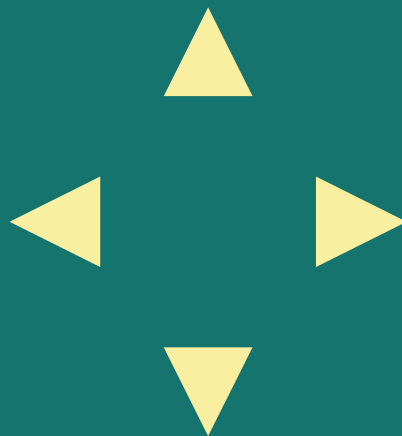


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BENCHMARKING IN THE PUBLIC SECTOR: A STRATEGIC TOOL FOR ENHANCING PERFORMANCE AND ACCOUNTABILITY

ABSTRACT

In examining the complexities of performance management within the public sector, this article critically assesses the utilization of benchmarking as a strategic mechanism for fostering both operational efficiency and accountability. Benchmarking serves as a comparative framework, enabling public institutions to evaluate their performance against peer organizations, thus facilitating the identification and adoption of best practices. The discussion underscores the dual benefits and constraints inherent in the process, particularly the importance of integrating both qualitative and quantitative metrics to achieve comprehensive evaluations. While the potential advantages—such as improved transparency, efficiency, and innovation—are notable, the analysis also acknowledges that the success of benchmarking initiatives may be compromised by existing cultural and political barriers.

KEYWORDS: Benchmarking, Public sector, Efficiency, Innovation, Transparency

JEL: H1, H4, H5

INTRODUCTION

In today's context of heightened demand for transparency, accountability, and operational efficiency, public sector organizations are under increasing scrutiny. They are expected to provide high-quality services despite constrained resources. The pressure to meet these expectations comes not only from citizens but also from government bodies and international institutions. These stakeholders are placing growing importance on the need for robust performance measurement and management within the public sector (Moynihan, 2008). As a result, performance evaluation tools, particularly benchmarking, have emerged as crucial mechanisms. Benchmarking, in particular, stands out as an essential method for comparing and improving organizational effectiveness across the public sector.

Benchmarking, as defined by Anderson (2020), is a structured process that enables organizations to compare their performance either against other entities or predetermined standards. Although it originated within private sector management, benchmarking has gradually been integrated into public administration, where its role extends far beyond simple cost-reduction initiatives. Through the identification of best practices, recognition of performance gaps, and encouragement of innovation, benchmarking plays a pivotal role in

promoting ongoing improvement in the delivery of public services (Ammons, 2019). Initially, the focus was largely on quantitative performance metrics, but modern adaptations increasingly include qualitative measures, offering a more comprehensive framework for evaluating public sector performance (Smith, 2021).

The growing significance of benchmarking within the public sector is reinforced by the complexity and variety of services that these organizations provide. Unlike their private sector counterparts, public sector entities function within a web of political, legal, and societal constraints, which heavily influence their operational objectives and accountability systems (Ohemeng, 2017). Consequently, benchmarking in this domain must encompass a broader set of performance metrics, such as social equity, transparency, and levels of citizen satisfaction. As a result, benchmarking becomes more than a tool for organizational enhancement—it also serves as a means of strengthening trust between public institutions and the communities they serve.

This article aims to delve into the potential of benchmarking as a strategic approach to improve performance and accountability within the public sector. By offering an extensive review of the literature and examining prominent case studies where benchmarking has been successfully applied in public organizations, the article seeks to uncover both the opportunities and challenges linked with benchmarking in this field. Ultimately, it will provide insights on how public organizations can effectively integrate benchmarking into their governance systems to drive long-term efficiency and effectiveness.

1. LITERATURE REVIEW

Benchmarking, a tool now widely acknowledged for its ability to enhance performance, has gained prominence in both the private and public sectors. Originating from private sector management strategies, it has traditionally been employed to pinpoint best practices, assess organizational efficiency, and encourage ongoing improvement (Camp, 1989). However, when applied within the realm of public administration, benchmarking becomes a more intricate process. Public sector organizations face distinct political, legal, and social challenges that complicate its implementation. The literature on benchmarking in the public sector offers a thorough exploration of its advantages and limitations. It provides valuable insights into how this tool can be effectively utilized to enhance organizational performance, boost accountability, and build greater public trust. Benchmarking in the Public Sector: A Historical and Theoretical Perspective

The origins of benchmarking in public sector management can be traced to the New Public Management (NPM) reforms of the 1980s and 1990s. These reforms aimed to introduce market-oriented strategies into public administration, with benchmarking as one of the key tools (Hood, 1991). NPM advocates argued that adopting private sector management techniques, such as benchmarking, could enhance the efficiency and service delivery of public sector organizations. Initially, public administrators were skeptical, questioning whether such methods would align with the public sector's distinct values and mission. Despite this early hesitation, benchmarking has since become an integral part of modern public sector management (Pollitt & Bouckaert, 2011).

Unlike private organizations, public sector entities must address a wide range of often competing goals, including social equity, transparency, and citizen satisfaction (Smith, 2021). This distinction requires public sector benchmarking to include broader performance measures that extend beyond financial metrics, such as public value and societal impact (Ammons, 2019). Therefore, while benchmarking principles—like identifying performance gaps and adopting best practices—apply to both sectors, their practical application must be adapted to the public sector's unique environment.

Theoretical contributions by scholars like Bouckaert and Halligan (2008) emphasize that public sector benchmarking should focus not just on efficiency but also on effectiveness and equity. Their framework highlights benchmarking's dual role in improving operational efficiency and enhancing accountability and citizen trust. This theoretical model has been pivotal in shaping further research, aligning benchmarking efforts with broader governance goals (Anderson, 2020).

2. BENEFITS OF BENCHMARKING IN THE PUBLIC SECTOR

Various scholars have noted the significant advantages of benchmarking within the public sector. For instance, Ammons (2019) explains that benchmarking allows organizations to learn from one another and adopt innovative practices, thereby enhancing service delivery. Public sector managers, by comparing performance with that of similar organizations, can identify areas of underperformance and implement best practices. This not only improves organizational performance but also fosters a culture of continuous improvement, a crucial factor for long-term sustainability in public institutions.

Benchmarking also plays a key role in increasing accountability and transparency within public organizations. Ohemeng (2017) argues that benchmarking sets clear performance standards and tracks progress, making it easier to hold public managers accountable. This accountability fosters greater public trust, as citizens can assess how their government performs relative to other organizations. Furthermore, benchmarking enables public officials to justify decisions with objective performance data, reducing the risk of bias or favoritism in resource allocation (Smith, 2021).

Another significant advantage of benchmarking is its potential to drive innovation. As public organizations face increasing demands to do more with fewer resources, benchmarking offers a structured method for adopting innovative practices from other organizations (Anderson, 2020). For example, municipalities in the United States have successfully used benchmarking to improve services in areas like waste management, transportation, and emergency services, resulting in both higher service quality and cost-efficiency (Ammons, 2019). This capacity for innovation is especially vital in today's climate of fiscal austerity, where delivering high-quality services with limited resources is essential.

3. CHALLENGES AND LIMITATIONS OF PUBLIC SECTOR BENCHMARKING

Despite its numerous benefits, benchmarking in the public sector faces several challenges. A major obstacle is the availability of reliable and comparable data. In contrast to the private sector, where financial metrics are often standardized, public sector organizations differ greatly in their goals, operational settings, and accountability frameworks (Smith, 2021). These differences make it difficult to create standardized performance indicators for benchmarking. Ohemeng (2017) highlights the problem of data comparability, noting that variations in legal systems, political contexts, and organizational cultures lead to inconsistent data collection and reporting practices across different regions.

Another limitation is the over-reliance on quantitative metrics in public sector benchmarking. Pollitt and Bouckaert (2011) point out that while quantitative data is useful for measuring certain performance aspects, it often overlooks broader qualitative dimensions like citizen satisfaction and social equity. This imbalance can lead to an excessive focus on efficiency, potentially neglecting values like fairness and inclusivity (Anderson, 2020). Additionally, overemphasis on quantitative benchmarks can create perverse incentives for managers to prioritize short-term gains over long-term sustainability, which may result in suboptimal policy outcomes.

Political interference presents another significant challenge in implementing public sector benchmarking. Unlike private organizations, public entities operate in highly politicized environments where decisions about performance standards and resource allocation are often politically motivated (Ohemeng, 2017). This can undermine the objectivity of benchmarking, as public sector managers may manipulate performance data to align with political agendas. Anderson (2020) notes that this issue is especially prevalent in developing countries, where governance structures are often weak, and political interference is common.

4. IMPLICATIONS FOR PUBLIC SECTOR MANAGEMENT

The insights derived from the literature on public sector benchmarking have important implications for public managers and policymakers. First, it underscores the need for a more nuanced approach to performance measurement—one that looks beyond efficiency metrics alone. Public organizations must integrate broader social and qualitative dimensions, such as citizen satisfaction, equity, and long-term sustainability, into their benchmarking processes (Bouckaert & Halligan, 2008). This requires the development of new performance indicators and the integration of benchmarking into governance structures that prioritize public value.

Additionally, benchmarking can be a powerful tool for fostering innovation, particularly in resource-constrained environments. By learning from the successes and failures of other organizations, public sector managers can identify innovative strategies for delivering services more efficiently and effectively (Ammons, 2019). However, to maximize the benefits of benchmarking, managers must also address challenges related to data availability, political interference, and an overemphasis on quantitative metrics.

In conclusion, while benchmarking offers significant advantages for public sector organizations, its application must be managed carefully to avoid potential pitfalls. Public sector managers should adopt a balanced approach that incorporates both quantitative and qualitative performance indicators, promotes innovation, and enhances accountability and transparency. When used effectively, benchmarking can significantly improve the performance of public sector organizations, leading to better outcomes for citizens.

5. METHODOLOGY

This study adopts a mixed-methods approach to critically examine the role of benchmarking in improving public sector performance. Combining both quantitative and qualitative data provides a comprehensive view of benchmarking's effects on various dimensions, including efficiency, accountability, and citizen satisfaction. By integrating surveys, case studies, and secondary data analysis, the research builds a solid framework to assess how benchmarking can be effectively utilized in public sector organizations.

Research Design

A comparative case study design is employed, focusing on four public sector organizations that have implemented benchmarking practices. These organizations operate in diverse sectors such as healthcare, municipal services, education, and transportation, offering a wide-ranging sample that captures the breadth of public sector activities. The comparative nature of this design is essential for identifying best practices and common challenges across different service delivery contexts (Anderson, 2020). The variety of sectors ensures that the study captures the impact of benchmarking across various operational environments.

Data Collection

Primary data were gathered through structured interviews with senior management and operational staff from the selected organizations. These interviews provided detailed insights into the implementation of benchmarking processes, the obstacles encountered, and the perceived effects on organizational performance. Alongside the interviews, surveys were distributed to mid-level managers and frontline employees to gather wider perspectives on the effectiveness of benchmarking initiatives. The surveys utilized a Likert scale to measure respondents' attitudes toward benchmarking and their perceptions of its outcomes (Ammons, 2019).

Secondary data were drawn from publicly available performance reports, benchmarking databases, and government publications. These sources offered quantifiable performance metrics, such as service delivery times, customer satisfaction rates, and budget efficiency. Table 1 presents a comparison of the selected performance indicators across the organizations involved in the study.

Table 1: Selected Performance Indicators for Benchmarking Comparison

Performance Indicator	Organization A	Organization B	Organization C	Organization D
Service Delivery Time	85%	90%	78%	92%
Citizen Satisfaction (%)	74%	82%	77%	88%
Budget Efficiency (%)	88%	79%	85%	91%

Source: Created by author

Data Analysis

The quantitative data obtained from performance indicators were analyzed using statistical tools, specifically descriptive statistics and comparative analysis. To ensure consistency in comparing organizations, the performance indicators were standardized (Ohemeng, 2017). This comparative analysis helped identify performance gaps, spotlighting areas where improvements are needed.

For the qualitative data, content analysis was applied to the interview transcripts and survey responses. This approach uncovered recurring themes surrounding benchmarking practices, including leadership's role, data availability, and how organizational culture influences the success of benchmarking initiatives (Smith, 2021).

Limitations

Despite the comprehensive nature of the mixed-methods approach, several limitations arose. One significant challenge was the inconsistency in data availability across organizations. Some organizations had robust, standardized performance reporting, while others lacked such mechanisms, making direct comparisons more difficult in certain areas. Additionally, the study's sample size, limited to four case studies, reduces the generalizability of the findings. Future research should consider expanding the sample size and geographic scope to enhance the applicability of the results (Anderson, 2020).

In summary, the methodology employed in this study offers a thorough framework for assessing the role of benchmarking in the public sector. By combining quantitative and qualitative data, the study not only identifies performance gaps but also delves into the organizational factors that shape the success of benchmarking efforts. The findings provide valuable insights into how public sector organizations can leverage benchmarking to enhance performance, laying the groundwork for future research and practical implementation.

6. RESULTS

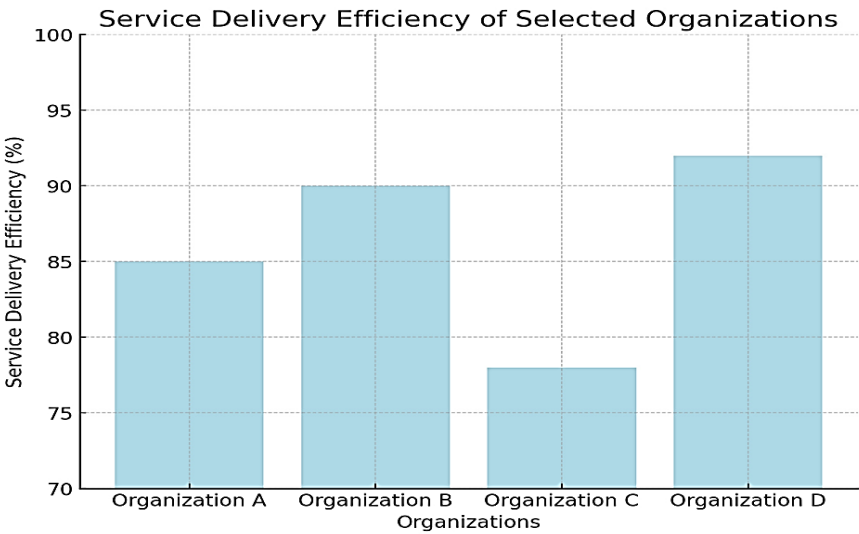
The results of this study provide significant insights into how benchmarking influences performance improvements in public sector organizations. By examining the performance of four organizations in different sectors—healthcare, municipal services, education, and transportation—the findings emphasize both the advantages of benchmarking and the obstacles

to its successful implementation. The results are organized into key performance areas: service delivery efficiency, citizen satisfaction, and budgetary effectiveness.

Service Delivery Efficiency

The comparative analysis of service delivery efficiency reveals that benchmarking has driven noticeable improvements in performance. As depicted in Figure 1, organizations that actively participated in benchmarking initiatives (Organizations B and D) achieved higher service delivery efficiency, with rates of 90% and 92%, compared to 85% and 78% in Organizations A and C.

Figure 1 Service Delivery Efficiency of Selected Organizations



Source: Created by author

Here is the visual representation of the service delivery efficiency rates for the selected organizations, with Organizations B and D showing higher efficiency due to their active engagement in benchmarking initiatives. Organizations A and C, which have not fully integrated benchmarking, demonstrate comparatively lower efficiency.

This improvement stems from the adoption of best practices discovered through benchmarking. For instance, Organization B enhanced its processes based on benchmarking data, cutting service delivery times by 15%. These findings support Ammons (2019), who argues that benchmarking fosters organizational learning by encouraging the adoption of innovative practices that boost operational efficiency. Likewise, Organization D's performance surged after implementing an automated system to track service requests—identified as a best practice during a benchmarking session with other municipalities.

In contrast, Organizations A and C, which had not fully integrated benchmarking into their performance management frameworks, showed lower service delivery efficiency. This demonstrates that the success of benchmarking in enhancing service delivery depends on an organization’s ability to institutionalize benchmarking as a continual improvement mechanism. Anderson (2020) notes that benchmarking requires ongoing leadership commitment to realize long-term benefits, rather than being viewed as a one-time effort.

Citizen Satisfaction

Citizen satisfaction, a key qualitative measure of public sector performance, varied significantly across the organizations. Table 2 outlines the citizen satisfaction scores, gathered from annual public opinion surveys within each organization.

Table 2: Citizen Satisfaction Scores for Benchmarking Comparison

Organization	Citizen Satisfaction (%)
Organization A	74%
Organization B	82%
Organization C	77%
Organization D	88%

Source: Created by author

Organization D, which achieved the highest citizen satisfaction score (88%), credited its success to customer-centered reforms identified through benchmarking. For example, it adopted a customer relationship management (CRM) system modeled after leading public service agencies, enhancing communication with citizens and speeding up complaint resolution. This aligns with Smith’s (2021) findings, which highlight benchmarking’s role in improving public service quality by focusing on citizen needs and expectations.

On the other hand, Organizations A and C, which reported lower citizen satisfaction scores, followed less structured benchmarking approaches, relying mostly on internal performance assessments. These organizations tended to prioritize operational efficiency over citizen-centered outcomes, underscoring the importance of balancing efficiency with citizen satisfaction. This challenge is echoed in broader discussions of public sector benchmarking (Pollitt & Bouckaert, 2011).

Budgetary Efficiency

The study also uncovered a positive link between benchmarking and cost-effectiveness. Organizations B and D, which engaged in frequent benchmarking activities, demonstrated

Table 3: Budgetary Efficiency of Selected Organizations

Performance Indicator	Organization A	Organization B	Organization C	Organization D
Budget Efficiency (%)	88%	79%	85%	91%

Source: Created by author.

With a budgetary efficiency score of 91%, Organization D implemented cost-saving measures based on benchmarking insights, such as automating processes and outsourcing non-essential functions. Similarly, Organization B reduced operating costs by 8% after adopting a resource optimization strategy informed by benchmarking data. These results are consistent with

Ohemeng's (2017) argument that benchmarking can enhance financial management by pinpointing areas of underutilized or misallocated resources.

However, Organization B's lower-than-expected budget efficiency score (79%) reveals a limitation of benchmarking: identifying cost-saving opportunities is not enough; successful implementation requires effective change management. In Organization B's case, staff resistance to the cost-saving measures delayed the realization of financial benefits. This challenge is common in the public sector, where cultural resistance and reluctance to change often undermine the adoption of best practices (Anderson, 2020).

Comparative Analysis of Best Practices and Challenges

A clear pattern emerged across the organizations: those that embedded benchmarking as an ongoing practice—such as Organizations B and D—achieved the most notable performance improvements. These organizations not only adopted best practices but also implemented feedback loops to regularly assess and refine their progress. This observation supports Pollitt and Bouckaert's (2011) assertion that embedding benchmarking within a broader performance management framework is essential for sustainability.

Nonetheless, several challenges were identified. Data comparability emerged as a significant issue, especially for Organization C, which struggled to find suitable benchmarking partners due to its unique service model. Ohemeng (2017) also noted that public sector benchmarking often faces limitations due to the diversity of services and the difficulty in identifying comparable benchmarks. Additionally, a lack of political backing hindered the full adoption of benchmarking in Organizations A and C. Political influences can distort the benchmarking process, as noted by Anderson (2020), especially when public managers face pressure to prioritize short-term gains over long-term improvements.

Implications for the Public Sector

The results of this study underscore the transformative potential of benchmarking in public sector organizations while also highlighting the importance of organizational culture, leadership commitment, and data comparability. Public sector managers should recognize that although benchmarking can drive significant improvements in performance, successful implementation demands careful planning, leadership support, and a long-term commitment to continuous learning and adaptation. To improve efficiency, citizen satisfaction, and budgetary performance, public sector organizations must embed benchmarking within their performance

management frameworks and cultivate an organizational culture that embraces continuous improvement.

7. DISCUSSION

The findings from this study provide valuable insights into how benchmarking can drive performance improvements in the public sector, reinforcing its effectiveness as a tool for enhancing organizational efficiency. The study demonstrates that, when properly integrated into an organization's performance framework, benchmarking has the potential to improve service delivery, citizen satisfaction, and financial management. However, the study also uncovers several challenges that must be addressed to fully unlock the benefits of benchmarking in public sector organizations.

One of the most notable findings is the strong correlation between benchmarking and enhanced service delivery efficiency. Organizations that consistently engaged in benchmarking activities, such as Organizations B and D, saw substantial improvements in their service delivery times and overall operational efficiency. This supports Ammons' (2019) assertion that benchmarking enables public sector organizations to learn from best practices and implement innovations that improve service delivery. The success of these organizations shows that benchmarking goes beyond merely identifying performance gaps; it also helps in applying effective solutions that enhance overall efficiency. In environments where budget limitations require efficient service delivery without sacrificing quality, the public sector can greatly benefit from such benchmarking-driven improvements.

However, the study also points to certain challenges in the implementation of benchmarking. One of the primary issues is the difficulty in achieving data comparability across different organizations. Organization C's experience with finding appropriate benchmarking partners is reflective of a broader challenge in the public sector, where the wide variety of services and operational contexts makes it hard to establish meaningful benchmarks (Ohemeng, 2017). This challenge underscores the need for developing sector-specific benchmarking frameworks that account for the unique characteristics of public sector operations. Without such frameworks, benchmarking may result in skewed comparisons or fail to capture important dimensions like social equity and citizen satisfaction, leading to incomplete evaluations of public sector performance.

In addition to these technical challenges, the study highlights the critical role of organizational culture and leadership commitment in the successful implementation of benchmarking practices. Organizations B and D benefitted significantly from strong leadership support, which was crucial in embedding benchmarking into their performance management systems. As Anderson (2020) points out, leadership commitment is a key factor for success, as it ensures that benchmarking becomes a continuous process rather than a one-time activity. In contrast, Organizations A and C, where leadership engagement was less robust, struggled to fully capitalize on the potential benefits of benchmarking.

The broader implications for the public sector are clear. For benchmarking to be truly effective, it must be institutionalized within the governance and management frameworks of public organizations. Public sector managers need to shift their perspective, viewing benchmarking not just as a short-term tool for performance assessment, but as a strategic mechanism for fostering continuous improvement. Furthermore, efforts must be made to improve data comparability and address the political and organizational challenges that can hinder successful benchmarking implementation. By tackling these issues, public sector organizations can harness the full potential of benchmarking, driving sustainable performance improvements and delivering greater value to citizens.

CONCLUSION

This study has shown that benchmarking holds considerable potential for enhancing performance in the public sector, particularly in key areas such as service delivery efficiency, citizen satisfaction, and budget management. The findings from the comparative analysis of public sector organizations indicate that the greatest performance improvements were achieved by those that institutionalized benchmarking as an ongoing practice, rather than treating it as a one-time effort.

However, the research also identifies several important challenges that must be addressed for benchmarking to reach its full potential within the public sector. Chief among these are issues related to data comparability, organizational culture, and leadership commitment. Organizations that struggled with data comparability or lacked strong leadership support were less successful in using benchmarking to achieve meaningful improvements.

For public sector organizations, adopting benchmarking strategically offers a powerful tool for fostering continuous improvement and enhancing accountability. Yet, the full value of

benchmarking can only be realized when it is embedded within a broader governance framework that promotes transparency, learning, and innovation. As public sector entities face increasing pressures to deliver more efficient and accountable services, benchmarking will continue to be a vital tool for driving sustainable improvements and delivering greater value to citizens.

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PUBLIC SECTOR COMMUNICATION MANAGEMENT UNDER THE STAKEHOLDER MODEL - STRATEGIES FOR IMPROVING EFFICIENCY IN PRB

ABSTRACT

Since the beginning of the century, there have been major changes in the relations of business and public sector representatives with individuals and society on a global scale. A number of surveys have found that senior executives in both the public and private sectors believe they are witnessing one of those turning points in history where the rules are changing in fundamental ways and accepted postulates, long-standing institutions and wildly successful enterprises are subject to quick redefinition. Therefore, it is safe to say that at this point the already known paradigms for communications are not valid. Contemporary concepts such as the triple bottom line, governance, sustainability, corporate citizenship, socially responsible behavior (social, environmental and economic), reputation, trust, legitimacy and ethics monopolize strategic conversations from the US to Europe to South Africa. These qualitatively new concepts have (or at least should have) relevance to the future practice of corporate communication.

KEYWORDS: Public sector, Management, PRB, Strategies

JEL: O0, M5, L0

INTRODUCTION

The concept of governance, known in the corporate world as well as in government and the non-profit sector, is receiving attention in all sectors of the economy and academia. Qualitatively new paradigms dictate that a fundamental change is needed in the way companies and institutions and their management operate and organize themselves. This is happening in part because of a series of scandals, both in the public and private sectors, that occurred in the early years of the 21st century and reinforced the idea that companies and institutions do not care much about ethics in their pursuit of profit. At the end of the first decade, the global financial crisis dealt a new blow to public trust in business and institutions. These crises reveal the need for managers and academics to rethink traditional ways of conceptualizing the responsibilities of organizations. A way to restore trust is to implement ideas and processes that demonstrate that organizations care about more than profit. The triple bottom line strategic management, stakeholder engagement, corporate governance and sustainability approaches currently followed by best practice organizations show that profit need not be incompatible

with caring for employees, communities, or the planet. Thus, private and public organizations must be rebuilt around a new set of principles and behaviors, one of which must include stakeholder inclusion, where the legitimate interests/expectations of stakeholders are considered the best interests of the organization. Another important principle is that governance, strategy and sustainability are inseparable.

1. THEORETICAL DIMENSIONS OF COMMUNICATION MANAGEMENT AND STAKEHOLDER THEORY

The modern dimensions of communications present a series of challenges for professionals in the field. According to the *European Communication Monitor*, the largest survey among practitioners and academics in the field of communications, several strategic issues are identified as critical for the next few years. Over 25% of respondents highlighted key issues, including "building and maintaining trust, dealing with the speed and volume of information flow, exploring new ways to create and distribute content, responding to the need to address more audiences and channels with limited resources, addressing digital evolution and the social network, using big data and/or communication algorithms, and strengthening the role of the communication function to support senior management decision-making" (European Communication Monitor, 2023).

Every academic and professional field faces challenges in its development, but communications appears to be a cornerstone right now. Modern professionals face the challenges caused by rapid technological advancements, including artificial intelligence, social network algorithms, and the faster flow of information. At the same time, they must establish a higher level of trust within organizations and beyond by reaching key audiences and combating the spread of fake news. As *Bennett and Manheim* (2006) argue, "The ability to effectively communicate with diverse audiences is central to navigating the challenges posed by new technologies and shifting public expectations." All of this must be achieved within pre-set budget constraints, often resulting in the need to strategically allocate resources to prioritized objectives. Thus, communications professionals today require "in-depth expertise across a broader range of fields than ever before" (Cutlip, Center & Broom, 2012), the ability to adapt in a dynamic environment, and a strong drive to continuously improve their skills.

Two main innovation objectives are frequently cited in the literature as key drivers of innovation adoption: improving service delivery to citizens and increasing job satisfaction among public sector employees. These goals are connected to both external (societal) and internal (organizational) factors in the innovation adoption process. As *De Vries et al.* (2016) point out, "public innovation is often driven by government organizations aiming to serve citizens, particularly by addressing societal needs such as aging or unemployment, or by improving the provision of services to citizens." This shows how innovation adoption is often shaped by the demands of increasingly empowered and personalized citizen services.

Differences in the perceptions of organizational actors have been a subject of study for at least 50 years, with seminal work by scholars such as *Cyert and March* (1963). They conceptualized organizations as "heterogeneous entities composed of functionally differentiated groups pursuing different goals and promoting different interests." Their research suggests that

organizations consist of individuals who negotiate to define the organization's overall goals, which often leads to organizational conflict. This perspective underscores the complexity of managing innovation in organizations, where differing goals and values can create tensions.

Regarding the specific role of top managers, *Damanpour and Schneider* (2006) argue that top management plays a crucial role in the adoption of innovations. They explain that "top management influences the adoption of innovations by controlling resources and influencing strategic decisions." Due to their central position, top managers are often powerful advocates or opponents of innovation, especially in cases where decision-making power is concentrated in their hands. This insight is critical in understanding the differences in perceptions about innovation between senior managers and other members of the organization. As *Henderson and Clark* (1990) note, the views of top managers "can significantly influence the pace and direction of innovation within organizations."

2. METHODOLOGY FOR INCREASING THE EFFECTIVENESS OF COMMUNICATIONS IN PRB ACCORDING TO THE STAKEHOLDER MODEL

Public sector communications have clearly not been a priority in recent decades. As Schweitzer (2021) argues, "When institutions fail to engage with their publics effectively, citizens' trust in these institutions deteriorates, often reaching levels below the critical minimum necessary for a functional democracy." As a result, citizens' trust in institutions is "even below the critical minimum, leading to a sense of doom and/or impunity" (Schweitzer, 2021). This erosion of trust has significant social consequences: "violations and crimes are increasing," and when people are victims of injustice or witness it, they often don't know where to turn for help—who the competent institution is, what procedures are in place, or whether they even have a legal right to seek assistance. As Miller (2019) points out, "The lack of transparency in public communication systems fosters confusion and apathy, leaving citizens disillusioned and unaware of their rights and resources".

The management of communications in the public sector, according to the stakeholder model, offers a real chance to include the most important stakeholder—the citizens—in the functioning of public institutions. As Freeman (1984) explains, "The stakeholder theory posits that organizations must address the concerns of all those who affect or are affected by their operations, and in the case of the public sector, citizens are the primary stakeholders." The absence of a strong civil society is largely due to poorly maintained communications. The application of the stakeholder model can help address this foundational issue and the multiple challenges arising from it.

Key to overcoming these challenges are the dimensions of the reality in which we live—"an increasingly digital world, both in personal and professional life" (Castells, 2010). The digitalization of the public sector, however, "lags far behind the digital transformation that is happening in the parallel reality inhabited by citizens" (Bélanger, 2018). This technological gap not only deepens distrust in the state but also poses risks for public order and the well-being of citizens in general. As Norris (2001) notes, "When public institutions fail to embrace digital

technologies, they alienate citizens, creating a disconnect that threatens the social contract." This digital divide deepens the mistrust and creates dangers for social cohesion.

Therefore, it is crucial to introduce more efficient communication management within the public sector as quickly as possible, using appropriate methods and models. Linders (2012) emphasizes, "Digital communication tools, when applied properly, can significantly enhance the efficiency and effectiveness of public sector engagement." The focus should be on advancing the digitalization of communication systems and approaching citizens through the stakeholder model, which considers their needs and actively involves them in the decision-making process.

3. THE RELATIONSHIP BETWEEN THE EFFECTIVENESS OF PRB COMMUNICATIONS AND CITIZENS' TRUST IN SECURITY INSTITUTIONS AND THE JUDICIAL SYSTEM

The problems with the image of institutions in Bulgaria date back more than three decades. Hirschman (1982) suggests that "the decline of trust in public institutions often becomes a self-reinforcing cycle, where citizens' lack of faith leads to disengagement, which in turn deepens the distrust." This is particularly true in the context of Bulgaria, where mistrust and cynicism toward the public sector are deeply rooted. The distrust is not without cause; "especially with regard to institutions in the field of security and the judicial system, the lack of trust and respect can contribute to increased crime, both domestic and cross-border" (Kramer, 2004). Given Bulgaria's participation in various supranational associations, this eroded trust poses not only national but also international risks, as weak institutions become vulnerable to criminal networks operating across borders.

Distrust in institutions, and more specifically in the judicial system, has several serious causes. One major issue is the "lack of coordination between public organizations, which leads to procedural inefficiencies and the inability to effectively pursue cases" (Sullivan & McGinnis, 2010). This disconnect results in criminals, often well-known to the public, walking free, reinforcing public skepticism. Baker and Day (2007) note that "when institutions fail to present a united front, they undermine their legitimacy and further perpetuate negative public perceptions." As a result, phrases like "we catch them, they let them go" have become commonplace, circulating as a shorthand for the perceived inefficiencies in the Bulgarian legal system. Such "catchphrases" can be damaging to public sector organizations with crucial responsibilities, such as the prosecution service, as they create a skewed image of incompetence and impunity.

The Prosecutor General of the Republic is one of the key figures upon whom public trust in the entire judicial system depends. As Lippmann (1922) argues, "The media plays a pivotal role in shaping the public's perception of leadership, and the image of key figures like the Prosecutor General significantly influences the legitimacy of the institution they represent." This means that not only the organizational structure but also the personal media image of the Prosecutor General must be carefully crafted, ideally well before they even take up the position. A positive and transparent media presence can help restore faith in the institution, whereas neglecting this aspect risks further erosion of public trust.

In Bulgaria, however, the absence of targeted efforts to improve the image of public institutions is glaringly apparent. Mishler and Rose (2005) contend that "trust in institutions is largely shaped by the quality and consistency of their communication with the public." This lack of focused communication strategies—both internally with stakeholders and externally with the public—has contributed to widespread skepticism. Distrust in the work of these institutions is not just a result of failures in their performance but is also rooted in their inability to connect with and engage their stakeholders. To determine exactly which areas of communication need urgent reform, Grunig (1992) emphasizes the need for empirical research to diagnose "the communication gaps that exacerbate public dissatisfaction." Addressing these gaps is critical to restoring trust and ensuring that public institutions fulfill their roles effectively.

