



SOCIOLOGICAL SURVEY OF THE BUSINESS OF KARDZHALI REGION BASIC FACTORS FOR CHOOSING A LOCALIZATION FROM THE COMPANIES

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ABSTRACT

Having in mind the variety of possibilities for development of a successful business, the strategic positioning depends of different factors which have direct impact on the localization of the company. In 2014 a local research was made. The objectives of this research are to identify the issues for choosing business localization, and to recommend good advices for improvement of the business environment. The research was carried out in Kardzhali district among 150 companies. For the research a preliminary developed questioner card was used which contains four groups of questions: 1. Characteristics of the company, 2. Assessment of the factors for localization, 3. Assessment of the basic infrastructure and institutions of the region, 4. Problems related with the choice for localization and the desire for business movement. The collected data has been worked up with SPSS software program.

Key words: Regional development; Business localization; Factors and conditions;

INTRODUCTION

TARGET GROUPS, APPROACH AND METHODOLOGY FOR THE REALIZATION OF THE ACTIVITIES

During 2014, as a part of a dissertation named "Examination of the territorial localization of the business of Kardzhali region from "Regional development" desk of the Thracian University", a sociological survey was carried out among companies from Kardzhali region.

The overall object of the survey, was to examine the main reasons and regularities which lead to the decision of the companies from Kardzhali region, where to settle their economic structures. Several tasks are needed to be carried out in order to fulfill the overall objective which, are related with the territorial localization of the companies from Kardzhali region. Therefore the main tasks of the sociological survey are as follows:

- To analyze the profile of the investigated companies;
- To investigate the assessment of the companies for their main localization factors and conditions;
- To investigate the assessment of the companies about some of their localization factors in Kardzhali region.

The scope of this survey is defined by the economic interests and motives of the entrepreneurs from Kardzhali region to organize their business in this region. The main thesis is, that the decision for territorial localization of a business in Kardzhali region is based on a classic economic decisions for optimization of the economic functioning of the company as decreasing of the expenditures, increasing the profit, nearest point to international markets, but not on a sociological factors as ethnic structure of the population.

The methodology of the survey includes traditional and contemporary methods for analyses and assessment. In use are:

- Describing method;
- Comparative statistical and sociological analysis;
- Inductive and deductive method and systematic analysis.

For the objectives of this sociological survey, an extract consists of 149 companies from Kardzhali region was used. The extract was based on the following indicators: authenticity, size and volume.

The following representatives from the target groups were included in the survey:

- Private personnel
- Ltd's
- joint-stock companies;
- OTHERS.

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Approach and methodology for the realization of the activities.

Basic steps:

1. Design of the survey: choice and description of the examination approach, localization of the recourses;
2. Preparing the methodology of the survey;
3. Defining the characteristics of the methods for collection and analyzing of the information.

The number of the questions from the inquiry card is defined by three main factors: the objectives of the sociological survey, the size of the topics, the maximum time needed to fill in the inquiry cards.

Territorial scope of the survey: - Kardzhali region.

Objects of the survey are entrepreneurs from all economic sectors, municipality administrations and etc.

Basic method for collection of information: interviews “face to face” carried out by inquirers.

REPRESENTATIVE EXTRACT

For this sociological survey, an extract consists of 149 companies from the target groups is used. The summarized data is shown as tables and graphics.

Method for forming – The volume of the extract consists of 150 units. In order to represent different by size and type of business companies, the first 20 biggest companies from different business sectors are selected which have biggest incomes for 2011. After that from the rest companies, based on a casual principal, up to 20 companies are drafted in accordance with their business share. The survey was carried out on a two level nests extract for the selection of the 149 companies.

The nests are as follows:

- Kardzhali Municipality – 53 фирми
- Ardino Municipality – 19
- Dgebel Municipality – 17
- Korkovo Municipality – 15
- Krumovgrad Municipality – 10
- Momchilgrad Municipality – 22
- ChernoocheneMunicipality - 13

Method for registration of the information – direct standardized interview, where is possible in the central offices of the companies.

Table 1. Contentment of the chosen localization

Contentment of the chosen localization:	Answers %
Rather YES	97
Partly	1
Rather NO	2
I cannot say	0
TOTAL:	100,0

Maximum size of the mistake in 50% shares и 95% guaranteed probability – %.

