The Need for Elaboration of a New Economic Model for Business Environment Analysis

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Abstract: The study object is on well-known economic models for business environment analyzes as the main purpose is to find supporting arguments towards the elaboration of a new applied scientific instrument, which to facilitate the entrepreneurs in their studies to start a new venture. The here presented scientific critics is part of a PhD research work.

Key words: Economic model, Business environment, Industrial entrepreneur.

I. Introduction

The here presented analysis are part of a PhD work focused towards the elaboration of a new economic model for local business environment analysis. The well-known economic models present specific aspects of the business environment. These outcomes are used by the managers when taking decisions with strategic importance.
Some of these decisions are dealing with selection of a proper place for localization of the production premises of the industrial plants. The proper arguments for this selection, could be result of well-organized analysis on the level of the favorable conditions of the local business environment. The local authorities could prepare an estimation by choosing only those statistical data, which present the local business environment in a manipulating way without giving the real understanding. As a result of the unrealistic estimation the misled entrepreneurs would invest in building of industrial premises with low or negative rate of return. Therefore the main problem for the managers and their business consultant is the lack of a reliable economic model for impartial and dynamic analysis of the local business environment and thus to facilitate their entrepreneurial intentions, giving them a more realistic understanding about specific process.

The main goal of this paper is to explore some of the disadvantages of the well-known economic models in order to find arguments for the need for elaboration of a new economic model for analysis of particular elements of the business environment.

The main tasks are: to investigate the well-known economic models for business environment analysis; to use their disadvantages as a starting point for the elaboration of a new scientific applied tool in benefit mainly to the industrial entrepreneurs and their business consultants.

II. Basic Scientific Models for Business Environment Analysis

2.1. Among the most well-known models for business environment analysis is PEST, created by Francis Aguilar (Aguilar, 1967). The acronym includes political, economic, social and technological external factors, with capacity to influence on the business development. The PEST analysis can be determined as fundamental for any exploration of the external environment of each industrial firm.

The logic of PEST analysis is to have maximum monitored elements for each of the factors. It is important to analyze the worked on by various strategic decisions. Part of these decisions could be related to the choice of a proper place for localization of the production premises of the industrial plants. The proper arguments for this choice could be the result of a well-organized analysis on the level of the favorable conditions of the local business environment. The local authorities could estimate the potential by choosing only those statistical data, which present the local business environment in a misleading way without giving the real understanding. As a result of the unrealistic estimation the misled entrepreneurs would invest in building of industrial premises with low or negative rate of return. Therefore the main problem for the managers and their business consultant is to lack of a reliable economic model for impartial and dynamic analysis of the local business environment and thus to facilitate their entrepreneurial intentions, giving them a more realistic understanding about specific process.

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determine the real condition of the environment and its expected changes. The exploration of the local business environment by the PEST analysis could clearly describe the temporal condition or a condition for a determined time period. It is helpful to identify the basic trends. Thanks to PEST analysis the industrial firms are capable to elaborate their long-term strategies for development and investments. As an outcome the PEST analysis describe a general picture of the closer and remote external environment and this outcome could show the core nature of the environment. (Georgiev, 1998).

**PEST analysis is limited to the macro-economic environment and it doesn’t study the problematic aspects, but only describes them. It doesn’t give an estimation of the specific micro environment.**

2.2. Theory has introduced an extension of the PEST analysis into PESTEL or PET-SLE (Cadle at al., 2010; Team FME, 2013; Rothaermel, 2012; Johnson, 2008). In addition to the Aguilar’s four factors, two more are integrated – the legal and environmental. Thus the PESTLE analysis has a wider scope, compared to the PEST analysis, and describes more elements of the external influence. Also, PESTLE analysis is focused mostly on the business environment (national, regional, periodical, etc.), but not on analysis of the problematic aspects for proposition of adequate decisions.

There are other analogies of the PESTEL analysis, known under different acronyms such as (Collins, 2010): STEP, ETPS, STEEPLE, PESTLIED, STEEPLED, STEPE, PESTLEWebTM, etc., using different combination of the external factors. These analysis has mostly informative nature. In case they are prepared for one location and for different periods, then it is possible they to describe the dynamics and development trends and inform the managers in the managerial process.

However these analysis don’t reveal the problem makers and don’t propose solutions for particular crises.

наблюдавана област да се включат максимален брой фактори. За всеки фактор се изследват локално представените позитивни и негативни характеристики и се отчита реалното състояние и очакваните промени. Изследването на локалната бизнес среда чрез PEST-анализа може да очертава ясно моментното състояние или състоянието за определен период. Могат да се изведат основни тенденции за развитие. Чрез този анализ индустриалните предприятия могат да изготвят дългосрочна стратегия за развитие и инвестиционна програма. Резултатът от този анализ представя обобщена картина на отделената външна среда и дава възможност да се определи природата й. (Георгиев, 1998).