The term "stakeholder," as Freeman admits in a recent paper, shows a skewed perspective. Rather than defining the unit of analysis as 'interest groups' or 'constituencies', the term 'stakeholder' deliberately contrasts with 'shareholders' or 'constituencies'. Therefore, its proponents understand the stakeholder theory of the organization as an open challenge to the prevailing neoclassical economic theory of the private and, in recent years, the public sector. The tradition of stakeholder research began to develop after R. Edward Freeman's seminal book *Strategic Management* detailing the stakeholder approach, published in the mid-1980s. The monograph initiated a still ongoing academic discussion – it comprehensively explains that strategic management of private sector firms can lead to better outcomes if management efforts adequately address the concerns of various stakeholders. Or, in other words, shareholders win in the long run if other legitimate interests in the company are not sidelined.

Over the past decade and a half, two distinct strands of stakeholder research have developed. The field of "Instrumental" or social sciences and the field of "Business Ethics". Although both cover some common ground (such as the aforementioned bias), they differ dramatically in terms of the methods used and the results achieved. Social science is seen as part of organizational studies, partially overlapping with agency theory, network theory, and resource dependence theory, to name a few. Scientists from this field rely on methodological rigor. Stakeholder theory based on business ethics applies different means and reaches different ends. Each shareholder in the company is assumed to have inherent value, regardless of their actual power or legal authority. It seeks to formulate correct ethical norms for managerial behavior.

Although stakeholder theory is rooted in and relates to the organization of private sector companies, there is very strong interest in applying at least some of the findings to managerial decision making in public sector organizations. Although some proponents of stakeholder theory are extremely skeptical of this endeavour, inter- and intra-governmental decision-making processes can benefit from the application of stakeholder principles. That's what it looks like especially true of large-scale investments in information technology, where the risk of failure is particularly high.

Since the beginning of the 1980s and 1990s, there has been a significant change in the approach to public sector management theory in many European countries. The reason for this is the creation of a new concept based on managerialism. To adapt to new conditions, people usually try to adapt existing solutions first. The same is happening here. Models arising from the needs of corporate management, mainly based on marketing theory, have been used to describe the reality of the public sector.

Strategic planning and marketing techniques were to help 'sell' government policy to citizens. They are considered useful because researchers treat the relationship between the state and taxpayers as a regular market exchange - citizens pay for some products and services provided by the public sector directly (when in fact they should have purchased and paid a price under conditions similar to market reality). or indirectly (through taxes). Public institutions, inspired by this theoretical approach, begin to inform their stakeholders, but at first this is more self-promotion than communication. To date, their activity has become a significant support for the implementation of public policies.

The subject area of internal and external communication has been variously referred to as 'public administration communication', 'public agency communication', 'public sector communication', 'administrative communication'. In modern research, the field has been called "government publicity", "public relations in public administration", "promotion", "administrative public relations", "public relations", "external communication", "public relations management in government", "external relations" or "relationship management". These days, time is returning to the term "government public relations" or "government communication".

CONCLUSION

Close cooperation between the public sector and the media is not new. There are many manuals and guidelines on how to communicate with journalists and inform the public through media relations. This relationship has evolved from competitive to co-existent to cooperative, but it is still far from perfect. Society perceives government communication as propaganda, and practically every public sector organization in Bulgaria believes that journalists are persistent in trying to uncover scandals, and this has not changed since the beginning of public relations in the 1920s. The first guidelines for managing communication in the public sector, which can be classified as a complete theoretical basis, were presented by Herbert at the beginning of the 1980s. Although called by the author "a model of the communication process of government", they are more like a set of advice than a theory. Walsh, more than 10 years later, points to the growing role of marketing in the public sector. The marketing short-term program is suitable for ad hoc promotional and informational needs of public organizations. The newly born awareness of communication needs in public administration structures is explained by him as a result of consumerism, which requires more sensitivity to the wishes of citizens and decentralization of public tasks. This requires public entities to expand the scope of their services and improve the redistribution system.

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CONTRASTING CHARACTERISTICS OF HUMAN CAPITAL IN THE MODERN BULGARIAN STATE ADMINISTRATION

ABSTRACT

The aim of the study is to reflect on peak moments in the functioning of the contemporary Bulgarian state administration, which recognize the horizontal and vertical boundaries within which it functions. Outside of these constraints, the administration either underutilizes its resources or processes of chaos take hold, necessitating radical decision-making and implementation.

The starting point of the understanding of the contrasts is the evolving base of the public administration: the normative and the regulation (as an expression of the policy pursued), the conditions available for the implementation of the activity (organizational and social mechanism), and the human capital functioning in it (employees). These three elements in unity create the prerequisites for the performance of administrative functions in creating services for citizens, businesses, and other institutions.

KEYWORDS: State administration, Human capital

JEL: H83, J24, J45

INTRODUCTION

The Bulgarian state administration is in turbulent development and self-assertion. If at the beginning of the century it was actively "breaking new ground" under new conditions, a quarter of a century later it can be said to be functioning as a modernizing administration, which is an important factor in the reproduction of services and in supporting social and economic growth, including by creating conditions for the development, implementation, and improvement of the regulatory framework for all spheres of life.

The methodological basis of the searched marginal fields are: the classical methods (analysis, synthesis, induction, deduction, comparison, etc.), the geometric mean supplemented with the use of the relative weight of the individual structural components, the consideration of the individual breaks (conditioned by high and low values), the use of empirical information from the annual reports on the state of the public administration, the summarization of the main facts found, and the targeted orientation of the research in the context of the person employed in the administration.

This approach produces an inventory of sought-after minimax states in which contain a number of qualitative findings: the trend towards feminization, which stems from the nature of the work performed and men's demand for higher pay than that offered by the civil service; the drive towards very high levels of education for employees, stemming from the importance of the functions performed and the direct work with citizens, business, and management staff; the threatening of staff rejuvenation is an inertial process that does not bode well for the future of the civil service; the marginalization of performance appraisals by employees, etc.

They are summarized as a form of manifestation of the problems that need to be reflected on and, if possible, in a proactive context, addressed carefully and with consideration of the interests of all concerned.

1. UNDERPINNING INSTRUMENTS OF MODERN ADMINISTRATIVE TRANSFORMATION

In the overall process of the functioning of public administration, three systems are its developmental basis: the legal framework, the conditions for the implementation of activities, and the human capital functioning in it.

The established regulatory framework of administration is periodically updated in relation to changes in theory and practice (Krusteva, 2024a, p. 53): Law on Administration (adopted in 1998 and has so far undergone 29 amendments, 6 supplements, and 1 simultaneous amendment and supplement), Law on Civil Servants (adopted one year later and has undergone 42 amendments, 6 supplements, and 13 simultaneous amendments and supplements), Ordinance on the implementation of the classification of posts in the administration (adopted in 2012 and updated 10 times as an amendment, 7 times as an addendum and 6 times as a simultaneous amendment and addendum), the Regulation on the salaries of civil servants adopted in the same year (24 amendments, 7 supplements, and 7 simultaneous amendments and supplements), etc. The drive to create robust regulators of administration processes is evident.

Our state administration has a well-established material, technological, communication, and information base. For the last 12 years, the number of PCs (report on..., 2012, p. 56 and 2023, p. 31) has increased from 100655 in 2012 to 156006 at the end of 2023, with the share with a process frequency above 2GHz decreasing from 50.60% in the base year to 9.61% in 2023, the one with process frequency below 2GHz from 28.80% to 3.24%, and the one with 64bit address purity increased from 17.90% to 82.90%. During the same period, the number of servers increased by 4042 and the number of printers by 30146. In 2023, there are already 131703 licenses of Windows OS etc. in use (95677 in 2012) and 154366 licenses of Microsoft Office OS etc. in use (65677 in 2012). The number of websites, portals, social media pages, mobile applications, etc. is growing significantly. Building stock and server rooms are expanding.

In 2023, there are (reports on..., 2012, pp. 58-59 and 2023, pp. 43-44) 885 LANs, 155 administrations (96 in 2012) are connected to the Unified Electronic Communications Network. In the last interpreted year, the used (active) telephone numbers were 141935, of which 51.91% were fixed, 37.77% mobile and 4.2% combined.

The number of intra-agency information systems is increasing (.... report, 2018, pp. 28-31; 2029, pp. 29,32-33; 2023, pp. 46-51). Among them, the highest coverage is with Labor and Payroll Systems (98.5% of organizations have such systems), Human Resource Management Systems (97.6%), Document Management Systems (96.1%), etc. Administrative information systems for complex administrative services are not implemented fast enough (now only 32.5% of administrations have such systems), Database Management Systems (55.2%), Accounting System (55.2%), etc. Necessary steps are being taken for implementation and normal functioning of Information System for Exchange of Reference and Certification Information, e-Authentication System, e-Payment Systems, e-Forms Systems, etc. In 2023, the number of requests made to the registry is 119933293 compared to 5500000 in 2018, the number of administrations connected to the e-payment system in the final year is 120484 compared to 3935 in 2019, etc.

Intensive work is also being carried out in the area of quality (reports on..., 2023, pp. 52,54 and 55): in 2023, the job descriptions of 93% of the administrations reported contained duties, responsibilities, and requirements for quality management; in 85.17% of them the needs are analyzed and the qualification of the employees is improved, in 80.91% the regulatory deadlines for service are met, etc. There is still room for improvement: only 32.89% of organizations use a quality management system.

The third systemic element of the functioning of the modern Bulgarian administration is human capital. Its meaningful aspects are manifested in all spheres and activities, as, together with nature, are the two energetic sources of proactive work behavior. In another aspect (Krusteva, 2024b, pp. 21-49) this capital is the basis of the intangible capital triad (human-social-organizational capital). The magnitude of this asset at a large scale is recognized by the number of staff employed according to reporting data. If (report on ..., 2012, p.14, 2015, p. 16, 2016, p. 10, 2023, p. 24) for 2012 it is 133575, and 12 years later, it is 131496. It is interesting to note that, as a percentage of the staffing establishment, this number fluctuated from 86.4% (2015) to 95.6% (2016). The prevailing proportion in the last 7-8 years has been around 91-92%.

The brief overview of the main features of the modern Bulgarian state administration from the adopted points of view are unambiguously indicative of: first - the scale of the modern system formed to support the creation (and at the same time - to implement) regulators for the administration of activities in the complex of the Bulgarian public system; second - the achievements are impressive, as they have been made using the theory and best practices at home and abroad and with the help of the EU; third - a number of contradictions have been generated, which are gradually being overcome over time and with consideration of public interests; fourth - in the context of digital transformation, e-government is increasingly determining the quality of activity, which is why it has emerged as an undisputed engine of administrative well-being; fifth - the evidence (positive and negative) that human capital is a major contributor to growth, and its level and trends are therefore the subject of increasing attention from policy makers and the research guild.

2. ZIGZAGS OF THE PRESENCE OF HUMAN CAPITAL IN PUBLIC ADMINISTRATION

Each process is characterized by a number of indicators that recognize its purpose, genesis, environment, structure, state, intensity, dynamics, trends, priorities, breaks, etc.

The careful study and practical observation of human capital in public administration allows, in the aspect of the design of the present study, to summarize several important methodological elements.

- a) For the measurement of the average value of this capital, it is most acceptable to use the indicator "average annual geometric rate of development (respectively, of growth)" as it most accurately recognizes the speed (annual growth with the same multiplier), the momentum of the movement, and the multidimensionality of the impact of the processes: building up, transition states, etc. In this sense, the global calculation of the human development index was at first carried out as an arithmetic mean between its constituent components but subsequently switched to the use of a geometric mean.
- b) The relative weight (structural weight) of individual factors is a reasonable complement to human capital research through a geometric path. The questioned weight from one point of view is indicative of extensive development (as a reflection of the absolute, quantitative increase of the factor under study, respectively, and of its relative weight). It is possible that the absolute increase is accompanied by a relative decrease in the share (i.e. intensification of the processes), and vice versa.
- c) In another aspect, each calculated share can be interpreted with the characteristics of a qualitative process indicator. A typical case is staff turnover, which is also a share and indicates the movement of staff in relation to the departure of some of them from the job they perform.
- d) It is also necessary to recognize the breaks in the development trajectory: continuous increase or decrease, momentary marginal peaks, etc. Usually the study of these things implies additional (sometimes goal-oriented) analysis, so they will only be hinted at in the present exposition. Their social, economic, psychological, psychophysical, and other basis can be the subject of independent research.
- e) The sources of information for this analysis are annual reports on the state of the administration in terms of human capital input, training topics, performance evaluation, etc.
- f) In a contrastive profile, a complex of antipodal working concepts is used: increase-decrease; activation-deactivation; priorities-lack of priorities, etc.

Against this background, several interesting points can be highlighted in the contrasting picture of human capital (Report on..., 2012, pp.14-16; 2013, pp.13-15; 2014, pp.14-16; 2015, pp.16-17; 2016, pp.10-11; 2017, pp.10-11; 2018, pp.13-14; 2019, pp.13-14; 2020, pp.14-15; 2021, pp.9-12; 2022, pp.10,15;2023, pp.13, 18).

The first relates to the employed headcount by gender: over the period studied, women grew at an annual average geometric growth rate (shown hereafter only as "growth rate") of 0.35%, while men declined at a growth rate of minus 0.65%. In this sense, if the percentage of employed

women in 2012 was 48.7%, 12 years later it was already 51.4% (Report on..., 2012, p. 14, 2023, p. 24). The reversal of the trend is evident by 2013. Apart from the nature of the work performed (sparing the human physique, humanized work, socially significant features of the work performed, etc.), the tendency towards feminization of the personnel employed is also linked to the still low pay, which discourages men who prefer "rougher" and "harder" but well-paid work.

The second point refers to the clear priority of increasing the number of employees with higher education and reducing the number with secondary education.

The growth rate of higher education over the 8-year period studied was 1.86%, while that of those with secondary education was minus 1.56%. The increase/decrease is absolute and relative. For employees with higher education, the absolute increase is 10150 people, respectively their share increases by 5.5%, and for those with secondary education the absolute decrease in their number is by 5442 people and their relative weight by minus 5.7%. Interestingly, in 2020, compared to the previous year, the number of higher education decreases by 2,825 and those with secondary education increases by 2,784. After this year, the trend of increasing the number of higher education and decreasing those with secondary education has normalized. The movement of the number of employees at these two levels of education operates on the principle of stacked vessels, with employees with primary education having no significant impact in this process. Their relative weight is about 0.5% of the actual staffing, although their number tends to increase (by 92 persons) during the year of active Covid consequences. Whether this movement is the result of insufficient consideration by high school graduates of the present harmful effects of the pandemic is a matter for future study.

The third point relates figuratively to undervaluing staff renewal with young reliable staff, which is a specific "stealing/undervaluing the future".

The formed age structure does not satisfy. In 2023, compared to 2016, the growth rate of the number of employees under 29 years of age is minus 6.57%. The overall decrease is by 4506 people. The relative share of this contingent in the number of employees falls from 9.4 in 2016 to 5.6% in 2023. Young people are definitely looking for a job with high remuneration, a favorable microclimate, guaranteed career and professional growth, social benefits, all circumstances that do not make public administration prestigious.

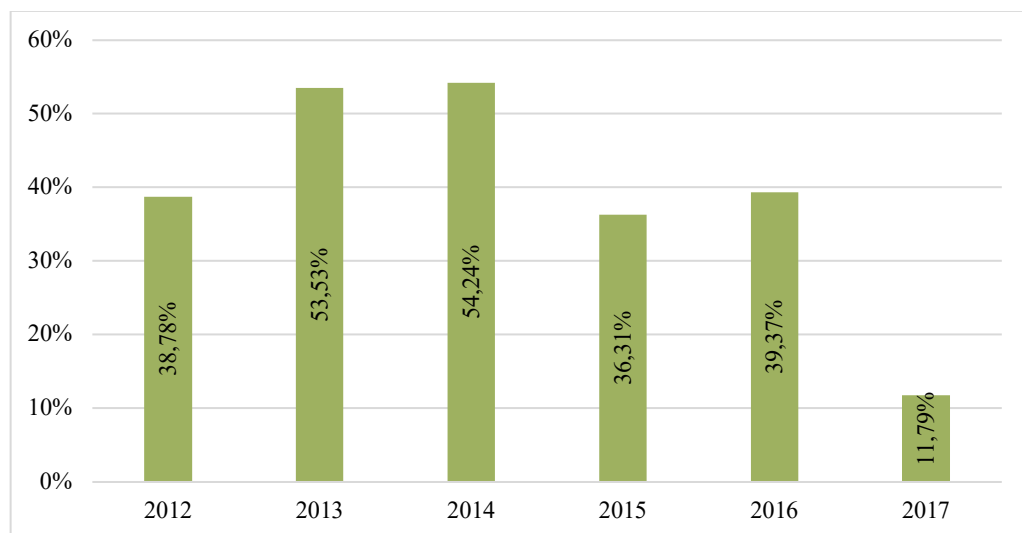
The mainstay of the staffing potential (84.4% of employees in 2023) are employees between the ages of 30 and 59. Their number compared to that in 2016 increased by 4,344 employees (on average 620 employees per year), the growth rate is 0.57%. Their relative weight ranges between 84% (2016) and 84.9% (2021).

Practice shows that a new age source of employees is being formed - those aged 60 and over. The growth rate for this contingent is 6.76%. The number of employees increased by 4 874, an average of 696 employees per year. Their relative share increases from 6.6% in 2016 to 10% in 2023. To a very large extent, this is due to the widespread idea of "active aging".

In this group, three things deserve particular attention. Information was used for the period 2012-2017 (... report, 2012, p. 26; 2013, pp. 25-26; 2014, pp. 26-27; 2015, p. 26; 2016, p. 19, 2017, c. 17). Attempts to update it have not been successful. Nevertheless, we expect that the fixed trends have been maintained.

- a) The number of retired employees who became eligible for a pension in current and previous years but continue to work increased from 1,970 to 6,382, and their relative weight increased from 1.5 per cent to 4.9 per cent of the number of employees for that year. The growth rate of this process is 26.5%.
- b) The average annual number (respectively, the share) of retired and then immediately appointed employees is growing dynamically: from 1206 (0.9% of the number of actual employees in 2012 to 5626) 4.3% in 2017, which is equivalent to a growth rate of 36.08%.
- c) If at the beginning of the study, of all those who became eligible for a pension in the current and transition year but continued to work, a significant proportion remained in the job they had previously held, this changed radically towards the end (Figure 1).

Figure 1. Proportion of those who retired (in the current and previous years) but remained in their job



Source: State of the administration report (2012, pp.14-16; 2013, pp.13-15; 2014, pp.14-16; 2015, pp.16-17; 2016, pp.10.11; 2017, pp.10-11; 2018, pp.13-14; 2019, pp.13-14; 2020, pp.14-15; 2021, pp.9-12; 2022, pp.10, 15; 2023, pp.13, 18

It is obvious that retirees are a kind of resource (of qualifications and experience) that can be used rationally. But it cannot be a strategy to cover the shortage of staff and especially to compensate for the lack of young and dedicated administrative staff.

The fourth point relates to difficulties with performance assessment (Report on..., 2012, pp.18-19; 2013, pp.17-18; 2014, pp.18-19; 2015, pp.18-19; 2016, pp.12-13; 2017, pp.12-13; 2018, pp.15-16; 2019, pp.15-16; 2020, pp.17-18; 2021, pp.15-16; 2022, pp.17-1, 2023, pp.20-22).

The situation deserves careful analysis, as it contains latent problems. This is further reinforced by the fact that the levels of appraisals given are system-shaping (directly or indirectly) of: the quality of work performed, the career development of employees, the formation of their remuneration, the prestige of the administration, etc.

- a) In the 12-year period studied, estimates between 61898 (2015) and 70419 (2022) were made annually. On average, the arithmetic proportion of these assessments in the number of those eligible for assessment is 91.17%.
- b) The number of people rated as "Outstanding Performance" increases from 2,120 in 2012 to 9,603 in 2023. In relative weighting, the increase is from 3.1% to 13.7%. In relation to this, the rate of increase in grades is 14.72%.
- c) The number of evaluations under the criterion "Performance exceeds requirements" increased from 26261 to 37371, in a relative share of 38.5% to 53.3%. The growth rate is 3.25%.
- d) The number of evaluations under the criterion "Fully meets the requirements" decreased from 37981 to 22430, and as a proportion from 55.7% to 32%, respectively. The growth rate is minus 4.68%.
- e) (e) The number of marks for the criterion "Performance does not fully meet the requirements" decreased from 1539 to 547 and the growth rate was minus 9.25%.
- f) For the last criterion "Unacceptable performance", the above figures are 186 and 118, respectively, 04% and 0.2%, and the growth rate is minus 4.06.

For the period studied, the total number of assessments has a growth rate of 0.25%.

In summary, it can be stated that:

First, there is a dramatic increase in the scores on the first two criteria from 28373 to 46974, respectively, from 41.6% to 67%. This increase is at the expense of a decrease in the scores for the other criteria.

Second, these conclusions are also valid when taking into account the increase in the number of evaluations (between the start and finish year it is 1931).

Third, the hypotheses for the analyzed situation can be several: radical increase in the quality of work of employees (practical realization of the human capital engaged in the public administration); Insufficiently "tense"/lower scale on which the evaluators place their ratings; leniency on the part of the evaluators towards the employees, given the low demand for jobs in the civil service; strengthening the incentive moment of the evaluation for the performance of employees, etc.

In addition to these expectations, it can be added that the increase in absolute and relative high scores is an expression of the equally increased quality of the complex administrative service. Whether this is the case can only be ascertained after specific analyses have been carried out.

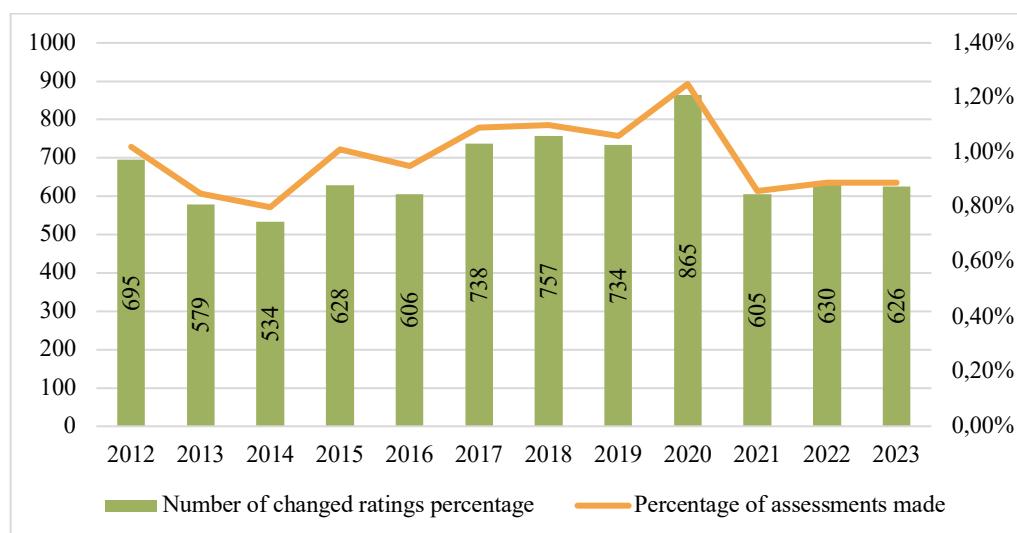
In the process studied, it is important to take into account both the quality of work of the evaluation and supervising manager and the self-assessment of individual employees.

- a) There has been an increase in the number of appraisals for which the supervisor has requested additional information by 2018 (from 284 to 443, a percentage increase from 0.4% of the total number of appraisals to 0.6%). After this year there is a reduction, the number in 2023 being 118, which is 0.2% of the number of estimates made. Over the whole period, this reduction is at a growth rate of minus 7.68%. This indirect interference is difficult to make sense of without a thorough analysis. It is not clear at

what number of these assessments there is a maintenance, increase, or decrease in their final level.

- b) The direct intervention is reflected in the total number of estimates changed by one unit up or one unit down (Figure 2).

Figure 2. Total number of changes of one unit up and one unit down by the supervising manager



Source: State of the administration report: 2012, pp.18-19; 2013, pp.17-18; 2014, pp.18-19; 2015, pp.18-19; 2016, pp.12-13; 2017, pp.12-13; 2018, pp.15-16; 2019, pp.15-16; 2020, pp.17-18; 2021, pp.15-16; 2022, pp. 17-1, 2023, c. 20-22.

The conclusion is that the primary responsibility for the grades awarded lies with the assessment manager. At the same time, the supervising supervisor, within about 1% of the evaluations made, makes reasonable adjustments.

It should be noted that the number of evaluations in which the supervising supervisor changed one unit had a growth rate of 0.60 and those that changed one unit had a growth rate of minus 2.69%. This is an indication of high-quality assessment.

- c) The regulations allow employees who are dissatisfied with their evaluations to file written objections. Their number increased over the period under review at a growth rate of 1.30%. In 2012, 242 employees filed objections, for 2017 the number was 518 and for the final year 279. For the last 4 years, their share of the total is between 0.4 and 0.5% of the number of assessments made.

The quality of the self-assessments carried out by the objecting officers is recognized by the decisions of the supervising manager. The number of upheld appraisals following objections submitted has a growth rate of 5.75%, i.e. objections are not recognized (in 2012 they accounted for 50% of objections raised, and in 2023 they accounted for 80.2%). The number of evaluations that were changed up by one unit decreased by minus 0.19% (in the starting year they accounted for 40.5% of the number of objections made, and in the final year they accounted for 34.4%), and the number of evaluations that were changed down by one unit decreased by minus 13.82% (in the last three years studied they accounted for 4, 6 and 7 cases, respectively).

Furthermore, it can be stated that the Bulgarian public administration faces significant challenges related to the politicization of recruitment processes and limited meritocratic selection (European Commission et al., 2018). Despite the existing legal frameworks that should ensure neutrality, appointments are often based on political affiliation, which compromises the professionalism of the public sector (BTI Project, 2024; European Commission, 2023). In terms of human resources, despite the high educational level of public sector employees, there are significant gaps between formal qualifications and practical skills needed for effective management. Insufficient funding and the lack of targeted professional training programs limit the ability of the administration to adapt to the dynamic requirements of modern management (OECD, 2023; SGI Network, 2022).

Modernization of Bulgaria's public administration is uneven, and innovation initiatives often hampered by bureaucratic obstacles and a lack of technological skills among human resources. An OECD report (2023) identifies a slow process of adaptation to e-government and the uneven distribution of digital competencies among civil servants as key factors limiting the effectiveness of administrative services.

Bulgaria's position in international human capital and governance indices reveals significant weaknesses. The World Economic Forum (2020) and the World Bank (2022) highlight the insufficient development of human capital as a major obstacle to achieving efficiency in public administration.

CONCLUSION

The general conclusion is that the criterion system needs to be carefully thought through after a thorough analysis. Bulgaria's state administration is at a pivotal crossroads, embodying significant achievements tempered by systemic deficiencies. Its modernization trajectory, marked by the integration of advanced technological infrastructures and the expansion of e-government services, demonstrates a firm commitment to aligning with global administrative benchmarks. However, critical challenges persist, particularly in the recruitment and retention of younger professionals, the meritocratic integrity of appointment processes, and the refinement of performance evaluation systems.

This study underscores the indispensable role of human capital as both the cornerstone and catalyst of administrative efficiency. However, the observed demographic shifts, including aging and feminization, coupled with persistent gaps in practical competencies, require urgent evidence-based policy interventions. The interplay of digital transformation and human resource optimization must be strategically harnessed to address these deficits, ensuring resilience and adaptability in governance.

As the administration confronts these challenges, its ability to harmonize innovation with inclusivity will determine its ability to navigate an increasingly complex public sector landscape. Strengthening these foundational elements is essential to sustain the administration's transformative momentum of the administration and ensure its role as a driver of Bulgaria's socio-economic progress.

Public administration functions effectively in the context of modern transformation. At the same time, the contrasts generated are the product of both mistakes and changes in the environment, not only as expected difficulties but also as unforeseen force majeure.

The idea is to "run away" from problems, not after them.

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NAVIGATING THE WORKFORCE: THE PROFESSIONAL REALIZATION OF BULGARIA'S HIGHER EDUCATION GRADUATES

ABSTRACT

The scientific research aims to examine the professional realization of higher education graduates in Bulgaria. The focus is on analyzing the changes in employment outcomes for students in Bulgaria during the period 2020-2024. The specific object of the study is the career realization of university graduates. The research provides valuable insights into the professional integration, highlighting both positive trends in employment outcomes and areas for improvement. Variations in employment outcomes across different professional disciplines emphasize the need for optimizing educational programs. The conclusion underscores the necessity of a systemic approach and collaboration between institutions, students, and businesses to enhance professional realization in Bulgaria.

KEYWORDS: Education, Career, Professional realization, University

JEL: I23, I25

INTRODUCTION

The evolving knowledge, technology and technical development require a connection between education and social practice. This is reflected in one of the pillars and main priorities of the European Employment Strategy – Employment guidelines, increasing the adaptability of education and individuals to meet the requirements of business, modern society, and rapidly developing information and communication technologies. This priority is also recorded in the Bulgarian strategic documents for employment and economic development (Ministry of labor and social policies, 2021). The quality of the workforce suggests a higher level of education and a greater share of those with higher education (Vladimirova, K., 2020). If higher education does not adapt to the new demands of the market, students may not be sufficiently prepared and competitive in the labor market. One of the key indicators of the success of higher education is the employment of graduates' post-study. The hypothesis to be tested in this research is that the employment rate of people with higher education in Bulgaria has been increasing in recent years.

The subject of the study is the change in the labor market outcomes of higher education graduates for the period from 2020 to 2024. The study is based on official information from the Bulgaria University Ranking System, as well as scientific publications and strategic documents.

The object of the study is the career realization among the university graduates in Bulgaria.

The main objective of the research is to explore the relationship between higher education and the labor market through indicators measuring the career realization of graduated students.

1. THE ROLE OF HIGHER EDUCATION IN PREPARING YOUNG PEOPLE FOR THE LABOR MARKET

The development of higher education is crucial for every country, as it brings numerous significant benefits, both for the society and for individuals. The higher education system is expected to have an impact on economic, technology and even cultural growth (Dimitrov, 2021), as well as on innovations and research, social mobility, educational infrastructure.

To understand the role of higher education for the economy, it is essential to highlight the importance of human capital as a key factor for economic growth and a driver of global competitiveness. In order to develop the human capital, every country needs to invest in the higher education system. Investments in education help create qualified individuals and support a more productive and dynamic economy. Skilled professionals contribute to growth across sectors, from technology and manufacturing to services and entrepreneurship.

Equally important is the contribution of higher education in the development of scientific research and technological innovation. Universities contribute to scientific advancements, and generate new technologies. These innovations have economic, social, and health benefits, advancing fields such as medicine, environmental science, engineering, and digital technology.

Beyond the creation of human capital and technological progress, infrastructure investments are a key pillar of educational development. Allocating resources to higher education infrastructure—such as buildings, research laboratories, libraries, equipment and digital learning facilities—provides students and academics with the resources and environment necessary for effective learning and research. Researches show that high-quality infrastructure facilitates better instruction, improves student outcomes, and reduces dropout rates, among other benefits (Teixeira, J., Amoroso, J., Gresham, J, 2017).

Additionally, education is an essential tool for promoting social mobility and equality. Because of the access to quality education individuals have a greater chance to make their own decisions. Equal educational opportunities stimulate different social groups to participate in the education system which results in a more qualified workforce.

For students, higher education offers additional benefits. On one hand, students prepare for their professional careers by gaining the knowledge, skills, and competencies needed for specific professional fields. Through courses, internships, and hands-on experiences, students build practical skills and deepen their understanding of industry-relevant tools and techniques, preparing them to enter the workforce confidently and competently. For many, this preparation directly translates into better job prospects, career advancement, and higher earning potential.

On the other hand, higher education is important also for the social skills. Students develop critical thinking, analytical skills, and effective communication skills—abilities that are valuable in different professional areas. These skills enable graduates to handle complex challenges, make informed decisions, and communicate their ideas clearly and persuasively. Higher education encourages students work in teams and to analyze information, form evidence-based arguments, and present logical conclusions.

Higher education framework plays a foundational role not only in preparing students for the job market but also in fostering broader economic, social, and technological advancements.

2. HIGHER EDUCATION IN BULGARIA – PROFILE AND REGIONAL STRUCTURE

The main policy framework within which the higher education sector in Bulgaria operates consists primarily of two laws: Higher Education Act, 1995, and Law on Academic Staff Development, 2010. There are four educational qualifications: "professional bachelor," "bachelor," "master," and "PhD." The purpose of higher education can generally be defined as preparing highly qualified specialists beyond secondary education (Higher Education Act, 1995). Specialization choices made during higher education largely determine the fields in which students will develop their future careers, influencing the skills and knowledge they will bring to the workforce.

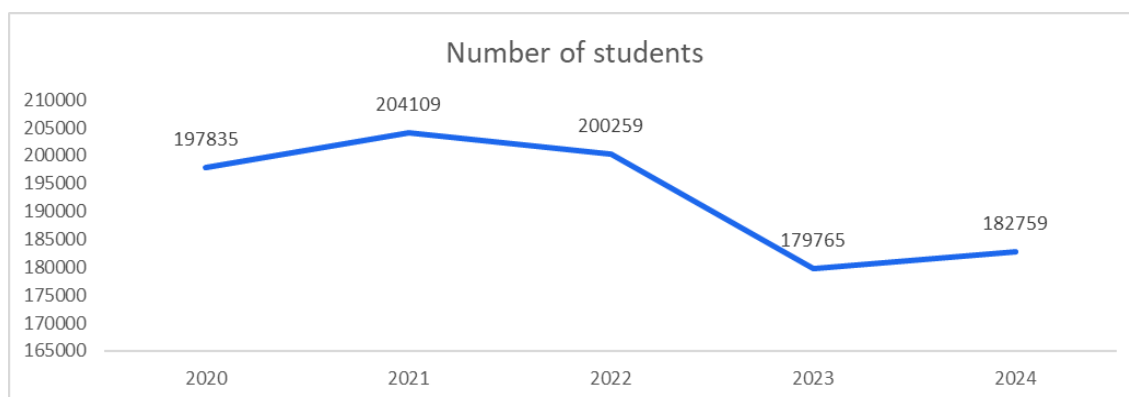
Young people with higher education in Bulgaria sometimes face difficulties finding employment that matches their professional field and university specialization. They may even fall into the NEET category (not in employment, education, or training), leaving them outside the labor market for various periods (Yakova, L. & Politov, A., 2023). Key challenges in finding work include lack of professional experience, insufficient information on job vacancies, and limited interest from employers in hiring inexperienced workers (OECD, 2022). This study aims to summarize available information on the structure of higher education in Bulgaria, outlining the causes of employment challenges and examining the need for innovative strategies to prepare graduates for the labor market.