CHECKING OF THE INQUIRY CARDS: Firstly, the methodology consists of technical and logical check of the filled inquiries. It also consists of 20% checks by phone calls, and a full check if serious findings appeared in the work of the inquirers.

The inquiry card (with a total of 30 questions) consists of several basic group of questions:

- Basic data for the company – legal form, year of establishment, localization, economic branch, economic results for the last 5 years, number of employees, nationality and etc.;
- Factors and conditions for choosing the concrete municipality or dwelling place for the localization of the company.
- Assessment of the infrastructure, administration, human resources
- Contentment of the chosen localization
- Multicultural structure, relations between the ethnic groups and etc.

• The inquiry card which was prepared for the entrepreneurs, consist of questions from different types – open and closed questions, multiple choice questions. The diversity of the type of the questions, allows the companies to express freely their opinion and guarantees adequate and reliable results to be received from the survey.

The questions from the inquire card are arranged on the base of their logical sequence:

1. Basic data for the company;
2. Factors and conditions for choosing the localization of the company;
3. Assessment of the infrastructure, administration, human resources;
4. Contentment of the chosen localization;
5. Multicultural structure, relations between the ethnic groups and etc.

TOPIC 1: OVERALL ASSESSMENT OF THE CONTENTMENT FROM THE BUSINESS LOCALIZATION

Do the companies are satisfied or not satisfied from the chosen localization? Do they have problems with the localization and which are these problems? Does the concrete entrepreneur have the intention to move in another region? Fro the survey, we receive the following answers to these questions:

The answers of the question astonishes with the unconditional contentment of the chosen localization among the entrepreneurs with 97% of yes.

It is not a surprise that such high rate of overall contentment form the chosen localization, leads to a very low rate for the willingness to remove the company in another localization.

Table 2. Willingness for removing in another region

Willingness for removing in another region	Answer %
Rather YES	3,4
Possible establishment of a branch	14,0
Rather NO	80,5
Possible closure of the company	2
TOTAL:	100,0

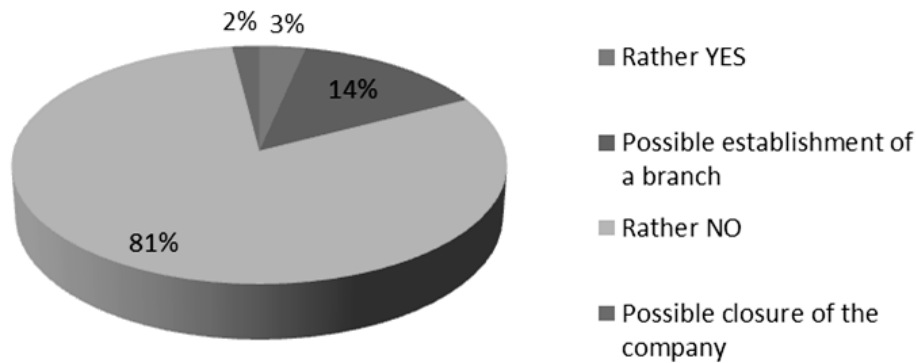


Diagram 1. Willingness for removing in another region

Again only 3% of the companies are thinking for possible movement in another region, and with which they express their frustration from the localization. It is obvious that this is very small part of the business in Kurdzhali region. But this doesn't mean the entrepreneurs from

the region do not face problems related to that they are doing business in this region. They express their frustration on the base that there is a lack of clear regional strategy for development. Another reason is the weak overall regional market.

Table 3. Basic problems with the localization

Basic problems with the localization	Answer %
Unclear strategy for regional development	21,5
Bad infrastructure	2,7
Unattractive sector	10,7
Bad human resources	8,1
Weak local market	14,1
Bad communication with the local authorities	1,3
Do not have local problems, the problems are on national level	41,6
TOTAL:	100,0

