

ANALYSIS OF THE PROCESSES RELATED TO GLOBALIZATION OF ENTERPRISES IN BULGARIA

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Abstract

People have been interacting with each other for a long period, through their businesses. Enterprises are the structure of the social economy. Due to the successive economic and social crises in Bulgaria, many companies are on the verge of survival. Through them, society's expectations for the employment of the population are characterised, which is the main objective of every enterprise. The main objective of this paper is to characterize and analyse the process of increasing economic, social, technical and political interconnections between individuals, countries and organizations. The current context impose a need to develop a system of indicators for the analysis and assessment of the globalization processes that is affecting the whole economy of the country. There is also a need for targeted management actions and the development and implementation of effective strategies that are appropriate to the dynamic changes in the competitive environment.

Key words: globalization; enterprises; economy; employment; economic activity; Bulgaria.

JEL Classification: E24, H12, J64, J65, J68

Introduction

The globalization of the economy in Bulgaria is going through one of its most difficult periods of development. The past global and economic crises in the world still have their negative impact on the enterprises in the country. Increasingly profound changes related to working conditions, ensuring the necessary means of existence of the activities of enterprises are observed. The complex situation related to the world economic and political crises, as well as the COVID-19 crisis, have led to a major transformation in the economy of Bulgarian enterprises. Many of them have reoriented themselves towards new businesses and new ways of achieving their goals and objectives.

The main objective of the article is to analyse and characterize the process of increasing economic, social, technical and political interconnections between individuals, countries and organizations. All enterprises in Bulgaria are forced to continuously seek alternative ways to achieve goals, to work, to offer quality workforce. The impact of globalization on the Bulgarian market can be analysed from the perspective of multiple layers, which include increased emigration waves of the population to more developed and prosperous countries leading to open markets, new information and communication technologies that have found application in all areas of human activity, changes in consumer demands that have led to a new structure of production and last but not least the introduction of innovation and advances in the activities of larger and more prosperous companies.

1. Analysis and Discussion

Adverse globalization processes have a negative impact on the country's economic, social, technical and political factors. On the basis of the unfavourable situations that have arisen, enterprises in Bulgaria are on the verge of survival. The continuous rise in the prices of services and the main raw materials and supplies needed for their activities have made it difficult to develop and implement the main orders and to sell the finished product. The major global economic and political crises have been characterised by restructuring and reduced productivity of enterprises, downsizing and laying off of essential manpower.

The importance of regions in the national economy has changed significantly in recent years as a result of globalization and the implementation of structural adjustment programmes, the main objective of which is to reduce fiscal imbalances in the short and medium term and to make adjustments in economic development

to achieve long-term growth. Naturally, in terms of regional economic development, an important place must be given to the preparation of specialised schemes for the development of industry, which is expressed in the realisation of opportunities for the implementation of support for existing and the creation of new industrial and business zones, the improvement of the transport system, the development of tourist infrastructure, identifying specific activities and projects of regional and extra-municipal importance [Ivanov & Naydenov, 2018].

In the conditions of development of globalization processes, the use of new management technologies related to the efficiency of enterprise management becomes of great importance, in which the need for theoretical substantiation of "management efficiency" arises. It is necessary to study, research and analyse the approaches, criteria, indicators for assessing the effectiveness of management in enterprises. Efficiency should be characterized as a qualitative-quantitative characteristic of all phases of work activity, related to the essence and content of important economic laws and covers the interests of all sides of economic activity [Milcheva, 2012]. The situation both inside and outside the country is difficult and tangled, which is caused by many different factors related to the challenges of the new digital society, the processes of globalization, the impact of the demographic crisis [Andreeva, 2019]. It is characterised by a low level of total government spending, a high level of inequality and a low level of spending on social protection, where subsidisation of social services is poor, state intervention is weak and, last but not least, there is little social dialogue [Moraliiyska, 2019]. For this reason, many businesses have been forced to close their doors and suspend operations. The globalization of the economy in recent years is in its worst period since it became the dominant economic doctrine. The free movement of capital, goods, services, the removal of trade barriers and economic taxes have somewhat removed interconnectedness, prosperity and peace. The corona virus pandemic has disrupted global supply chains of goods, and the war in Ukraine has shown that free trade across the globe cannot be taken for granted by people.

The quality of enterprises is recognized by high flexibility and autonomy, good pay, high qualification and age of staff, job security of staff.

