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Role of modern factors in the process of choosing a location of an enterprise

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Abstract

Decisions on locating enterprises in an area are complex and involve an in-depth analysis of many factors. Apparently, traditional factors which are often identified with cost-related factors are not the standard or a sole basis for choosing a location for an enterprise. New factors continue to emerge as a result of the current technological progress and development of the society. They are often referred to as modern factors and they accompany the birth of new businesses which respond to contemporary consumer needs and create new products and services. In principle, a location decision is influenced by many factors, classified both to traditional (classical) factors and to modern factors. Furthermore, the literature offers a distinction between hard and soft factors i.e. measurable and non-measurable factors, having a different weight in a decision-making process. Their impact is dependent on the type of business and a size of an enterprise and the stage of decision-making. It is common that the human factor, related to decision-makers' characteristics and motives, plays an important role in the decision-making process. The factor is rather difficult to measure. This paper discusses and identifies the importance of the modern factors, with a particular emphasis of the personal aspect of the decision-making process in matters of location of enterprises.

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1. Introduction

Upon emergency of the first theories on location of business, which were primarily focused on cost-effectiveness (J.H. Tünen, 1826; W. Launhardt, 1882; A. Weber, 1909; A. Predöhl, 1925) to more later to analyzing the market and concentration on profit maximization (Palander, 1935; Lösch, 1940; Hoover, 1948; Isard, 1956), identification and analysis of enterprises location-related factors has become a material research problem, tackled both by economic sciences, geography as well as by spatial economy (Lösch, 1940; Hoover, 1948; Isard, 1956; Fierla, 1998; Wieloński, 2004; Domański, 2006). From the very start, it has been observed that spatial features had a direct or indirect impact on such decision. The most crucial feature of space, which plays a role when deciding about a location, is a distance as a function of raw material and product transport costs. Geographic proximity (to various components of the production and distribution process) is a dominant cost-reducing factor. Soon it was observed that a spatial proximity between enterprises operating in similar sectors may bring many agglomeration benefits resulting mainly from cooperation and confrontation of businesses as well as from access to labor force whose emergence accompanies development of a sector. These benefits were also connected with the sphere of consumption as the sales market (Marshall, 1932; Ohlin, 1933; Lösch, 1940; Hoover, 1948). Later on, agglomeration benefits were analyzed in detail, largely in terms of their contribution to setting up business clusters. It was pointed that that it was the geographic proximity that had a direct impact on creating clusters by facilitating creation of business relation and developing business networks (Krugman, 1991; McCann, 2001; Karlsson et al., 2005). Benefits of accumulations of companies are visible especially in cities, and also in their suburban areas (Raźniak, 2012; Raźniak and Winiarczyk-Raźniak, 2013).

Soon, it was disclosed through analyses of factors and modifications of the first location theories, which assumed considerable simplification, that it was not possible to create a universal group of factors affecting the decision on locating an enterprise. With time, new factors were being included into the research and specifically, factors that had not been considered so far and factors which emerged with the technological development and often accompanied new forms of business. According to the literature, factors related to the proximity of the raw material base, sales markets, access to real property, transport base and labor force (in terms of labor costs) are considered the traditional (classical) factors decisive for location of an enterprise since 1960. Nowadays, their impact is fairly large on some sectors but, on the other hand, quality factors have been growing in importance such as access to qualified labor force as well as broadly understood business climate in a region. The importance of factors attracting entrepreneurs is growing together with importance of factors appreciated by employees, in particular high class specialists, whose decisions regarding their place of living which is also their place of work are guided by a potentially high living standard or the opportunity to satisfy their higher needs i.e. the quality of life in the broad sense of the term. The availability of jobs is a crucial element that affects the financial conditions of household's residents, as well as decides on the level of increase and the quality of life of local communities (Winiarczyk-Raźniak, 2008; Winiarczyk-Raźniak and Raźniak, 2011). Some subjective aspects affecting selection of a location from the point of view of an entrepreneur are also frequently analyzed (the behavioral approach).

This paper presents and discusses the results of research focused on analyzing contemporary location-related factors based on the technological progress and social development. It follows up on the study concentrated on the earlier stage of the research, which focuses on traditional (classical) tradition-related factors. Enterprises from the construction sector have been analyzed. Typically, the sector is considered the business area which reacts swiftly to changes in the economy development trends. Furthermore, the paper is an attempt to identify the importance of subjective factor for location-related decisions of entrepreneurs based on an example.