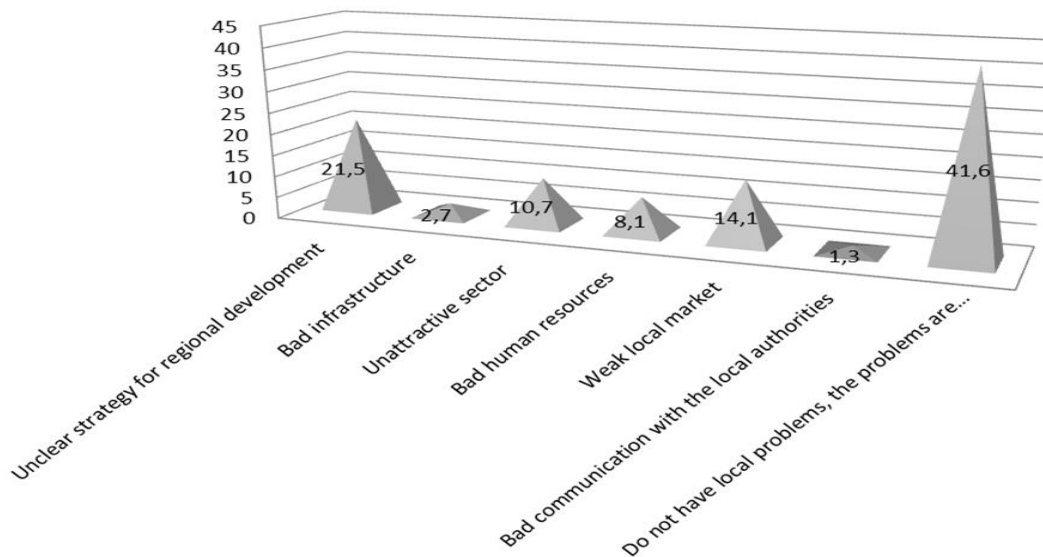


Diagram 2. Basic problems with the localization**CHARACTERISTICS OF THE
INQUIRED TOTALITY**

Based on their legal form, the inquired companies are divided as follows:

Private personnel – 45%;

Ltd's – 51%

joint-stock companies – 4 %.

By the year of establishment the distribution is:

Established during the period of 1990-2006 – **80%**

Established during the period of 2007-2010 – **18%**

Established during the period of 2011-2014 – **2 %**

Table 4. Companies – by period of establishment

<i>Period of establishment</i>	<i>Number of companies</i>	<i>Percentage</i>
1990-2006	119	79,87
2007-2010	27	18,12
2011-2014	3	2,01
	149	100

Localization of the company (the examination is made only by municipality level not by a dwelling place):

Table 5. Companies - by municipality

<i>Municipality</i>	<i>Number of companies</i>	<i>Percentage %</i>
Ardino	19	12,75
Dgebel	17	11,41
Kirkovo	15	10,07
Kurdzhali	53	35,57
Krumovgrad	10	6,71
Momchilgrad	22	14,77
Chernoochene	13	8,72
<i>TOTAL:</i>	<i>149</i>	<i>100 %</i>

Most of the inquired companies are from the “Producing industry” and the “Trade. Repairing cars and motorcycle industry” followed by “Building industry” and

“Agriculture”. Based on one of the most important characteristic using for analysis – branches, the companies are divided as follows:

Table 6. List of inquired companies – by branches

INQUIRED COMPANIES – BY BRANCHES	NUMBERS	percentage %
Agriculture	16	11
Gaining Industry	6	4
Producing Industry	56	38
Energy producing industry	2	1,4
Building Industry	10	6,7
Trade. Car repairing industry	39	26
Transport, logistic and post	4	2,7
Hotels and restaurants	7	4,7
Information and creation	4	2,7
Real estates	1	0,7
Vocational training and studies.	2	1,4
Others	1	0,7
TOTAL:	149	100%