Globalization and the development of information and communication technologies have led to the formation of a digital society, a digital economy, a global digital labour market, which in turn has led to the development of instability in employment in its precarious form and a reduction in social support for the working population.

It is necessary to undertake various measures to stabilize means of livelihood and incomes through accelerated social protection and employment measures; promoting increased employment and decent work opportunities and social economic reintegration; promoting sustainable employment and decent work, securing social protection, creating sustainable industrial enterprises, specifically for small and medium enterprises, the transition from informal to formal economy, accessibility to the public and services.

The contemporary post-industrial society is characterized by evolving knowledge, globalization, and digitalization, impacting economic behavior and necessitating strategic adaptation. Progress hinges on human development, prompting enterprises to invest, research, and market effectively. Long-term strategies, emphasizing innovation and comprehensive analysis, are essential for success. Competitiveness assessment and efficient resource utilization are crucial for strategy implementation. Enterprises must consider various influencing characteristics when crafting their development strategies [Hurzhyi et al., 2022].

In the same time, rapid globalization during the last few decades has caused many difficulties for firms to survive, sustain, and maximize shareholders' wealth. In this context, companies are using different tools – like Enterprise Resource Planning (ERP) systems in order to manage the challenges from the business external environment and requirements at the level of the internal environment in the same time, and are developing a Innovative Organizational Culture (IOC) capable to ensure an efficient change management at the level of the organization [Ashraf & Ali, 2022].

The growing reach of globalization broadens the scope of economic interactions, making it more challenging for individual economic entities or people to make decisions while considering potential risks. Businesses can mitigate identified risks through expertise-driven strategies or by developing risk management techniques. Yet, the primary challenge lies not in the methods themselves, but rather in the lack of adequate knowledge and experience needed to effectively implement them [Glonti et al, 2023].

A constant need for every organization, in order to properly address different risks is the capacity of companies to innovate. Innovation enables organizations to effectively integrate sustainability principles, necessitating strategic resource allocation, meticulous planning, and continuous process auditing.

Innovation is a constant necessity for small and medium-sized enterprises (SMEs) within the framework of globalization. In a world of continual change and

intense competition, SMEs must adopt an innovative approach to maintain and enhance their market position. Innovation enables them to stay relevant, adapt to market demands, and maximize their growth potential and success in a globalized environment. By embracing and promoting innovation in all aspects of their business, SMEs can gain a competitive edge and continue to thrive in an ever-changing landscape (Carrasco-Carvajal, Castillo-Vergara, & García-Pérez-de-Lema, 2023).

Recently, experts have been discussing green innovation as a key aspect of a comprehensive approach. In addition to the ways innovation is linked to a company's sustainability, green innovation practices are seen as a natural response to customer demands. Customers are increasingly willing to pay extra for sustainable products and expect firms to offer responsible products and services. Green innovation initiatives not only enhance a company's performance and competitiveness but also increase product value and create competitive advantages through ecological differentiation (Guinot, Barghouti, & Chiva, 2022).

In order to boost the innovation capacity of enterprises, managers are developing different approaches on concepts like sustainability, organizational culture, intellectual capital etc, perceptions that are considering one of the following areas being essential in the process of the adaptation of the organization to global challenges: sustainability as a framework for managing business environment threats, sustainable leadership development and its relationship with sustainability, application of sustainability principles in risk management, sustainability framework: corporate social responsibility, innovation promotion, and performance enhancement, enhancing organizational learning and innovation through sustainability [Gârdan et al., 2022]. Actually, in a context of a global change, innovation for companies stands out as a key driver, empowering businesses to elevate their standards and enhance their competitiveness on a global scale. This means that companies are entangled into a process of internationalization that puts them in different situations in order to adapt and grow [Lei & Xie, 2023]. Maintaining a balanced level of technological diversity is crucial for fostering technological innovation within organizations. Excessive diversity can impede effective communication and stifle innovation. Additionally, the layout of organizational structures and addressing microstructure gaps play a substantial role in amplifying the impact of technological heterogeneity on innovation. By optimizing organizational structures and managing these gaps, organizations can significantly enhance their overall innovation capacity. Flexible organizational

frameworks are essential for maximizing the connection between technological diversity and innovation. Managers must delicately balance heterogeneity and coherence, making informed strategic decisions to propel corporate growth [Wang et al., 2024].