2. Contemporary factors affecting location of enterprises – theory

As emphasized in the introduction, currently the importance of economic progress-related factors involving technological and social progress is growing in the decision-making process of choosing location of enterprises. Many of the factors have emerged only upon introduction of new technologies, in particular IT technologies and development of new consumer and employees' needs. There is no doubt that the modern factors include: the quality of human and social capital, access to information, capital of knowledge and creativity, business services and

attractions in the environment defined as natural environment, social climate and policies pursued by the local authorities (Domański, 2006).

In the contemporary terms, the human capital does not stand that much for access to cheap labor force, in particular in the case of high-tech enterprises and high-end service providers but more for the opportunity to attract highly qualified, flexible and continuously learning personnel. Certainly, qualifications of personnel are largely affected by the general level of the social and economic development of the region, which translates into some specific opportunities to get education, skills and professional experience (Fierla, 1998).

Social capital, which expresses itself through inclination that individual display towards joining efforts in order to meet their needs, ensure mutual assistance and protection of common good, created in the process of building the civil society, is a material asset when choosing a business location which, together with the human capital, represents an important component of the social climate of a location or a region. Social climate is defined as a general condition of the labor market as well as social and economic conditions which affect the quality of work (including educational background and the age structure of the potential labor force) and the attitude towards work, social approach to market transformation (Budner, 2003).

Apart from the social climate, the investment climate of a location or a region is a mix of various factors, including, in particular, a two-type economic climate. The first type of the economic climate refers to the current and foreseeable economic condition of a country i.e. its economic stability as well as the size and absorption of the sales market which is more a condition which determines the very investment decision than a location-related factor. The other type of the economic climate is created by the condition of institutions and facilities which form the market economy infrastructure for business at the regional and local level. In particular, the technical infrastructure and the infrastructure surrounding the business is important i.e. various institutions, social and economic organizations whose activity contributes to development of enterprise and enhanced efficiency of the process involving exchange of goods and services. Business-related infrastructure typically involves: banks and insurance institutions, economic societies and chambers of economy, agencies and foundations in support for local and regional development, innovation and enterprises center, advisory institutions, information desks, training center, promotional and commercial institutions, stock exchanges, brokerage house and, in Polish conditions, special economic zones.

In addition, the innovation climate involves: political, administrative and legal climate. Similarly to the first of the two types of the above-described economic climate, the political climate applies more to some general conditions in a country or a region but in terms of their political situation which is a mixture of: the political stability, views of ruling politicians and civil servants in the governmental administration, individual aims and goals of the groups who have power, the importance of the private sector in economy, privileges enjoyed by domestic or foreign entrepreneurs as well as historical conditions. On the other hand, the administrative climate is created by the extent to which the administration influences the following decision-making and location-related activities with respect to enterprises: scope of operations, procedures for setting up businesses/companies, regulations governing transfer of profit, speed and flexibility of administrative activities. On the other hand, the legal climate is created by legal regulations and, in particular, stable, transparent and uniform legal solutions, ownership guarantees and profit transfer opportunities.

There are good reasons supporting classification of natural and cultural attractions in the environment to the investment climate components as they are going to have a positive impact on evaluation of a location or a region in terms of life quality-related aspects affecting the level and quality of living of entrepreneurs and their potential employees. This aspect of enterprise location is gaining recognition.

In the literature, the investment climate is identified with the business climate although, in some instances, it is defined on a narrower basis as containing some components of the investment climate: the economic climate of the second type, together with the social and administrative climate. Generally speaking, location-related factors create a specific investment climate (or a business climate) assessed from the point of view of an investor (Budner, 2003).

At present, access to information has been growing in importance when analyzing location-related factors. The information flow is inseparably connected with the development of the contemporary economy and society which can be referred to as the information society. Contemporary enterprises and their goals are rapidly changing, requiring a continuous inflow of new information. If we follow G.E. Törnqvist's (1977) division of communication

in the economy into three platforms: transport of goods, personal (face-to-face) communication and ICT, the latter applying now chiefly to the Internet, one can say that the last two platforms and, in particular, the ICT represent location-related factors at least of equal importance if not more important than transport of goods (see: Walmsley and Lewis, 1984). Scarcy information as well as difficulties with applying the information in practice may affect the choice of the right location. Furthermore, do not forget that the cost of information may be high. It is not about access to information as, in the era of the Internet, the cost of information access have been significantly reduced though costs of accessing some data base should be taken into account. It is more about the cost of acquiring and processing information, arising from the need to employ qualified staff who is well paid i.e. costly from the entrepreneur's point of view.