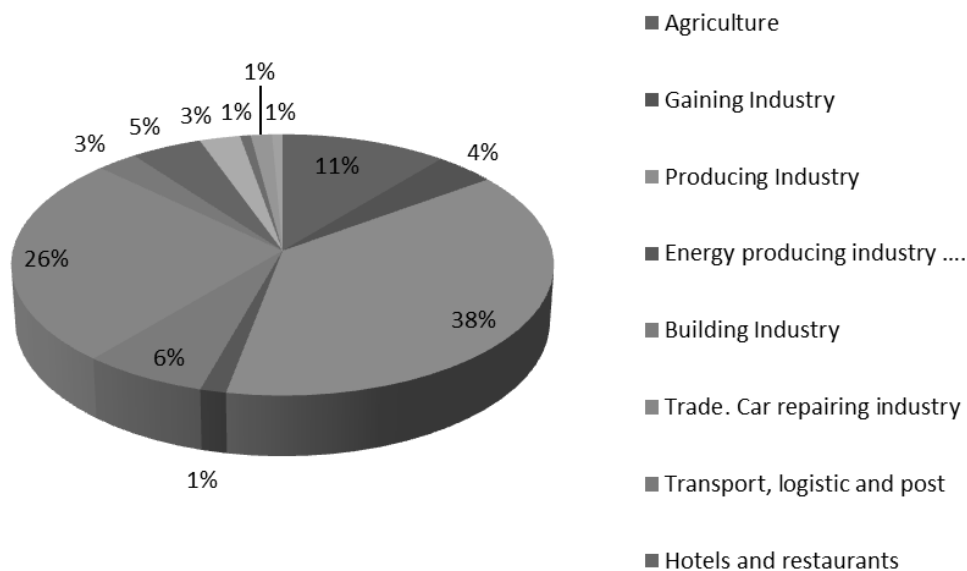


Diagram 3. Inquired companies – by branches

The economic results of the inquired companies for the last 5 years are shown on the table below. As a whole, they could be summarized as very good. Only 3% of the companies declared loses for more than one

year, except 2010 and 2011 (obviously this is the peek of the economic crises for the region) when we have accordingly 9 and 10% with loses.

Table 7. Distribution among the companies based on their economic result for the last 5 years - in percentages:

	Result 2008	Result 2009	Result 2010	Result 2011	Result 2012
Profit	94	94	89	89	92
Zero		1	1	1	5
Loses	3	3	9	10	3
Not declared	3	2	1		
TOTAL:	100	100	100	100	100

Most of the inquired companies are micro and small sized – 49% and 39% or 88% as a whole.

The distribution based on the number of employees is as followed:

Table 8. Distribution of the companies based on the number of employees.

Employees	Number of companies	percentage
Up to 9	73	48,99
10-49	58	38,93
50-250	12	8,05
above 250	6	4,03
	149	100,00

90% of the companies are owned by Bulgarians, 10% have mixed owner (Bulgarians and Greeks or Turkish foreigners). Data for the mixed companies could be seen further in the survey report.

There are 10% interviews with ordinary employees.

The interviews were made mainly with the owner or with the official representatives of the companies (59%) or with other managers (as chief accountant for example) – 29%.

TOPIC 2: FACTORS FOR CHOOSING A LOCALIZACION

Choosing a territorial localization of a business, has become a huge research question for the last 20 years because of different factors. The actuality and the significant of this

problem consists of that the development of the individual regions of the country is running with different speed and cover different by structure and market interest economic companies.

From this point of view, it is necessary to see what kind of forms for decision making are put in place when we have to choose a localization for a business, and what are the motives of the entrepreneurs to follow defined economical logic for localization and organization of a new business, of a developing business or are net of branches of shops, distribution stores, and others.

It is appropriate, such complex researches to be made in interesting regions like Kurdzhali. There the traditional factors for choosing a localization like infrastructure, human recourse qualification, nearness to foreign markets (Greece and Turkey) are combined with ethical origin, language advantages (disadvantages), for the employers and other sociological factors.

The focus of the survey is exactly upon the factors and the conditions for choosing a localization (region, municipality, dwelling place) by the companies from Kurdzhali region. Question 9 (probably the central question of the survey) requires from the inquired to arrange by importance the factors and conditions for choosing a concrete municipality (dwelling place) for localization of the company. but this thematic field could be examine by comparing with the answers of other questions from the survey, for example 10, 11, 12, 13 with question 9, and also with the questions related with the overall contentment from the location with the willingness for eventual movement (remaining).

Firstly the distribution of the answers of the question for the importance of the factors and the conditions for choosing a concrete municipality (dwelling place) for localization of the company.

Table 9. Factors and conditions for choosing a localization

Factors and conditions :	numbers	Percentage
Geographic conditions	38	25,50%
Presence of recourses	39	26,17%
Number and density of the population	17	11,41%
Favorable age structure	35	23,49%
Qualified human recourses	59	39,60%
Relatively low price for the human recourses	76	51,01%
Land with favorable price	21	14,09%
Branch structure and organization	29	19,46%
Technical infrastructure	32	21,48%
Social infrastructure	23	15,44%
Big sales potential	20	13,42%
Easy accessible transport centers	19	12,75%
Nearness to connected companies	18	12,08%
Low number of competitors	14	9,40%
Presents of institutions	12	8,05%
Low domestic taxes	12	8,05%
Local measures for business supporting	12	8,05%
Possibilities for ПЧП	2	1,34%
Easy access to financial services	1	0,67%
Presents of universities and other schools	2	1,34%
Strategies and plans for regional development	9	6,04%
Good social climate	5	3,36%
Personal argumentation of the owner	49	32,89%
Other	1	0,67%