There is a need also to promote the active participation of organisations, employers and workers in the planning, implementation, enforcement and monitoring of economic recovery measures and their sustainability; characterizing the significance of the employment impact of national programmes, with the aim of promoting full, productive, free but chosen employment and decent work for all, primarily youth and persons with disabilities.

It is also a practice to promoting social dialogue and collective negotiation; creating or rebuilding labour market institutions; taking effective measures to identify, prevent, mitigate and analyse the risks of adverse impacts on human rights and workers' performance of labour activities; prospering the capacity of the government to provide income opportunities, stable employment and decent work for all young people, including the development and implementation of training and employment programmes [Viktorovna, 2017].

One of the huge difficulties of enterprises in Bulgaria is related to the conditions of globalization and the transition of the economy to an innovative path of development. The most important of these is the rational use of the resources of enterprises and improving their competitiveness.

Table 1 shows the number of enterprises in Bulgaria, according to the number of employees by enterprise group and by economic activity, at the end of 2022.

Table 1: The number of enterprises in Bulgaria, according to the number of employees by enterprise group and by economic activity, at the end of 2022

Economic activities	2022				
	Total	"Groups of enterprises according to number of employed persons"			
		0-9	10-49	50-249	250 +
Total	448 409	418 951	24 169	4 518	771
Rural, forest and fishing economy	46 090	44 472	1 502	106	10
Mining industry	334	230	68	27	9
Processing industry	30 199	23 565	4 926	1 444	264
Production and distribution of electrical and thermal energy and gaseous fuels	4 360	4 243	74	27	16

Water supply; sewage services, waste management and recovery	844	592	153	65	34
Construction	23 748	20 697	2 558	465	28
Trade, repair of cars and motorcycles	137 294	130 152	6 258	795	89
Transport, warehousing and mail	22 967	20 931	1 715	270	51
Hotels and restaurants	24 732	22 207	2 220	288	17
Creation and distribution of information and creative products; telecommunications	17 404	15 999	1 035	296	74
Real estate operations	28 463	28 026	401
Professional activities and scientific research	49 826	48 588	1 084	130	24
Administrative and auxiliary activities	12 136	10 965	858	252	61
Education	4 267	4 068	172
Human health care and social work	14 636	13 643	697	216	80
Culture, sport and entertainment	5 377	5 032	265	71	9
Other activities	25 732	25 541	183	8	-

Source: National Statistical Institute, 2023

The above table shows that the number of non-financial enterprises in Bulgaria will total 448,409 in 2022, which is actually only 1.08% more than the previous year 2021. The number of persons employed in them converted into full-time equivalents is 2,220,091, or 1.04% more than a year earlier [Infostat, 2023]. The largest share in 2022 is accounted for by economically active non-financial enterprises in the services and trade sector (76.5%), which in turn account for 62.5% of all employees (Table 1).

The share of non-financial enterprises in the industry, construction and agriculture, forestry and fishing sectors is 23.5% of all active enterprises in 2022, and their employees account for 37.5% of all employees in the non-financial sector, converted into full-time equivalents. A more in-depth analysis of the current situation cannot be made, as the data for the current year 2023 is pending receipt and post-processing, validation and final filtering.

Figure 1 presented below shows the relative share of economically active enterprises in Bulgaria at the end of 2022, at the end of 2022.