Knowledge capital and creativity – two contemporary factors that play an important role in location-related decisions of businesses, are closely linked to the above-described human and social capital and to the role of access and transfer of information. In this respect, we may approach knowledge and creativity as a part of the economic infrastructure and the market game. Knowledge, both technical and specialist, determines evaluation of the economy, as some turning points as well as major changes in its structure may emerge. Knowledge and creativity are centralized in urban and industrial agglomerations and business, organizational, technical and scientific hubs and, in consequence, they complement benefits of agglomerations and contribute to polarization of the economy in space (Domański, 2006). The large role of the innovation of industrial enterprises and related research and development in such kind of agglomerations was marked by T. Rachwał (2012).

Factors affecting location of enterprises cannot be analyzed apart from the personal factors, which is one of their particularly important components. Since 1950 the literature on location decisions of enterprises, has been mentioning a behavioral approach. The approach accounts both for the explicit spatial behaviors e.g. setting up a new industrial plant as well as implicit spatial behaviors such as change in the scale of the existing plant (Hamilton 1978, after: Walmsley and Lewis, 1984).

A.R. Pred (1967) was one of the first critics of normative location theories. He believed them logically inconsistent when applying them to justify completeness of decision-making components. He questioned existence of *homo oeconomicus*; a man guided by reason, which follow the rules of the economy and is fully aware of the problems he may encounter and of consequences of his actions and choices. Behavioral attitude takes into account when explaining location-related procedure the decision maker, whose behavior is characterized by bounded rationality. He is not capable of collecting and applying a complete package of information on market condition, available capital, access to technologies and other aspects. This approach assumes the satisfying behavior of decision makers, emphasizing non-economic factors in the decision-making process for selecting location of enterprises. In practice, *homo satisfaciendus* looks for satisfactory locations (E), in consequence not achieving any optimum locations (D) fig. 1.

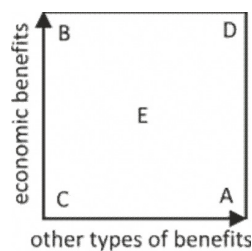


Fig. 1: Decision-Making Matrix (Source: Hurst 1974, after: Wieloński 2004).

Satisfactory decisions are made for many reasons. First of all, as it has been already mentioned, they result from lack of access to complete information and impossibility to analyze them in full. Secondly, multi-dimensional personal factors play an important role there. Consequently, many decisions can be made in relation with particularly good knowledge of a place or a region in case of the decision-makers who have been born or resided in the area. In addition, human perception of space is not of small importance. It depends on many variables such as age, experience, education, aspirations, and prejudices (the same space is different for different persons). Also note

that there is a phenomenon like the imitation effect (Pred, 1967) which applies to decision-makers' inclination to repeat their own or competitors' decisions. Another important type of behavior which accompanies the process of making satisfactory decisions is an inclination to avoid difficulties, e.g. avoiding long and complex negotiations with trade unions or other groups or institutions.

A process of deciding a business location is characterized by multitude and complexity of factors. The literature classifies the location factors to soft and hard factors. Typically, hard factors reflect measurable (cost) factors, which are traditional (classical) to some extent. They include such components as: Supply of office and production space, proximity of sales markets in the region, distance from suppliers and business partners, adequate communications and transport connection as well as supply of qualified labor force, fiscal climate, incentives and subventions, operation of scientific and research institutes creating the opportunity for cooperation, vocational training centers, efficient and flexible administration. Soft factors include non-measurable, often subjective decision-making aspects such as: The right approach of local government authorities to investors, the economic image of the location, local mentality, social climate, leisure activities, multi-aspect activity of a city/town, housing conditions, quality of schools, entertainment and culture or – in a broader context – the quality and level of life (Grabow, Henckel, Hollbach-Grömig, 1995; after: Dziemianowicz, 1998).

Both groups of the above-described factors play an important role in the procedure of deciding on a business location. However, their weight varies and typically depends on the type of activity and the stage of the decision-making process. In the first stage of the process, when the importance of the location region is determined, an important role can be played by the soft factors such as investors' knowledge about the region or experience of other companies in the region. By no means has it indicated that a choice of a region is purely intuitive. At the same time, regional supply is analyzed and these analyses are coupled with comparative analyses of investment and performance per region. In the second phase of the decision-making process, which results in selecting a definite number of potential locations having the lowest manufacturing or service costs, the importance of soft factors falls second to the importance of hard factors which define measurable economic benefits of a location. In the final, third phase of the decision-making process, when several potentially convenient locations with similar cost level have been selected, the importance of the soft factors may grow again. For example, more friendly social climate or higher competences and efficiency of public service, recreational attractions may prevail over a slightly lower price of land or better access to transport and roads in the final choice of a location (selection of one option from a range of options) (Budner, 2003).