Over the past 14 years, data on significant indicators related to higher education in Bulgaria have been collected. The Bulgarian University Ranking System, published online annually, reflects data from the country's 51 higher education institutions across 52 professional fields. For this research, the results from the past five years of the Ranking System (2020 – 2024) and the 2023 National Higher Education Map will be analyzed. The period 2020–2024 was chosen to capture recent economic trends including effect of the pandemic in 2020 and the post-pandemic recovery.

The data from the Bulgarian University Ranking System shows that in 2023, nearly 180,000 students were enrolled in Bulgarian University institutions, with 89.2% attending public institutions and 10.8% attending private ones. Figure 1 illustrates a decline in the total number of students from 2020 to 2024. There is a slight increase of the total number of students for 2024 – only 2% compared to 2023 with very similar distribution between public institutions (88.49% from all students) and private ones (11.51%). The Ranking System indicates a significant preference for public universities but also shows overall lower interest in higher

education over the past three years — there are 17,500 fewer active students in 2024 compared to 2022.

Figure 1. Total Number of Students in Bulgaria for the Period 2020–2024



Source: Author's own work based on data from the Bulgarian University Ranking System

In 2024, active students represent 43.7% of the capacity set by the National Evaluation and Accreditation Agency (NEAA), down from 53% in 2021. This shows a high discrepancy between the regulated-on country level capacity and the actual number of young people that are interested in attending a university. Meanwhile, the overall capacity for all higher education institutions is increasing in the last years, reaching 418,104 students in 2024, compared to 407,616 in 2021.

An interesting fact highlighted by the Ranking System is the presence of well-established and preferred educational institutions, as half of the country's students are enrolled in the nine largest universities. The most popular fields of study in the country are "Economics," "Pedagogy," "Medicine," "Administration and Management," "Communication and Computer Equipment," "Pedagogy of Teaching," "Informatics and Computer Sciences," and "Law." These eight fields encompass over half of the active students in the country, while the remaining 44 fields account for less than half. This trend has been observed in recent years, with no significant differences in 2023 and 2024. Based on the data in Table 1, the following conclusions can be outlined:

- Enrollment in field “Economics” has decreased steadily from 35,525 in 2020 to 25,383 in 2024, representing a 28.6% reduction over the five-year period. Taken into account that this is the most widespread field in Bulgaria and there is a decrease in the total number of student for the same period, the result can be described as expected.
- There is an increased interest in education-related carriers like “Pedagogy” and “Pedagogy of Teaching in...”, as well as in health care-related careers in the past 2 years compared to 2020.
- Technological fields such as “Communication and Computer Equipment” and “Informatics and Computer Sciences” experienced growth until 2022, followed by sharp declines in 2023 and 2024. This suggests challenges such as a mismatch between curricula and industry needs.

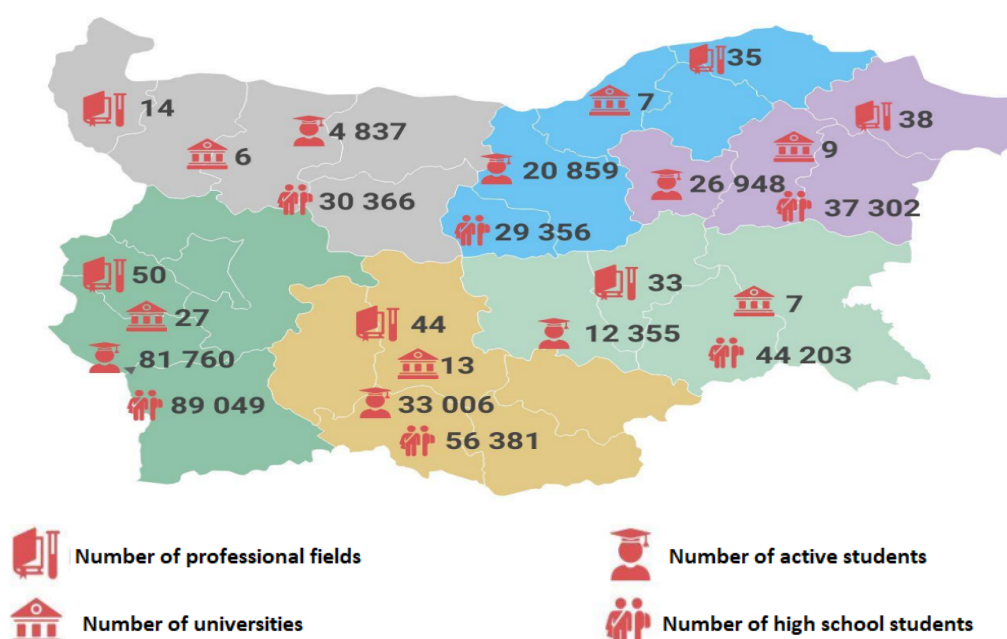
Table 1. Dynamics of Number of Students based on professional field in the period 2020–2024

Professional field	2020	2021	2022	2023	2024
Economics	35525	33441	31723	24906	25383
Pedagogy	16008	17541	17984	16900	16448
Medicine	12492	13240	13308	12660	13265
Administration and Management	15249	14774	14152	10917	11479
Pedagogy of Teaching in...	7205	8813	9813	8587	8462
Communication and Computer Equipment	8932	9388	9501	7259	8210
Informatics and Computer Sciences	8659	8817	8798	7181	7432
Health care	6468	6808	6842	6796	7180
Law	8670	8996	8819	6852	7038
National security	7280	7738	7818	5370	5414

Source: Author's own work based on data from the Bulgarian University Ranking System

There is also uneven distribution in terms of territorial structure which can be seen in the National Map of Higher Education in the Republic of Bulgaria 2023. The Southwest region (including Sofia City) has the most higher education institutions (27), while the Northwest region has the fewest institutions and their branches (6). The Southwest region also offers the widest range of fields of study – 50, while only 14 fields are available in the Northwest. The region with the most universities and fields – the Southwest – also hosts the largest share of students, with 45.5% of all students in Bulgaria.

Figure 2. Distribution of professional fields, higher education institutions, students, and high school students by region (2023)



Source: National Map of Higher Education in the Republic of Bulgaria 2023, from <https://www.strategy.bg/StrategicDocuments/View.aspx?lang=bg-BG&Id=1653>

The Bulgarian University Ranking System allows a comparison between the professional fields. Based on the analysis general insights can be delivered about the application of the university education but also each field can be analyzed individually. Additionally, to the overview of the overview for the selected period 2020 – 2024 in Table 1, the analysis focuses in Table 2 exclusively on the year 2024 to provide a detailed snapshot of the latest available data. 2024 represents the most current dynamics in the higher education system and its relationship with the labor market which ensures that the conclusions are reflective of the present circumstances.

Table 2. Unemployment, application of higher education, and number of students by professional field for 2024

2024					
Professional field	Unemployment rate (%)	Applicability of Degree Acquired (%)	Number of Students	Maximum Capacity Defined by the National Evaluation and Accreditation Agency (NEAA)	Active Students (% of Defined Capacity)
Social Activities	3.84	55.33	1423	3620	39.31
Sociology, Anthropology and Cultural studies	3.18	48.57	941	3710	25.36
Chemical Sciences	3.18	51.3	661	2860	23.11
Pedagogy	3.13	77.11	16448	18970	86.71
Psychology	3.02	68.32	4303	6760	63.65
Tourism	2.88	25.62	2143	9340	22.94
Pedagogy of Teaching in...	2.77	71.48	8462	16945	49.94
Theatre and Cinema Arts	2.73	51.06	2231	2820	79.11
Administration and Management	2.61	47.89	11479	32220	35.63
Philology	2.6	60.41	5953	10610	56.11
.....					
Architecture, Construction and Geodesy	1.28	77.13	4400	16115	27.3
Health care	1.26	82.31	7180	9855	72.86
Forestry	1.25	65.55	826	2150	38.42
Energetics	1.24	83.13	1232	3180	38.74
Theory and Management of Education	0.95	94.17	338	670	50.45
Metallurgy	0.87	53.05	194	370	52.43
Dental Medicine	0.79	94.59	3335	3900	85.51
Pharmacy	0.58	89.41	2322	3720	62.42
Mathematics	0.49	78.85	501	2570	19.49
Medicine	0.24	95	13265	14825	89.48
Military Science	0.06	95.78	1279	2560	49.96
Average for the country	2.18	60.71			

Source: Author's compilation based on data from the Bulgarian University Ranking System

Table 2 presents data on the number of students by field of study, maximum student capacity by field, unemployment rate, and application rate of higher education. The data is limited to 20 fields based on post-graduation unemployment rate. This selection highlights both the ten fields experiencing the highest unemployment and those with the lowest unemployment rates, allowing for a comprehensive understanding of the dynamics. The following focus points can be outlined based on the information in the table:

- In the field of "Pedagogy," student capacity is nearly full (86.7%), yet unemployment among graduates is relatively high (3.13%). This discrepancy signals an urgent need for targeted interventions to enhance graduate employability. It is advisable to implement specialized programs that assist students in their transition to the workforce. By prioritizing the professional placement of education graduates, institutions can help mitigate unemployment and improve overall job market outcomes.
- Fields like "Social Activities", "Sociology, Anthropology and Cultural studies", "Chemical Sciences", "Tourism" show high unemployment and low student enrollment relative to capacity. The low interest in these fields may be attributed to a perceived lack of viable career paths or alignment with current labor market demands. Adaptation of the educational programs to better reflect the required skills and competencies could foster greater student engagement and interest.
- The disciplines of "Dental Medicine" and "Medicine" stand out as fields with significant potential for growth. Both fields are approaching full student capacity, with low unemployment rates and a high application rate of education. This strong performance indicates that there is a demand for professionals in these areas. Increased investment in medical education and resources could support the development of a skilled workforce ready to meet health care demands. "Health care" and "Pharmacy" also have the potential for further growth due to low unemployment rate and high application rate but need further focus on the capacity utilization.
- Capacity utilization needs to be focus also for professional fields like "Mathematics", "Energetics", "Forestry", "Architecture, Construction and Geodesy" with low unemployment rate, but also significantly low (under 40%) used capacity.
- "Military Science" has the potential for increased student engagement. While unemployment is low and application of higher education is high, only about 50% of capacity is utilized as of 2024. Carefully adapting programs to attract more students could provide further opportunities for professional growth in this area. Institutions can stimulate interest and encourage more students to consider military studies as a career option.

CONCLUSION

The research study "Navigating the Workforce: The Professional Realization of Bulgaria's Higher Education Graduates" provides an analysis how young people integrate into the labor market after completing their university education. This study highlights important trends in

the higher education structure in Bulgaria and the alignment between education and career development including positive areas and areas with room for improvement.

The provided data allows for the following conclusions, which could impact the career development of graduates:

- The distribution of capacity across fields of study is suboptimal and should be reviewed in line with the number of applicants and their interests. Additional discussions should be initiated for professional areas with low enrollment rate from the institution together with the business – what are the expectations of the employers, how many students are actually needed. The aim of the institutions for such fields should be either to reduce the maximum capacity and use available resources for other professional areas or to invest and increase their popularity among students.
- The capacity of higher education institutions significantly exceeds the number of active students. This reduces the competition for admission, which in turn may lead to weaker preparation among prospective students and, consequently, less competitive graduates.
- Due to regional disparities, applicants must either choose from the institutions and fields available in their area of residence or relocate to another region. This may result in a shortage of professionals in fields that are not available in certain areas. At the same time, regions with the highest concentration of institutions and fields will see a larger student population and greater competition in the labor market.

There is a need for a systemic approach and collaborative efforts among higher education institutions, students and employers to improve the structure in the educational system and as outcome the career opportunities for students. Together, a more dynamic and aligned educational landscape could be created that better prepares students for success, enhances their employability, and ultimately contributes to the economic and social well-being of Bulgaria.

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INTERNAL COMMUNICATIONS AS A WAY TO MANAGE STAFF SATISFACTION

ABSTRACT

Communication in organizations is essential to be competitive in a global world that is constantly changing. Internal communication in particular can be a very effective and useful strategic tool to improve organizational effectiveness through employee motivation and satisfaction. The analysis shows that internal communication in organizations directly influences job satisfaction and also indirectly, through workplace motivation, giving workplace motivation a mediating role. Therefore, it is important for organizations to invest in effective internal communication strategies to promote employee motivation and satisfaction, recognizing motivation as a key mediator in the relationship between internal communication and job satisfaction.

KEYWORDS: Staff, Staff-satisfaction, Communication, Strategic tools

JEL: J01, J17, J28

INTRODUCTION

Organizations communicate daily. It is a factor that distinguishes a group of random people from an organization, i.e. it is the process of communication that helps find common purpose, agree on goals, and work purposefully to achieve those goals within a corporate culture (Yeomans & FitzPatric, 2017). In this sense, internal communication can influence the creation of a positive organizational climate, conducive to achieving positive results and pursuing organizational goals.

The purpose of the study is to investigate to what extent internal communication explains the job satisfaction of its employees. In accordance with the contribution of some authors (Chitrao 2014; Downs & Hazen 1977; Jacobs et al. 2016), internal communication is considered to be a tool of capital importance in organizations, since it is through it that employees strive to achieve organizational goals and goals and ultimately the main goal, profit and overall progress of the organization. Less effective communication can lead to misunderstandings, lack of information, lower productivity and higher employee turnover. On the other hand, internal communication can influence the creation of a positive organizational climate conducive to achieving positive results and pursuing organizational goals (Chitrao, 2014).

A number of studies reveal that effective and positive internal communication promotes employee motivation (Chikazhe & Nyakunuwa, 2022; Petković & Rapajić, 2021; Zivbule, 2015). Other research shows that job satisfaction increases when employees are motivated (Ali & Anwar 2021; Machova, 2022; Urošević & Milijić, 2012; Sari, 2022). In this sense, the proposed research aims to analyze the influence of internal communication in organizations on job satisfaction, assuming that motivation has a measurable effect between internal communication and job satisfaction.

The innovative element of the proposed study is related to the fact that motivation is introduced as a mediating element between internal communication and job satisfaction. The article deals only with the direct two-way relationship of some of these variables: employee motivation; internal communication; and job satisfaction.

1. COMMUNICATIONS IN THE ORGANIZATION

The concept of organizational communication is characterized by diversity, with wide-ranging definitions reflecting a wide range of approaches and perspectives. In this sense, Robbins & Judge (2017) define communication as the transfer and understanding of meaning, playing important roles in management, feedback, emotional sharing, persuasion and information exchange. Although there are different types of communication in organizations, it can be confirmed that internal communication is developing and becoming more important, especially in the areas of strategic public relations, strategic communication and corporate communication. This is not only a problem for multinational or large organizations, but for all companies in all sectors of activity (Yeomans & FitzPatric, 2017).

Internal communication can be understood as a two-way exchange of information, ideas and feelings that leads to dialogue and positive action at all levels of the organization (Chitrao, 2014). Most research considers internal communication as a complex multidimensional construct composed of different segments, such as horizontal and vertical communication, communication climate or informal communication (Borovec & Balgac, 2017). Both Karanges (2014) and Verčič et al. (2012) consider internal communication as a process that provides employees with information about their individual roles as well as the overall goals and objectives of the organization. In the same context, Yeomans & FitzPatric (2017) point out that internal communication is closely related to the organization's need to effectively communicate information about important changes so that the "internal public" can understand its role in the bigger picture. Along with this, Borca & Baesu (2014) argued that it is important for organizations to understand that communication with employees is a critical success factor because the main purpose of organizational communication should be to inform employees about the organization's goals and policies and to help them understand their merits.

2. INFLUENCE RELATED TO THE ORGANIZATION

The employee-organizational relationship refers to the extent to which an organization and its employees trust each other, agree on who has the legitimate power to influence, feel satisfaction with each other, and are committed to each other. A good relationship between an employee and an organization is mutually beneficial. Therefore, organizational characteristics such as mission quality perception, management philosophy, psychological ethical climate

(Moslehpour et al., 2022), psychological empowerment (Cruz et al., 2022), job autonomy, and work-life balance (Wu & Zhou, 2020), influence employee satisfaction.

3. WORK-LIFE BALANCE

Work-life balance corresponds to the absence of conflict between professional and personal responsibilities, with a symmetrical amount of time and effort devoted to each (Turliuc & Buliga, 2014). Consequently, when organizations provide work-life balance, employee performance and job satisfaction increase (Krishnan et al., 2018; Lamane-Harin et al., 2021). When there is conflict, the level of employee satisfaction obviously decreases (Vong & Tang, 2017). In some service industries, work-family imbalance is exacerbated due to irregular working hours and, therefore, fewer hours devoted to personal life (Lin et al., 2014, 2015).

4. INFLUENCE RELATED TO LEADERS

Leadership is the process by which an individual influence a group of people to achieve a common goal (Northouse, 2016, p. 6). Leadership influences employee satisfaction (Baquero et al., 2019). When leaders support their subordinates' performance, the latter respond positively through their commitment to work (Rowold et al., 2014). Sageer et al. (2012) indicated that more democratic leadership styles promote better relationships and mutual respect, while authoritarian leadership generates lower levels of satisfaction.

Research often categorizes leadership styles according to their focus—either on people and relationships to maximize employee potential through creativity and innovation—transformational leadership—or on tasks that encourage exchange and results-based rewards—transactional leadership. Transformational leadership promotes procedural justice, while transactional leadership promotes distributive justice (Pillai et al., 1999), but both types of justice increase employee trust. According to Cropanzano & Mitchell (2005), trust is a critical mediator of social exchange that provides job satisfaction.

5. TRANSACTIONAL LEADERSHIP

Transactional leadership is associated with an exchange between leaders and subordinates in which managers reward or punish employees for performance and expect greater productivity and loyalty in return (Naidu & Van der Walt, 2005). These leaders demonstrate less involvement in employee relations because for them it is simply an exchange process whose sole purpose is to influence the performance of their employees. This focus on organizational goals and on punishments or rewards can negatively affect employee engagement and satisfaction (Saleem, 2015).

6. TRANSFORMATIONAL LEADERSHIP

Transformational leadership moves from inspiration and commitment to organizational values and goals (Bass, 1985). It is a process of motivating the performance of subordinates based on values. Charisma and influence are two key characteristics of such leaders. The literature shows that there is a strong relationship between transformational leadership and employee satisfaction. A leader can improve both team performance and individual performance by fostering feelings of reciprocity and high levels of personal investment and involvement in the workplace. In particular, employees understand their work better, feel more secure, and have better access to resources (Burch & Guarana, 2014).

7. INFLUENCE RELATED TO RELATIONSHIPS BETWEEN COLLEAGUES

Work climate and relationships among coworkers are an important source of satisfaction and involve working together among groups of interdependent individuals pursuing common goals or outcomes. Social interaction develops a sense of belonging and knowledge sharing, which improves collaboration and employee satisfaction. Social support occurs in three ways – from colleagues, supervisors, and the organization – and all of them have a positive effect on employee satisfaction (Brown et al., 2014).

Social support among colleagues

Employees spend more time with their colleagues than with their families. Strong supportive relationships among people working together enable employees to cope with the stress of their work and family responsibilities. Feeling supported by colleagues enriches work functions and leads to increased levels of participation and satisfaction. Lack of team support, however, is reflected in reduced identification with work and stronger feelings of alienation from work and greater feelings of demotivation (Charoensukmongkol et al., 2016).

8. INFLUENCE RELATED TO COMMUNICATION

Communication allows employees to share information, build relationships, and internalize organizational culture and values while building mutually beneficial relationships with their organizations. The framework of social relationships and communication that employees establish contributes to a sense of satisfaction and reciprocity with the organization. Following the three influences considered, communication also works at three levels: organization, leader and colleagues.

9. COMMUNICATION WITH THE ORGANIZATION

As stated above, organizational communication involves the flow of messages through a network of interdependent relationships that includes people's attitudes, feelings, and skills. The relationship between employees and the organization becomes stronger through an effective communication system and employees achieve high levels of satisfaction. There is a positive relationship between symmetrical communication and the quality of the employee-organization relationship. Organizational communication contributes to a sense of community and facilitates social exchange and trust between the parties involved in the relationship (Blau, 1964).

10. COMMUNICATION WITH THE LEADER

Effective communication with the leader requires employees to feel valued and experience a higher level of satisfaction. Employees value a symmetrical communication system and experience greater satisfaction when they are heard and appreciated (Men & Yue, 2019). The way a leader communicates affects employees' attitudes and feelings toward the leader. Leaders who show empathy, compassion, understanding and sincerity in their communication inspire greater joy and pride in employees.

11. COMMUNICATION WITH COLLEAGUES

Communication with colleagues combined with strong group dynamics influences the effectiveness of teamwork. This is an important dimension of social relations because it influences the sharing of ideas, fosters relationships of cooperation and trust between team

members, develops better articulation of functions and breaks down barriers inherent in change processes. Employees value frequent, open, respectful, sympathetic relationships with their colleagues and experience greater satisfaction because they share similar feelings about tasks in the work environment. In the service sector, the trend towards specialization and division of labor requires an effective communication system and structured group dynamics to achieve organizational goals (Mohanty & Mohanty, 2018).

12. EMPLOYEE MOTIVATION

Employee motivation has been studied by numerous authors over the years and, although all agree on its importance in work, there is no consensus definition of the concept, as it is complex and difficult to understand. Motivation can be defined as the attitude of leaders and employees towards work situations in their organizational environment: those who have a positive attitude towards their work situation will show high motivation and vice versa. The work situation in question includes working relationships, facilities, organizational climate, leadership policies, and working standards or conditions (Ampauleng et al. 2023). It can also be considered a psychological process that provides goals and direction for employee behavior or an internal drive to achieve job satisfaction. Pasaribu et al. (2022) view motivation as a set of energetic forces that originate from within and outside the employee and influence work-related effort and determine its direction, intensity, and persistence.

13. JOB SATISFACTION

As a multifaceted phenomenon subject to different definitions and perspectives, there is no single definition of job satisfaction. Some authors (Ampauleng et al. 2023) consider that job satisfaction is a positive feeling about work results based on the assessment of its characteristics. It can be measured by indicators such as increased job security in a group, satisfaction with superiors, and satisfaction with work, salary, and career opportunities (Ampauleng et al. 2023). Armstrong (2006) believes that job satisfaction can be seen as a person's positive feeling about their work and can be positively satisfied when expectations are in line with reality. For Pasaribu et al. (2022), job satisfaction is a feeling of support by employees towards their work or an employee's attitude towards work situations such as cooperation between employees, rewards received and problems related to physical and psychological factors. Due to the wealth of definitions that these authors provide for job satisfaction, for the present study, the positive feeling proposed by Armstrong, which can be measured by the indicators proposed by Ampauleng et al., will be considered for this construct. (2023) and Pasaribu et al. (2022).

14. THE ROLE OF ORGANIZATIONAL COMMUNICATION IN EMPLOYEE MOTIVATION AND SATISFACTION

Nowadays, according to Chitrao (2014), internal communication is as important as external communication from an organization's point of view and is often a tool used to motivate employees. This author's research confirms that internal communication is critical to motivating employees, leading them to perform better. He also points out that it is essential for organizations to develop an internal communication strategy that motivates employees to develop professionally and makes them feel valued. Therefore, internal communication can be

a motivational factor for employees, leading to greater customer engagement and personal satisfaction (Verčič et al., 2012).

Motoi's (2017) study revealed that employee motivation is enhanced by good organizational communication and that there is a direct relationship between internal communication and organizational members' satisfaction with communication. If employees feel that the internal communication of the organization is effective, they will be motivated to perform better and develop the team spirit that is essential for the smooth functioning of the organization. Therefore, there is a direct and positive relationship between organizational communication and employee motivation.

Various studies have shown that organizational communication is positively related to job satisfaction. Bakar & Mustaffa (2013) argued that organizational communication can increase job satisfaction because information flow, communication climate, message characteristics, communication structure, group relationships, and mutual respect can inspire employee job satisfaction. The analysis by Kulachai et al. (2018) also show that this positive relationship between internal communication and job satisfaction is consistent with the results of previous studies.

Chitrao (2014) indicated that satisfaction with internal communication has a positive correlation with job satisfaction, leading to greater organizational identification and commitment and satisfaction with work relationships. For an organization to improve its performance, it must first establish effective internal communication processes that drive job satisfaction. Thus, knowing that job satisfaction is one of the factors that most influence employee performance and that this is improved by effective internal communication, it is important to create the conditions for this internal communication to be improved, so that it meets the needs of the organization and the people who work there (Kulachai et al., 2018).

The relationship between employee motivation and their level of job satisfaction has been examined in recent years by a number of researchers, all of whom have concluded that motivation has a positive and significant effect on employee job satisfaction. Paais and Pattiruhu (2020) consider that creating job satisfaction is a serious challenge for organizations as it implies continuous employee motivation and influence on the corporate culture, which must be well adapted and accepted by all employees. Their study showed that motivation is a drive to increase job satisfaction and quality and has a significant psychological impact on company strategy. According to the study by Ampauleng et al. (2023), job satisfaction has a positive and significant effect on employee motivation, meaning that the higher the job satisfaction, the more motivated the employees. Being more satisfied with their work and environment, they will also be more motivated to improve their skills, increasing their performance within the work process and, therefore, their satisfaction (da Cruz Carvalho et al., 2020).

CONCLUSION

In the dynamic 21st century, managers must look for ways to attract and retain good employees, where employee satisfaction stands out with its key role. One of the serious challenges for all organizations in this qualitatively new is to manage and retain employees of different

generations, with different needs, personal and work interests, often even from different countries, to work together and achieve satisfaction with the same leadership or management approach. Therefore, it is extremely important to realize that in an environment of open communication, interaction, discussion and consultation between employees are possible, thus facilitating knowledge sharing and organizational empowerment. Thus, employers can improve their communication skills and employees can enjoy more fruitful horizontal and vertical communication within the organization, leading to greater job satisfaction.

Regular improvements in internal communication make employees more effective and increase the likelihood that they will approach work with dedication and passion. Feeling that their contribution is valued increases motivation and the desire for continuous progress. Satisfied employees create a desirable work environment and increase a company's competitive advantage, which should be the common mission of all businesses. The communication skills of managers and employees need to be continuously improved, as the ability to communicate effectively is indispensable in the hospitality business. Understanding communication skills is fundamental to personal and social development through constant interaction with the environment. Therefore, organizations in the hospitality industry can facilitate internal communication using various Internet platforms, applications and other communication technologies. Facilitating upward communication, employees will share confidential and operational information with leaders and colleagues.

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MODELS FOR ASSESSMENT OF COMPETITIVE POSITIONS AND THE COMPETITIVENESS OF COMPANIES

ABSTRACT

In the context of globalization and digitalization, enterprises are faced with the constant maintenance of organizational advantages over other companies in the conditions of strong competition and an open market. An organization's resilience is determined by its strong competitive position and the approaches it uses to keep competitors at bay. It is extremely necessary for managers to establish the competitive positions of enterprises and take timely measures for their maintenance and improvement. For enterprises that already occupy strong market positions, competitor analysis helps them maintain their level, and for start-ups to take their share. An analysis of competitive positions helps determine the market leaders and enables "difficult" enterprises to achieve sustainability among their competitors. The main goal of this article is to propose a model for faster evaluation and establishment of the competitive positions of a group of enterprises from the same industry.

KEYWORDS: Competitiveness, Competition, Competitive positions, Enterprises, Market, Companies

JEL: D4, F1, L26

INTRODUCTION

In the process of business competition, every company occupies, defends and strengthens its competitive positions vis-à-vis consumers, suppliers, employees, competitors, etc. These positions are formed based on their legitimate interests and business objectives. By comparing competitive positions, it is possible to establish the extent to which enterprises are ahead of their competitors or behind them, and the strength of their competitiveness. Changes in competitor relationships are always evaluated against how the sales of each have changed over the period under review. The acquisition of a competitive position by a company affects the change in the level, as well as the possibility of realizing the competitiveness of subsequent competitive actions. Competitive positions should be perceived as a set of tools necessary to achieve goals and maintain high market positions.

1. LITERATURE REVIEW

Strong competition among enterprises arises because some of the larger and more developed organizations have the opportunity to better meet the needs of consumers and thus improve

their market position. This is the biggest drive of smaller businesses to catch up or overtake strong competitors and improve their market positions. There are several driving forces of competition among businesses in the market:

- changes in the composition of consumers change the nature of competition;
- the development of technologies creates new opportunities for performing certain services at lower costs, reduces the volume of initial investments and the optimal capacity of organizations, improves feedback, etc.;
- the entry of large enterprises changes the balance of power between other organizations and the nature of competition;
- the spread of new ideas and innovations changes the market positions of innovative enterprises;
- the introduction of digitization and automation changes the sustainability of enterprises, and hence the balance of pricing and growing demand;
- changes in costs and profits lead to changes in the nature of competition, business organization and cost structure;
- rising inflation, martial law between certain countries and the post-covid situation are intensifying the struggle between businesses in the market. Because these are factors leading to uncertainty and risk, and this, on the one hand, leads to a change in the way of life of consumers, and on the other - affects the demand and supply of products in the market.

In the economic literature, the definitions of "competitive positions, competitiveness, competition, entrepreneurship and sustainability" have been proposed by various authors around the world. For the purposes of the study, it is necessary to present one comprehensive definition for the mentioned terms. The concept of "competitive positions" is based on the position of the enterprise among its competitors on the market, i.e. what position it occupies among other enterprises and the level of development.

The concept of "competitiveness" is comprehensively described by Asaul, Abaev and Gordeev (2007) and according to them "competitiveness is defined as the real and potential ability of companies in the existing conditions to design, produce and sell goods that are more attractive in terms of price and non-price characteristics for buyers of their competitors' products." Marikina's opinion is of interest, as according to her "competitiveness is an opportunity to maintain high levels of productivity of labor and capital, and through systemic innovations to achieve sustainable economic growth combined with an increase in real income of the population" (Markina, 2017, p. 25).

Another definition of competitiveness has been proposed by Porter, according to him "competitiveness is seen as the ways in which a country can be as productive as possible, which determines how far it can permanently improve the standard of living of the population." (Georgiev, 2014) According to Angelov, "competitiveness has many dimensions - potential for intensive sustainable growth with its inherent three pillars - economic, social and ecological; productivity of the factors of production; factor costs of production of a unit of final product;

quality (technical level) of manufactured products; reliability of products and services; structural characteristics of the economy in the broadest sense of this term; imitative and innovative potential of the economy; strong sensitivity to market signals and expeditious response; potential for rapid assimilation, dissemination and commercialization of technical and other innovations; loyal partnership in business relationships; combining private, state and public interests. Some of these aspects are subject to, and others are not amenable to quantitative measurement. (Angelov, 2005)

Analyzing the interpretation of the most common concepts of competitiveness, it is possible to establish some important characteristic features:

- 1) Competitiveness is a characteristic of both the actual and the potential state of an entity, reflecting both its current state and the dynamics of its development;
- 2) Variability is an integral part of competitiveness. The factors of competitive strength and success that ensure the competitiveness of a given business will not be factors for tomorrow's success of the same business. This means that on a daily basis the factors possess dynamism and variability;
- 3) Competitiveness is a relative concept. In other words, this means that the competitiveness of the enterprise can be discovered or assessed only within a group of economic entities engaged in a similar type of economic activity. Competitive positions can only be identified by comparing business entities to each other, both regionally and nationally;
- 4) The relative characteristics of a certain phenomenon always determine the level of development. Therefore, the most difficult thing is to assess the level of competitive positions, that is, to identify the characteristics of the advantage;
- 5) The competitiveness of the enterprise reflects its difference from competitors for a long period of time, it means that it has a strategic character;
- 6) Competitiveness should be presented as a plan that should be analyzed at different levels. The basic level is the competitiveness of the enterprise's products, the next level is the competitiveness of the business entity, i.e. comparing the company with other companies in the same industry. A third level could be an assessment of marketing as part of competitiveness;
- 7) The competitiveness of the enterprise is assessed both by market users and by enterprises interested in mergers, share purchases, joint activities, logistics, etc.;
- 8) Dynamics in concepts of competitiveness are “determined by the development of society” (Nedelcheva, 2019, 37).

Based on the listed characteristics, competitiveness is defined as the main category. An important condition for the analysis and evaluation of the competitive positions of the enterprise is to identify the relationships between the factors of competitiveness and the composition of the elements of the competitive positions. When assessing the competitiveness of enterprises, two main approaches can be used:

- ✓ The first approach is to make the overall assessment equal to the competitiveness of the products and the organization itself;
- ✓ The second way is to equate the assessment of competitiveness with the assessment of the production efficiency of the given enterprise.

Initially, these two approaches have a close relationship and similarity between them, but the difference is in the evaluation of production efficiency and the evaluation of products. The competitiveness of products can be evaluated and studied in a very short period of time - a month, a week, a day, as they are taken into account - price, quality, content, demand. It is characteristic of this evaluation that each product is evaluated separately. When determining the competitiveness of the enterprise, a longer period of time is analyzed, i.e. year, product life cycle etc. To evaluate the production efficiency or "new products" produced by the enterprise, the evaluation could be previously inflated because it is related to a good image of the organization as a producer of high quality products. The competitive positions of the enterprise cover the overall analysis and evaluation of the manufactured products, the competitiveness of the organization itself, the innovative production models and the updated products. "An accurate assessment is the first step towards building an appropriate managerial policy". (Ivanova, 2024, p.305).