(the arrangement is made by the first 5 factors ranked by each inquired)

Many of the factors are pointed as significant from the inquired but firstly we will show the first five of them. And these are:

- **Relatively low price for the human recourses**
- **Presence of human recourses with the necessary qualification**
- **Personal argumentation of the owner**

➤ **Presence of recourses and materials in the region**

➤ **Geographical and environmental conditions.**

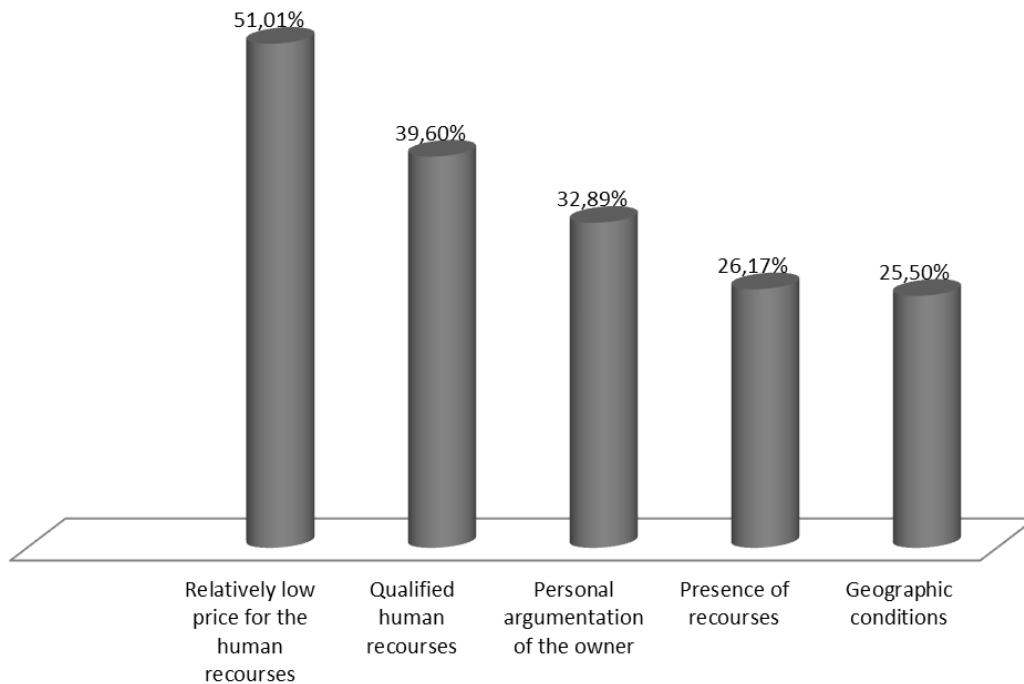


Diagram 4. Major factors for choosing a localization

These factors will be analyzed later more deeply in relation with other answers given by the inquired entrepreneurs.

But we have to point out other factors and conditions, which have significance for choosing a localization from the Kurdzhali's business. These are for example:

- ✚ Favorable age structure of the population
- ✚ Branch structure and organization of the regional economy
- ✚ Technical infrastructure

- ✚ Social infrastructure
- ✚ Big sales potential
- ✚ Easy accessible transport centers
- ✚ Nearness to connected companies

For 20 to 35 from the inquired significant influence also have:

- ✓ Low number of competitors
- ✓ Presents of institutions
- ✓ Low rate of the local taxes
- ✓ Local measures for business supporting
- ✓ Land with favorable price and etc.