Summarizing the above-presented concepts the authors of the paper conclude that, in the decision-making process related to locating a business, there are many complex factors which affect the final decision. Furthermore, the weight of each factor is different and depends on the type of business, the size of the enterprises and the stage of the decision-making process. There is another significant factor which cannot be omitted in the analysis. It is the human factor. The decision is made by the entrepreneur (the decision-maker), with their own set of human characteristics and with their personal plans (fig. 2).

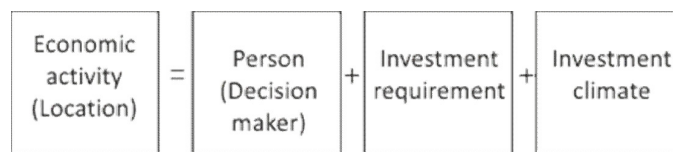


Fig. 2. Decision-making components of starting a business (Source: Own study).

Many studies and papers on the topic devote a lot of attention to limitations (barriers) to locating a business. Their classification varies depending on their type, size and impact on the location. The authors assumed that a location barrier is simply an absence or insufficiency or exhausting of the location factor (see Fierla, 1987; Budner, 2003) and, for this reason, this study does not discuss barriers in deciding on location of enterprises. It is also worth marking that in the case of countries transforming their economies, such as Poland, locational decisions may be affected by corporate restructuring processes, particularly industrial, and more recently - the world economic crisis (Rachwał, 2006; 2011a; b; c).

3. Analysis of contemporary factors influencing location of enterprises on the example of selected construction companies and architectural (design) studios

The authors conducted an empirical analysis of factors affecting location of enterprises. To this end, direct marketing research was conducted based on a direct questionnaire and an in-depth questionnaire. Two questionnaire templates were used:

- Questionnaire A with questions about the importance of classical factors affecting location of enterprises,
- Questionnaire B with questions about the importance of contemporary factors affecting location of enterprises.

Table 1. Contemporary location factors and assessment of their impact by enterprises (Source: Own study based on: Tobolska 2011, Fabińska, Piasecki 2007, Wieloński 2004, Dziemianowicz 1997).

| Group of factors | Factors | Mean scoring |
|--|--|--------------|
| 1. ITC infrastructure | Access to land (fixed) telephone lines | 4.00 |
| | Access to mobile telephone lines | 4.23 |
| | Access to broadband Internet | 4.08 |
| | Access to hot spots | 2.77 |
| | Access to Call Centers | 2.69 |
| | Access to e-health | 2.77 |
| | Access to e-government | 3.15 |
| | Access to e-learning | 3.00 |
| 2. Capital market | Availability of financial institutions | 2.92 |
| | Access to external capital (loans, etc.) | 2.85 |
| | Access to financial support from regional programs (sureties, grants, subsidies, etc.) | 3.54 |
| | Tax relieves, accelerated depreciation of investment expenditures, etc. | 4.08 |
| 3. Business supporting institutions | Well-developed network of business-supporting institutions | 3.46 |
| | Well-developed network of training services | 3.23 |
| | Well-developed network of advisory and consulting services | 2.85 |
| | Well-developed network of technology transfer services | 3.08 |
| 4. Academic basis of vocational educational institutions and R&D centers | Proximity of tertiary education institutions | 2.85 |
| | Proximity of vocational schools | 2.54 |
| | Educational offer adequate to needs of the labor market | 3.15 |
| | Opportunities for continuous professional development of personnel | 3.15 |
| | The opportunity of joint projects with R&D centers | 3.15 |
| 5. Economic climate | Clear and coherent administrative procedures | 4.38 |
| | Highly qualified civil servants | 4.31 |
| | Fast administrative decisions | 4.46 |
| | Easy access to the current legislation (fiscal, etc.) | 3.85 |
| | Cohesion of legal interpretation and administrative decisions | 4.15 |
| | A positive attitude of the local authorities to entrepreneurs | 4.54 |
| | Local authorities' actions promoting local entrepreneurs | 3.85 |
| | Openness of the local authorities to the needs of the local entrepreneurs | 4.00 |
| | Clear vision of the regional development | 4.00 |
| 6. Historical and cultural traditions | Traditions of the construction sector in the area | 3.38 |
| | Openness of local community to investors | 3.77 |
| | Local business ethics (values and standards in the local economy) | 4.23 |
| 7. The level and quality of life | Attractive image of a municipality or a city/town | 3.77 |
| | Security and safety in an area | 3.77 |
| | Entertainment and culture (sports, recreation, swimming pools, theatres, cinemas, bicycle paths) | 2.92 |
| | Costs of living | 4.38 |
| | Cost of apartment renting or buying | 4.46 |