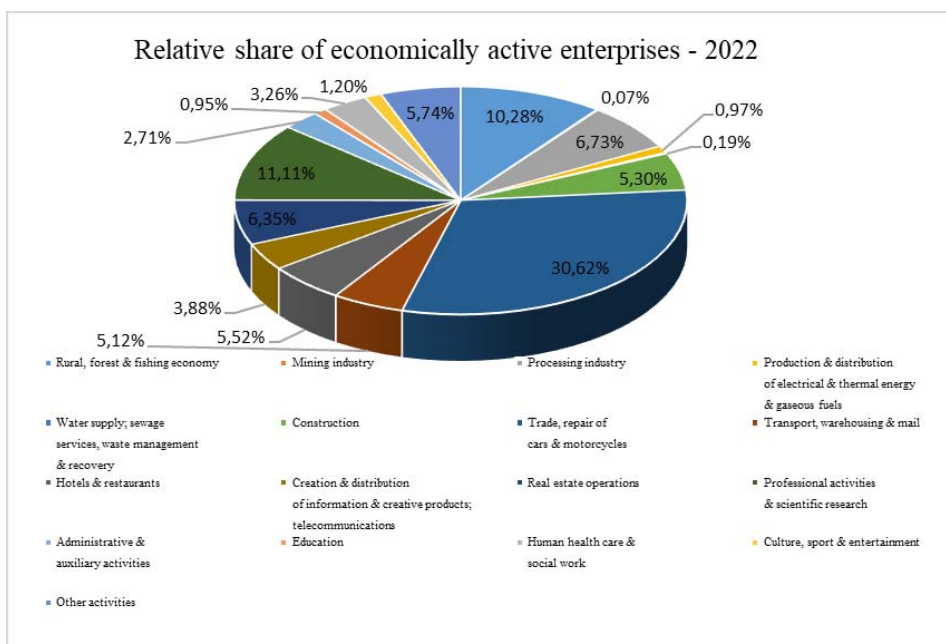


Figure 1. Relative share of economically active enterprises in Bulgaria at the end of 2022

Source: National Statistical Institute, 2023

Increasing globalization in recent years has necessitated a rethinking of approaches to the management of all enterprises in the country, as well as the indicators of their functioning - sectors, subsectors, groups of economic activities [Petrova & Dimitrova, 2011]. The complex political, social and economic situation worldwide has set two main goals for the Bulgarian state - to succeed in retaining the big investors who have already entered the market in the country and to make huge efforts to attract new investors. This is a considerably difficult task, but the Bulgarian state can take several steps to facilitate the process of investing in the country, and thus to increase economic growth, the rate of natural increase in the average wage and thus partially counter the problems of inflation [Divident, 2022].

With its political, economic, foreign trade, financial, demographic, social, environmental, information, communication and other dimensions, globalization is

shaping the environment in which Bulgaria's transformation and development will take place over the next few decades. Successful development is not possible if it is not in line with the fundamental processes of globalization. Globalization itself is an objective process. If it is understood and, in a sense, "mastered", it can be "managed" in such a way that the positive results prevail and the negative ones are mitigated. In the 'management' of globalization, the world's largest countries have played, and still play, a major role because of their economic, scientific, political and military potential. A small country like Bulgaria cannot be under any illusions that it is a significant accomplice in the 'governance' of globalization. The most that Bulgaria can do is to find appropriate loopholes in this process and adapt to the requirements of the "big ones" [Institute for Economic Studies, 2021].

„The "big" countries certainly influence Bulgaria's development and prosperity by stopping and influencing in a more negative way the country's prosperity in terms of economy, politics and social activities. Bulgaria is a small country and is heavily dependent on them, both to attract large and significant economic investors and to obtain funding for the development of business in the country. Globalization, as a process of development of modern society, brings in its wake the basic injustices of global e-commerce, unstable financial and economic systems, and to recurrent crises. A small and poor country like Bulgaria finds itself burdened with heavy and painful debts, which in turn prevents access to life-saving financial 'injections' necessary for the survival of enterprises and hence reaching their subordinates. In the end, uniting our country with the big and rich countries leads to positive outcomes based on the opportunities a small country can get.

Conclusion

Globalization has both positive and negative impacts on Bulgarian enterprises. In each enterprise it has a different manifestation, some of them seeking assistance from the state. Globalization itself has increased competitiveness of some of them, while others are closing their doors and ceasing operations. In the context of globalization processes, the use of new management technologies related to the efficiency of enterprise management is important. The objective is to rethink approaches to enterprise management and performance indicators, aiming for more and greater competitiveness and more jobs.

Globalization in Bulgaria has more negative than positive impacts, as local trade and production are declining, inequality between workers and employees in enterprises is increasing, and labour exploitation is on the rise. There is an outflow

of foreign investment, which is essential for the country's economy, as this in turn has led to a deterioration in the quality of life and a decline in the level of population. The impact of globalization processes is characterised by a low level of total government expenditure, a high level of inequality and a low level of social protection expenditure, subsidisation of social services is weak, state intervention in the labour market is weak and, lastly, there is little social dialogue.

Globalization has had a positive impact on enterprises in Bulgaria, characterized by the development of information and communication technologies leading to the formation of a digital society, digital economy, global digital labour market, which in turn lead to the development of instability in employment in its precarious form and to a reduction in social support for the working population.

There is a need to develop a system of indicators for the analysis and assessment of the globalization processes affecting the whole economy of the country and the additional incentives for the competitiveness of employees in the public and public sectors. There is also a need for targeted management actions and the development and implementation of effective strategies that are appropriate to the dynamic changes in the competitive environment.

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