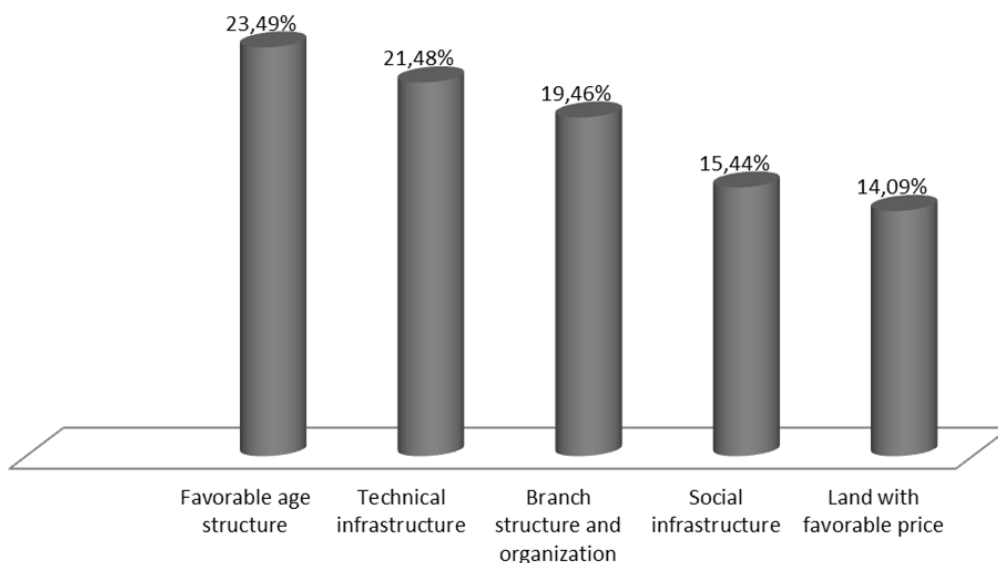


Diagram 5. Other factors for choosing a localization

**TOPIC 3 : BASIC REGULARITIES –
CROSS TABLES.**

Table 10. Correlation: contentment from the localization / year of establishment

Correlation: contentment from the localization / year of establishment			
Year /	Contented	Partially	Not contented
1990-2006	97 %	1 %	2 %
2007-2010	100 %	0	0
2011-2014	100 %	0	0

Table 11. Cross-table: municipalities / domestic problems

Municipality / problems	Unclear strategy	Road infrastructure	Unfavorable sector	Human factor	Weak market	Communication with the local authorities	Problems only on national level	total:
Ardino	15,79%	10,53%	10,53%	15,79%	31,58%	,00%	15,79%	100
Dgebel	35,29%	0	5,88%	5,88%	17,65%	0	35,29%	100
Kirkovo	40,00%	0	26,67%	6,67%	13,33%	6,67%	6,67%	100
Kurdzhali	24,53%	0	9,43%	5,66%	11,32%		49,06%	100
Krumovgrad	10,00%	10,00%	10,00%	30,00%	0	0	40,00%	100
Momchilgrad	9,09%	4,55%	0	0	18,18%	4,55%	63,64%	100
Chernoochene	7,69%	0	23,08%	7,69%	0		61,54%	

The cross-table gives us the possibility to notice immediately the regularities:

In the towns like Kurdzhali and Momchilgrad, the share of the answerers who do not have specific local problems but only such from national significance, is extremely high – 52 to 64%. On the other side in Kirkovo this percentage is 6% and in Ardino is 20%.

30% from Ardino complain of “week market” but this share is too small in Kurdzhali (9%) and Krumovgrad (0%).

The small municipalities complain of unclear local strategy, and the citizens of Krumovgrad – of the human factor.

Table 12. Cross-table: economic branches / local problems

COMPANIES BY BRANCHES	Unattractiveness of the sector	Weak market	Communication with the local administration	Problems on national level
Agriculture	25,00%	6,25%	0%	25,00%
Gaining industry	33,33%	16,67%	0%	16,67%
Producing Industry	10,71%	17,86%	3,57%	30,36%
Строителство	10,00%	10,00%	0%	70,00%
Trade; car repairing	5,13%	10,26%	0%	64,10%
Transport, store and posts	0%	0%	0%	50,00%
Hotels and restaurants	14,29%	14,29%	0%	42,86%
Other				
TOTAL (average):	10,74%	14,09%	1,34%	41,61%

With red are marked the figures, which show significant deviations from the average rates – up or down.

And so, regarding the problem “**Unattractiveness of the sector**” the companies from **Agriculture and Gaining industry** are much more (almost two times) anxious from the average rates for all the branches. Those from branch “Trade” practically have no complains regarding to

such problem (only 5% as 14% is the average for the branches).

Regarding to the problem **Weak market** the companies from the agriculture sector are differing from the most for lack of complains. Regarding to the **Communication with the local administration** practically the only complains are coming from company of the **Producing Industry**.