Each questionnaire presents to respondents (owners of enterprises) a list of factors which affect enterprises. Questionnaire A contained 31 questions grouped into 6 groups. Respondents were given the task to assess the impact of factors included in a list on the decisions which they had made when choosing a location for their enterprise. First, factors were grouped and scored as groups (base factors). Next, factions of the groups (base factors) were scored. Note that respondents could add factors other than those suggested in the questionnaire providing they considered them important.

The collecting information process had run in 4 stages. Phase 1 involved a pilot survey in 2 enterprises in order to check the structure of the interview questionnaire for correctness. During the phase 2 and 3, a group of 13 entrepreneurs from the construction sector (construction and architectural companies) filled out the interview questionnaire. They represented companies of different sizes: micro (8), small (3) and medium-sized (2) companies.

All the enterprises were located in the Małopolska Region, Poland. During the last, 4th phase of the process, owners of 2 selected enterprises were interviewed on subjective (personal) location-related factors.

The paper presents results related to the data collected with the B questionnaire, i.e. the questionnaire identifying the importance of the contemporary location factors for enterprises. In addition, conclusions from the in-depth interview with one of the 2 interviewees were presented.

Below find a list of contemporary location factors included in the questionnaire B (tab. 1). They have been grouped into 7 groups: 1) the ICT infrastructure, 2) capital market, 3) business support institutions, 4) academic and vocational school base, R&D institutions, 5) the economic climate, 6) historical and cultural traditions, 7) the level and quality of life. The contemporary factors have been selected on the basis of the literature on the subject, taking into account the factors which it typically lists in the aspects of modernity and contemporary times.

Out of 7 base factors, the economic climate came at the top of the ranking (score: 4.23). It was followed by: the ICT infrastructure (3.77), business support institutions (3.69) and the level and quality of life (3.69). The following factors came at the bottom of the ranking: historical and cultural traditions (2.92) and the capital market (2.69), Academic basis of vocational educational institutions and R&D centers (2.69) (fig. 3).

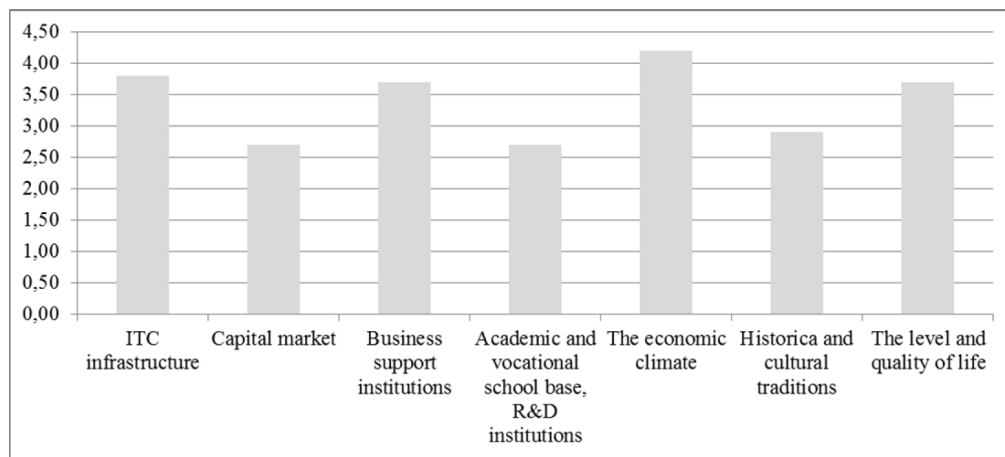


Fig. 3. The importance of contemporary base factors affecting location according to the survey respondents (Source: Own study based on results of questionnaire research).