2. METHODOLOGY

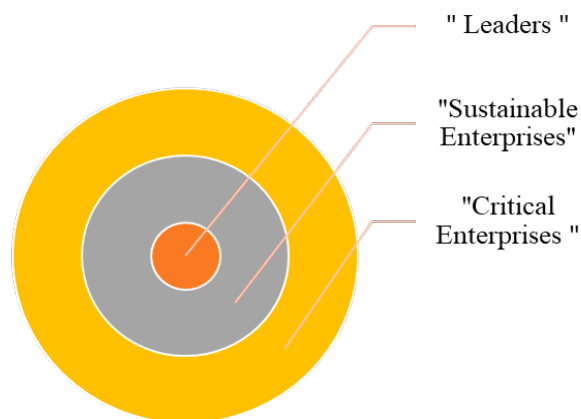
The main research methods used in the development are content analysis, method of analysis and synthesis, survey. The research carried out in the present development is aimed at small and medium-sized enterprises, with the aim of establishing a group of enterprises with the same subject of activity, the competitive level and the loan group. The first stage of the study is aimed at creating a model for competitive positions of strategic groups of enterprises. The second part is aimed at conducting a questionnaire to the managers of the enterprises, the data of which is described in Table 1. After that, a mathematical model was made to calculate the final assessment necessary for the positioning of the enterprises.

3. RESULTS

Assessment of The Competitive Positions of Enterprises Through a Strategic Group Map.

For the purposes of the research, it is necessary to analyze Asaul's opinion on "evaluating competitive positions using a strategic group map". (Asaul, 2007, p.280) The strategic group map brings together enterprises with similar competitive strategies and close market positions. Grouping enterprises into groups allows for easier analysis of the characteristics of competition and to determine the strength of competitive pressure and the potential income of organizations from the same group. When changing the positions of the enterprise from one group to another group, the competitive pressure increases and the competition increases. (See Figure no 1. Strategic Group Model).

Figure 1. A model of competitive positions of strategic groups



Source: Adapted from Asaul, A.N., Abaev, H.S. & Gordeev, D.A. (2007). Evaluation of competitive positions of subjects' perceptions, ed. St. Petersburg: "ANO IPEV"

Figure 1 shows that leader enterprises are located in the core, as these are enterprises with the strongest competitive positions. Sustainable enterprises are sustainably functioning business organizations, and the last peripheral circle is occupied by enterprises that have negative added value, low turnover, low productivity, etc. This means that the closer the strategic groups are to the market leaders, i.e. to the core, the more significant the competition between them. Also, the difference between the competitive positions of the three strategic groups will increase if they do not possess sources of competitive advantages, i.e. an enterprise from critical can become a leader, but it can also leave this group if its competitive advantages are reduced. It is for this reason that it is necessary for each group of enterprises to have a set of ideas for maintaining or increasing their competitive positions. For example, the three strategic groups may possess the following forms of self-preservation and self-development:

- Leaders - the enterprises occupying a strong position. A very high capital investment in innovation is required to maintain its market position among the leaders;
- Sustainable enterprises - the maintenance of the position is ensured by self-financing and self-improvement, since when moving to a leadership position, very large additional investments are needed compared to the income received from production activities;
- Critical enterprises - to develop stability it is necessary to invest in small portions of capital to obtain a gradual return of an acceptable profit without taking risks. In this way, they will gradually move to the middle position.

Another interesting grouping of strategic groups is presented by Stoyanova, who, according to her, "the distinguishing characteristics of companies from a strategic group are expressed in the similarity of applied strategies, similarity in terms of built competences, as well as external characteristics (e.g. market share). The stages through which the formation of a strategic group passes consist of - the selection of grouping criteria, R&D costs, product prices and the formation of strategic groups." (Stoyanova, 2010, p.280)

The assessment of the competitive positions of enterprises is possible based on the creation of a system of factors and a proper analysis of the results. In his work, Asaul defines five groups

of competitiveness indicators, which are used as “factors for the competitive positions of enterprises within the framework of the concept of strategic groups”: (Asaul, 2007)

- ✓ group competitiveness indicator by coefficient of competitiveness of products;
- ✓ group indicator of competitiveness by production efficiency factor;
- ✓ group indicator of competitiveness by coefficient of efficiency of financial results;
- ✓ group indicator of competitiveness according to the coefficient of effectiveness of marketing (market) activities;
- ✓ group indicator of the market attractiveness factor.

The competitive positions of enterprises largely depend on their resource potential, or more precisely on the competitive significance of their resources, which create a sustainable competitive advantage. The significance of products can be determined by the following criteria:

- Duration of use – the longer a certain product is used, the higher its value;
- Uniqueness – the fewer replicas it has, the higher value it has;
- Production duration - the slower it is produced (time, costs, labor, quality), the higher its competitive value.

On the other hand, the presence of competitive resources could be realized in the form of key competences (such as a set of skills, knowledge, know-how, technology, innovative experience), valuable tangible and intangible assets, organizational resources and qualified personnel, constituting intellectual capital of the organization, partnership and fruitful cooperation, etc. Successful leaders with their skills, although they are not sufficient conditions for the company's competitiveness, are important and necessary conditions in the complex and mobile market environment” (Kalaydzhieva, 2024). The clearest and most accurate method of analyzing indicators to determine the ability of organizations to occupy and maintain competitive positions in the market consists of the following indicators:

1. Management level:
 - Quality of management;
 - Quality of planning;
 - Qualification of employees.
2. Technological indicators:
 - Innovative equipment, technological security, etc.;
 - Level of digitization;
 - Quality of products.
3. Financial indicators:
 - Income;
 - Cost recovery;
 - Contingency funds.

The listed indicators may change and vary depending on the enterprise and its market niche, as well as market position. It is important to emphasize that the competitive position of a given enterprise can change under the influence of:

- The time factor and the speed of production;
- The competitive potential of the organization;

➤ Dynamics in profitability.

For the purposes of the research, a study was conducted to establish the market positions between groups of enterprises with the same subject of activity. The indicators listed above (management, financial indicators and technical indicators) were used for the assessment, and each of them was evaluated on a scale from 1 to 5. The enterprises are 12 from the Blagoevgrad region were analyzed in the period 01.01.2024 to 01.20.2024 The evaluations cover the analysis of reporting data information for each enterprise in the past year 2023, and the resulting evaluation is agreed with the managers of the organizations. Table No. 1 presents the enterprises and their evaluations according to the relevant indicators.

Table 1. Assessments of enterprises according to the indicated indicators

№	Company name	Management level			Technological indicators			Financial indicators			Overall assessment
		Quality of management	Quality of planning	Qualified employees	Innovations	Digitization	Product quality	Income	Does not cover costs	Funds for unexpected expenses	Arithmetic mean score
1	"Joy-2018" Ltd	4	5	4	3	5	5	3	3	2	3.78
2	"Comport Management" Ltd	5	4	4	4	2	3	4	4	4	3.78
3	Elite Design Ltd	4	3	2	4	4	3	3	2	1	2.89
4	"Regnum Services" Ltd	5	4	3	4	5	5	5	4	4	3.89
5	"Balkanholiday" JSC	3	3	2	1	2	3	3	1	1	2.11
6	"Three Build" Ltd	4	4	5	5	3	4	3	3	1	3.56
7	"Snow Set" Ltd	4	3	2	4	4	3	3	2	1	2.89
8	"Yulen" JSC	3	3	2	1	1	2	5	1	1	2.11
9	"Astra Nea" Ltd	4	4	4	4	3	3	4	4	3	3.67
10	"Inter Bansko" Ltd	4	4	3	5	4	4	5	1	1	3.44
11	"B. Management" Ltd	5	4	2	3	3	2	2	2	1	2.67
12	"Pirin HD" Ltd	3	3	2	1	2	3	3	1	1	2.11
13	PelletPirin Ltd	2	2	1	1	1	1	1	2	1	1.33
14	"Victoria" Ltd	1	1	2	2	2	1	1	1	2	1.44
15	"Pirin Hill" Ltd	1	2	1	1	1	1	1	1	1	1.11
16	"Hotel-Serv" Ltd	1	1	2	2	2	1	1	1	2	1.44
17	"Durchov i SIE" Ltd	2	2	2	1	1	1	1	1	1	1.33
18	HotelsIndustry Ltd	1	1	1	2	2	2	2	1	1	1.44

Source: author's research

Based on the data in the table, the following two groups of enterprises are distinguished:

Group 1 - enterprises No. 1, 2, 4, 6, 9, 10 - with ratings between 3-4 - LEADERS

Group 2 - enterprises No. 3, 5, 7, 8, 11, 12 - with ratings between 2-3 – SUSTAINABLE

Group 3 - enterprises No. 13,14,15,16, 17, 18 - with ratings below 2 - CRITICAL

It is also necessary to separate estimates for the three main categories of indicators for the two groups of enterprises separately. Calculation of the final score of the indicator is calculated by adding up all the individual scores and dividing by the number of enterprises. The resulting score is divided into three subcategories to obtain a score from 1 to 5.

Management level – this category includes the summation of the ratings from the three subcategories for the 6 enterprises. The 6 evaluations for the quality of the management, for the quality of planning and the qualified employees in the enterprise are summed up. For example, for the first investigated company "Joy-2018" LTD, the ratings are - $4+5+4=13$, thus summing up the rest of the ratings as follows:

The assessment of the first group of enterprises is:

$$13 + 13 + 12 + 13 + 12 + 11 = 74 \div 6 = 12.33 \div 3 = 4.11$$

The calculation of the assessment is identical for the second group of enterprises, namely:

The assessment of the second group of enterprises is:

$$9 + 8 + 9 + 8 + 11 + 8 = 53 \div 6 = 8.83 \div 3 = 2.94$$

The calculation of the assessment is identical for the third group of enterprises, namely:

$$5 + 4 + 4 + 4 + 6 + 3 = 26 \div 6 = 4.33 \div 3 = 1.44$$

Technological indicators - this category includes the summation of the evaluations from the three subcategories for the 6 enterprises. The 6 evaluations for the level of innovation (created by the enterprise and implemented in the activity), level of digitization in the activity of the enterprise and quality of production of the products with the available technology are summed up. For example, for the first investigated company "Joy-2018" LTD, the ratings are - $3+5+5=13$, thus summing up the other ratings of the other enterprises as follows:

The assessment of the first group of enterprises is:

$$13 + 9 + 14 + 12 + 10 + 13 = 71 \div 6 = 11.83 \div 3 = 3.94$$

The calculation of the assessment is identical for the second group of enterprises, namely:

The assessment of the second group of enterprises is:

$$11 + 6 + 11 + 4 + 8 + 6 = 46 \div 6 = 7.67 \div 3 = 2.56$$

The calculation of the assessment is identical for the third group of enterprises, namely:

$$3 + 5 + 3 + 5 + 3 + 6 = 25 \div 6 = 4.17 \div 3 = 1.39$$

Financial indicators - this category includes the summation of the evaluations from the three subcategories for the 6 enterprises. The 6 estimates for income, ability to cover expenses and availability of funds for unforeseen expenses are summed up. For example, for the first

investigated company "Joy-2018" LTD, the ratings are - $3+3+2=8$, thus summing up the other ratings of the remaining enterprises as follows:

The assessment of the first group of enterprises is:

$$8 + 12 + 13 + 7 + 11 + 7 = 58 \div 6 = 9.67 \div 3 = 3.22$$

The calculation of the assessment is identical for the second group of enterprises, namely:

The assessment of the second group of enterprises is:

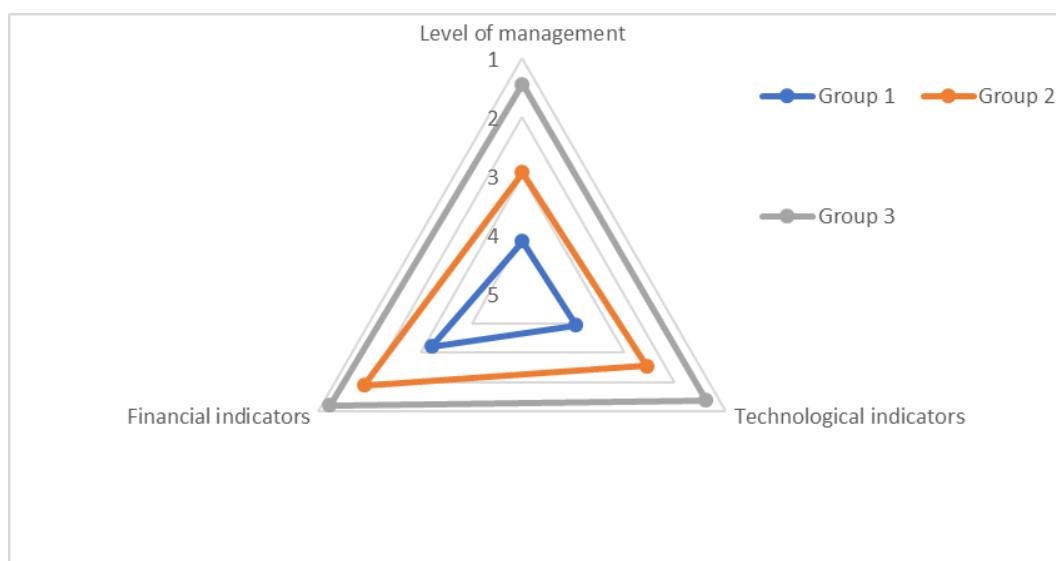
$$6 + 5 + 6 + 7 + 5 + 5 = 34 \div 6 = 5.67 \div 3 = 1.89$$

The calculation of the assessment is identical for the third group of enterprises, namely:

$$4 + 4 + 3 + 4 + 3 + 4 = 22 \div 6 = 3.67 \div 3 = 1.22$$

After the final estimates have been obtained, it is necessary to compare the two groups of enterprises, which will show the competitive positions. As a result of the calculations, the figure graphically reflects the information in the table. This can be seen in the following figure no 2.

Figure 2. Comparison of the competitive positions of the three groups of enterprises according to the indicated categories of indicators



Source: Author's research

Figure 2 shows that there is a clear division between the three groups of companies and their competitive position. Group 1 (blue axis - to Leaders) are the enterprises occupying better competitive positions than group 2 (orange axis - referring to Sustainable enterprises). The third group of enterprises are the so-called critical and are on the gray axis. The data obtained after the final evaluation and the figure defend the theory of Figure no 1.

4. DISCUSSION

In the course of the research, main problems were identified, which are an obstacle to the effective assessment and self-assessment of enterprises. Such as:

- today's economic environment can be characterized as unstable, risky and criminogenic;
- insufficient self-determination and self-assessment of the organization's development;
- some of the organizations are primarily focused on production and financial strategy rather than innovation or entrepreneurship;
- obsolete and depreciated machinery, vehicles or equipment;
- lack of information on development, through European projects concerning competitiveness and innovation in business, etc;
- sluggish management and lack of motivation.

Based on the data presented in Table 1 and Figures 1 and 2, it is possible to determine how the driving forces and competitive pressures between enterprises directly affect strategic groups. Companies from strategic groups exposed to negative influence may try to switch to a group with a more favorable position. The effectiveness of such a move depends on the barriers to entry in the chosen group. Attempts by competing companies to move into another strategic group almost always increase competition and struggle between them.

Factors such as digitization, artificial intelligence, automation, the emergence of strong innovations, changes in the degree of training and qualifications of employees, government regulations and norms, etc., can have an influence on the competitive positions of small and medium-sized enterprises. Filipova write, that “in the modern globalization is characterized by a systemic change in the dynamics of the world economic system, and success today is largely determined by the complex combination of the elements of knowledge, the integration of these factors and technologies, the pooling of capital, information and intellectual resources”. (Filipova, 2012, p.8) “Successful outcomes could be achieved through fortifying the sub-regional details supplied by SMETs in the economic sector and adhering to the dynamics of critical elements (management, sustainable growth, capacity building)” (Kiryakova-Dineva, Bozhkova, 2021, p.77).

Digitalization reveals serious opportunities for the “company in the use of specialized software packages with the help of which company tasks of different nature and complexity are solved” (Kalaydzhieva, 2023). According to some scholars, “digitalization displaces traditional approaches, management concepts and strategies, requiring the application of innovative and strategic behavior, imposing the need for deeper analysis, research and optimization of competitive positions”. (Filipova, Yaneva, Mierlus-Mazilu, 2023) Digitization and innovation has a key role in strengthening the competitive positions of small and medium-sized enterprises (SMEs). They offer numerous opportunities to optimize processes, expand the market and improve customer interaction. Such as:

- 1) Improving efficiency and productivity:
 - Automation: By implementing business process management software, SMEs can automate repetitive tasks such as accounting, warehouse management and order processing;
 - Digital tools: Using communication and collaboration tools, such as Slack or Microsoft Teams, facilitates teamwork and increases productivity.

- 2) Cost reduction:
 - Cloud services: Access to cloud services reduces the need for investments in hardware and maintenance of IT infrastructure;
 - E-commerce: Digitization allows SMEs to set up online stores with lower maintenance costs compared to physical stores.
- 3) Market expansion:
 - Online presence: Digitization allows SMEs to reach global markets through websites and social media;
 - Online Marketing: Through digital marketing strategies such as SEO, PPC and social media, businesses can attract new customers and increase sales.
- 4) Improving customer service:
 - CRM systems: Using CRM systems allows businesses to better manage customer relationships and personalize communications. (Customer Relationship Management);
 - Data analytics: Digital data analytics platforms help SMEs better understand customer behavior and tailor their offerings.
- 5) Accelerating innovation:
 - Rapid deployment: Digital technologies allow SMEs to test and deploy new products and services quickly and at lower costs;
 - Agility: SMEs can be more agile and react quickly to changes in the market environment, thanks to the easier management of projects and processes through digital tools. (Agility - a term that refers to the ability of an organization or system to respond quickly and effectively to changes in the environment in which it operates. This includes adapting to new requirements, technologies or market conditions with minimal time and effort. In the context of business and management, agility is important to maintain competitiveness and sustainable growth.)
- 6) Improved competitiveness:
 - Benchmarking and analysis: Digital tools allow SMEs to monitor their competitors and perform market analysis, which helps them position themselves better;
 - Innovation models: The use of new technologies such as AI and IoT can create new business models and products that provide a competitive advantage.
- 7) Challenges and risks:
 - Cyber Security: With increasing digitization, cyber security is becoming a critical aspect that needs to be managed effectively;
 - Training and skills: SMEs need to invest in staff training to take full advantage of new technologies and tools.

Filipova, Yaneva and Ion, write that “the dynamics of modern business development, related to the search for ways for future growth and innovation opportunities, improvement of the economic condition of enterprises and their competitiveness, determines the need for its digital transformation.” (Filipova, Yaneva & Ion, 2023) Evaluating the competitive performance of market participants based on the size of their competitive positions in relation to competitors is

the most important characteristic of the results of their participation in business competition. Each market participant forms his own position in relation to each competitor, seeks to occupy and defend it in competition with him. These positions should record the relative position of market participants as competitors.

CONCLUSION

In today's world of dynamically developing business relationships, theories and formulas for success change at lightning speed. If until now a company has followed a safe and established path for the development of its activity, this does not mean that it will continue to be successful in the future. In most cases, flexibility and vigilance are needed to keep the enterprise in the necessary competitive positions it is aiming for. In contrast to previous years, when the strategies of enterprises mainly emphasized the optimal use of resources and economies of scale, modern surveys of the business environment show that enterprises are increasingly aware of the importance of innovation and new technologies for their growth and competitiveness in the economy, which determines their competitive position.

Based on the literature review and the research conducted, the following conclusions can be drawn:

First, competitive positions refer to a firm's place or rank relative to its competitors in a given market or industry. This includes the firm's ability to compete effectively with other firms and maintain or increase its market share. Some of the factors that affect competitive positions include:

- Prices of products or services: The company can offer lower prices than competitors;
- Quality and Innovation: The introduction of new and improved products or services that meet customer needs;
- Marketing and branding: Effective marketing strategies and a strong brand can attract and retain customers;
- Customer service: A high level of service can create loyalty among customers.
- Cost efficiency: A company's ability to manage its costs more effectively than competitors.

Second, in order to categorize small and medium-sized enterprises in a country's economy, it is necessary to use the strategic group map method. Strategy Group Map is a tool for analyzing the competitive environment in an industry. It classifies enterprises into groups based on similarity in their competitive strategies and market positions. The main purpose of the Strategy Group Map is to help firms and analysts understand how different strategies and positions of competitors affect the industry as a whole.

In today's market environment, no enterprise could afford to ignore the real and potential opportunities of its competitors. Long-term success in the fight against competition is rooted not only in knowing the actual capabilities of competitors, their characteristic reactions, but also in building competitive advantages and improving competitive positions. Changes in the market situation force enterprises to update their reactions, but adequately and at a faster pace

than their competitors. A key element in such a situation is the skillful management of competitive advantages and constant improvement through innovation to maintain competitive positions.

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A MODEL OF PREDICTING CUSTOMER DEFECTION WITH SATISFACTION AND INTERPURCHASE TIME IN MARTECH FRAMEWORK

ABSTRACT

Customer defection is a major challenge for companies to remain competitive and profitable. This paper combines the variables of customers satisfaction and their interpurchase time to propose a statistic model of customer defection rate. The Bayer's rule is used for MarkTech application. The empirical data of customer purchase in E-commerce online platform are conduct for both parameters estimation and model calibration. The results show acceptable good fitness of proposed model and the practical data. The conclusion provides the suggestions for applying data combination with MarkTech.

KEYWORDS: Customer defection, Satisfaction, Interpurchase time, MarTech (Marketing technology).

JEL: M31, M37

INTRODUCTION

Since the marketing environment has rapidly changed in digitalization and online base marketing technology, MarTech (Marketing technology) is an emerging trend in marketing area. This trend causes digital ecosystem which combines Digital Marketing (DM) and Data Sciences (DS) to recognize the foundational of role of new technologies in diving marketing theory and practice (Hoffman et al., 2022). It also chage the way customers research products and make purchase which has led to an increase of customer touchpoints along the customer journey and a corresponding need for a richer set of digital tools that find and engage people on a global scale (Worthington, 2022). Hoffman et al. (2022) in Journal of Marketing define MarTech as “scientific knowledge and/or its application in the early adoption cycle for firms and/or consumers with the potential to influence the activity, institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”.

Thus, one of the mean uses of data sciences in digital marketing strategies is tracking customer behavior online which is tracking and predicting consumer behavior on digital channels. In this way, companies can anticipate their advertising actions (Saura, 2021) and increase the profit and avenue from tracking customer repeat purchase and decreasing customer defection rate.

The topic of customer churn or defection behavior is always an important issue for company, when marketer wants to keep a constant market share (Somosi et al., 2022; 2021). Retention and defection are one with two sides and both of them are important variables to predict customer value. Most of the previous researches focus on the issue on customer retention and it's influenced factors such as customer satisfaction (Matuszelański and Kopczewska, 2022). Different from paying attention on retention, defection rate can help company to know the losing or lost customers and detect what reasons contribution this results immediately by signal or series specific marketing program (Mirkovic et al., 2022). To know the customer defection can turn unappropriated marketing strategy around. Comparing defection rate among competitors can also be a cornerstone for successful retention campaigns. Because to acquiring a new customer cost a lot than maintaining old one (Kim et al., 2020).

Thus, this paper proposed a statistic model of customer defection rate for MarkTech application. The article is organized as first, the literature review of MarkTech and customer defection are discussed. Then, the statistic model is demonstrated by probability distribution. The variables which construct this proposed model is also described in this section. Thirdly, the empirical data is introduced to make parameters estimation and model calibration. Finally, the results are shown and conclusion and discussion are made by the practice in MarkTech.

1. LITERATURE REVIEW

Marketing technology

A brief and practical definition of MarkTech is a range of software and tools that assist in achieving marketing goals or objectives. Different from AdTech which is strictly used to influence buyer behavior by promoting offerings, MarTech refers to technology that helps to create, communicate, and deliver offerings. Thus, another similar concept "CommTech" which is the use of digital technologies to not only execute but also manage communications along the whole stakeholder journey, ranging from monitoring touchpoints to evaluating stimulated action (Brockhaus et al., 2022).

Hoffman et al. (2022) demonstrated that it has received less attention in the literature is how new technologies, give rise to innovations in marketing techniques, tools, and strategies themselves. Thus, Journal of Marketing proposes a special issue of new technology in marketing to categorize new technologies impact marketing in four broads, first one is to support new forms of interaction among consumers and firms. The second is to provide new types of data that enable new analytic methods in marketing. And the third is to create marketing innovations. Finally, the fourth is to require new strategic marketing frameworks.

Brockhaus et al. (2022) sum up the previous researches into three topics which are the use of digital technologies for stakeholder relations in general (McLean et al., 2021), social media platforms and tactics in particular (Buhmann et al., 2021; Freberg, 2022; Lutrell et al., 2021; Wilson et al., 2020) and big data, automation and artificial intelligence (Buhmann and White, 2022; Moore and Hubscher, 2022).

Saura (2021) proposed a framework, methods, and performance metrics in digital marketing with using data sciences. In the framework, the type of methods used in data sciences as applied to digital marketing includes Bayer's rule which is used for the description of probabilities of events. It is based on knowledge about the conditions that could have caused a specific event. Therefore, this paper use Bayer's rule as the model construction and MarTech application.

2. CUSTOMER DEFECTION

The customer churn or defect to competitors may cause loss profit which directly contributes the corrosion of marketing revenue and market share for company (Zhang et al., 2022; (Mirkovic et al., 2022; Matuszelański and Kopczewska, 2022). Because keeping existing customers is cheaper than acquiring new customers (Kim et al., 2020). To manage the defection behavior can help companies reduce costs and optimize their budgets (Zhang et al., 2022). It is also a curial factor when discussing the customer lifetime value and customer loyalty in the customer relationship management (CRM) area.

For the purpose of this research is to develop a model of predicting customer defection rate, when reviewing past literatures, we categorize customer defection researches into two types: defection rate (or variable) application and model construction.

Some research applies customer defection as a key variable to predict customer purchase behavior such as Mesak et al. (2022) provide a diffusion models of subscription-based services which includes a customer acquisition process, a customer attrition process, and marketing-mix variables. The results show the defection of the first time customers could enhance a firm's profitability and advertising affects the coefficient of innovation, whereas price affects the coefficient of imitation.

Meire (2021) uses social media data to explore the defection customer coming back. links of Facebook likes and event attendances after defection with customer comeback are more informative than first-lifetime behavior. The comeback customers spend, on average, more than newly acquired customers, and lower-profile comeback customers reduce their spending with the firm upon return.

For model constructions, Xiahou and Harada (2022) based on the combination of k-means customer segmentation and support vector machine (SVM) which divides customers into three categories and determines the core customer groups to proposes a loss prediction model prediction. To compare these two approaches, the results show accuracy of the SVM prediction was higher than that of the logistic regression prediction. And k-means clustering segmentation is necessary because each prediction index after customer segmentation was significantly improved.

Lalwani et al. (2022) use AI technique with logistic regression, naive bayes, support vector machine, random forest, decision trees on train set and ensemble techniques are applied to see the effect on accuracy of customer churn prediction model. In hyperparameter tuning, K-fold cross validation has been used over train set. Finally, the approach of Adaboost and XGboost Classifier have highest accuracy than other approaches.

Zhang et al. (2022) use Fisher discriminant equations and logistic regression analysis to develop a churn prediction model to predict telecom client churn through customer segmentation. And they find the latter approach (he (logistic regression approach) performs better when building a telecom customer churn prediction model. This approach can predict churn behavior when customers are unsatisfied with the offered service.

For the literature review of model construction (Lalwani et al., 2022; Xiahou and Harada (2022; Zhang et al. 2022), it is finding that customer satisfaction is an important and most used index to measure customer experiments after purchase or use the service/ product online or offline (Zhang et al. 2022; Mirkovic et al., 2022; Matuszelański and Kopczewska, 2022). Customer satisfaction is conceptualized as the difference between optimal product performances a

consumer ideally would hope for and the actual performance customer perceived (Carter and Dalal, 2010; Huang, 2018). This point of view is called the ideal point theory (Carter and Dalal, 2010; Huang, 2018) it proposed the relationship shape between ideal performance and actual performance is like exponential distribution (Einhorn and Gonedes, 1976). Therefore, it is a dynamic process when customer has comprehensive experience during the whole purchase or service journey. The higher customer satisfaction causes low defection rate and achieve customer loyalty. Sand on this view of point, the customer satisfaction is considered as an impact factor which is involved in the defection model.

When discussing the model framing of defection, one curial variable that cannot be ignored is the customer interpurchase time (Bisset, 2022). Interpurchase time is often used to detect the customer who is still making transaction with the company or has switch to the competitor brands (Simon and Adler, 2022). To investigate customer lifetime value, interpurchase time is considered as one of the customers behavioral index which has customer behavioral implications and represents customer loyalty (Hasumoto and Goto, 2022). If the interpurchase time is longer than a period of time, it may mean the customer is defection (Hasumoto and Goto, 2022; Simon and Adler, 2022). Thus, interpurchase time is involved in the construction of customer defection model as one of impact variable.

3. THE MODEL

Based on the literature review, customer satisfaction and interpurchase time are two curial factors which are used to develop the defection model. We define T_i to be the i^{th} defection rate of the customer. It is included in satisfaction S and interpurchase time Q_i . The model is formulated as follows:

$$T_i = Q_i^\alpha \cdot S \quad (1)$$

Then we can derive

$$\begin{aligned} D_i \equiv \log T_i &= \alpha \log Q_i + \log S \\ &= U_i + N \end{aligned} \quad (2)$$

Where D_i , U_i and N respectively denote $\log T_i$, $\alpha \log Q_i$ and $\log S$. Let the c.d.f. of D_i be denoted by $F_{D_i}(\cdot)$ and the pdf of D_i , U_i and N be denoted respectively by $f_{D_i}(\cdot)$, $f_U(\cdot)$ and $g_N(\cdot)$.

Customer satisfaction

According to ideal point theory (Carter and Dalal, 2010; Huang, 2018), the satisfaction of the customer toward a particular brand is the distance between the ideal point and the actual performance and it follows exponential distribution (Carter and Dalal, 2010; Einhorn and Gonedes, 1976; Huang, 2018). Thus, we denote the satisfaction S is a random variable which follows exponential distribution and its p.d.f. is

$$f_S(s|\lambda) = \lambda e^{-\lambda s}, \quad s > 0 \quad (3)$$

Then $\log S$ follows

$$f_{\log S}(y|\lambda) = \lambda \exp(y - \lambda e^y), \quad y \in R \quad (4)$$

Geometric interpurchase time

The interpurchase time, denoted as Q_i , follows geometric density given by

$$f_Q(q|z, i, \tau) = z^i \tau \exp(-z^i \tau) q, \quad q > 0 \quad (5)$$

We consider a Bayes model that the parameter z follows uniform distribution, where for given positive δ :

$$Z \sim U(\delta, 1)$$

$$f_Z(z) = \begin{cases} \frac{1}{1-\delta}, & \text{for } \delta < z < 1 \\ 0, & \text{otherwise} \end{cases} \quad (6)$$

The full model

The c.d.f. of D_i (see (2)) is given by

$$\begin{aligned} F_{D_i}(x) &= P(U_i + N < x) \\ &= \int_{\delta}^1 \int_0^{\infty} P(U_i + N < x | U_i = q, Z = z) f_U(q|i, z, \tau) f_Z(z) dq dz \\ &= \int_{\delta}^1 \int_0^{\infty} P(N < x - q) f_U(q|i, z, \tau) \cdot \frac{1}{1-\delta} dq dz \\ &= \int_{\delta}^1 \int_0^{\infty} \int_0^{x-q} \lambda \exp(y - \lambda e^y) dy f_U(q|i, z, \tau) \frac{1}{1-\delta} dq dz \\ &= \int_{\delta}^1 \int_0^{\infty} [\exp(\lambda) - \exp(-\lambda e^{x-q})] f_U(q|i, z, \tau) \frac{1}{1-\delta} dq dz \end{aligned} \quad (7)$$

Where

$$\begin{aligned} f_U(q|i, z, \tau) &= \frac{d}{dq} F_U(q) \\ &= \frac{d}{dq} P(U_i < q) \\ &= \frac{d}{dq} P(\alpha \log Q_i < q) \\ &= \frac{d}{dq} [1 - \exp(-z^i \tau e^{q/\alpha})] \\ &= \frac{z^i \tau}{\alpha} \cdot \exp(-z^i \tau e^{q/\alpha} + \frac{q}{\alpha}) \end{aligned} \quad (8)$$

Then

$$\begin{aligned}
& F_{D_i}(x) \\
&= \int_{\delta}^1 \int_0^{\infty} [\exp(\lambda) - \exp(-\lambda e^{x-q})] f_U(s|i, z) \frac{1}{1-\delta} dq dz \\
&= \int_{\delta}^1 \int_0^{\infty} [\exp(\lambda) - \exp(-\lambda e^{x-q})] \frac{z^i \tau}{\alpha} \cdot \exp(-z^i \tau e^{sq/\alpha} + \frac{q}{\alpha}) \frac{1}{1-\delta} dq dz \\
&= \frac{1}{1-\delta} \int_0^{\infty} \left\{ [\exp(\lambda) - \exp(-\lambda e^{x-q})] \int_{\delta}^1 \frac{z^i \tau}{\alpha} \cdot \exp(-z^i \tau e^{sq/\alpha} + \frac{q}{\alpha}) dz \right\} dq \\
&= \left[\alpha i (1-\delta) \tau^{\frac{1}{i}} \right]^{-1} \int_0^{\infty} [\exp(\lambda) - \exp(-\lambda e^{x-q})] \exp\left(\frac{-q}{\alpha i}\right) \left[IG\left(\frac{1}{i} + 1, \tau e^{q/\alpha}\right) - IG\left(\frac{1}{i} + 1, \delta^i \tau e^{q/\alpha}\right) \right] dq
\end{aligned} \tag{9}$$

Where $IG(\frac{1}{i} + 1, \tau e^{q/\alpha})$ and $IG(\frac{1}{i} + 1, \delta^i \tau e^{q/\alpha})$ are incomplete gamma.

$$IG\left(\frac{1}{i} + 1, \tau e^{q/\alpha}\right) = \int_0^{\tau e^{q/\alpha}} v^{\frac{1}{i}} [\exp(-v)] dv \quad \text{and} \quad IG\left(\frac{1}{i} + 1, \delta^i \tau e^{q/\alpha}\right) = \int_0^{\delta^i \tau e^{q/\alpha}} u^{\frac{1}{i}} [\exp(-u)] du$$

Finally, we have the following p.d.f. of D_i

$$\begin{aligned}
f_{D_i}(x) &= \frac{d}{dx} F_{D_i}(x) \\
&= \left[\alpha i (1-\delta) \tau^{\frac{1}{i}} \right]^{-1} \times \\
&\int_0^{\infty} \exp\left(\frac{-q}{\alpha i}\right) \cdot [\exp(\lambda) + \lambda \exp(x - q - \lambda e^{x-q})] \cdot \left[IG\left(\frac{1}{i} + 1, \lambda e^{s/\alpha}\right) - IG\left(\frac{1}{i} + 1, \delta^i \lambda e^{s/\alpha}\right) \right] dq
\end{aligned} \tag{10}$$

4. THE EMPIRICAL DATA

The empirical data is from E-commerce online platform which is the emerge Martech practice conduct in their customer detection and use behavior prediction.