**PEST анализът се ограничава до макросредата и не изследва проблемните зони, а само ги извежда и не предлага оценка на конкретната микросреда.**

2.2. Теорията разглежда и разширила форма на този анализ с абревиатурата PESTEL или PESTLE (Cadle at al., 2010; Team FME, 2013; Rothaermel, 2012; Johnson, 2008). Чрез PESTLE-анализа освен факторите, систематизирани от Агюлар, в обхвата на модела се включват правните фактори и факторите на околната среда. Този анализ дава по-широк поглед върху спектъра от външни влияния, но и при него се акцентира върху изследване на самата бизнес среда (национално, по райони, за период и пр.), а не върху анализиране на проблемните зони и предлагане на адекватни решения.

Анализи на този анализ има под различни акроними (Collins, 2010): STEP, ETPS, STEEPLE, PESTLIED, STEEPLED, STEPE, PESTLEWebTM и др., като при тях се използва различна комбинация от външни фактори. Анализите имат силно информационен характер. Изготвени за различни периоди в една локация те могат да очертаят динамика и тенденции за развитие. Служат за информиране и подпомагат мениджърските решения.

Тези анализи обаче не извеждат „вредителите“ и не предлагат реше-
They don’t have quantitative indicators, which to measure the compartment of the results and elaboration quantitative estimation.

2.3. SWOT analysis is also among the classical models for exploration of the business environment. The model has been created by Albert Humphrey in the period of 1960-1970; it is designed in a matrix form to identify the positives and negatives of the internal and external environment. There are four cells - Strengths, Weaknesses, Opportunities and Threats.

The careful fulfilment of the SWOT matrix together with a thorough analysis of the information create opportunities for elaboration of strategies and plans. The SWOT analysis has a wide-spread implementation. Its universal nature allows it to be exploited not only for analysis of the business environment, but also for analysis of every process, activity and also to make use of it in the decision making process. Thank to SWOT analysis it is possible to produce a wide range of outcomes (Strengths, Weaknesses, Opportunities and Threats), which to be used for argumentation of managerial solutions.

Different scientists (Menon, A., et al, 1999; Hill, 1997; Koch, 2000) have critiques towards SWOT analysis. They argue that the self-identification of the information in the four cells is a strong precondition for high level of subjectivism, which decreases the efficiency of the managerial solutions and decisions.

2.4. Another model for estimation of the business environment is elaborated by Georgi Mishev. In his article (Mishev, 2010) he describes a model about statistical estimation of the business environment through a questionnaire. According to him the analysis of the external environment is supposed to give characteristics of:

- Remote external environment, which includes global and national aspects – political, social and technological;
- Industrial environment, including competitive producers;
- Operational environment, which includes mixed groups of supplier and clients.

Внимателното попълване на полетата на SWOT и анализа на информацията дава възможност за очертаване на стратегии. SWOT-анализът има широко приложение. Универсалността на анализата позволява освен за изследване на бизнес средата той може да се прилага за анализиране на всеки процес, дейност или за вземане на решения. Чрез него могат да се изведат широк кръг от позитиви и негативи, възможности и заплахи, които да са аргумент при вземане на решения.


2.4. Друг модел за оценка на бизнес средата предлага и Георги Мишев. В своя статия (Мишев, 2010) той описва модел за статистическа оценка на бизнес средата чрез анкетно проучване. Според автора „анализът на външното обкръжение на фирмата предполага характеризиране на:

- Отдалеченото обкръжение, което включва глобални и за страната политически, социални и технологични аспекти;
- Индустриалната среда, включваща конкурентни производители;
- Оперативната среда, която съста-
The model of Mishev is based on calculations of quantitative characteristics for every single one-dimensioned character, named standardized examination mark. Thus it is possible to derive generalized estimations of each characteristics of the business environment. This model supposes juxtaposing of the standardized examination mark for different periods. It allows to monitor the dynamics in each of the particular characteristics of the business environment.

The model presents mostly the variants for change of the business environment estimation on the base of different questionnaires. The model doesn’t guarantee the importance of the results, but it is only concentrated on the quantitative estimation of the researched processes.

III. Other economic models for estimation of the business environment

3.1. On national level the Bulgarian National Statistic Institute (in accordance to the Law in Statistics) collects information to calculate the indicators for estimation of the business climate and in particular – the industrial business environment. In accordance to point 5 of the Additional provisions of the Law in Statistics “statistical survey includes monitoring on statistical units, collecting, proceeding and analyzing of the received individual data with aim to obtain statistical information. The statistical surveys are thorough when all units from one aggregation are surveyed or sampled, when part of the units are surveyed, representative for the entire aggregation.”