In the second stage of the B questionnaire survey, fractional factors were scored. The ICT infrastructure-related factor group reported “access to the mobile telephone network (4.23) the top importance factor. In the capital market group, the “applied tax relieves and accelerated depreciation of investment expenditures” (4.08) ranked at the top of the list. In the business support institution group, a “well-development network of business supporting institutions” scored at the top (3.46). In the group of factors related to the academic base, vocational schools and R&D centers, there were 3 factors which had identical scoring: „educational offer adequate for the needs of the labor market” (3.15), “the opportunity to continue employee education” (3.15) and the opportunity to deliver joint projects with R&D centers (3.15). In the group of the economic climate-related factors, “positive attitude of the local authorities

to entrepreneurs” came first (4.54). Among factors referring to the historical and cultural tradition, the factor of the local business ethics (values and standards in the local economy)” came at the top of the ranking (4.34). The group, which referred to the level and quality of life, was dominated by “the cost of apartment renting or buying” factor (4.46) (tab. 1).

As for the entire set of all factors, factors of key importance (which scored above 4.00) for locating an enterprise came in the following ranking: „positive attitude of the local authorities towards entrepreneurs”, “swiftly issued administrative decisions”, “costs of renting or buying apartments”, “clear and consistent administrative procedures”, “costs of living”, “highly skilled civil servants”, “availability of mobile network”, “local business ethics (values and standards which prevail in the local economy)”, “consistency of legal interpretations and administrative decisions”, “access to broadband Internet”, “applied tax relieves, accelerated depreciation of investment expenditures, etc.” On the other hand, the following factors came at the bottom of the ranking (below 3.00): “availability of financial institutions”, “entertainment and recreation (cinemas, theatres, galleries, sport clubs, bicycle paths, etc.)”, “access to external financing (loans, etc.)”, “a well-developed network of advisory and consulting services”, “proximity of tertiary education institutions”, “access to hot spots”, “access to e-health services”, “access to Call Centers”, “proximity of vocational schools” (tab.1).

Continuing our analysis of the factors and taking the type of enterprise's business into account, the businesses were divided into 2 groups: Architectural design studios (5) and construction companies (8). Next, the weight of scoring received by all factors in a group to the maximum possible scoring in the group was calculated (tab. 2). The weight was calculated as a % of the total scoring in the maximum available scoring, 5, multiplied by the number of factors in a group). The weights were used for location profiling of the architectural design studios and construction companies (fig. 4).

Table 2. Importance of groups of contemporary location factors for architectural design studios and construction companies (Source: Own study based on results of questionnaire research).

| No. | Contemporary location factors group | Design studios | | | Construction enterprises | | |
|-----|---|----------------|-----------|------------|--------------------------|-----------|------------|
| | | Mean scoring | Total (%) | Weight (%) | Mean scoring | Total (%) | Weight (%) |
| 1 | ITC infrastructure | 2.70 | 17.25 | 54.00 | 3.73 | 20.98 | 74.69 |
| 2 | Capital market | 2.35 | 7.51 | 47.00 | 3.97 | 11.15 | 79.38 |
| 3 | Business supporting institutions | 2.50 | 7.99 | 50.00 | 3.56 | 10.01 | 71.25 |
| 4 | Academic basis of vocational educational institutions and R&D centers | 2.52 | 10.06 | 50.40 | 3.25 | 11.41 | 65.00 |
| 5 | Economic climate | 4.51 | 32.43 | 90.22 | 3.96 | 25.02 | 79.17 |
| 6 | Historical and cultural traditions | 3.40 | 8.15 | 68.00 | 4.04 | 8.52 | 80.83 |
| 7 | The level and quality of life | 4.16 | 16.61 | 83.20 | 3.68 | 12.91 | 73.50 |

From the perspective of architectural design studios, the following three groups of factors came at the top of the ranking: “the economic climate” (90%), “the level and quality of life” (84%) and “historical and cultural traditions” (68%). According to respondents, the remaining 4 factors were less important and supported by a similar percentage of opinions: “the ICT infrastructure” (54%), “the academic base, vocational schools and R&D centers” (50%), “business support institutions” (50%) and “the capital market”.

Respondents from construction companies did not indicate any substantial differences in the importance of the groups of factors to the extent to which the architectural design studios did. The construction companies showed the highest appreciation for 3 groups of factors: “historical and cultural traditions” (81%), “the capital market” (79%), “the economic climate” (79%). While other 4 groups of factors were considered slightly less important i.e.: “the ICT infrastructure” (75%), “the level and quality of life” (74%), “business support institutions” (71%), “the academic base, vocational schools and R&D centers” (65%).