The customer data included the information for 5237 clients from 2021 to 2022, as well as anonymous demographic information, transaction monetary, interpurchase time, postpurchase comments, the item of purchase and its volumes. We use the data of postpurchase comments as the satisfaction data which is evaluated after receiving the ordering. The online system will ask customers to give a common from “one star” to “seven stars”. More stars customer gives demonstrate more satisfaction he or she feels. The interpurchase time is collected by days. The below table shows the description of satisfaction value, interpurchase time and number of transactions which is represent the order times(i).

Table 1. Details of data description

	Interpurchase time	Satisfaction Value	Number of Transactions (Order times)
mean	10.506	3.023	8.997
Max.	63.259	7	48.235
Min.	5.245	0	3.420

We use half of the data (2618 clients' data) for parameters estimation and another half of the data (another 2619 clients' data) for proposed model calibration.

The parameters estimation

We use MLE (maximum likelihood estimate) to estimate the parameters. Let t_{ih} denote the monetary spending by customer h at the i th interpurchase time. And let L_i denote the likelihood of the monetary spending at the i th interpurchase time, that is:

$$L_i(\lambda, \tau) = \prod_{h=1}^n f_{T_i}(\log t_{ih})$$

Let L denote the total likelihood. Then

$$L(\lambda, \tau, \alpha) = \prod_{i=1}^m f_i(\lambda, \tau, \alpha) = \prod_{i=1}^m \prod_{h=1}^n f_{T_i}(\log t_{ih})$$

Then,

$$\begin{aligned} & \prod_{i=1}^m \prod_{h=1}^n f_{T_i}(\log t_{ih}) \\ &= \left[\alpha i (1 - \delta) \tau^i \right]^{-mn} \times \\ & \int_0^\infty \exp\left(\frac{-mnq}{\alpha i}\right) [\exp(\lambda) + \lambda \exp(x - q - \lambda e^{x-q})]^{mn} \left[IG\left(\frac{1}{i} + 1, \lambda e^{s/\alpha}\right) - IG\left(\frac{1}{i} + 1, \delta^i \lambda e^{s/\alpha}\right) \right]^{mn} dq \end{aligned}$$

(11)

We differentiate $L(\lambda, \tau, \alpha, \delta)$ respectively regarding $\lambda, \tau, \alpha, \delta$ and set them equal to zero.

The results

The results of parameter estimation is shown in table 2.

Table 2. The result of parameter estimates

λ	τ	α	δ
3.412	11.325	0.0325	0.1245

The results show the parameters of satisfaction(λ) and interpurchase time(τ) is closed to the mean of these two values which demonstrates that the proposed model is similar to the empirical data from. And the power term of interpurchase time(α) is positive. It means the interpurchase time is larger with the period of time goes by.

For the model calibration, RMSD (Root-mean-square deviation) is used to calculate the difference between model generation data and the empirical data. The result show RMSD is 0.4032 which is lower than 50%. Thus this proposed model is acceptable good fitness to describe the actual dataset.

CONCLUSION

This paper proposes a stochastic model of defection rate with combining customer satisfaction and his (her) interpurchase time. This proposed model successfully links the customer behavioral data and perceived data to show acceptable good fitness of model. In the previous, it is usually to use survey to investigate customer satisfaction. But in the MarTech era, the comments from customer feedback after online purchase is a immediately and accurate to obtain customer perceived experiment. Through MarTech the perceived data can translate to behavioral data form which is easier and available from the customer database system.

The defection rates are an important index which may threaten company profit and increase marketing cost. This model provides a suggestion for company in high customer defection with adjusting the level of customer satisfaction and the interval of interpurchase time. In the future, other type of probability distribution can be considered. And other impact factors such as word of mouth can be involved to detect customer defection model.

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THE DEMAND FOR DIGITAL SERVICES IN BULGARIAN AGRICULTURE: DETERMINANTS AND CHALLENGES IN FRONT OF DIGITAL AGRICULTURE

ABSTRACT

In the present study, the aim is to determine to what extent the demand for digital services in Bulgarian agriculture is developed and what are the factors that limit this process. This analysis examines the determinants of demand as a function of the interests and attitudes of users of digital services in the agricultural sector. It is often used as a tool for analyzing different groups of users, regarding the market status of certain services, as well as for assessing their ability to influence or be influenced by the market price. In general, there is a large difference between the production and management approaches applied on large and small farms. The size of the farms and the digital technologies they use are often related to the potential of the farmer to make investments and successfully grow his business. Larger farms have easier access to finance and can very quickly implement the digital farming approach, as long as they see a sense or motive to do so. For smaller farms, digitization does not create opportunities, on the contrary, it requires additional investments that are too much for them. High start-up costs, associated in some cases with the risk of insufficient return on investment, can become a serious challenge regarding the affordability of the technological component of digital agriculture.

KEYWORDS: Digital services, Artificial intelligence in agriculture, Demand of digital services, Digital farming

JEL: F15, F63, R18

INTRODUCTION

For centuries, agriculture has been a major human activity providing sustenance for the planet's population. The multi-functional and complex nature of modern agriculture determines its enormous importance in ensuring the nutrition of the society and remains a significant footprint on the environment and the depletion of natural resources. The global problem of feeding humanity despite the progress of science is still on the agenda (Kaloxylosa et al., 2012). There are still regions of the world where the population does not have access to food and raw materials to improve their lifestyle (Kandilov et al., 2017). Today, agricultural management

must solve the cardinal problem - "how to satisfy the food needs of the rapidly growing global human society with increasingly scarce resources?". Another important problem should be added to this question - "how to produce agricultural goods and services without exhausting natural resources to the limit?". In search of solutions to these problems, stakeholders in the sector have significantly transformed agriculture over the last century. In the last century, agriculture went through several stages of development, namely - an era of industrialization, followed by an era of green revolution, through an era of sustainable development and today we are witnessing the era of digitalization (Ivanov et al., 2009). These evolutionary stages in the development of agriculture are dictated by man's desire to feed himself without completely and systematically disrupting the balance of the earth's ecosystems. The partial success of the sustainable development approach gave reason to replace it with the digitization approach, the aim of which is to solve the identified problems in a more efficient way. Today's politicians rely on the proclamation of digitization as an effective tool for the future development of agriculture. There is more and more talk about how competitiveness will be increased through digitalization, how the efficiency of the use of production resources will be improved, how new industries will develop, saturated with new business models, delivering innovative products to the market (Karkh et al., 2019). Through digitization, new approaches to economic impact such as the circular economy and the bio-economy are sought to be applied (Fitch-Roy et al., 2019). The main challenges to the digitization of agriculture is that, despite massification in the production of the necessary hardware, it is still an expensive and inaccessible technology especially for the small farmer (Stoeva et al., 2021); digitalization requires specific skills on the part of the farmer (especially for older and conservative farmers) to help him take advantage of the wide variety of digital solutions; confuses the user and generates additional costs from hidden fees for the use of software or subsequent access to cloud services (Fidanska et al., 2021). Despite the mentioned challenges, the main contribution of digitization is indisputable, namely providing full control over the business processes that take place in the agricultural holding.

In the present study, the aim is to determine to what extent the demand for digital services in Bulgarian agriculture is developed and what are the factors that limit this process.

1. RESEARCH METHODOLOGY

The purpose of the proposed methodological approach is to organize scientific research effectively in identifying and involving farmers in the process of data collection describing the state of demand for digital services in the agricultural sector.

The analysis and identification of respondents in scientific research is a process of systematically collecting and analyzing qualitative information to determine and verify the factors determining the demand for digital services in agriculture (Von Braun, 2003). This analysis examines the determinants of demand as a function of the interests and attitudes of users of digital services in the agricultural sector. It is often used as a tool for analyzing different groups of users, regarding the market status of certain services, as well as for assessing their ability to influence or be influenced by the market price (Borisov, P., T. Radev, 2020).

Place of conducting the research. The territory of the Republic of Bulgaria is divided into 6 planning areas (NUTS 2) - North-West, North-Central, North-East, South-East, South-Central and South-West regions. When determining the region for conducting the research, we have preferred the division of our country according to the NUT2 classification, as they are tailored to the specific conditions affecting the production activity in the industry, and hence the preferences for various digital services on the part of farmers. Farms whose farmers are included as a target group in the survey are located in each of the planning areas, but equality in terms of the number of farms in the context of their territorial location is not sought.

Formation of the sample. The register of agricultural holdings, in which all agricultural holdings are entered as of 31.12.2023, was used as a source for forming the sample. The resulting population consists of 132,742 agricultural holdings. In forming the sample, the method of simple random sampling was used, and the constituent units were selected through non-returnable selection (Sajkova, 2002). The volume of the sample is 298 agricultural holdings, which manage a total of 45,641 ha, which is 1% of the used agricultural area in Bulgaria.

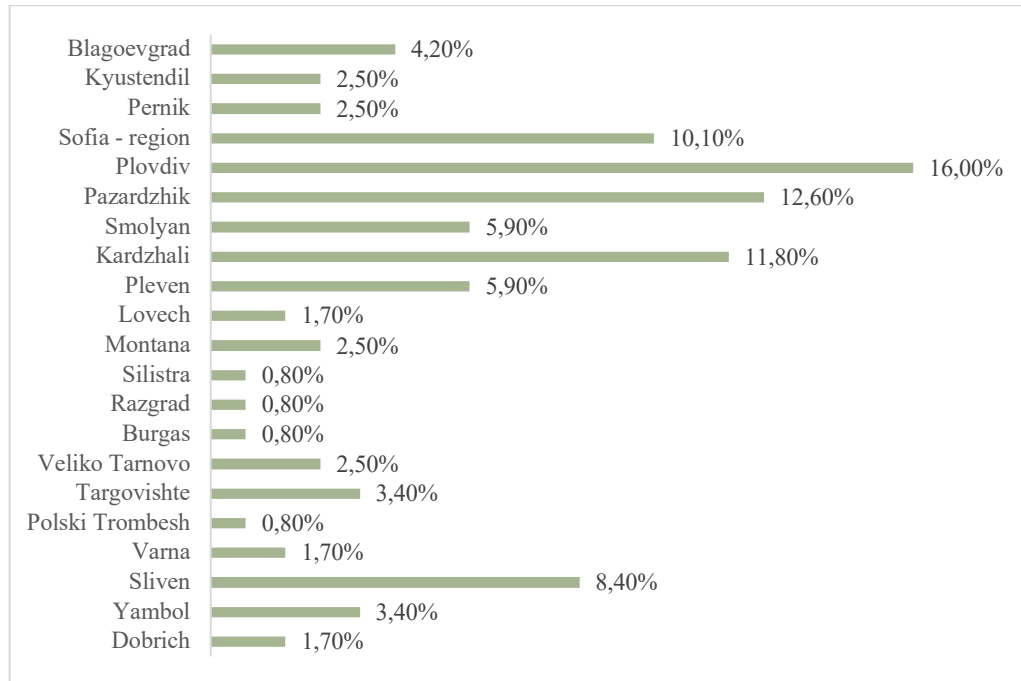
Questionnaire structure. To study the state of the factors determining the demand for digital services, 17 questions are included, aimed at obtaining information about: the general characteristics of the farms and the factors determining the demand as well as the obstacles to the demand for digital services in the sector.

2. ANALYSIS OF DEMAND FOR DIGITAL SERVICES

On the Bulgarian market there are suppliers of various services and equipment as well as software for both partial and complete transition to digital management of the agricultural holding. In this part of the research, we aim to profile what the demand for digital services is on the part of the Bulgarian farmer, as well as to determine the benefits and obstacles of the introduction of digitalization as a tool for effective agricultural management.

The distribution of farms according to their location is given in figure 1. From the data presented in this way, it can be seen that the largest share of surveyed farms are from Plovdiv region - 16%, Pazardjik region - 12.6%, Kardjali region - 11.8% and Sofia region - 10.1%.

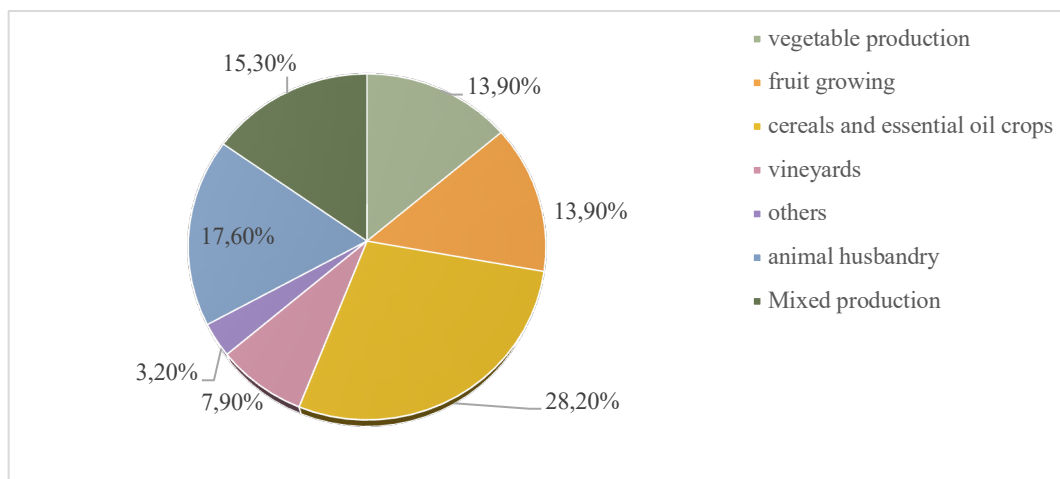
Figure 1. Territorial distribution of the studied holdings



Source: data from a survey of 298 farms, 2023.

The production specialization of the surveyed farms is given in figure 2. The data show that in the studied set of farms, those specializing in the cultivation of grain-cereal and essential oil crops predominate - 28.2% of the total surveyed sites. Livestock farms follow with 17.6% of the total surveyed farms. Farms with vegetable specialization also occupy a significant share of the surveyed farms - 13.9%.

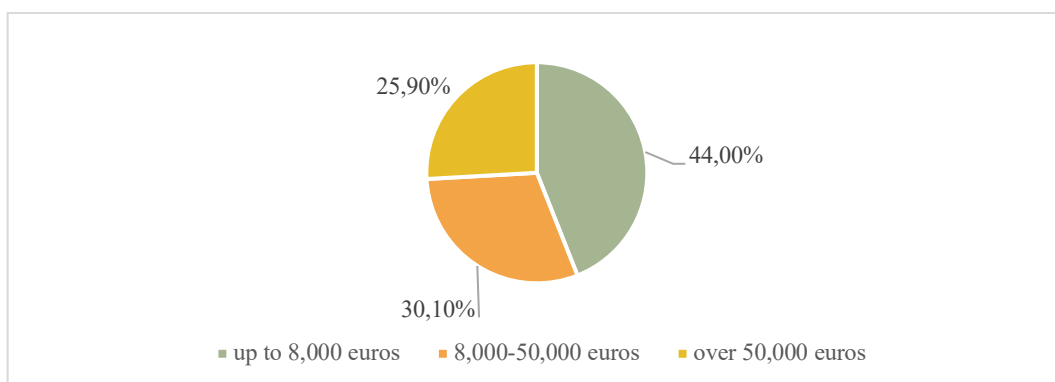
Figure 2. Specialization of the studied farms



Source: data from a survey of 298 farms, 2023.

The next criterion by which the agricultural holdings in the studied population were identified is their size. Figure 3 shows the graphic analysis of farms according to this criterion. The graphic analysis of the survey data shows that small farms (with a size of up to 8,000 euros) predominate, namely their share is 44% of the total surveyed sites. Next, as a significant group, are medium-sized farms (with a size of 8,000 to 50,000 euros), whose share is 30.1% of the total surveyed farms.

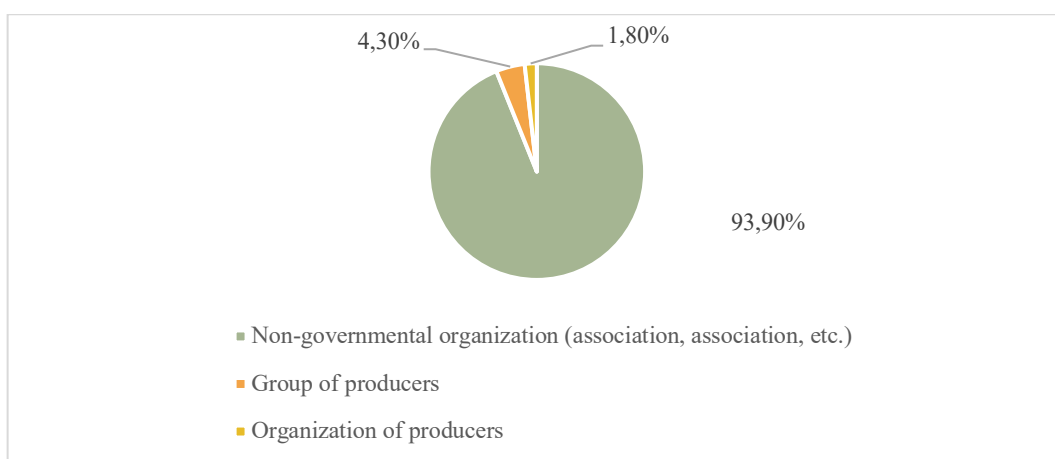
Figure 3. Economic size of the studied holdings



Source: data from a survey of 298 farms, 2023.

Another profiling criteria of the studied group of farms is their membership in various organizations. Figure 4 shows the percentage distribution of the surveyed farms. From the presented data, it is clearly seen that agricultural holdings prefer to join non-governmental organizations - 93.9% of them state that they are members of such organizations.

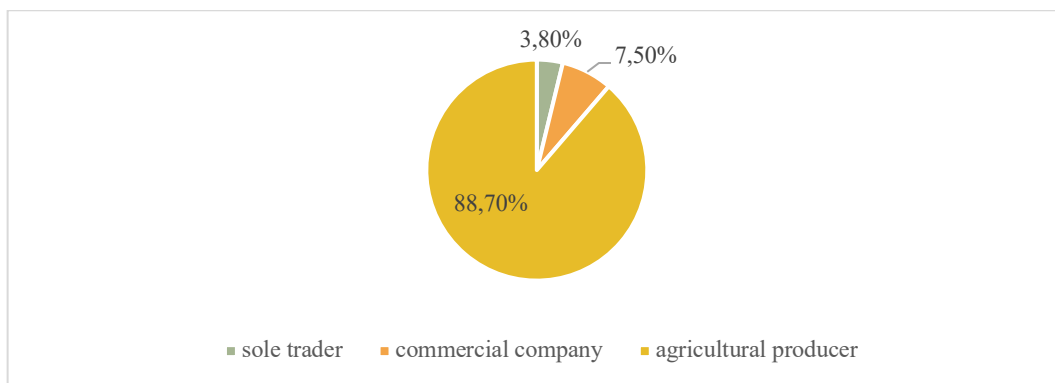
Figure 4. Distribution of farms according to their membership in associations



Source: data from a survey of 298 farms, 2023.

Figure 5 shows the distribution of surveyed farms according to their legal form. The results of the survey indicate that the most common form of property management of agricultural holdings is registration - a natural person, 88.7% of all surveyed holdings use it. Only 7.5 of the farms surveyed are registered as commercial companies.

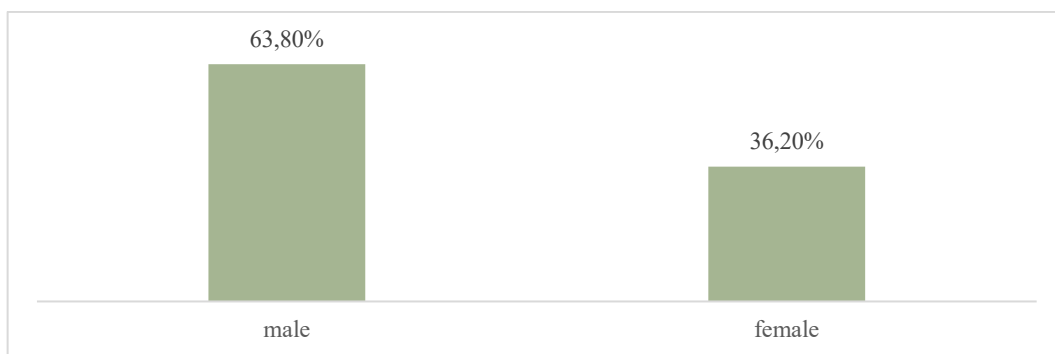
Figure 5. Distribution of surveyed farms according to their legal form



Source: data from a survey of 298 farms, 2023.

There are a total of 197 farmers surveyed. The main criteria for researching their profile are: - gender, age, education and experience in agrarian business. Figure 6 contains information about the gender of the surveyed farmers.

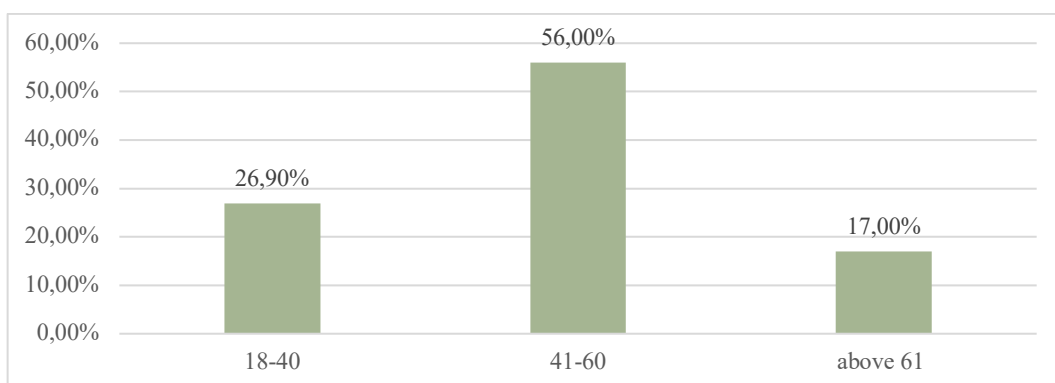
Figure 6. Distribution of respondents by gender



Source: survey data among 298 respondents, 2023.

The results of the survey indicate that more than half of the farmers fall in the age range of 41 to 60 years. The group of farmers with the age of 18-40 years follows, respectively, young farmers are 26.9% of the total respondents (see fig. 7).

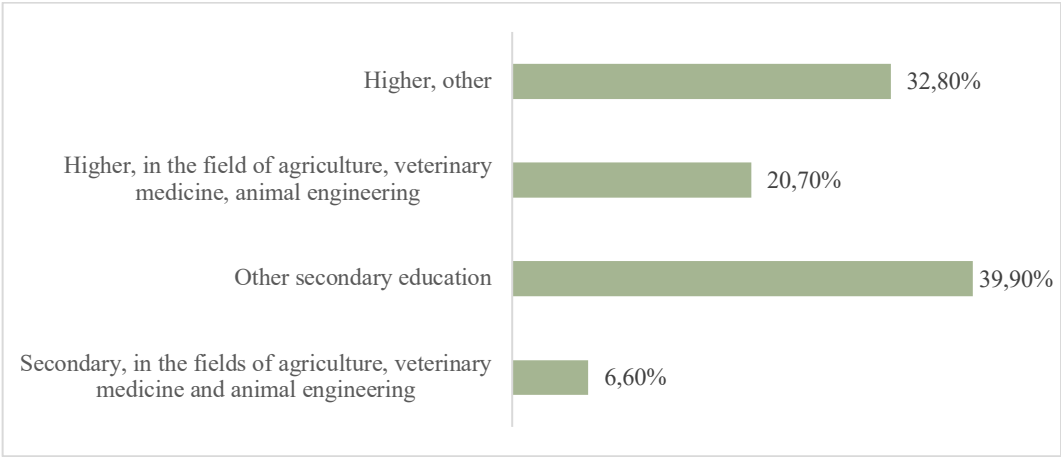
Figure 7. Distribution of respondents by age



Source: survey data among 298 respondents, 2023.

The next criterion by which the respondents were examined was their education. Figure 8 shows the distribution of respondents according to this criterion. From the graphic analysis, it can be seen that 39.9% of the respondents have secondary education, followed by those with higher education, respectively, they occupy 32.8% of all respondents. It is noteworthy that only 20.7% of the interviewed farmers have acquired a higher education degree in the field of agriculture, veterinary medicine and zoo-engineering.

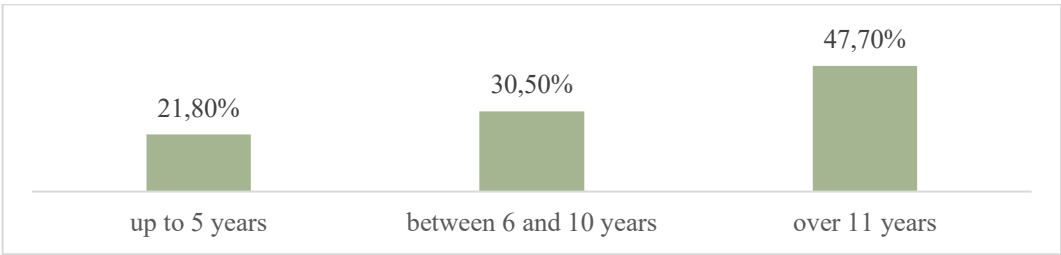
Figure 8. Distribution of respondents by type of education



Source: survey data among 298 respondents, 2023.

Another criteria for analysis of farmers is accumulated experience. According to the survey data, 47.7% of farmers have experience of more than 11 years in the field of agrarian business, 30.5% of farmers have experience between 6 and 10 years. The smallest is the group of farmers with up to 5 years of experience, only 21.8% of the total respondents (see figure 9).

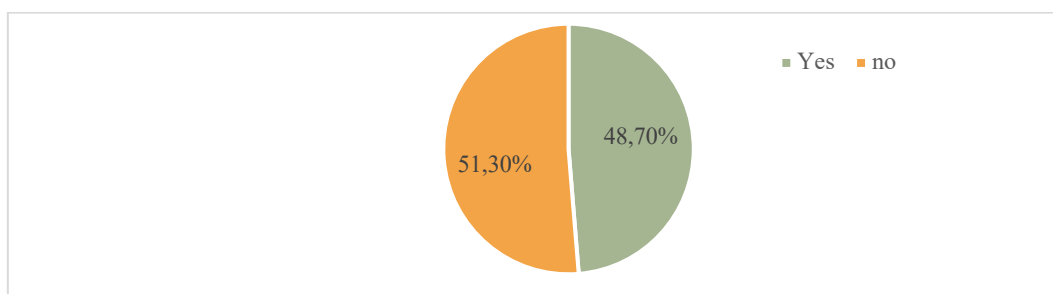
Figure 9. Distribution of respondents according to accumulated experience in the field of agrarian business



Source: survey data among 298 respondents, 2023.

Figure 10 presents information on the participation of farmers in the individual measures of the Rural Development Program. The data show that the share of those participating with project proposals for the individual measures of the PRDP prevails - 51.3% of all surveyed farmers. The most frequent measures that received funding are measure 121, measure 10, measure 6.1 of the RDP.

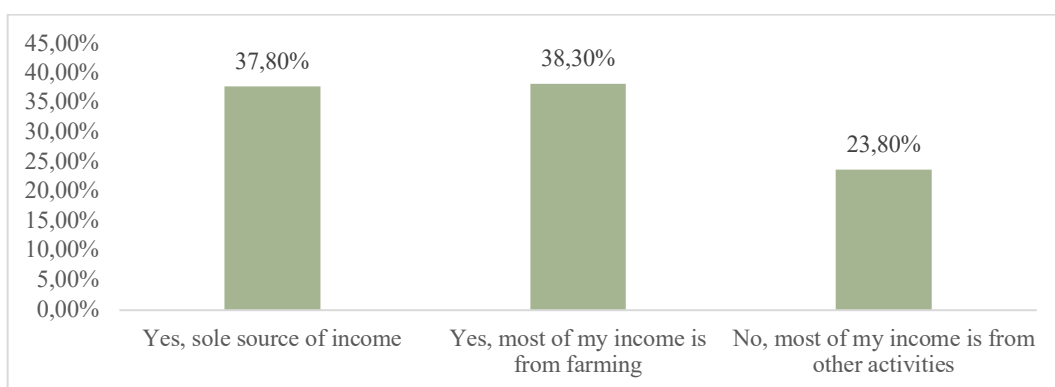
Figure 10. Distribution of surveyed farmers according to whether they participated in projects under any of the RDP measures in the last 5 years



Source: survey data among 298 respondents, 2023.

Another criteria for differentiating the group of surveyed farmers is the type of income source agricultural activity. Figure 11 shows the distribution of the responses received.

Figure 11. Distribution of respondents according to the role of agricultural business in the formation of their income



Source: survey data among 298 respondents, 2023.

From the presented data, it can be seen that the majority of farmers form their income from agricultural activity - 38.3% stated this. Next is the group of farmers who declare that agriculture is the only source of income for them and their family - 37.8% of all respondents.

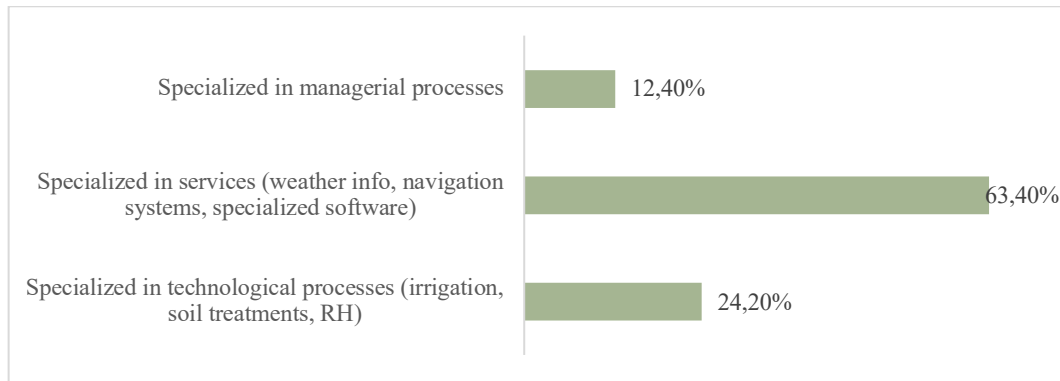
3. MAIN DETERMINANTS OF DEMAND FOR DIGITAL SERVICES

The following questions included in the survey aim to collect information about the main determinants of demand for digital services by farmers, as well as to identify the main obstacles limiting access to these services.

Figure 12 shows farmers' responses to the question "What digital services do you use in your business?". The data from the conducted survey indicate that most often farmers use digital services of the type - "specialized in weather info services, navigation systems, specialized software", 63.4% of the total surveyed persons. In the second place, farmers indicate that they

use digital services specialized in the management of technological processes, 24.2% of the total respondents indicated this type of service. In the last place, as a preferred digital service, farmers indicated the one that specializes in managing management services, 12.4% of the total respondents.