The survey of the Bulgarian National Statistical Institute gives a global estimation of the business climate through the selected indicators, but it doesn’t give an account of the share of the surveyed respondents, who generate the change. Another characteristic of the statistical survey on the business environment is that object of the monitoring and estimation are the trends for business development, without analyzing the environment, where in particular the firms operate. The specific changes are prepared by the industrial entrepreneurs themselves, but not on the base of inquir-

влява смесени групи, включващи доставчици и клиенти.”

Моделът се основава на изчисляване на количествена характеристика за всеки отделен едномерен признак, наречена нормирана бална оценка. Така се получават обобщени оценки за всяка характеристика на бизнес средата. Моделът допуска съпоставяне на нормираната бална оценка за различни периоди. Това позволява да се проследи динамиката в съответните характеристики на бизнес средата.

В модела се представят по-скоро варианти за изменение на оценката на средата, на база различни отговори в анкетите. Моделът не се ангажира със значимостта на резултати, а се фокусира върху самото количествено измерване на изследваните явления.

III. Други икономически модели за оценка на бизнес средата

3.1. В национален мащаб Национален статистически институт (съгласно Закона за статистиката) събира информация, чрез която изчислява показатели за оценка на бизнес климата и в частност на индустриалната бизнес среда. Според т.5 от Допълнителните разпоредби на Закона за статистиката "статистическото изследване включва наблюдение на статистическите единици, събиране, обработка и анализ на предоставените от тях индивидуални данни с цел получаване на статистическа информация. Статистическите изследвания са изчерпателни, когато се изследват всички единици в една съвкупност, или извадкови, когато се изследва част от единиците, представителна за цялата съвкупност”.

Изследването на НСИ дава глобална оценка за бизнес климата чрез изведените показатели, но не отчита дела на анкетираните лица, генериращи промяната. Друга характеристика на статистическото изследване на бизнес средата, е че се наблюдават и оценяват тенденциите на развитието на бизнеса, без да се анализира средата, в която отделният бизнес функционира. Конкретните насоки за промяна се
ies, but from public-accessible data bases.

The general statistical surveys have as a goal to answer the questions with national and international importance, but not from local nor regional levels. The outcomes of the statistical surveys create huge data base with information, which could be used as input information for other analyses, because their nature is not representing nor analyses, nor arguments for managerial decisions.

3.2. Another model for estimation of the business environment has been proposed by the experts from the Center for Economic Development through their instrument, named “ESTAT index of the business climate”. This model is similar to the German IFO-index and has a leading aim to monitor the condition and to forecast the development of the economy. The agency of ESTAT is established in 2002, and since 2013 it has been a member of the Association of the Industrial Capital in Bulgaria.

In accordance to ESTAT (2016) “the survey is representative for the country and it is organized four times per year with sample size of 1200 firms. The data create opportunity to follow the trends and particular specifics in the corporate development, as well as, to describe seasonal trends and dynamics when estimating different problems, related to the condition of the firms and business environment.”

The estimation of the business environment when using ESTAT index is based on five-degree scale. The limits, when showing the outcomes, are between -100 and +100. Thus, the results in between -20 to +20 points estimate neutral condition of the business climate.

The survey of ESTAT doesn’t describe the influence of the local authorities policies as a dynamic factor about the business environment. A specific feature of this survey is the mechanism for reporting, where the range of “-20” to “+20” is estimated as a neutral condition of the business environment.

3.3. A periodical estimation of the business environment is organized by the Bulgarian Economic Research and Forecasting Institute (ESTAT) as part of their IFO-type business climate survey. According to ESTAT (2016), the survey is representative for the country and it is organized four times per year with a sample size of 1200 firms. The data create the opportunity to follow the trends and particular specifics in the corporate development, as well as, to describe seasonal trends and dynamics when estimating different problems, related to the condition of the firms and business environment.

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The Bulgarian Industrial Association (2016). The analysis is based on sectoral approach by exploring the recent trends for each sector in the country, as well as the level of their marketing adaptation. In accordance to the Sofia Capital Market (SFB, 2016) the Bulgarian Industrial Association calculates an index by monitoring 25 indicators. The index obtain a three-month period and it is possible to compare their values to previous periods. This compartment doesn’t show the dynamics on annual level, but gives only a snap capture about the already occurred changes. From another hand, the data themselves don’t support with arguments the change, but only show the trends, without analysis of the economic situation and the business environment; they even can outline unrealistic even misleading results.