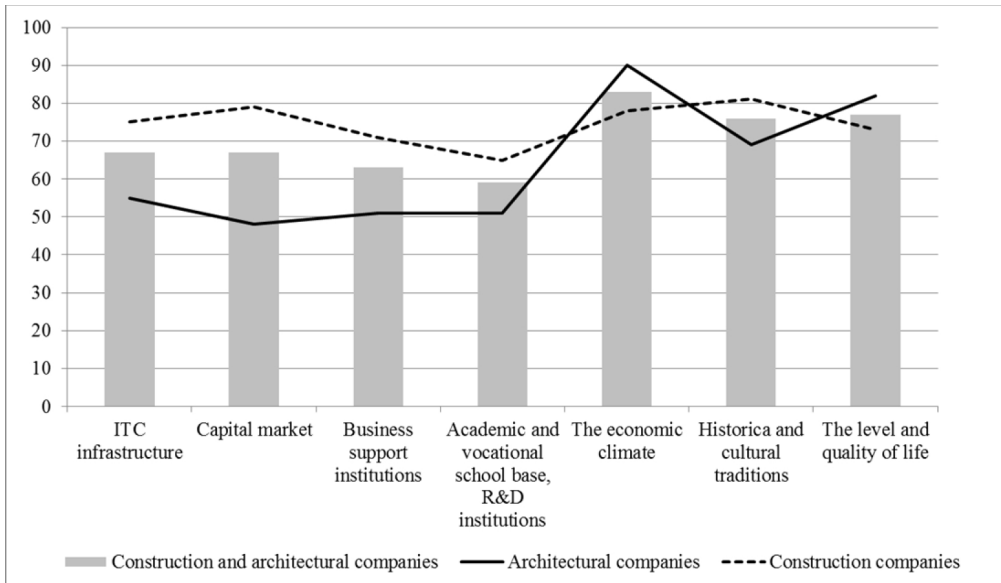


Fig. 4. Location profiles for architectural design studios and construction companies by group of contemporary location factors and their weights (Source: Own study based on results of questionnaire research).

Note that the entrepreneurs from the construction companies were generally more prone to attach more importance to contemporary location factors than the entrepreneurs who represented architectural design companies. On average, the importance of all contemporary location factors for construction companies scored 3.75 while it was lower in case of architectural design studios and reached 3.29 only. Only two groups of factors: “the economic climate” and “the level and quality of life” scored lower in the ranking of construction companies than in the ranking of architectural design studios. Still, their position in the ranking is high. Architects, who are both entrepreneurs and employees, appreciate an adequate level and quality of life from their own point of view and from the point of view of potential investors ordering architectural designs. On the other hand, “the economic climate”, including clear, transparent and efficiently followed administrative procedures and qualified civil servants as well as a positive attitude of the authorities towards investors is particularly important for a business to succeed and to attract new investors, who are the source of future orders.

Apart from the “economic climate” and “the level and quality of life”, both types of companies attached relatively high importance to “historical and cultural traditions” which are important in the construction sector, as they create the general climate supporting the atmosphere of construction projects which attract new investors and supply the labor force for the sector. For this reason, respondents from construction companies showed more appreciation for this group of factors than respondents from architectural design studios. It was no different in the cases: the academic base, vocational schools and R&D centers” group of factors. Owners of construction companies showed more appreciation for these factors than owners of architectural design studios did. They must have been guided by the importance of vocational schools which educate skilled construction workers, whose share in the total number of construction sector employees is now in Poland as a result of a systematic liquidation of vocational schools in Poland in the recent period. As emphasized by respondents, the labor market is now in demand for qualified workers in the construction sector such as plumbers and finishing work specialists.

Both groups of enterprises had a major difference in opinion on the “capital market” group of factors. It turns out that this aspect is of very high importance for construction companies who need more capital than architectural design studios. By and large, construction companies are more capital-consuming, predominantly because they invest into employees and construction equipment which they use for their operations: construction, finishing and refurbishment.

Summarizing, note that representatives of all the surveyed companies considered the majority of contemporary location-related factors important. The economic climate-related factors came at the top of their list, both in the general scoring of base factors and in the fractional factor scoring. A general assessment of the base factors was slightly different from a subsequent assessment made by fractional factors; however, it has been sustained in general terms. Apart from the economic climate, the ICT infrastructure and the quality and level of life came high in the scoring. Note that the modern contemporary factors discussed in the paper turned out more important for architectural companies than for architectural design studios, in particular, in the case of the capital market factors.