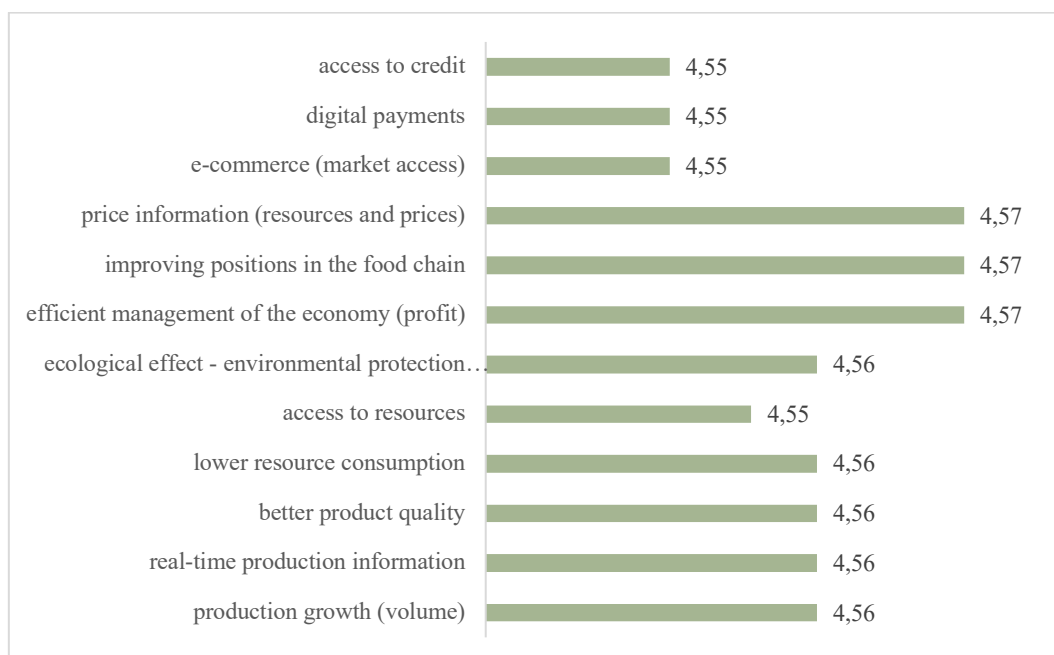
Figure 12. Digital services used by farmers



Source: survey data among 298 respondents, 2023.

The next question in the survey is "How do you rate the benefits of the digital services you use?". The purpose of the question is to collect information about the generated benefit from the use of digital services, when carrying out the daily activities of the farmer in his farm. Figure 13 shows the assessment of the benefits of using digital services in farm management. Farmers rate the following benefits as the most significant: (1) efficient farm management (average rating – 4.57); (2) improving positions in the food chain (mean score – 4.57) and (3) price information – mean score 4.57.

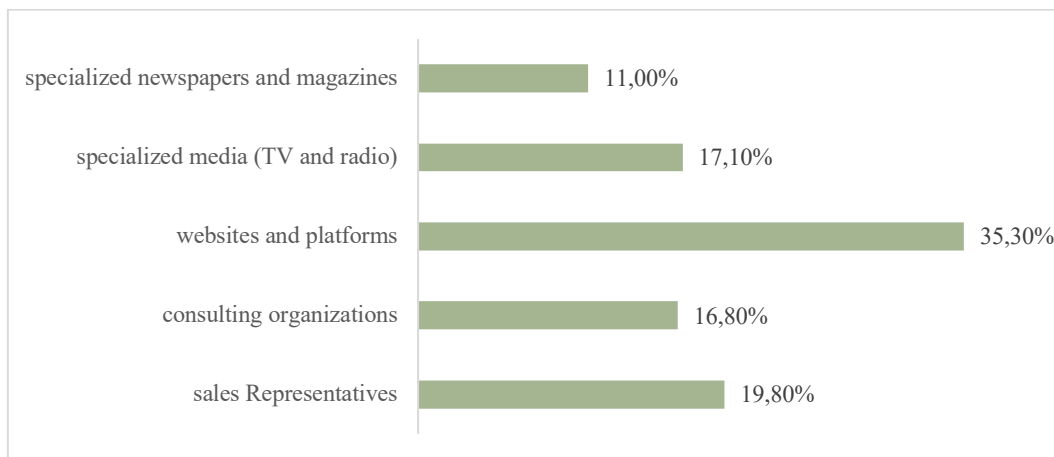
Figure 13. Evaluation of the benefits of using digital services



Source: data from a survey of 298 respondents, 2023. (scale used from 1 to 5, with 1 being the weakest and 5 being the strongest)

The next question in the survey is "Where do you get information about digital services?". Figure 14 presents the percentage distribution of the answers received by the surveyed farmers. From the data thus presented, it can be seen that the majority of farmers learn about the offered digital services from the websites and platforms of the providers of these services - 35.3% of all respondents indicated this answer. The next most important source of information is the sales representatives of digital services - 19.8% of all surveyed farmers recognize them as a reliable source of information. Another reliable source for obtaining information is the specialized media - 17.1% of surveyed farmers trust them.

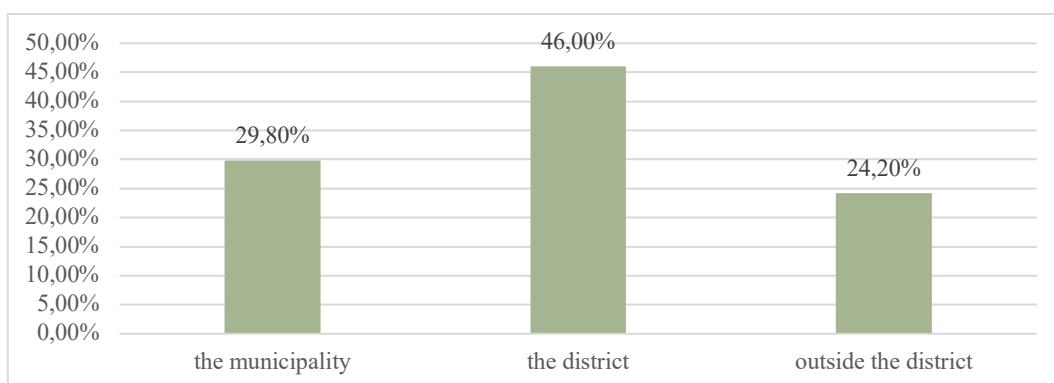
Figure 14. Preferred information sources about marketed digital services



Source: survey data among 298 respondents, 2023.

The next question included in the survey is "Where is the digital service provider located?". Figure 15 presents the information obtained from this question. From the information presented in this way, it can be seen that regional providers of digital services are used - 46% of the surveyed farmers indicate this answer.

Figure 15. Location of the digital service provider

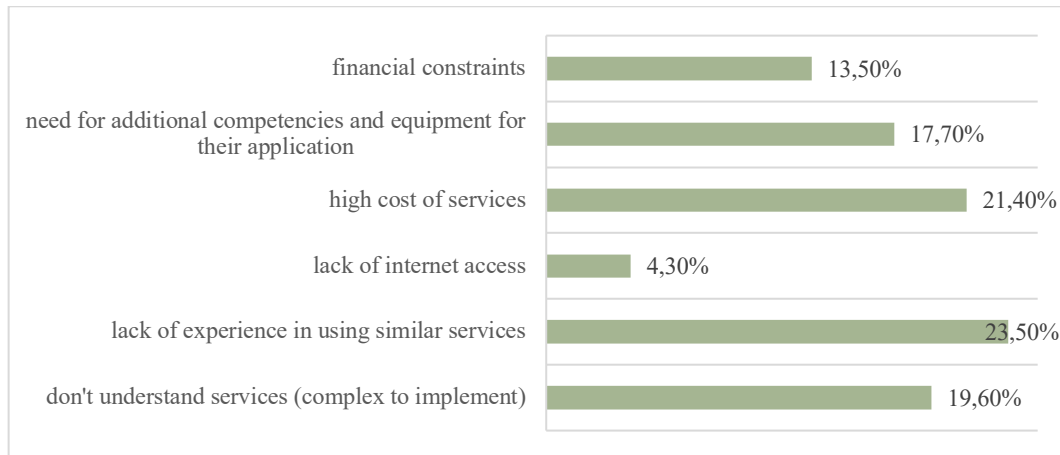


Source: survey data among 298 respondents, 2023.

By including the following question in the survey, the aim is to obtain information about the obstacles limiting farmers' access to digital services. Figure 16 provides information on the main barriers to using digital services. From the graphic analysis of the data, it can be seen that the main limiting factors are: (1) lack of experience in the use of digital services by farmers -

23.5% indicated this factor as the most significant problem; (2) the high price of the offered service – 21.4% of all surveyed farmers and (3) complexity of the digital service – 19.6% of the surveyed farmers stated that they do not use this type of service due to the complex nature of it.

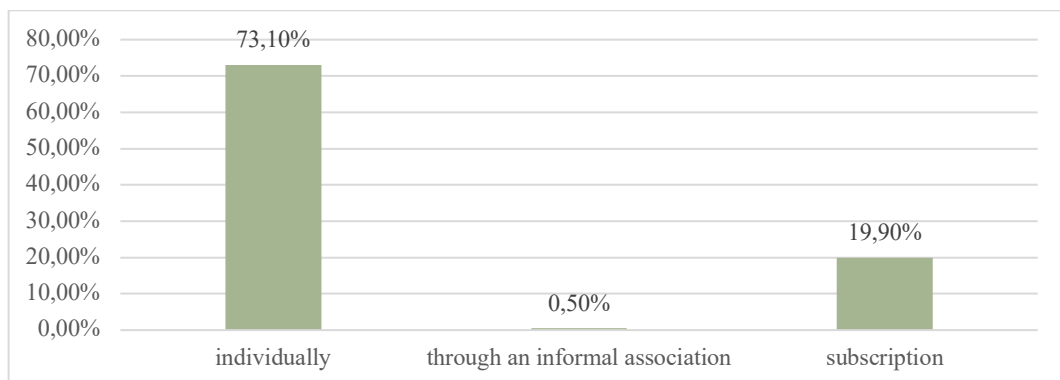
Figure 16. Barriers limiting access to digital services



Source: survey data among 298 respondents, 2023.

Another factor that was investigated in the conducted survey is the provision and sharing of access to the digital services offered in the sector. Figure 17 shows the distribution of the answers received by the surveyed farmers.

Figure 17. Access to digital services

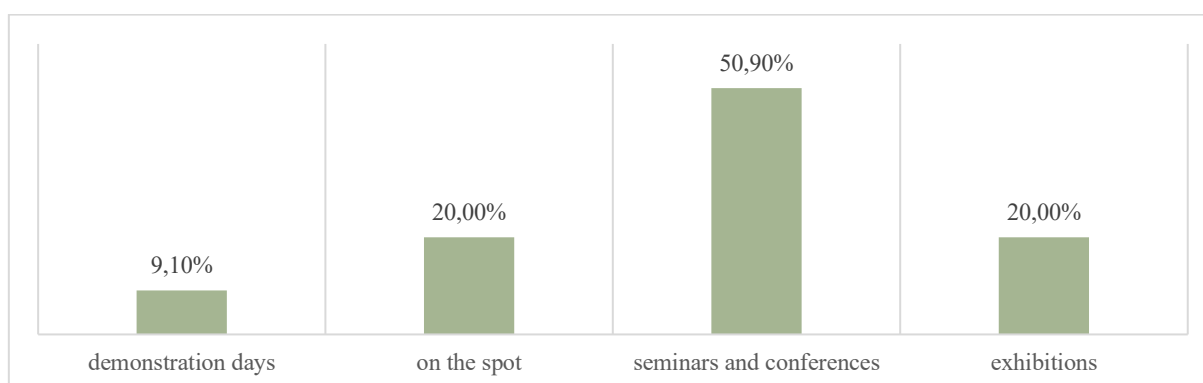


Source: survey data among 298 respondents, 2023.

From the data thus presented, it can be seen that farmers prefer to use digital services individually - 73.1% of the surveyed farmers stated this. Next is the group of farmers who use digital services on a subscription basis - 19.9% of all surveyed farmers.

The next question in the survey is "Do you participate in specialized information events related to digital solutions?". The data received since issues are presented in figure 18. Of all farmers surveyed, 50.9% stated that they participate in seminars and conferences dedicated to the issue.

Figure 18. Do you participate in specialized information events related to digital solutions (services)



Source: survey data among 298 respondents, 2023

4. IDENTIFICATION OF BARRIERS TO THE USE OF DIGITAL SERVICES IN AGRICULTURE

The adoption of digital farming technologies and systems is a challenging and dynamic issue for farmers. The evolution of digital services presents some critical challenges that require a clear strategy to support a smooth transition. Although digital agriculture is not a separate technological field as such, the question arises whether it should be considered holistically, namely as an entirely new legal category, or whether it should instead be analyzed solely in relation to the technological means used in its framework. In fact, the challenges associated with digital agriculture can be divided into two broad categories: (1) those inherent in the technological means used in digital agriculture (drones, robots, GPS, etc.), raising questions about technological control, human safety, civil liability and privacy, and (2) those emerging alongside the development of digital agriculture as an autonomous technological field.

The lack of broadband infrastructure in rural Bulgaria and connectivity to devices (for example, a tractor, computer, tablet or smartphone that records what is happening, or a device for privacy issues of satellite photography) providing access and ownership of data is one of the main issues for the accelerated implementation of the digital agriculture approach. In the context of big data and the lack of standards and limitations for data exchange between different systems, there are additional barriers and challenges that need to be addressed in the agricultural sector. Digital agriculture also raises questions regarding the conditions of interaction between farmers and digital technologies - especially regarding the lack of independent advisory services in this field and the unsatisfactory technological transfer of knowledge and skills. There is concern in society that digital agriculture will further worsen the employment situation in the field of agriculture, as the new unmanned technologies will form a significant number of employees who will have to flow into other economic sectors of the country.

Digital agriculture, as a technology dominated by data exchange, can create an extremely large volume of data, leading to a hunger for virtual space. The increasingly large-scale implementation of this approach to agricultural management will lead to the growth of the data

storage infrastructure (servers and support systems), which will reflect in two directions - (1) an increase in the consumption of electricity for the operation of the servers, which will lead to the creation of a number of problems such as - an increase in carbon emissions as a result of the increased consumption of electricity from server hubs, an increase in the price of electricity due to the increased consumption of this resource, etc. (2) increased competition among industries dependent on chip manufacturing and a significant increase in this component in digital systems. Today, in the context of a pandemic, the shortage of chips and other specific components embedded in the digital systems used by digital agriculture is increasingly felt.

A major challenge related to the systematic introduction of digital agriculture in Europe, and in particular in Bulgaria, is the need for intelligent systems based on decision-making algorithms. Intelligent processing and analysis of big data is a significant challenge due to the large amount of often unstructured, heterogeneous data generated by different devices that are used in farms of different sizes and specializations. This processing requires intelligent interaction between experienced data scientists and industry experts.

CONCLUSION

In general, there is a large difference between the production and management approaches applied on large and small farms. The size of the farms and the digital technologies they use are often related to the potential of the farmer to make investments and successfully grow his business. Larger farms have easier access to finance and can very quickly implement the digital farming approach, as long as they see a sense or motive to do so. For smaller farms, digitization does not create opportunities, on the contrary, it requires additional investments that are too much for them. High start-up costs, associated in some cases with the risk of insufficient return on investment, can become a serious challenge regarding the affordability of the technological component of digital agriculture.

Another societal challenge is that while companies providing precision agriculture technologies are getting bigger, they are also getting smaller, resulting in a monopolization of the digital services market. Today, some monopolies can be seen as a result of the concentration of data in the hands of one big player, who are beginning to diligently impose new market rules. This phenomenon leaves farmers and government authorities little room to negotiate prices for the acquisition of technology and related services, which can pose a significant threat to the viability of farms.

In addition, given the technical complexity of digital agriculture, its use and operation require the provision of consulting services specialized in data management. Such specific services would probably not be independent and could generate competition and fragmentation with respect to current agricultural advisory services providing comprehensive and free advice to farmers. Another worrying fact is the large number of diverse types of stakeholders in agriculture, ranging from large business, financial, engineering and chemical companies and retailers to industry associations and groups of small providers of specialist expertise. Interaction between these stakeholders can become a challenge in itself, given the current lack of common standards enabling real interoperability and clear and transparent communication between them.

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THEORETICAL ASPECTS OF THE STRATEGIC POSITIONING OF FINANCIAL PRODUCTS FOR THE NEEDS OF FARMERS

ABSTRACT

The positioning ideology in the presented theory is based on the study of various determinants creating loyal demand for the company's product. Of course, the theory has evolved by now, but the idea remains unchanged, namely creating user addictions. This requires the followers of the theory, as well as all researchers of the problem, to connect positioning with the science of personality psychology. Today, thanks to internet connectivity, smart mobile devices and the Internet of Things, positioning is done by creating complex patterns of consumer behavior for goods and services. If in the 80s of the last century, the market was perceived as a set of separate groups of consumers (market segments) with similar needs, then today the individual is perceived as a separate market, as a set of needs that are graded and prioritized differently.

KEYWORDS: Positioning, Financial products, Financial needs, Farmers, Strategy for positioning

JEL: M21, Q13, Q22, R11

INTRODUCTION

Positioning theory came to light with the publication of Jack Trout and Al Rees' book "Positioning: The Battle for Your Mind" published in 1980. The main idea that its authors defend is that positioning is primarily a psychological process of influencing and creating dependence when imposing products on the market. A successful product is one without which the customer cannot imagine his life. The purpose of the theory is to present basic principles, following which enable companies to get customers addicted to their product. Creating psychological dependencies is a strong trump card in the game of being competitive long term in the market. The positioning ideology in the presented theory is based on the study of various determinants creating loyal demand for the company's product. Of course, the theory has evolved by now, but the idea remains unchanged, namely creating user addictions. This requires the followers of the theory, as well as all researchers of the problem, to connect positioning with the science of personality psychology. Today, thanks to internet connectivity, smart mobile devices and the Internet of Things, positioning is done by creating complex patterns of consumer behavior for goods and services. If in the 80s of the last century, the market was perceived as a set of separate groups of consumers (market segments) with similar needs, then

today the individual is perceived as a separate market, as a set of needs that are graded and prioritized differently.

1. WHAT DOES IT MEAN “POSITIONING”?

Positioning is an integral part of the marketing approach of business model management. In recent years, positioning has been recognized as a core marketing function that must be performed to achieve sustainable competitive advantages in the marketplace. One of the main proponents of the idea of the leading role of positioning is P. Drucker (2001), who comes to the conclusion that in order to achieve a competitive business model, management needs to perform mainly two functions - namely, positioning and innovation activity.

The positioning relates to the implementation of specific actions to present the product or service to a specific target market or audience. It is the final stage in the process of segmentation and selection of a target segment in a specific market. As a result of the positioning, the optional market segments and the directions of product differentiation finally become clear. For example, a passenger car manufacturer may bet on the long service life of its cars, while its competitor may bet on their economy - a typical example of positioning on a single product advantage. In practice, positioning can be carried out according to two, three or more advantages of the product. For example, Aquafresh toothpaste - three advantages: fight against caries, fresh breath, and teeth whitening.

In marketing theory, there is a great abundance of definitions and different descriptions of the nature of positioning. The following definitions are most common:

- "Positioning is the art of shaping a brand's image in the imagination of a target audience so that it differs from competitors' brands, using both real and imagined brand characteristics" (Brooksbank, 1994);
- "Positioning is a presentation of the product emphasizing its main characteristics, compared to those of competing products" (Pramod, 2019);
- "Positioning is a type of competitive and consumer-oriented offer, with the aim of distinguishing the product or service, its name and brand, compared to that of the competition" (Davis, 2008);
- "Positioning is the creation of an appropriate image of the product, among consumers of selected market segments, achieved through the most appropriate combination of marketing strategies and programs" (Gul, 2021)

Positioning can be interpreted in three main ways: as a strategy, a concept or a set of practices. J. Lamben qualifies it as "a process of developing a certain project and spreading information about its existence among the interested public" (Ambler, 2001). F. Kotler, identifies it as the strategy and more precisely "a set of activities defined to recognize a company/product by the target audience" (Kothler, 2006). Doyle, P. characterizes it as "a marketing activity that aims to select target segments within the market whose characteristics predetermine the subsequent actions of the company" (Doyle, 2003). Luneva and Malygina (2010) approach the positioning strategy as "a vector of marketing actions that help emphasize the desired boundaries and

maintain the company's market position". The definitions of positioning discussed so far suggest that some general characteristics of positioning as a strategy can be deduced, namely:

- Positioning reflects the value of the business or goods to the target audience (target segment) through a targeted program of activities;
- Through positioning, the target audience (market segment) to be affected by the company's marketing communications is identified;
- Positioning is always oriented towards providing a competitive advantage to the goods and services that the company offers;
- Positioning defines a set of marketing tools to influence the target audience and achieve a predetermined goal;
- Positioning is a predefined set of coordinated actions of marketing managers to motivate customers to buy the company's product.

Another group of researchers of the problem, connect the positioning with a psychological process of creating dependence. Trout (2007) emphasizes that this phenomenon is a "targeted operation on the minds of potential consumers". In turn, Krevens (2003) defines the concept of positioning as "making a unique offer of the company to satisfy the identified needs of customers". Landrevi et al. (2006) emphasize that positioning "allows the formation of a value proposition of the company, its goods and services, predetermined by the specific expectations and needs of the target segments within the orientation towards achieving the company's goals.". The main ideas of the considered concepts of the authors above gravitate around the understanding that the correct identification and understanding of the individual stages of the positioning and differentiation of the company's products from other products present in the market are a key factor for success in the market.

Based on the literature analysis, we can summarize that the positioning process focuses on the deeper adaptation of the company's offered goods and services to the specific needs of the target market. This is done in a different way than competitive product positioning.

From the perspective of positioning as a set of activities performed by the company (Landrevi et al., 2006) approach the positioning in the context of the general policy of interaction of the business with its users, their impact on their company and the products offered. According to this interpretation of positioning, it is most clearly related to market segmentation, identifying and differentiating the target audience. When marketing activities are carried out, certain positioning measures aimed at determining the company's position in the market are applied. In this regard Rice & Trout (2007) "emphasize that segmentation is an integral part of positioning and is necessary for the advertising message to be effective in contacting the specified audience" (Amble, 2001). On the other hand, the author analyzes the essence of positioning by linking "its implementation through the components of the marketing mix, as well as the use of a set of marketing tools to formulate and demonstrate the benefits (real and imaginary in the mind of the target audience), as thus ensuring successful competition.

In practice, the conceptual approach of perceiving positioning as a strategy and/or set of marketing tools is not always correct and justified. The implementation of the strategy, however, is based on a certain concept, and the strategic decisions become a reality, through

the realization of certain stages, and through the application of various marketing tools. For this reason, seeing "positioning" as a simple phenomenon is a misnomer. Therefore, a number of researchers believe that this concept should not be presented as a concept, strategy or set of specific marketing operations. Arnott (2014) notes that "positioning should be seen as an attempt by a particular company to adjust consumer perception of its product offerings (trademarks) in relation to other competitive offerings.". In this definition, the researcher defines positioning as "a deliberate, active, and repetitive process".

All these definitions allow us to summarize that, in fact, positioning is the process of formulating and creating an image of a product so that it takes a permanent place in the minds of customers. Customers define the product as extremely special and vital, and cannot imagine the alternative of not being able to consume it.

To gain strong market positions, based on the results of the positioning of their products, the organizations separate the characteristics of the products and the marketing activity, which can positively differentiate their products from those of the competing organizations, i.e. they differentiate their products. Where different types of differentiation can be used for different markets and products. This defines differentiation as a fundamental approach, a tool for effective product positioning in today's market conditions.

2. WHAT DOES IT MEAN "DIFFERENTIATION"?

Differentiation is a fundamental approach in creating a positioning strategy. This can also be defined as an idea, a vision for market development. In this context, differentiation is a process of distinguishing the company's product from those of the competition.

Positioning is the final stage of the target market development process and is key to achieving market success. The main idea of positioning is that the products of competing companies should be different from each other. Davari (2021) offers three generic strategies for positioning products in the market. They are the following:

Product excellence. The product is unique. This is the best option for a company. With it, the company's product is the only one on the market that has a specific characteristic. Nowadays, the implementation of this strategy is limited by accelerated technological development and technology transfer, and also by greater opportunities to access specific resources.

Product differentiation. The product is different. The product must have one or more product characteristics that differentiate it from competitors in the given product category. This strategy gives the company opportunities to offer product benefits according to market segmentation and to convince consumers that this product meets their needs.

Product parity. The company's product is similar to that of competitors. In this strategy, the product has no significant and tangible differences, therefore consumer preferences are directed towards the product with a lower price and the one that is available at the moment. Following such a strategy, the company is vulnerable, due to the lack of consumer loyalty to the brand and the possibility of it being replaced by another.

Positioning theory says that a product must differentiate itself from its competitors in some meaningful way in the minds of consumers. Simply advertising the benefits of the product that competitors also offer has not been effective, even if the advertising campaign is massive and aggressive. It is not enough for a firm to tell potential consumers that its product is better than that of competitors on any of the product features or benefits that are important to consumers. It is necessary for the company to find a vacant position in the minds of consumers and offer a unique approach to the struggle for consumer attention.

Another view of the company's offering is presented by Kotler (2002), which considers four levels of competition based on the degree of product substitution:

- **Brand competition.** The company perceives as competitive only similar products and those at similar prices, i.e. a specific need is met.
- **Industry competition.** The company perceives its competitors, stepping on a wider base. These are all companies producing the same product or class of products.
- **Competition of form.** The company perceives an even wider range of companies as competitors. These are all products that satisfy the same need, not a need.
- **Gender competition.** The company perceives its competition in an even broader sense. Its generic competitors are all firms that compete for the paying demand of the same consumers. Often this competition is underestimated, but it has an important place in consumer choice due to the fact that the choice of one alternative deprives us of the opportunity to utilize the other possible ones.

Analyzing the competition from the point of view of its different levels enables the company to choose a positioning strategy according not only to the current situation, but also to possible changes and more general trends that determine the dynamics of the competition.

In order to achieve successful positioning, every company needs to differentiate its products from those of competitors. Differentiation is the process of “creating tangible and intangible differences in one or more of the product characteristics that distinguish it from its main competitors (Andonov, 2014). This is the stage where the product must be prepared for positioning in the consumer's mind. At this stage, marketing managers must decide how the product will be different from its competitors and how it will be similar to them. In this way, to a large extent, the foundations of the future positioning of the product/brand are laid, since the predetermined characteristics of the product (points of differentiation and points of uniformity) depend on how and where in relation to its competitors the product will be positioned. And also how successfully the brand will be able to defend its positions against its main competitors, as well as against newly introduced substitute products" (Andonov, 2014).

Once the competitive framework in relation to positioning is established by defining the target market and the type of competitive structure in the market, marketers can outline the appropriate points of uniformity and differentiation for their products.

The points of uniformity, can be defined as attributes that are not necessarily unique to a company's product. These attributes may also be shared by other competing products. These attributes come in two main forms – category and competition (Baack, 2015). Category-related points of similarity are associations that consumers perceive as significant to refer a product to

a particular product category. In other words, these are necessary but not sufficient conditions for consumer choice. The points of uniformity in a given product category in the market may evolve and change as a result of the technological development of the industry or as a result of a change in consumer behavior in the future. It is necessary to note that achieving points of uniformity on the attributes of the product prioritized by the consumer is an important condition for success in the market. As an example of such points, the following product attributes can be defined - product design, type of packaging, quantity, product insurance. For a product to be successful in the market, it is necessary that it succeeds in achieving the same or similar evaluations (compared to direct competitors) in the minds of customers regarding its main product characteristics. Under these conditions, the company's product will have the opportunity to realize superiority, or an advantage in other product characteristics, where competing products are distinguished as weak or unsatisfactory.

In order for a company and its product to achieve points of commonality regarding a specific feature or customer benefit, it is necessary for "a large number of consumers to believe that this product meets their specific requirements" (Gulf, 2021). In marketing positioning theory, there is the term "zone of tolerance or acceptance" (Udriyahet al., 2019), in which the points of uniformity of the product that is positioned on the market should fall. Customers need to feel that the offered product combines well enough all the important features and benefits for its users. For example, when customers are looking for an investment loan, the grace period and the expectation that the loan can be repaid with a flexible repayment plan are of primary importance to them. If competing credit products offer the same terms, then, *ceteris paribus*, consumers will make their choice based on other credit product-specific features and benefits.

The points of differentiation are features or benefits that customers often associate with a particular product. "These are positive evaluations and attitudes that customers cannot find in the same way with competing products in the same product category" (Sahi et al., 2018). These distinct and conscious associations with a product that define points of differentiation can be linked to customer perceptions of any product feature or utility. In the credit market, such points of differentiation can be, for example, the guarantee of the lowest interest rates, the possibility of refinancing the loan or the change in the repayment period of the principal on a loan received. The creation of clearly expressed positive associations to a given product, i.e. creating points of differentiation is a critical success factor for marketers because these actions are important for effective competitive positioning of the product in the market. Positioning of a financial product

According to the Ayres Press Glossary of Advertising Terms (Andonov, 2014) positioning is "the art and science of fitting a product or service to one or more segments of the target market so that it is perceived as significantly different from its competitors". Roger Kerin and team write: "Product positioning refers to the place an offer occupies in the minds of consumers based on important features and relative to competing offers" (Andonov, 2014). Also interesting is the definition given by Gary Lilian and team: "Positioning is a set of strategies that a company develops to differentiate its offer in the minds of consumers from the target market. Positioning is successful if the offer wins a distinct, important and sustainable position in the minds of consumers from the target market" (Andonov, 2014). Michael Porter's definition of strategic positioning is also interesting, which states: "Strategic positioning aims to build a sustainable

competitive advantage by preserving the company's distinctive features. This can be done by doing different activities than competitors or by doing the same activities in a different way" (Andonov, 2014). Based on the above, S. Andonov summarizes the following definition in a synthesized form: "Positioning is the place that the brand occupies in the minds of consumers against the background of already positioned brands of the same product category and based on the type and intensity of associations with brand" (Andonov, 2014).

From the analysis of all these definitions of the positioning we come to the conclusion that in order for sales to be successful in commercial bathrooms, it is necessary to build a specific image of the financial product. This can be achieved by using a variety of marketing tools and techniques to be coordinated with each other in a single positioning strategy.

3. WHAT IS A FINANCIAL PRODUCT?

A financial product has all the inherent characteristics of a product in the holistic sense of the term used in marketing theory. This means that the financial product has value and satisfies a well-defined market need. "Financial products are a fundamental element of the financial system and provide an opportunity to borrow money or capital from consumers, businesses and other organizations" (Petrov, 1996). They play a key role in the economy, supporting business development, investment, education and consumption.

"A financial product is a financial instrument that allows a borrower to receive money from a lender with terms and repayment terms agreed in advance between the two participants." It is "the way banks and financial institutions make money available to their customers" (Adamov, 2012).

"A financial product is an expression resulting from a person's desire to distribute, store and increase money" (American Literacy Council, 2008). It is a product that is associated with the need of the person (the consumer) to develop his cash flows in the direction he desires. The financial product is associated with money, as a universal means of payment in modern society. Financial theory developed as a theory gravitating around the idea that "finance is a universal human creation" (Adamov, 2012). Through them, the essence of the logical sequence in the movement and management of money is revealed. They are primarily a monetary phenomenon. Finance is a consequence of the existence of money, presupposes money and enables economic agents to collect, store and spend their money.

From all the considered definitions of the essence of finance and the financial product, it can be summarized that this "economic category" is multi-layered. A financial product from the point of view of market supply is an instrument for providing a monetary resource to those who seek one in the market. From the point of view of demand, the financial product is a value and/or an opportunity to attract cash for the implementation of a certain consumer alternative.

Based on the theory of marketing, we can summarize and provide the following definition of the financial product: it is a value that gives a precisely defined utility to the consumer who wishes to satisfy his need for a financial resource. It is necessary to add that the financial product is an expression of a person's desire to increase his well-being under limited resource conditions. In economic theory, the thesis is advocated that the resources for organizing any

production are objectively limited (limited), which determines a natural aspiration of the entrepreneur to look for the most favorable alternative for financing his entrepreneurial activity (his business model).

4. SPECIFICITY OF AGRICULTURAL HOLDINGS AS USERS OF FINANCIAL PRODUCTS

Agriculture, like any other business, needs financial resources for its development. When formulating a strategy for positioning financial products for the needs of agriculture, it is necessary to take into account the specific features of agricultural holdings, such as business structures. It should be noted that agricultural holdings have the following special features in terms of financing their activity:

- Due to the participation of living biological organisms in the production process, a "clear seasonality of agricultural production" is observed (Tsoneva, 2001). This seasonality reflects and determines unevenness in the cash flows in and out of the agricultural holding. Seasonal production is a prerequisite for instability in the farm's cash flow, which is determined by the fact that the agricultural holding has the opportunity to generate income for one to two months in a year. These are the months during which the agricultural produce is collected and sold in the market. On the other hand, the expense cash flow is stable in value and monthly during the business year. Every day and month of the year, the farmer incurs expenses ensuring the production of agricultural produce. The uneven income from activity in the agricultural holding and the uniform expenses determine the difficult management of the profit in the agricultural sector and the financial vulnerability of the agricultural holding;
- In agriculture, a relatively slower return on invested capital is observed compared to other types of economic activities, other things being equal. This phenomenon is again determined by the participation of living biological organisms in the production process. Under our natural and climatic conditions, in most cases (with the exception of some branches such as animal breeding and greenhouse production) in agriculture, one harvest is obtained per year. This determines the possibility for the farmer to organize and complete only one production cycle per year, i.e. invested funds can be returned in the best option once a year;
- Depending on the chosen specialization, there are branches of agriculture where the period of realization of the investment and the creation of productive biological assets is very long. An emblematic example is the walnut plantation. In the case of the degeneration of a walnut massif, the period of implementation of the investment can reach up to 10 years. During these years, the farmer only incurs expenses without having the opportunity to realize income, due to the fact that the walnut begins to bear fruit only after 7 years, and peak productivity reaches one after 10 years. In investment theory, this time interval required for the degeneration and exploitation of the biological asset (the walnut plantation) is called the "capital freezing period". The longer this period is, the more the investment's redemption period will increase. In the presented example, it can be seen that the income is closely dependent on the productivity of the

walnut plantation, i.e. in reality, the revenue curve follows the productivity curve of the biological asset and it has the shape of a "stretched bell";

- Due to the longer capital freeze period and significantly higher financial vulnerability, agricultural entrepreneurs are more conservative in terms of realizing their investment intentions, i.e. they refrain and hardly decide to resort to crediting their activity;
- In agriculture, the so-called "paradox in the agricultural sector" effect is observed. This paradox consists in the fact that under favorable natural and climatic conditions for the development of agriculture during the economic year, the market price of the agricultural product may collapse and lead to the risk of bankruptcies. This is due to the reaction of market forces to climate changes, namely surpluses begin to accumulate on the market, which can lead to a drop in the market price of agricultural production, given a relatively stable demand. Respectively, the opposite regularity is also present, namely, in unfavorable natural and climatic conditions for agriculture, the market price increases, other things being equal, due to the formation of a market deficit;
- Farms produce and sell products that are part of food commodities that have inelastic demand. This means that these products satisfy the basic needs of consumers and with a smooth increase in the market price, their consumption does not decrease;
- Due to the above-mentioned features and due to the fact that agriculture is a branch of strategic importance for the EU and our country, agricultural holdings in our country are intensively supported financially, namely through subsidies and financial support for their investment costs. This determines the possibility of these business structures being drivers of the regional development of rural areas in Bulgaria;
- In many rural areas in our country, agriculture is the only source of income and alternative employment for the population. This means that agriculture is extremely important for the development of social structures in these areas;
- Agriculture is an "open-ground plant" (Koprivlenski, 1999) i.e. agricultural holdings suffer systemic risks from the occurrence of adverse climatic phenomena, which threaten not only their physical integrity, but also lower their financial viability.
- Agriculture is still characterized by "unattractive working conditions" (Doichinova, Y, 2003). Despite digitization and innovations, the farmer still works under harsh working conditions, which is one of the main obstacles for the entry of the young generation of entrepreneurs. This factor also determines the relatively lower degree of inheritance of this type of business.
- Agriculture is one of the main industries that directly exerts increasing pressure on the environment. Agricultural holdings use more and more non-renewable natural resources, which poses great challenges to their future development. The latest trends in the EU economy and in the political ambitions of European politicians are pushing the European farmer to develop his farm using the principles of the circular bioeconomy. This means that farmers need to make additional costly investments in their farms to enable the transition from a linear production method to a circular one.