And at last, the companies from agriculture in the biggest percentage (70) claim that they

have no problems on a local level, but only such on a **national level**. The smallest share for this statement consists from companies

from **Agriculture and from the Gaining Industry (respectively 25 and 16%)**.

Table 13. Cross-table: branches / willingness for removing

Branch	Willingness for removing				Total
	Rather Yes	Rather No	Possibility for a branch	Possible closure	
A	2	13	1	0	16
	12,50%	81,25%	6,25%	0,00%	100,00%
	40,00%	10,83%	4,76%	0,00%	10,74%
	1,34%	8,72%	0,67%	0,00%	10,74%
B	1	4	1	0	6
	16,67%	66,67%	16,67%	0,00%	100,00%
	20,00%	3,33%	4,76%	0,00%	4,03%
	0,67%	2,68%	0,67%	0,00%	4,03%
C	0	39	15	2	56
	,00%	69,64%	26,79%	3,57%	100,00%
	,00%	32,50%	71,43%	66,67%	37,58%
	,00%	26,17%	10,07%	1,34%	37,58%
D	0	2	0	0	2
	0,00%	100,00%	0,00%	0,00%	100,00%
	0,00%	1,67%	0,00%	0,00%	1,34%
	0,00%	1,34%	0,00%	0,00%	1,34%
F	1	8	1	0	10
	10,00%	80,00%	10,00%	0,00%	100,00%
	20,00%	6,67%	4,76%	0,00%	6,71%
	0,67%	5,37%	0,67%	0,00%	6,71%
G	1	34	3	1	39
	2,56%	87,18%	7,69%	2,56%	100,00%
	20,00%	28,33%	14,29%	33,33%	26,17%
	0,67%	22,82%	2,01%	0,67%	26,17%
H	0	4	0	0	4
	0,00%	100,00%	0,00%	0,00%	100,00%
	0,00%	3,33%	0,00%	0,00%	2,68%
	0,00%	2,68%	0,00%	0,00%	2,68%
I	0	7	0	0	7
	0,00%	100,00%	0,00%	0,00%	100,00%
	0,00%	5,83%	0,00%	0,00%	4,70%
	0,00%	4,70%	0,00%	0,00%	4,70%
J	0	4	0	0	4
	0,00%	100,00%	0,00%	0,00%	100,00%
	0,00%	3,33%	0,00%	0,00%	2,68%
	0,00%	2,68%	0,00%	0,00%	2,68%
L	0	1	0	0	1
	0,00%	100,00%	0,00%	0,00%	100,00%
	0,00%	0,83%	0,00%	0,00%	,67%
	0,00%	0,67%	0,00%	0,00%	,67%
M	0	2	0	0	2,00
	0,00%	100,00%	0,00%	0,00%	100,00%
	0,00%	1,67%	0,00%	0,00%	1,34%
	0,00%	1,34%	0,00%	0,00%	1,34%
Other	0	1	0	0	1
	0,00%	100,00%	0,00%	0,00%	100,00%
	0,00%	0,83%	0,00%	0,00%	0,67%
	0,00%	0,67%	0,00%	0,00%	0,67%
Total	5	120	21	3	149
	3,36%	80,54%	14,09%	2,01%	100,00%
	100,00%	100,00%	100,00%	100,00%	100,00%
	3,36%	80,54%	14,09%	2,01%	100,00%

CONCLUSION

Relations between the companies' economic results and their contentment of their localization:

- ✓ There isn't an expressed relation between the companies' economic result (profit, loses) for the last years and their contentment of their localization;
- ✓ The hypothesis for possible relation between the economic result of the companies and their willingness for removing in another region is also tested, although of such initial assumption. Again such relation cannot be seen;
- ✓ The only obvious relation relates to the companies which declared loses for 2010. For them the problem with "weak market" is expressed with higher than the average rate of a statistically significant value.

Relations between the size of the company (number of employees) and their attitude towards the localization.

- ✚ There isn't a relation between the size of the company and its contentment of the localization;
- ✚ Low willingness for removing could be seen only among the micro and small sized companies (3 to 5%);
- ✚ Soundly willingness for establishing new branches could be found among the big companies – 33% - this willingness is

almost unnoticeable among the small companies – 5%;

- ✚ Regarding to the PROBLEMS WITH THE LOCALIZATION: The big and the medium sized companies pointed out as a factor the "unattractiveness of the sector", but on the other side they have no inconveniences concerning the problem "weak market";

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