4. Personal factor in deciding about a location of an enterprise - a case study

The survey included in-depth interview with owners of two enterprises: an architectural design studio and a construction company. This paper presents abbreviated results of an interview on personal motives behind locating an architectural design studio. A separate paper will be written to discuss both in-depth interview and come up with a comparative analysis of importance of the classical and modern factors in location decisions of enterprises.

The respondent is a micro-enterprise with 6 employees. It offers architectural design services to retail and corporate clients and to the state and local agencies. It is headquartered in Krakow but it operates on the territory of the entire region. It often expands outside the region and, on rare occasions, outside Poland. Two co-owners of the business assessed the motives which guided them when choosing the current seat of their business. Note that this is the fourth seat of the business in 14 years of the company's operation.

All the seats have been located in Krakow and the owners have never seriously considered another location, which indicates their very personal approach to the issue of locating their business. The interview indicates that both owners know Krakow very well and are very well familiar with its business environment, having studied and lived there for years. In the interview, they emphasized many advantages which come with having their seat in Krakow. These advantages pointed directly to external benefits of the agglomeration. They listed proximity of a large sales market (potential clients – buyers of their design), skilled labor force and engineers, businesses from related sectors (construction companies, utility designers, etc.), local agencies and authorities among the most important factors.

Subsequent relocations of the company were always connected with its growth and the need to improve work conditions, its image and develop its brand. They owners admitted that, when choosing a location for their headquarters, they were guided by the cost of leasing space but it was not the dominant factor. Each next headquarters grew in price and chosen for convenience and prestige more than for low rent. In addition, according to respondents, the last two locations were not chosen on the basis of an in-depth cost analysis but on the basis of their knowledge on available vacant space. The owners emphasized that they were planning another relocation of their business, this time for financial reasons - the current cost of renting the office space was relatively high. They are even considering a location outside Krakow but in the proximity of the city. It is possible that the personal factor will prevail in the process of choosing the location as the owners of the business are inclined to locate it near their current place of residence – in a municipality near Krakow.

The above-presented example of motives behind locating a small business proves that soft and personal factors may, next to hard factors such as costs, have a major influence or, in some instances, force a decision. In this case, the decision on locating the enterprise certainly required a basic analysis of the company's financial standing, access for clients (public and road transport, parking), proximity of sales markets i.e. the hard factors. However, one may conclude that soft factors had the final impact on the decision, in particular the factors such as the company's prestige as well as personal aspects. Certainly, the role of the personal factor in such decisions varies for a number of reasons. One should expect that its importance will be decreasing with the growth in the size of the enterprise.

5. Conclusions

Business location decisions are influenced by many variables. The number of qualitative factors is growing with the economic progress and social development in parallel to standard cost factors. There is no doubt that classical location-related factors cannot be underestimated. Some of them are of key importance e.g. the external advantages of an agglomeration, when taking many location-related decisions. However, the share of some cost factors, which used to be quite important, is going down. Development of transport, down-scaling and container-scaling has been

leading to cutting the cost of transporting or mining raw materials. Work automation and computers significantly weakened the importance of access to cheap labor force. At the same time, the rapid pace of development and growing human needs of both clients for products and services and entrepreneurs and employees generate new factors which are taken into account in decisions on locating a business. In the literature on the subject, the modern location factors include, first of all: the quality of human capital, social capital, access to information and its usefulness, capital of knowledge and creativity, access to business services as well as the level and quality of life in the region.

The authors of the paper confirmed the importance of modern location factors from the perspective of decision-makers. In the case of the analyzed construction sector companies, it turned out that the economic climate, ITC infrastructure and the quality and level of life are very much appreciated by construction sector companies. It was also proved that their appreciation was dependent on the type of business. The architectural design studio attached the highest importance to such factors as the economic climate, the level and quality of life and the historical and cultural traditions. On the other hand, construction companies considered historical and cultural traditions, capital market and economic climate as crucial for their business.

Apart from a number of factors resulting from investment requirements and investment climate attractions, the final choice of a business location is affected by personal decisions. Decision-makers' characteristics (abilities and limitations), motives and intentions do play a role in the decision-making process. According to the behavioral approach to the topic, the human factor in the decision-making process directs the choice of a location not to the optimum but to a satisfactory location/area.

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