- In agriculture, there are productions that require "substantial investments in agricultural machinery and equipment that are not used daily in the production activity" (Lins, 1989). For example, such investments are needed in the purchase of combine harvesters and powerful multi-functional tractors, and in today's conditions, robotic technologies and drones, which require large initial investments in their ownership and in their operation in agriculture. These machines are not used monthly, but only a few days a month, which determines their lower workload. Some of them quickly become morally obsolete and depreciate when their production capabilities are not fully utilized;
- A characteristic feature of agriculture is that "with very narrow specialization of the agricultural holding, it achieves a high level of fixed costs in production." (Borisov, 2012). This is another of the big challenges farmers face in managing cash flow on their farms.
- Production requires large areas of land. Land as a factor of production is one of the "critical factors limiting the growth of agriculture" (Zhdanin, V. D., 2000) In recent years, thanks to generous subsidies in the industry, there are areas of Bulgaria where land is an extremely valuable and sought-after resource, which determines a high price for purchase or rent. Under these conditions, farms whose specialization is based on extensive production encounter difficulties in financing their activities.

All these specific features of agrarian business determine and require entrepreneurs in the sector to have good knowledge of financing the activity in the sector, as well as to be ready to quickly adapt the farm to all the requirements of the business environment, which is characterized as very complex, variable, with a high degree of turbulence. Agricultural financing needs to be aligned with the above factors, as financing organizations, if they want to successfully position their financial products, allow the farm to be resilient and adaptable to changes. In the table below, we have defined the main requirements for financial products that commercial banks need to consider when formulating and following their positioning strategy.

Table1. Specific features of the economy and requirements (factors) that commercial banks need to consider in their positioning strategies

Specific features of agriculture	Requirements for the offered financial product
Seasonality of production and revenue	Flexible loan repayment schemes, taking into account the seasonality of production
Stability of spending cash flow	
Harder profit management	
Slower ROI	Long financing grace period
Long period of capital freeze	
Clearly expressed conservatism for making investments	Attractive interest rates and offering additional value to the customer
A high risk accompanies the organization of business processes	
Sole source of income in rural areas	
Financially unstable structures	Flexible conditions for securing the granted financing
High initial investment costs, which are a barrier to entering the industry	
Fixed costs are high and take time to optimize	
Possibilities to subsidize production	Offering additional value to the customer in financing (e.g. consulting and assistance)

Source: Own.

Bearing in mind all these specific features of agricultural holdings, commercial banks need to distinguish the needs of farmers from those of other entrepreneurs if their positioning strategies are to be successful.

5. FINANCIAL PRODUCT POSITIONING STRATEGY – THEORETICAL ASPECTS AND PERCEPTION

The positioning strategy is considered as a comprehensive approach to managing the income from the sale of the financial products of the commercial banks in financing the needs of the agricultural holdings in our country. Therefore, we believe that the positioning strategy is a reliable tool for managing the sales of financial products, and it is important to understand how this tool of strategic management works.

According to (Borisov et al., 2009) "the term strategy has an ancient Greek origin and means the ability to organize military actions in such a way that the war is won. It is a system of scientific knowledge about the phenomena and regularities of war as a struggle. It appears to be the main constituent part of the art of war, and embraces the theory and practice of securing the military safety of the state."

"The modern interpretation of the word is borrowed from game theory, where it is defined as a plan of action in a specific situation, depending on the action of the opponent. In any game in which competitors are directly opposed to each other, victory usually goes to the one who can think, plan and play better than his opponent. Therefore, strategy is a way of thinking and planning leading to playing better than one's opponent in order to achieve victory." (Borisov et al., 2009)

The positioning strategy shows how "the management of the bank wants the buyers to perceive the given product" (Saravani et al., 2015). Choosing a positioning strategy is key to achieving sustainable market positions.

Position can be fundamental to the customer's perceptions and subsequent decisions. Also, after all the elements of the marketing program of the commercial bank can potentially affect the position, it is usually necessary to use a positioning strategy as a focus for developing a marketing program. A clear positioning strategy can ensure that the elements of the marketing program will be successfully implemented. Choosing a positioning concept is an important first step in a planned positioning strategy. Positioning strategy is "a combination of the actions of the commercial bank's marketing mix, which is expected to fulfill its task - to make buyers satisfied." (Mwaiwa et al., 2022)

Another group of researchers of the problem connects the positioning with the brand of the commercial bank. The positioning strategy is "***a type of marketing strategy that focuses on differentiating a brand from its competitors***. The purpose of positioning strategy is to influence consumer perception by effectively communicating the brand's competitive advantage (Devlin et al., 2018)."

Gul et al. (2021) point out "that in addition to investing to discover how their product/service can bring value, banks must clearly define their positioning strategy as well as the value

proposition of any solution. That is why effective positioning strategies take into account the bank's strengths and weaknesses, customer needs and competitors' claims".

Another part of the authors of scientific publications concerning the nature and strategic management of positioning indicate that this is the final stage of the commercial bank's marketing strategy. These researchers link segmentation and positioning into a common sales management process and approach. A vivid representative of this theory is Kotler, who once established "that segmentation, targeting and positioning are successive stages of a single process" (Laforet, 2010). Segmentation is the process of identifying "the potential users for a particular financial product or service, researching the most effective basis for describing the users, and developing a description of the segment(s) (Kotler & Keller, 2008; Hooley et al., 2008)". Then comes the targeting stage, which consists of "evaluating and selecting the most attractive segment(s) from the list of users or segment groups previously identified (Hooley et al., 2008)". Finally, with a clearly defined target market, positioning can proceed. "Positioning is the act of designing a commercial bank's offering and image so that segmentation and brand positioning can occupy a distinctive place in the minds of the target market (Kotler & Keller)". Successful positioning means that "the target market understands the brand values, uses the bank, buys the product or service it offers, primarily because of the brand values associated with it, and is loyal to that brand. (Laforet, 2010, Kotler & Keller, 2008). Ries & Trout (1982, cited in Hooley et al. 2008, p. 209) emphasize that "... positioning is what the bank seeks to manipulate in the mind of the potential customer".

Hooley et al. further add that the segmentation and positioning stages are "a mutually integrated process in which a manager must evaluate the positioning strategies of his competitors and compare them with that of his own company to decide whether the current positioning strategy is the most "the good one". Consumers make their choices based on comparison (Kapferer, 2001), therefore "it is important for a commercial bank to position itself in the market". A strong brand image could provide the basis for differentiation and positioning not only of the product (Aaker, 1991) but also of the entire bank (Fombrun, 1996).

The table below summarizes the main aspects of the definitions discussed so far for what constitutes a strategy for positioning financial products. On the basis of the studied definitions, the main inherent characteristics of the positioning strategy, as a subject of research, have been determined. A connection is made between the analyzed definitions and other theories, with a view to entering in depth about the semantic essence of the concept.

Table2. Essence of positioning strategy

Definitions	Immanent characteristic (function) of the positioning strategy	Relation of strategic positioning theory to other theories
A plan of action in a specific situation, depending on the action of the opponent	Matching function	The Art of War Theory
It shows how "the management of the bank wants the buyers to perceive the given product	Psychological insight; Customer perception	Psychology, behavioral theory
A key factor in achieving sustainable market positions.	A source of competitive advantage	The theory of competitiveness
A combination of the actions of the commercial bank's marketing mix, which is expected to fulfill its task - to make customers satisfied.	Part of the marketing mix	Marketing theory of management
A type of marketing strategy that focuses on differentiating a brand from its competitors	Distinguishing function	Marketing theory of management
Analysis of the bank's strengths and weaknesses, customer needs and competitors' claims	Comparison function; A tool for analyzing market positions	The theory of competitiveness
The final stage of the commercial bank's marketing strategy	Marketing implementation phase	Marketing theory of management
Segmentation, targeting and positioning are successive stages of a process	Sequential stage of a process	The theory of STP-marketing
Positioning is the act of designing the offering and image of the commercial bank so that the segmentation and positioning of the brand occupy a distinctive place in the mind of the target market	A creative process to create an image in the user's mind	Branding theory (branding)
Positioning is what the bank seeks to manipulate in the mind of the potential customer	A tool for psychological impact	Psychology, behavioral theory

Source: Own.

All the considered definitions, as well as the determined characteristics of the positioning strategy, give us the reason to summarize and give our interpretation of the understanding of what the concept of "strategy for positioning financial products" is, namely:

- ***The strategy of positioning financial products by commercial banks can be defined as a way, a way, even an art, of the marketing managers working in them to create financial value or to exploit value already so created in a way that enables them to satisfy the needs of customers, and through this process to create sustainable competitive positions in the market.***

CONCLUSIONS

As a result of the theoretical analysis, the following conclusions and generalizations can be made regarding the conceptual apparatus that will be used in the compilation of the methodology of the dissertation research, and in the interpretation of the data obtained from the conducted survey:

- All these definitions allow us to summarize that, in fact, positioning is the process of formulating and creating an image of a product so that it takes a permanent place in the

minds of customers. Customers define the product as extremely special and vital, and cannot imagine the alternative of not being able to consume it.

- Differentiation is a fundamental approach to creating a positioning strategy. It is the basis of the process and represents an approach to distinguish the financial product of the commercial bank from those of the competition. This approach is a process of identifying the appropriate points of commonality and differentiation of the financial products offered by commercial banks. These points of similarity are actually associations that consumers perceive as significant to assign a product to a particular product category. Points of differentiation represent positive evaluations and attitudes that customers cannot find in the same way with competing products in the same product category

From all the considered definitions of the essence of finance and the financial product, it can be summarized that this "economic category" is multi-layered. A financial product from the point of view of market supply is an instrument for providing a monetary resource to those who seek one in the market. From the point of view of demand, the financial product is a value and/or an opportunity to attract money for the implementation of a certain consumer alternative. Based on the theory of marketing, we can summarize and provide the following definition of the financial product: it is a value that gives a precisely defined utility to the consumer who wishes to satisfy his need for a financial resource. Agricultural financing needs to be aligned with the above factors, as financing organizations, if they want to successfully position their financial products, allow the farm to be resilient and adaptable to changes.

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OPPORTUNITIES FOR ASSESSING THE TERRITORIAL POTENTIAL OF RURAL AREAS THROUGH THE LENS OF REGIONAL DEVELOPMENT POLICY

ABSTRACT

This article addresses the need for implementing regional development policies in rural areas. The focus is on the need for targeted support in implementing new types of policies that can bring rural areas to the forefront as stable development zones and attract new populations as well as make sense of local human capital development. The presentation shows the problems of regionalism in Europe, which is most serious and visible in rural areas, presenting the author's views on modeling the spatial organization of rural life, quality of life and spatial planning problems. Given the focus on rural areas, relevant conclusions and recommendations are drawn on the need to implement innovative policies in line with the penetration of information technology and the promotion of technological renewal in the regional economy and local business development.

KEYWORDS: Rural regions, Development, Territory, Business, Local, Areal

JEL: R10, R58, J18, L38, O18

INTRODUCTION

The potential of rural areas within countries has so far been based on the philosophy of regional development policy, which has been one of the most important and complex policies of the European Union over the last 20 years. Thus, the role of this policy impacts on the regions by imposing measures and activities in line with its objective of reducing the existing economic and social disparities between the different regions of Europe. It acts on significant areas of development, such as economic growth and the Small and Medium Enterprise (SME) sector, transport, agriculture, urban development, environmental protection, employment and vocational training, education, gender equality, etc. Conceived as a policy of solidarity at European level, regional policy is mainly based on financial solidarity, or on the redistribution of part of the Community budget achieved through Member States' contributions to less prosperous regions and social groups. In fact, regional development policy can be said to have a strong instrumental character, contributing through its solidarity funds (Cohesion Fund, Structural Funds, Solidarity Fund) to the financing of other sectoral policies – such as agricultural policy, social policy, environmental policy. In addition, regional policy is linked to the enlargement policy of the European Union, through the creation of the special pre-accession

funds PHARE (fund to support economic reconstruction), ISPA (structural policy instrument, which precedes the Cohesion Fund) and SAPARD (programme specifically for agriculture), to which the acceding countries have access and through which their transition to the standards and organisational structures of the European Union (EU) is supported. The comprehensive nature of regional development policy is also underlined by the way it integrates three of the EU's priority objectives: economic and social cohesion, extending the subsidiarity principle and sustainable development. Thus, economic and social cohesion is not only present at the level of the objectives of the Structural Funds, but its importance is reflected in the creation of a fund of the same name (the Cohesion Fund), which is helping to accelerate the process of convergence and to reach the EU's average level of development, in four less developed Member States such as Spain, Portugal, Greece and Ireland. The principle of subsidiarity, which represents an increased degree of involvement of Member States in the design and implementation of Community policies, is also present at the level of other policies. In the present context, this principle is applicable to the negotiation of EU funding by each individual country (depending on national and regional priorities), as well as to the responsibility of the latter in the implementation, monitoring and evaluation of programmes established by mutual agreement. Bulgaria is divided administratively and territorially into 28 districts and 265 municipalities, in which there are 3 159 town halls, according to the National Statistical Institute (NSI) as of 31 December 2022. Thus, regional development policy is present as a priority in all Bulgarian municipalities through the European solidarity programmes, especially through the emphasis on the development of rural areas and their pulling development. However, it is not only Europe that is in a poor state of rural areas; similar problems exist in other parts of the world, which once again underlines the complex nature of regional development policy and the promotion of rural development. Rural areas are areas with sparse settlements, without an important town or municipality. A rural region refers to certain forms of landscape and land use in which agriculture and natural areas play an important role. Rural areas are increasingly diverse in terms of their economic base (Petrov, 2021). Although agriculture still plays an important role in many rural areas, new sources of income have emerged, such as agro-tourism, small-scale manufacturing activities, housing economy, renewable energy production, etc. In practice, without intending to enter into the polemics related to the model of internal organisation of rural areas that Bulgaria needs to improve, the study offers a complementary perspective on this process, shifting the focus of the discussion to the topic of rural areas and the need for their development (Bazini, 2008). The paper does not provide answers or present alternative scenarios, but focuses on highlighting relevant aspects of the process of optimising possible regional development policies. We assume that rural settlements represent a possible environment for conducting socio-economic activity and improving the well-being of the population. The focus of this perspective is the definition of the central element from which the process of improving the territorial organization should start (Tzonkov & Petrov, 2024) It aims to provide a sustainable basis for local rural development processes by finding the right regional development policies.

1. ON REGIONAL DEVELOPMENT AND REGIONALISATION PROCESSES IN EUROPE

Regional development is a complex process that supports each territory in creating its future on the basis of its own territorial capital and therefore participates in reducing the disparities between different regions. In recent years, we have witnessed, on the one hand, the manifestation of great concern about the role played by the European Union in the economic and social growth of the countries that have newly entered the European area, and, on the other hand, a focus on finding new ways of speeding up the absorption of European funds that lead to an offset in the growth rates of the Member States. Regionalisation implies a top-down approach; it involves other objectives and other means of implementation than those of regionalism (Petrov, 2004). As a response to the regionalist movement, the state can recognise a regional identity - the region is perceived as a territory considered homogeneous by the state and can take the necessary measures for the regions. To participate in the running of their own businesses (Jovanović, 2012). The starting point of regionalisation is regional imbalances, or rather their awareness is followed by the intervention of national governmental structures or supranational entities whose aim is to decentralise or deconcentrate at regional level some activities or competences that were previously at central level. In this case, we are dealing with administrative acts that are an expression of central political will in relation to local/international structures. Another way of linking these two concepts is to assume that region has 2 main meanings: functional (regionalisation) and identity (regionalism). Regionalisation and regionalism are concepts that describe two regional movements between which there is an inevitable interaction. The needs of regions are responded to through state policy, which in turn has an impact on regional sensibilities and elicits responses from the region. Trying to prove that tensions can arise between the two movements, in the 1980s it was expertly accepted that regionalization does not always meet the requirements of regionalism the main movements included in regional development models, this gives us reason to highlight the following features of the regionalization process:

- a. Regional movements - there have been such movements since the 1960s/70s, but in the 1980s there was a shift, their separatist character was softened in favour of a "civic regionalism" that demanded changes and reforms based on cultural identity and local solidarity.
- b. Regional parties - the regional represents an important element of the pattern of cleavage, which is defined as the centre-periphery relationship, but in turn generates conflicts and tensions, respectively structuring social representations and the political process.
- c. Regional/cultural autonomy - many regional movements in Europe during the 20th century had an ethnic dimension; this interpretation sometimes overshadows any other interpretation.
- d. Reduction of the role of the state - crisis of the state e) Regional civic network - is constituted in the process of implementation of regional policies. It should be noted that there has been an evolution in the nature of regionalism at European level.

It is evident from the prevailing processes that the subjects of power would have a hard time establishing themselves outside the cohort of support in the regions. Thus, it can be assumed that a critical movement at the level of the region can become a normalized and institutionalized activity. Thus the term 'pacified regionalism' is used. Since the 1990s, a new type of regionalism has come to the fore, shaped in part by the phenomenon of globalisation; it is characterised by the emergence of new regions, sometimes supranational, which are not the result of organic development and for which new institutions are being created. In this direction, it is important to focus attention on the most deprived areas and territories where a targeted regional development policy is needed (Bogan, 2012). Thus, the focus on regional problems naturally shifts to rural areas. In this context, alternative measures are needed to develop the rural economy; the problems arising in the rural environment, as well as development initiatives, must be addressed in an integrated manner. The diversification of rural activities, the creation of new jobs in the rural environment, the sustainable development of agriculture, as well as investment in infrastructure and services, the promotion of civic participation, but also raising awareness of the potential of this sector are just so many measures that need to be considered with a view to the development of the rural environment (Chirwa & Odhiambo, 2018).

2. THE SPATIAL ORGANISATION OF RURAL LIFE

Among the causes of rural life, we can mention those of historical order (the retreat of human communities to areas inaccessible to invaders), of secular-religious order (preservation of folk traditions and beliefs) or those of economic order, linked to the low standard of living of certain social categories (rural migration). Approaching a classification according to the prevailing landforms, we can characterise the types of rural settlements and specific activities as follows:

- Rural concentrations - characterized by villages of a collected type, with economic functions, representing grain-agricultural character and horticultural - viticultural;
- agricultural settlements with a semi-mountainous character - characterized by scattered villages, on one side and the other of the roads, with gardens and orchards, vineyards among the groups of houses. As an economic function, tree-growing and animal husbandry are emphasised. At the same time, the presence of more sophisticated economic activities, such as those related to primary to upper wood processing, manufacturing, and in places even mining, is noted;
- Mountain clustered and scattered settlements - characterised by scattered villages in the mountains, with isolated households or small groups of houses, many of which are not connected to utilities: but have the ability to access drinking water, electricity and constructed roads.

In this direction, we can assume that the state of the physical infrastructure of transport and utilities in the rural environment is unstable, as it is both physically and morally obsolete. Moreover, there are many rural settlements where one can hardly speak of the existence of infrastructure. Taking into account the fact that infrastructure is the foundation on which economic activities are built, we can conclude that investment in infrastructure is a priority for correcting imbalances and boosting the sustainable development of the region (Krasteva, 2024). In this sense, rural access to the Rural Development Programme has the possibility to provide

measures and funding for the rehabilitation of rural infrastructure, and increasing and diversifying the collection and processing capacity of existing agricultural, vegetable and livestock production will prove very useful. The main problem leading to the stagnation of rural economic development in the region is not these specific features of the rural economy, but the poor state of infrastructure and in some places even the lack of it. This fact has some immediate implications with a crucial role for rural socio-economic development, namely:

- inability to attract investors;
- the impossibility of improving the existing natural wealth and heritage settlements through the development of certain activity sectors such as rural tourism;
- reducing the quality of life. All this ultimately leads to stagnation of economic development in rural areas and to the emergence of areas with specific socio-economic problems.

Utility infrastructure is also inadequate. Most of the settlements in the mountainous region are not connected to the electricity grid, the drinking water network or the heat distribution network, especially due to the difficulty in carrying out these activities, the high costs involved and the abandoned households. In addition, many of these mountain villages lack telecommunications infrastructure (Kopeva et al., 2010). Existing statistics on utility infrastructure (water supply, sanitation, gas supply) in rural areas are inconclusive due to inconsistencies in the administrative structures of the settlements mentioned in the statistics.

3. TERRITORIAL FEATURES OF RURAL AREAS AND THE REGIONALISATION PROCESS

The classification of localities and regions as rural and peri-urban can be made on the basis of characteristics in terms of natural space, population density and level of socio-economic development. Thus, two dominant approaches emerge: the geographical perspective, which emphasises the coordinates of the territory, and the social perspective, which gives a central role to the social and economic characteristics of the population living in an area. Exclusively geographical approaches, in which the definition of rurality is made by reference to the characteristics of the territory, present obvious limits in the social science landscape. On the other hand, the model of defining the residential status of settlements on the basis of population density, which is a widespread practice in Western Europe, is highly relativized to the reality of countries with authoritarian rule in the past (in some cases even to the situations recorded in countries with developed economies but which have a small population in relation to their area). The population of the country at the end of last year was 5 256. There were 257 towns, 4 999 villages and 165 urban entities - 8 of national and 157 of local importance. In this direction, it is important to have opportunities for territorial cohesion, which is an expression of the balanced, coherent and harmonious development of the territory in terms of economic and social activities, facilities, accessibility and quality of the environment, the existence of fair living and working conditions for all citizens. Territorial cohesion policy must aim to reduce the disparities in development between geographical regions, between urban and rural areas, between the centre and the periphery, and to prevent territorial disparities from increasing.

We can assume that the contemporary difficulties of juxtaposing rural and urban development come from the significant changes that both environments register, but also from their heterogeneous nature. On this basis, we can identify two main strands in the definition of human capital (housing status) and its importance for local regional development. Here, in geo-economic terms, we obviously have to distinguish between geography and social sciences. It is essential to create acceptable living conditions in the rural environment in terms of all economic, social, cultural and environmental aspects, as well as infrastructure and facilities, making a distinction between underdeveloped and peripheral rural regions and those located near large conurbations (Mishev et al., 2019). A balanced urban structure requires the systematic implementation of land use plans and the application of guidelines for the development of economic activities for the benefit of the living conditions of urban dwellers. These need to be viewed through the lens of the coordinates of the territory with an emphasis on the characteristics of the population and localities by delineating the intensity of economic development. Next, in the case of social science definitions, a further level of differentiation can be identified. By the end of 2022, 142 out of all 265 municipalities have a population below 10,000, with their inhabitants representing 11.9% of the total population in the country. The least populated municipality in the country is Treklyano (Kyustendil district) with only 470 inhabitants, followed by Boynitsa municipality (Vidin district) with a population of 740. The average area of a municipality in Bulgaria is 419 square kilometres. The largest municipality in the country is Sliven. In addition, there are 7 municipalities with an area of more than 1 000 sq. km - Stolichna, Dobrich-Rural, Tundzha (Yambol district), Samokov (Sofia district), Sredets (Burgas district), Stara Zagora and Karlovo (Plovdiv district). Through a qualitative assessment of geodemographic characteristics (population size, density) vs. socio-economic characteristics (economic activities, occupation of the population or utilities and public services), an analysis is made of the territorial location of the settlements and their potential for regional development and effective territorial management. Thus, providing a conceptual definition of what constitutes a settlement includes, which has its own characteristics. In this direction, in urbanised areas we have an increasing intensity of urban activity, and in individual rural and rural areas we have a high degree of retardation of innovative development (Madzharova et al., 2011).

This relativity of innovation penetration in agriculture means that we cannot talk about the rural environment or the rural population as a whole, but only in relation to a clearly defined societal framework, because the population in the twenty-first century has a changed value system and pattern of behaviour. Obviously, the importance of the countryside in developed countries cannot be compared with what the countryside represents in developing countries. By the relevant international standards, for example, in Southeastern Europe in Bulgaria, Romania and Greece shows that the population rests on other patterns.

Table 1. Population share according to the OECD methodology and that suggested by the EUROSTAT methodology

Country	Methodology of the CEBS			Eurostat Methodology			The difference between Eurostat and OECD for the predominantly rural type
	Rural	Intermediate	City	Rural	Intermediate	City	
Bulgaria	23,7	61,4	14,9	40,4	44,7	14,9	16,7
Romania	52,3	39,2	8,5	46,2	43,9	9,9	- 6,1
Greece	37,4	26,9	35,7	44,2	10,3	45,5	6,8
Slovakia	25,5	61,3	11,4	50,3	38,3	11,4	24,8

Source: NSI and Eurostat

The data underlying the analyses contained in this paper are provided by official statistics from institutions such as Eurostat and the OECD. A decrease in the share of the population living in predominantly rural areas has been recorded in Bulgaria and Greece, while an increase has been recorded in Romania and Slovakia (Table 2). Thus, the differences between the application of these two models show significantly different results. Thus, on this basis, both the way in which regional data are statistically reported and the importance of the urban-rural distinction point to the need to derive an indicator of 'territorial stability' that is a composite of the use of criteria such as population density, level of development, permeability of infrastructure and others, so as to be able to see the opportunities for the territorial potential of rural regions. In addition to these, published studies and reports on related topics are used to build the explanatory framework and to illustrate different forms of rural administrative organisation. Thus, through the adopted theoretical and methodological framework, we can accept this expert assessment of the way of territorial organization of the countryside, its forms and trends of change in it on the methodological basis. The reporting method adopted by Eurostat is based on the use of population cells (population grid) and involves a regression to a regional classification model that overcomes the problems associated with too great a variety of LAU 2 and NUTS 3 units, but the central element that determines the classification of the resulting cells as urban or rural is represented in the continuation of population density, the main methodological difference compared to the OECD model is related to the replacement of LAU 2 units by population cells from the centre of the n At a specific level, the Eurostat methodology involves going through three stages. The first stage is the definition of 'urban grid cells', which are created with a minimum population density of 300 inhabitants/km² and a total population of at least 5000 inhabitants. All cells outside these groups are considered rural. The second group is formed by analysing all NUTS level 3 regions with an area below the 500 km² threshold grouped with one of the neighbouring regions. In this direction, NUTS 3 regions are classified on the basis of the share of the population registered in the rural cells of the grid into three categories: predominantly rural regions (more than 50% of the population in this type of cell), intermediate regions (between 20% and 50% of the population), predominantly urban regions (less than 20% of the population)" (Eurostat, 2021). Based on this, Eurostat defines rural populations as

representing location-specific communities residing in cells ("grids") that do not meet the conditions of density and a general community with a certain density of location. Using this method, it follows that 32% of the EU population lives in rural areas, which represents a significant increase compared to the data obtained from the application of the methodology for the estimation and analysis of individual territorial units. It is therefore necessary to work towards improving the socio-economic development of rural areas and strengthening them (Stoyanova, Z. D. 2022). It is necessary to work on improving the social status and equal opportunities in rural areas of the regions. There is a need for a change in the concept of rural lifestyles and a new focus of attention that governments should focus their regional development policies. Thus, in rural areas women continue to be seen only as the bearer of the heirs of the family, the one who gives birth and takes care of their upbringing, without being given a real chance to make a career, to establish herself as an active factor with a decisive role in rural development (Patarchanov, P.2009) As the statistics at regional level do not address this topic, we will take as an example, to demonstrate the statements made, the representation of women at local administration level. For example, in the North East Planning Region, women representation at the village level in the rural local governments in the 2019-2023 electoral period is only 8.23%. With the 2023 local government elections, there are positive trends with the trends increasing to 20%. In addition, policies promoted at the national, regional and local levels regarding rural development support the importance of rural reconstruction by promoting active citizen participation in solving the problems of these territories as a modern tool that can create a path to development. The development of citizen participation is an element that can directly contribute to the development of rural communities. This approach can provide the basis for the future development of the NGO sector by synthesising the main opportunities for the development of a range of civic initiatives to enhance the attractiveness of rural areas. As for the problems associated with the current state of rural areas, these are in the direction of a lack of a coherent vision for rural development in the long term, very little work on infrastructure and business development facilities and a rebuke to the efficiency of the public sector. There is a slowdown in investment in rural areas and insufficient promotion of the areas. However, rural areas have the opportunity and potential for development, but this development must be based on a correct model of territorial management and inspiring the local economic potential of the population.

CONCLUSION

The undertaking of territorial and administrative reform has been one of the main topics of public and scientific debate these years. The political debate has focused on some specific questions such as: how many regions should the nation-state have, which cities should be the centres of these regions or what institutions should be created. From this point of view, this paper presents a new perspective on the regionalisation process. Achieving targeted support of rural areas must have an operational, integrative, normative activity whose main objective is to stimulate the complex evolution of settlements, through the implementation of short, medium and long-term development strategies, which aims to establish the guidelines for the spatial development of urban and rural settlements, in accordance with their potential and aspirations inhabitants and which includes all the settlements of the country, organized in a network, based

on their ranking and balanced distribution. The results of current rural policies is not serious, but to analyze the theoretical and empirical foundations of the current rural system. There are more than 200 rural municipalities in Bulgaria, but only a few of them have the financial strength to sustain development policies on their own. The majority of municipalities depend on public funds. On the one hand, the most developed rural areas, located preferentially in the peripheral areas of important urban centres, have important competitive advantages relying on the size of the population and the specificity of economic activities. On the other hand, municipalities in poor areas have significant deficits in utilities and infrastructure caused by a lack of financial resources. Consequently, the coordinates of local budget revenues and expenditures represent a major determinant in the development process of municipalities. This paper argues that a serious analysis of the regionalization process must take into account the reform of the current rural administrative system.

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METHODOLOGY FOR COMBATING ENERGY POVERTY IN BULGARIA AND THE EUROPEAN UNION

ABSTRACT

Energy poverty remains a pressing challenge for the European Union, particularly in Eastern European countries like Bulgaria. This article aims to propose a comprehensive methodology for combating energy poverty by integrating policy analysis, empirical findings, and actionable recommendations. Key methods include an examination of institutional approaches, quantitative survey analysis, and a critical evaluation of existing policy frameworks. The findings reveal systemic inefficiencies and propose targeted interventions, including enhanced public awareness campaigns and the adoption of innovative technologies. This study contributes to understanding and addressing energy poverty in the transition to a sustainable and carbon-neutral economy. (Bouzarovski, 2018).

KEYWORDS: Methodology, Energy poverty, Bulgaria, EU, Policy frameworks

JEL: I32, K32, B41

INTRODUCTION

Energy poverty, defined as the inability of households to afford basic energy services, such as heating, cooling, and lighting, is a multidimensional issue with economic, social, and environmental implications. (Boardman, 1991). In Bulgaria and other Eastern European nations, the prevalence of energy poverty has been exacerbated by rising energy costs, inadequate infrastructure, and socio-economic disparities. This study seeks to address this issue by proposing a methodology that leverages both empirical research and policy interventions to mitigate energy poverty. Objectives include analyzing institutional readiness, understanding consumer perceptions, and providing actionable recommendations.

1. LITERATURE REVIEW

Research on energy poverty spans various disciplines, focusing on its causes, impacts, and solutions. Boardman (1991) first introduced the concept as "fuel poverty," emphasizing the disproportionate share of income spent on energy. Subsequent studies, such as those by Bouzarovski (2018) and Peneva (2021), have highlighted the need for targeted interventions in

Eastern Europe. Despite numerous EU initiatives, including the "Clean Energy for All Europeans" package, gaps persist in addressing the root causes of energy poverty. (European Commission, 2019)

Key Themes:

Economic Factors: Rising energy costs and low household incomes.

Infrastructure Challenges: Inefficient housing and outdated energy systems.

Policy Responses: EU directives and national action plans, including the NECP framework. (Peneva, 2021)

2. METHODOLOGY

Research Aims and Objectives:

To evaluate the effectiveness of current policies in mitigating energy poverty.

