Dental products |  | € 247.63 |  |  |  |  |  | € 247.63 |
| Detergents and cleaning products |  | € 36.47 |  |  |  |  |  | € 36.47 |
| Dressings and wound care products | € 52.17 |  |  |  |  |  |  | € 52.17 |
| Equipment for surgery |  |  |  | € 63.70 |  |  |  | € 63.70 |
| Express Diagnostics |  |  |  |  |  |  | € 19.30 | € 19.30 |
| Medical clothing, surgical linen, gloves |  | € 28.90 |  |  |  |  |  | € 28.90 |
| Medical sports equipment |  |  |  | € 39.87 |  |  |  | € 39.87 |
| Mother and child products |  |  |  |  |  |  | € 78.83 | € 78.83 |
| Products for beauty professionals |  |  | € 63.70 |  |  |  |  | € 63.70 |
| Products for beauty, hygiene |  |  |  |  |  | € 56.70 |  | € 56.70 |
| Products for oral hygiene |  | € 43.63 |  |  |  |  |  | € 43.63 |
| Products for strengthening health |  |  |  |  | € 17.74 |  |  | € 17.74 |
| Total | € 52.17 | € 849.69 | € 63.70 | € 103.57 | € 17.74 | € 56.70 | € 98.13 | € 1,241.70 |