3.4. The Institute for Market Economics (2015) uses the index of “Local conditions for doing business”, which is the first particular index to study the local business environment. This index is calculated on the base of the estimation based on different criteria. The values of each criteria are put into a matrix and it gives the opportunity to rank the municipalities on the base of their conditions to keep and develop their local business environment.

These ten criteria identify the administrative organization, economic activity, local taxes and fees for the municipalities, but they don’t study the costs for improvement of the local standard of living and the local business environment. This neglecting creates limitation for exploitation of the outcomes. On the other hand, this system ranks the municipalities on the base of examination mark, but it doesn’t show the particular advantages of each municipality, which has the leadership by the single criteria.

IV. Conclusions

On the is possible to base of the here presented review it is possible to claim that there are economic models for estimation of the business environment, but they are not enough. The fundament for the industrial firms development is their adaptation

The Need for Elaboration of a New Economic Model for Business Environment Analysis
to the particular business environment. The study on the business environment is not only a single act, but it is outcome of periodical surveys. The constant monitoring and analyses on the dynamics of the elements of the micro- and macro environment should be the fundament when taking managerial decisions about the activity and development of the firm.

The here studied models for business environment analysis enable the researchers to have a wide choice when they investigate different factors of the business environment. Each of these models could be used by the managers to argue the efficiency of their entrepreneurial decisions. But these models don’t answer the question. How the local authorities have influence on the creation of the local business environment?

The industrial firms should chose the localization of their premises having more punctual analysis of the local business environment, in addition to the here presented models. Their analysis should obtain the municipality tax policy and the infrastructure investment policy. The new economic model for analysis of the local business environment, on the base of the local tax system and municipality investment policy, could present to the managers a reliable specific estimation on the local business environment. As a result, their investment plans for building new industrial premises could be more successful and have high rate of return.

The new model should use data bases, which are public and with free access. Thus it would be possible to decrease the subjectivism of the local and national authorities (and public agencies), which estimations of the particular local business environment are based on carefully selected indicators and thus they give unrealistic description of the local business environment and mislead the entrepreneurs to investments with low or negative rate of return (Zagorcheva, 2016).

The basic requirements and features of the new economic model should be related to:
- reduction (even elimination) of the subjectivism;
- to use as a footage public-accessible

in която то функционира. Изследването на бизнес средата не може да се разглежда като еднократен акт, а трябва да се основава на периодично наблюдение. Постоянния мониторинг и анализ на динамиката на елементите на микро и макросредата трябва да са фундамент при вземане на управленски решения за дейността и развитието на предприятието.

Разгледаните модели за анализ на бизнес средата позволяват широк обзор при изследването на различни фактори на бизнес средата. Всеки от тях може да намери приложение при аргументирането на управленски решения. Но тези модели не дават отговор на въпроса: Как влияят местните власти за създаването на благоприятна бизнес среда?

Изборът на локация на индустриално предприятие, извън описаните техники за изследване на средата, се нуждае от един по-задълбочен анализ на локалната икономическата среда в общината (района). Той трябва да обхваща данъчната политика на общината и политиката и по финансирова на инфраструктурни обекти Новият икономически модел за изследване динамиката на локалната бизнес среда чрез местните данъци и капиталова активност на общините, може да представи пред мениджърите неподвиждаща оценка на изследваната бизнес среда. Техните инвестиционни намерения за изграждане на индустриални предприятия могат успешно да се реализират и да генерират очакваните икономически ползи.

Моделът следва да бъде изготвен въз основа на публично достъпни данни. По този начин ще се преодолее субективизма на местните и национални власти, чиито оценки на конкретната бизнес среда са по показатели, които изкривяват реалната оценка на средата и подвеждат предприемачите към неефективни инвестиции. (Загорчева, 2016).

Основните изисквания и характеристики към новия икономически модел следва да са свързани с:
- редуциране (дори елиминиране) на субективизма;
information;
- to show the dynamic indicators of the local business environment – especially the financial and investment policies of the municipalities;
- to generate aggregated and comparable quantitative estimations of the business environment in the municipalities, and also, to give well informed opportunity for the industrial entrepreneurs to take reasonable decisions.

The elements of this new economic model for analysis of the local business environment to be described in next scientific publications, together with particular outcomes from the empirical surveys, which are part of the PhD research work.

- ползване на общодостъпна информация;
- да отразява динамичните показатели на бизнес средата - финансова и инвестиционна политика на общините;
- да дава обобщени и сравними количествени оценки на бизнес средата в общините и възможност за информиран избор и вземане на обосновани решения в полза на индустриалните предприемачи.

Елементите на новия икономически модел за изследване на показатели на локалната бизнес среда предстои да бъдат подробно представени в следващи научни публикации, заедно с конкретните резултати от емпиричните изследвания.

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