To identify key barriers to implementation.

To propose actionable solutions.

Survey Design:

A 20-question survey distributed to representatives of the Energy and Water Regulation Commission and the general public.

Focus areas include income levels, perceptions of energy poverty, and readiness for behavioral change.

Sampling and Representativeness:

While non-representative, the survey employed neutral language and comprehensive response options to ensure credibility.

Data Analysis:

Quantitative methods were used to identify trends and discrepancies in responses.

3. DEFINITION, NATURE AND CHARACTERISTICS OF ENERGY POVERTY IN BULGARIA AND THE EUROPEAN UNION

• Concept of energy poverty

In Europe, it is estimated that more than 30 million people live in energy poverty. The persistent problem of the most disadvantaged households in Europe is the disproportionality of the effects of the phenomenon. Although there is no single definition of the phrase "energy poverty", it often refers to situations where households spend too much money on energy or cannot afford to meet their basic energy needs. Early studies of energy poverty in the EU focused heavily on defining the problem, which until recently was better known under the term 'fuel poverty' rather than 'energy poverty'.

The definitions of energy poverty that exist can generally be divided into two types – focusing on the grossly disproportionate share of family income spent on energy and on families that do not spend enough energy. However, these broad categories provide only a very narrow understanding of a topic that actually encompasses many different dynamics, including economic, social, behavioral, political, geographic, and temporal. As a specific example, it is usually not taken into account that energy poverty also exists in summer, which affects existing energy poverty data and measurements.

Energy poverty has a variety of root causes, including low income, low levels of housing and inefficient equipment. Macroeconomic development, household final energy consumption, availability of different energy sources, energy pricing, housing efficiency and climate are other major factors contributing to energy poverty. Although the problem is widespread across Europe, energy poverty levels are higher in Southern and Central and Eastern European countries.

Energy poverty first appeared in EU legislation in 2009 as part of the 3rd Energy Package. Since then, the problem of energy poverty has grown in the EU, the Clean Energy for All Europeans package (proposed in 2016, adopted in 2019) has made energy poverty a key concept of EU legislation and a policy focus. In addition, Clean Energy for All Europeans introduces the NECP, a 10-year plan for how Member States align their climate and energy targets. The NECP requires member states to estimate the number of households living in energy poverty and outline adequate measures to address the problem. Nevertheless, EPOV's evaluation of these plans has shown that the majority of EU countries still do not have a specific definition of energy poverty and fail to present targets and measures to tackle the problem and the resources available for it. Therefore, despite the urgency of the topic, many of the Member States in their strategies outlined in 2020 do not yet have a targeted one to tackle energy poverty.

4. INCREASING THE AWARENESS OF THE POPULATION AS THE FIRST KEY METHOD TO COMBAT ENERGY POVERTY

• Need to increase the awareness of the population on environmental protection issues

The quality and integrity of the environment can be preserved through public awareness. A rapidly degrading environment is the greatest threat to the existence of human beings – the loss of valuable natural resources and pollution lead to harmful effects as well as abiotic stress on flora and fauna. Public awareness is one of the main principles in environmental management and includes:

- developing sensitivity and awareness to environmental problems;
- planting and learning the strict need to protect natural resources and the environment;
- promoting the active participation of people in the protection and development of the environment;
- development of expertise for actively identifying and finding solutions to environmental problems;

- assessment of socio-economic, ecological and aesthetic aspects and impacts of various environmental programs initiated to improve the state of the environment.

It is very important to inform the public about the deadly consequences of environmental degradation as its continuation would lead to mass extinction of life if left unattended and reformative measures not taken. People are facing a number of environmental challenges that need to be addressed rigorously for sustainable growth and development – an environmental approach needs to be followed by every nation to make people aware of the threats posed in the name of industrialization and development. The world's natural resources are limited, and humans depend on natural ecosystems for the products derived from forests, grasslands, oceans, and agriculture and livestock, as well as water, air, soil, minerals, oil, etc., which are an indispensable part of the systems for maintaining the standard as it is known today. However, life itself would be impossible without healthy nature, and population growth puts pressure on these limited natural resources – the Earth cannot sustain the ever-increasing demand for resources. Besides, their misuse is the other factor contributing to the deterioration of the environment. Waste and water pollution, generation of non-biodegradable materials such as plastic, non-recyclable electronic waste, nuclear waste are other serious threats. Manufacturing processes generate solid waste, chemicals and gases that pollute the environment. The alarming increase in waste generation cannot be managed by natural processes, as the majority of synthetic waste is non-biodegradable. They continue to accumulate in the environment, leading to various diseases and other adverse environmental effects that seriously affect people's lives. Air pollution leads to chronic respiratory diseases, water pollution to gastrointestinal diseases, and many toxic pollutants are known to cause cancer. This alarming situation can only be resolved through initiatives taken by every citizen on a daily basis to conserve natural resources. Neither governments alone can manage and protect the environment, nor can a group of environmentalists prevent environmental degradation – awareness can only be done to create self-responsibility. Efforts at the individual level can therefore lead to sustainable development.

Depletion of natural resources and environmental degradation necessitate an action plan for environmental protection. Climate change, biodiversity loss, ozone depletion and illegal trade in endangered species, habitat destruction, land degradation, groundwater depletion, invasive species, environmental pollution, solid waste and sewage disposal are serious threats for forests, marine, freshwater and other terrestrial ecosystems. Ignorance and lack of concern about environmental problems are obstacles to environmental management – governments alone cannot deal with all problems without public support. Every person should be an integral part of the campaign to prevent environmental degradation because it is the citizens themselves who can reap the benefits of a clean environment. Reducing the waste of natural resources and staying alert to the sources that lead to pollution and environmental degradation will enable us to push government action to protect the environment. This is possible only through mass public awareness. The press, radio and television have a strong influence on public opinion. Media, including social media, contribute to public efforts and force politicians to respond positively to a strong social movement. NGOs and small aid groups are constantly working to sensitize people to the environment. The various green policies created by governments are the result of public efforts. Increasing the sensitivity of society to environmental problems and challenges initiates the development of skills and expertise in individuals, leading to appropriate solutions to environmental problems. The idea of development without destroying the environment can

only be realized through public awareness. The public can play an important role in creating laws and enforcing them.

5. RATIONALE OF THE STUDY

• Need to conduct empirical research

The fact is that, to a very large extent, the deepening of energy poverty is the result of the ambition of EU politicians to make the Union a global environmental leader - but the price for this must obviously be paid by vulnerable consumers and less developed economic countries. Conducting the empirical research will help to understand to what extent the institutions (in this case, the Commission for Energy and Water Regulation) and their representatives correctly assess the situation with energy poverty in Bulgaria and to what extent citizens have the understanding and willingness to change their consumption habits; how and under what conditions to make this happen. The aim of the empirical research is to see the similarities and differences in the perceptions of the representatives of the institutions as professionals in the field of energy and ordinary users on the issues of energy poverty and the mechanisms for solving this problem, or at least limiting its aggravation.

• Choice of methods

For the purposes of the empirical study, a questionnaire of 20 closed questions was developed, the same for the representatives of the Commission for Energy and Water Regulation and for the citizens. A major argument in favor of the decision to make the surveys identical is the fact that the dissertation examines the similarities and differences in the attitudes and views of professionals and consumers – this is most easily done when the measurement instrument is identical.

• Sampling, reliability and representativeness

The study does not claim to be representative – the sample size is grossly insufficient to be so. The construction of the survey and the considerations set out in the previous point regarding the choice of method work in favor of its credibility. The questions are asked as neutrally as possible, so that their wording does not lead to a certain answer, and the options are as comprehensive as possible and cover the entire spectrum of possibilities. Thus, the empirical study can be considered credible.

• Presentation of the results of the empirical study. Comment and analysis of the results

111 people participated in the study.

- the size of the respondents' average monthly income: 25.9% do not answer, 29.6% 2001-2500 BGN, 44.4% 1500-2001 BGN
- whether, according to experts, the situation with energy poverty in our country is improving or worsening: 13.0% can not decide, 9.3% partly yes, 14.8% partly no, 63.0% definitely no

- the following questions explore the reasons why the respondents believe that the situation is getting worse or better, respectively: 22.2% does not change, 66.7% it gets worse, 11.1% can not decide

• **Approbation of the methodology and recommendations for improving the energy poverty situation based on the results of the empirical study**

It is clear from the answers that the methodology is not applicable in Bulgarian conditions. First of all, the reason for this is the neglect that the institutions demonstrate regarding the need to focus on informing the population. It is clear that consumers are negative about having to change their habits under pressure, without clarity on exactly what needs to happen, how long it will take and what it will cost them financially.

Findings and Discussion:

Challenges Identified:

Institutional Neglect: Limited focus on consumer education and engagement.

Financial Burdens: Rising costs disproportionately affect low-income households.

Technological Barriers: Limited adoption of energy-efficient technologies.

Survey Highlights:

Income Distribution: 44.4% of respondents reported monthly incomes between 1500–2001 BGN.

Perception Trends: 63% of experts believe energy poverty is worsening, citing policy gaps and insufficient resources.

Public Awareness: 66.7% identified a lack of clarity and communication as critical barriers.

Proposed Solutions:

Policy Enhancements: Alignment with EU standards and targeted subsidies for vulnerable households.

Technological Integration: Adoption of smart energy systems and renewable energy sources.

Educational Campaigns: Nationwide initiatives to inform the public about energy-saving practices and available resources.

Case Study:

Sofia Municipal Energy Efficiency Program:

Outcome: Reduced energy consumption by 20% within two years through targeted investments in housing insulation and public awareness campaigns. (Integrated Plan in the Field of Energy and Climate, 2020)

Lessons Learned: Importance of stakeholder engagement and clear communication strategies.

6. GENERAL FINDINGS AND CONCLUSION

International organizations and government agencies are deeply concerned about addressing energy issues as a pillar for achieving major development goals. In light of this consideration, the United Nations has set affordable, reliable, sustainable and modern energy for all as a goal for the implementation of the 2030 Agenda. The European Pillar of Social Rights affirms that energy is an essential resource that every household must obtain. Energy poverty is therefore a major issue in civil society and a priority that forms the ladder of numerous initiatives and policy implications set by the European Commission and its stakeholders. In addition, the energy sector is undergoing rapid changes and challenges, driven by global concerns about climate change, changes in energy prices, social welfare and sustainable development goals.

Understanding energy poverty requires a consistent and valid definition, which is inherently misleading and ambiguous. The imprecise definition of the term makes it difficult for the academic community and policy makers to identify households at risk of energy poverty. Both energy poverty and poverty are vague concepts, i.e. the former explains the energy-related aspect of the latter. Nevertheless, a commonly accepted definition of energy poverty is related to inadequate access to energy services; namely, energy poor are people/households who cannot afford basic needs in their homes, such as cooking, heating, cooling and lighting. Energy poverty is a multidimensional concept that is covered by different aspects. The European Commission claims that there is no single definition of energy poverty, although it accepts that it is expressed by the inability to keep homes sufficiently warm. Energy poverty is associated with low incomes, high energy prices and energy inefficiencies that are technically related to infrastructure. This question reflects the economic and social conditions within the economies, i.e. it illustrates various aspects of poverty and welfare that are attributed to the distribution of energy. To this end, the concept is examined from two perspectives, that is, through a micro-study and a macro-perspective. Primary indicators are designed to capture energy poverty in terms of disposable income and expenditure on energy services, while secondary indicators reflect many dimensions, i.e. indicators that reflect energy prices, housing infrastructure, characteristics of the building stock and poverty levels.

From another perspective, access to energy services is the ability that an individual acquires in terms of social integration. This stems from the fact that the distribution of energy within households is uneven, suggesting that energy poverty can increase inequalities and threaten individual well-being and health conditions. More specifically, the inability to meet daily needs, e.g. cooking, cooling, heating and lighting, is evident in several households in different economies. Approximately 8% of the European population is unable to keep their home warm enough in 2020, while there are large differences between EU member states. Households' difficulties in meeting basic human needs create barriers that burden well-being and human development.

As a result, the EC is concerned with tackling energy poverty and is adopting long-term schemes and initiatives to mitigate energy, social and economic disparities. The global financial recession of 2008 and the outbreak of the health crisis of 2019 have had a deep and lasting impact on social and economic inequalities between EU countries. In recent years, European policy measures against poverty and income inequality have been based on promoting convergence to a minimum steady state. However, the understanding of the differences in the

economic and social sectors followed by the above-mentioned questions is ambiguous. More precisely, the real benefits of political measures and initiatives vary in individual member states, despite the formation of a single economic space. From a holistic perspective, it is important to understand how energy disparities and wider socio-economic inequalities are interconnected, through the lens of differences in energy poverty outcomes.

The share of heating service costs in the final expenditure of households in the EU is high and as a result puts vulnerable consumers at risk. Consumer vulnerability, energy poverty and interruptions are among the main challenges facing European member states. Energy is a major source for heating and cooling services given the diverse climate in the EU.

RECOMMENDATIONS:

Strengthening Institutional Capacity: Establishing dedicated units within national and local governments to address energy poverty.

Innovative Financing Models: Leveraging EU funds and public-private partnerships to support renewable energy projects.

Research and Development: Continuous evaluation of policy impacts and emerging trends.

Future Directions:

This study underscores the need for longitudinal research to measure the long-term effectiveness of proposed interventions. Expanding the scope to include comparative analyses across EU member states will further enrich the discourse on energy poverty. (Peneva, 2021)

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SECURITY MANAGEMENT IN BULGARIA – A NEW MODEL OF GOOD PRACTICES

ABSTRACT

The rise of transnational organized crime poses a significant threat to national security frameworks worldwide. In Bulgaria, the intersection of these challenges with political instability, economic transformations, and technological advancements necessitates a reevaluation of existing security practices. This study proposes a conceptual framework that integrates international standards and localized adaptations to address these challenges effectively. Utilizing a combination of literature review, qualitative analysis, and case studies, this paper identifies the critical gaps in current security policies and presents evidence-based recommendations. The findings emphasize the importance of innovative technologies, stakeholder collaboration, and comprehensive policy reforms to enhance Bulgaria's capacity to combat organized crime.

KEYWORDS: Security management, Organized crime, Policy framework, Bulgaria

JEL: F52, H52

INTRODUCTION

The increasing complexity of transnational organized crime represents one of the most critical challenges to the sovereignty and stability of nations. Bulgaria, as an EU member state, finds itself at the forefront of this global issue due to its geographic position and socio-economic conditions. While the country has adopted several measures to address organized crime, the effectiveness of these initiatives remains under scrutiny.

This paper explores the dimensions of transnational organized crime in Bulgaria and evaluates the adequacy of the existing security frameworks. By analyzing the shortcomings in current practices, this study provides a roadmap for developing a strategic model that integrates best practices tailored to Bulgaria's unique context.

1. CONTEXT OF THE STUDY

A robust body of literature examines the implications of transnational organized crime on national security. Scholars such as Albanese (2011) and Levitt (1998) underscore the global interconnectedness of criminal networks, facilitated by advancements in technology and globalization. Bulgarian researchers, including Yotov (2018) and Paunova and Datsov (2010),

highlight the specific challenges faced by Eastern European countries in combating organized crime.

Key Themes in the Literature

Transnational Dynamics: The fluid nature of organized crime networks requires adaptive policy responses (Sassen, 2007).

Policy Gaps: The lack of comprehensive legal frameworks hinders effective crime prevention (Popov et al., 2013).

Role of Technology: Emerging tools, such as AI and big data analytics, offer promising solutions for predictive crime prevention.

This review identifies the critical need for aligning national policies with international best practices, particularly in the context of EU regulations and the Palermo Convention.

A major obstacle to a better conceptualization of transnational crime is the politicization of the intersection of crime and migration. The perceived connection between these two issues and the role of crime in migrant communities is often the subject of exaggeration and political demagoguery. As both nativism and criminality serve as twin catalysts for the rise to power of nationalist-populist governments in many countries, the rhetorical valence of the criminal migrant persona has political significance, however imprecise. Although empirical research shows a lack of any and a statistically significant relationship between crime and immigration, politicians can highlight individual crimes and specific criminal organizations linked to migrants to great electoral advantage.

The transnationalization of crime is a real phenomenon, and the ways in which criminal organizations and activities affect and involve migrants are crucial to understanding the issues of marginalization and integration of migrant communities. Another reality is citizen insecurity, which drives processes from sending states and is often replicated in receiving states, as well as the circular pattern through which foreign policies of receiving states can serve as a catalyst for violence in sending states.

A common pitfall in political circles is the conflation of all types of criminal activity involving migrants – whether as perpetrators, victims or both – usually for political gain. The idea that all organizations dealing with crimes in more than one country are similar ignores stark differences in structure, activities, and funding, and informs overarching policies that often undermine the stated goals of administrations.

Placing cross-border organized crime and violence within a broader framework of transnationalism allows for a more nuanced understanding of how criminal organizations establish and operate across borders. This, in turn, requires consideration of sending and receiving country dynamics influencing migration, opportunity structures for illicit activity, state institutions and the relative power of the various actors involved. Distinguishing between different types of transnational criminal organizations helps to avoid a one-size-fits-all policy approach that may inadvertently strengthen transnational criminal networks.

This study presents a conceptual framework for cross-border organized crime through the lens of what might be called "criminal money transfers". Like economic, political and social

remittances, criminal activity can be transferred between sending and receiving countries by different actors, not necessarily unidirectional and not necessarily migrants. Criminal money transfers can be localized at the individual, organizational or state level. They can be circular and self-reinforcing based on the same factors that drive migration and other forms of remittances, including non-criminal violence and insecurity. The key to this concept is that the nature of the criminal organization is shaped by the actor with the largest relative role in its transnationalization, which is often not the organization itself. Thus, contrary to the standard mafia model, the transnational nature of most organized crime groups is a product of state policies that circularize crime between sending and receiving countries.

First, the mafia/cartel model of understanding transnational crime, which most often informs policy responses, is too narrow. Second, the role of the state in relation to cross-border organized crime is also seen too narrowly as a matter of law enforcement alone. There are various transnational criminal organizations that are more or less institutionalized, resourced and subject to a wide range of state actions. A framework based on criminal money transfers therefore helps illuminate the ways and conditions under which criminal activity, as well as institutions, norms and people themselves, can cross borders.

2. RESEARCH METHODOLOGY

This study employs a qualitative research methodology, incorporating the following approaches:

Document Analysis: Examination of policy documents, legal frameworks, and international treaties relevant to organized crime in Bulgaria.

Case Studies: Analysis of successful security initiatives, such as the Sofia Municipal Emergency Response System.

Expert Interviews: Insights gathered from policymakers, law enforcement officials, and academic experts to validate findings and refine recommendations.

This triangulated approach ensures a comprehensive understanding of the issue and enhances the credibility of the proposed framework.

3. FINDINGS AND DISCUSSION

Challenges in Security Management

The analysis reveals several critical gaps in Bulgaria's current security management practices:

Inadequate Technological Integration: The reliance on outdated systems limits the capacity for predictive analysis and real-time decision-making. (Cruz, 2013).

Weak Inter-Agency Coordination: The lack of collaboration among various security agencies results in inefficiencies and redundancies. (Sassen, 2007).

Limited Public-Private Partnerships: Insufficient engagement with the private sector restricts resource mobilization and innovation. (Levitt, 1998).

4. PROPOSED STRATEGIC FRAMEWORK

To address these challenges, the study proposes a comprehensive framework comprising the following elements:

Technology-Driven Solutions: (Albanese, 2011).

Deployment of AI and big data analytics for real-time crime monitoring and prevention.

Implementation of integrated communication platforms for enhanced inter-agency coordination.

Capacity Building:

Development of specialized training programs for law enforcement personnel.

Establishment of a national center for advanced research on organized crime. (Albanese, 2011).

Policy Reforms:

Alignment of national laws with international conventions, such as the Palermo Protocol. (Yotov, 2018).

Creation of a centralized database for tracking organized crime activities

Stakeholder Collaboration:

Strengthening partnerships with EU agencies and international organizations. (Sassen, 2007).

Encouraging public participation through awareness campaigns and community-based initiatives. (Paunova & Datsov, 2010).

5. CASE STUDY: SOFIA MUNICIPAL EMERGENCY RESPONSE SYSTEM

The implementation of an advanced surveillance and emergency response system in Sofia serves as a model for integrating technology and inter-agency collaboration. Key outcomes include:

A 30% reduction in emergency response times.

Improved communication among law enforcement, medical, and firefighting units.

Enhanced public trust in local governance. (Cruz, 2013).

This case underscores the potential of leveraging technology and stakeholder engagement to address security challenges effectively.

6. CROSS-BORDER ORGANIZED CRIME AS A FORM OF VIOLENCE AGAINST DEMOCRACY

The multiple origins and circular nature of violence are key to rethinking transnational crime. The insecurity that drives both crime and migration can arise from multiple factors, including criminal organizations, legal political and social ones, legitimate businesses, government institutions at all levels of government, and private individuals. Violence can be exported from

country to country by any number of such actors, create or exacerbate instability in receiving countries, and turn violence-receiving countries into migrant-sending countries.

Much of this violence takes place within and between countries usually classified as democratic. These are usually countries with competitive elections and other institutions of democratic governance, but without state monopolies on power at the maintenance level. They exhibit such pluralism that different actors use violence to achieve their goals, often political. It can be institutionalized in the history of young or fragile democracies, such as Bulgaria's legacy of limited state violence for the purpose of strengthening electoral hegemony in the one-party era. Countries that experienced civil war and/or repressive military dictatorships, such as El Salvador and Indonesia, before transitioning to democratic governance often see patterns of violence persist in post-transition periods through institutional actors (e.g. state security, similar to Bulgaria's) with established norms of extrajudicial violence or which themselves arose from periods of repression and violence (eg vigilantes and former guerrillas or former paramilitary groups turned into parties).

As political conflict, repression and instability are among the many drivers of migration, the legacy of violence can be carried through migration from less institutionalized to more institutionalized democracies. Diasporas spawned by displacement from both authoritarian regimes and violent democracies can develop strong anti-state identities and seek to use their positions abroad to undermine state authority, potentially provoking violence. Migrants may also find it difficult to adapt to host countries and be subject to violence as unwanted newcomers and respond with violence in the same way.

Migrants themselves may be refugees from civil conflict, or be economically disadvantaged in the host society and turn to crime as a means of survival and camaraderie. Such violence, rooted in the sending country, transnationalized through conflict-driven migration, can thus settle in the host country and become transnationalized again with return migration – whether voluntary or through deportation.

Subcultural groups, criminal or otherwise, develop strong in-group identities and socialization practices. Anthropological work on gangs points to the extent to which such organizations transform life at the neighborhood level and create strong social bonds among their members. The development of such identities is in a broader context of social disruption that can come with large-scale migration: economic reorganization, racial and ethnic division, and discrimination in the labor market.

Much of this strong identity and norm formation comes from the early age at which adherents are socialized – Feiksa observes such socialization, which can become transnational, among youth music subcultures in the US, the UK, and among marginalized communities in both, such as for example, the Pachuco subculture of the US Southwest. This is the same age profile that criminal gangs draw from, as shown in the study of youth gangs in Central America.

Remittances are the means by which goods, ideas and behavior can be transferred between countries. The most commonly understood form of remittances, economic remittances, through which migrants financially support family members in their communities of origin, have a clear positive meaning that is generally understood as constructive for the countries, communities and people who receive them. Yet remittances are value neutral. They can be economic, social,

political, legal or illegal. Many anti-state actors such as guerrilla or terrorist groups rely on remittances from sympathetic diasporas, which could prolong the conflict. Criminal organizations can also receive both financial support and borrow modes of operation from partners in other countries. Furthermore, remittances are not unidirectional – there are circular patterns whereby political norms transmitted across borders are self-reinforcing.

From what has been said so far, it follows, first, that transnationalization is a process involving multiple actors, and the relative activities of these actors must be ascertained in order to better understand the transfer of behaviours, norms and identities across borders. Second, criminal activity is an important vector through which behaviours, norms and identities – however antisocial – travel and become institutionalized in both migrant-sending and receiving countries.

Criminal money transfers, defined here, are the transmission of criminal activities, norms and identities from one country to another. Such money transfers do not need to be carried out at the state level, nor are they necessarily managed by the participants in the cross-border criminal groups themselves. As with violence more broadly, there are different actors, sources of crime and opportunities for criminal organization structures. The politicization of crime, which in turn affects policy responses that may in turn affect crime patterns, can also occur in both the sending and receiving countries. Thus, locating the origin and agency behind transnational crime, including when and how it becomes transnationalized, is key to developing a typology of transnational organized crime and the first step toward nuanced policy responses to it.

7. TYPOLOGY OF CROSS-BORDER ORGANIZED CRIMINAL ORGANIZATIONS

As a concept rooted in state-centric debates and driven by law enforcement, transnational criminal organizations have certain reference models that continue to guide policy discussions. At a basic level, transnational crime, as scholars understand it, can include any form of illegal activity affecting more than one country. In both the US and the EU, the standard model for transnational organized crime is the mafia – criminal networks established in the home country and brought to the host country through migration. Their activities usually begin by targeting diaspora communities through protection rackets and expand into drug trafficking, money laundering and human trafficking. In the US, the classic example is the Sicilian Mafia in the Cold War era. The entry of various types of mobs into popular consciousness and pop culture—often with state support—reinforces existing nativist fears directed at various migrant communities, varying by country and time period. In the US in the 1880s, examples can be found of lurid stories of "white slavery" or the prostitution of white women in opium dens by Chinese triads, coinciding with the anti-Chinese prejudice culminating in the Chinese Exclusion Act. A century later, fears of growing Japanese corporate power and investment in the US coincided with film depictions of ultra-violent Yakuza reaching American audiences. The contemporary controversy over the security of the US southern border has coincided with a growing appetite for entertainment about Mexican cartels, from TV and film franchises like *Narcos* and *Sicario* to adaptations of Mexican telenovelas like *Queen of the South*, which change the original setting from Spain to the US.

Regardless of the setting, however, notions of cross-border crime conjure up certain images of a deeply entrenched underworld in migrant communities – secret networks and a highly organized, profitable hierarchical structure modeled after a multinational corporation. Policy-focused depictions of transnational criminal organizations traditionally portray them as the most evolved version of domestic criminal organizations, the latest stage in a generational process of institutionalization, community entrenchment, diversification of activities, and ability to evade law enforcement. Studies of cross-border organized crime often focus primarily on the transnational nature of the illegal activity itself – smuggling and trafficking across borders – and secondarily on the nature of the organization assumed to become transnational as a necessary measure to facilitate such activity and maximize of profits. Criminals capable of operating across borders are assumed to be highly sophisticated and well-resourced, similar to legitimate multinational corporations. Thus, it is a question of the highest degree of action, which is the biggest challenge to state power and legitimacy, especially in the communities in which the criminals appear. However, there are numerous people involved in or facilitating crime in some transnational manner, many of whom do not fit the typical mafia model. Increasingly, organized crime, or rather less organized criminal groups, are becoming cross-border, but which lack the significant financial resources, size and sophistication usually attributed to mafias and cartels. In the current debate on the relationship between migration and crime, a more modest model of criminal organization – the gang – is emerging with a growing role. Within this category, a distinction must be made between migrant or diaspora gangs and cross-border ones. Studies of the former emphasize the appeal of gangs to migrants as migrants due to their marginalized status in host countries, or consider them to be “global gangs” based on the cosmopolitan nature of the urban spaces in which they operate. However, there is nothing necessarily transnational about such groups simply because they are rooted in a migrant community. Ethnographic studies of the latter point to broader economic structures and processes of globalization that make diaspora gangs transnational. Anti-gang efforts in the Americas, through the Inter-American Commission on Drug Abuse Control, recognize the phenomenon of cross-border illegal activity by youth gangs, defined by the US Department of Justice as a group of 12- to 24-year-old members... engaging in violent behavior and characterized by social or symbolic and often economic considerations, such as drug trafficking, burglary, robbery and car theft. The transnationalization of gangs in the US Central American diaspora community is a reflexive and iterative process in which both state and gang policies toward deportees intertwine through complementary processes of marginalization and deportation by the state and accommodation by gangs. Although these phenomena are less common in Europe at the moment, globalization and technological progress contribute to their increasingly serious spread.

Certain types of gangs are more often cross-border in nature – outlaw motorcycle clubs are the most frequently cited example of criminal organizations whose membership, not just criminal activity, is transnational in nature. This is due to both the activity and the organizational structure being easily transferred across national borders – a sub-cultural identity centered around a shared activity and a franchise model of separate structures that can exist wherever there are groups interested in future membership people.

Outside of the study of cross-border organized crime, the framework through which diaspora-homeland connections are best understood is the concept of social remittances, explained by

Levitt as ideas, behaviors, identities, and social capital that flow from receiving to sending communities country. Subsequent research has shown that such cash flows are not unidirectional – transnational ties are strengthened through personal, often family, networks that allow migrants and their relatives to maintain close contact and influence each other's behavior and ideas. This process is deepened and accelerated by easy communication and international travel between sending and receiving countries. Social remittances affect a number of connections between the homeland and the diaspora: cultural, economic, religious and political. Therefore, negative social phenomena such as crime should not be immune to the same dynamics.

Like other transnational organizations – political parties, hometown associations, churches – criminal organizations can perform similar functions for migrants: providing community identity, economic and social support, shared purpose and connection to the homeland.

The migrant is at the center of the transnationalization of gangs, but not necessarily in the way described in the contemporary political discourse of a number of countries. Anti-immigration rhetoric defines man as an agent, a vehicle for transferring criminal activity and networks from the sending country to the receiving country. Rather, however, the initial transnationalization of the gangs themselves is in the opposite direction, from the migrant's receiving country to the sending country. In this case, the agent of transnationalization is still the migrant, but as a returnee, often deported, rather than as an immigrant who significantly lacks the agency ascribed to him by host country politicians.

The role of the state in cross-border organized crime in this context is usually understood as a punitive authority as well as an arbiter of the civic identity and belonging of migrants with whom gangs (as well as political and religious groups) compete. Less appreciated is how a wider range of state policies can reinforce patterns of transnational violence, determine the conditions for the integration of communities affected by cross-border organized crime, and the territorial boundaries of individuals and organizations. Thus, the study and typology of cross-border organized crime groups represents a qualitatively new framework for understanding the globalization of crime. Through the lens of social remittances, one can understand the process by which social phenomena such as crime and institutions such as gangs can flow from receiving countries to sending countries, and how these links, once established, can be strengthened through continued migration, travel and communication. Most importantly, this process reflects the relative activity of different actors in transnational criminal money transfers, whether it is the migrant as an individual, the gang as an institution, or the state through migration and deportation policy.

8. SUMMARY

The above-discussed typology of transnational criminal groups as a threat to democracies suggests multiple vectors for remittances and pathways for transnationalization. Traditional models of cross-border organized crime assume only one path, that of the criminal organization itself. This does not take into account the structural conditions and institutions – mainly migration and law enforcement policies – shaping these organizations, their spaces of action, opportunities for profit, and the identities and norms to which their members adhere.

At the macro level, economic structures and historical legacies, as well as state policies of foreign intervention, migration and deportation, and law enforcement create the conditions under which people move across borders, seek security and opportunities for social advancement, and whether those opportunities are legal or illegal. Labor markets, migrant inclusion policies, policing and imprisonment all play a role in how illegal organizations form and develop within marginalized communities and, ultimately, how they move across borders.

At the micro level, the issue of individual activity is also central to criminal organizations and is particularly important to marginalized communities. Studies of crime highlight the lack of control felt by many authors over identities defined by media and state rhetoric, and the appeal of such groups to a sense of purpose and action. Individual leadership also plays a key role in tracking organizational decision-making processes and can explain important changes in behavior at the institutional level: in which types of activities to engage and where, and decisions to create or approve additional branches.

However, the individual state institution can only go so far in understanding transboundary, especially when organizations lack consolidated leadership or individuals such as migrants do not have much control over the conditions in which they live. In such cases, the state will have relatively greater control over would-be or actual criminals and their organizations, including opportunities for transnationalization.

Law enforcement is the primary political approach through which the state exercises power over crime. However, state institutions dealing with cross-border crime – in terms of criminal organisations, norms of activity and individuals themselves – focus more generally on migration and deportation policy. In this context, a number of researchers have highlighted how deportation policies are the main means by which states control migrant groups, not only through physical removal, but also by legitimizing surveillance and identifying migrants with crime through official rhetoric. However, the wider range of state behaviours, including law enforcement, official rhetoric, migration and welfare policy, influence the 'transborder' dimension of organized crime.

By understanding crime as a complementary factor to social remittances and social remittances as a reciprocal process in which multiple actors can determine the conditions for such linkages, we can gain a more nuanced understanding of the ways in which different criminal organizations are transnationalized. Criminal activities, organizations, norms and individuals can cross borders, but to what extent and under what circumstances depends on the question of relative agency. When criminal organizations are highly structured, deeply institutionalized, well-financed and have strong leadership, the organizations themselves can determine the conditions under which cross-border crime takes place and can take advantage of it.

9. RECOMMENDATIONS

Policy Development:

Introduce comprehensive frameworks emphasizing technology and inter-agency coordination.

International Collaboration:

Strengthen partnerships with EU member states and international organizations.

Public Awareness:

Launch nationwide campaigns to educate citizens about the risks and prevention of organized crime.

Investment in Research and Development:

Allocate resources for studying emerging crime trends and developing innovative solutions.

CONCLUSION

This study highlights the critical gaps in Bulgaria's security management framework and proposes a strategic model to address these shortcomings. By integrating technology, fostering collaboration, and implementing comprehensive policy reforms, Bulgaria can strengthen its capacity to combat organized crime. Future research should focus on evaluating the impact of these interventions through quantitative measures and longitudinal studies. (Albanese, 2011).

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