Firm relocation in times of economic crisis. Evidence from Greek SMEs' movement to Bulgaria, 2007-2014

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Abstract

This paper examines firm relocation in the aftermath of the 2007 global economic crisis. In particular, the paper analyzes the unprecedented recent increase in movement of small and medium enterprises from Greece to Bulgaria using original insights by a survey of 103 Greek companies in Bulgaria. The findings suggest a reconsideration of the existing literature on firm mobility in order to explain the post-crisis movement of Greek SMEs. Entrepreneurs perceived firm relocation as a necessity while, contrary to existing literature, labor cost does not appear to have significantly influenced firm exit from Greece, the level of demand was highlighted more important compared with literature findings and access to external finance emerged as a major factor. Important among elements that attracted businesspeople to Bulgaria were low taxation and geographical proximity to Greece. The present analysis thus challenges the significance of firm relocation determinants in the literature.

Keywords

Firm relocation, economic crisis, Small and Medium Enterprises, Greece, Bulgaria, austerity

JEL

R11, R12, R30, M11

1. Introduction

This paper presents an explanatory study of firm exodus from Greece to Bulgaria in the aftermath of the 2007 global economic crisis. More than 12,000 firms (1.5% of all Greek companies in 2012) have relocated from Greece to the Balkans and Cyprus during 2007-2012, according to the Hellenic Ministry of Foreign Affairs (http://www.mfa.gr/en/). This study focuses on firm relocation to Bulgaria, as it was the destination country for most Greek companies in both pre- and post-crisis periods (Labrianidis, 2001; Labrianidis & Vogiatzis, 2013). The emphasis is given on small and medium enterprises (SMEs), since they constitute the basis of the Greek economy, accounting for 99.9% of all companies (Giannitsis, 2013). Further, SMEs are the big majority of Greek enterprises in Bulgaria over time (Karagianni & Labrianidis, 2001).

Economic geographers have indicated market expansion and operational cost reduction as main incentives for firm relocation and labor cost and taxation as elements that determine firm mobility, in studies conducted in 1980-2008 (Hayter, 1997; Karagianni & Labrianidis, 2001; Domanski, 2003). During this period, when many national economies have recorded economic growth, businesspeople usually perceived relocation as an opportunity for higher profits and economic expansion, although several have moved their companies attempting to stay in business in cases of economic recession and intensive competition in specific places and economic sectors (Pavlínek & Smith, 1998; Alberti, 2006; Smallbone *et al.*, 2011). However, changes during the 2007 global economic crisis, such as wage reduction and drop of demand, have shifted operational cost in different regions and countries. These transformations call for a closer investigation of the factors and incentives of firm mobility.

Therefore, this paper examines firm mobility, the incentives to relocation and the elements that affect it in times of economic crisis. It seeks to determine the extent to which post-crisis firm relocation can be approached using key theoretical, conceptual and analytical tools established to interpret firm mobility under conditions of economic growth at the macro-level, including the New International Division of Labor and Cross-Border Entrepreneurship (Wilkinson *et al.*, 2001; Smallbone *et al.*, 2011). Relevant research efforts have been made on other topics, including the study of the consistency of regional growth models, global city perspective and firm finance theoretical tools, articulated in periods of economic growth, with the conditions resulted by the 2007 economic crisis (Therborn, 2011; Harrison & Widaja, 2014; Capello *et al.*, 2017). These studies have compared the pre-crisis arguments with the post-crisis evidence. Following this research strategy, this paper compares the claims quoted in the literature referring to the pre-crisis period with the research outcomes. It manages research goals by examining the broader socio-economic context, in which firms are embedded, that is dynamically transformed by virtue of underlying forces. For instance, globalization has changed the significance of elements that influence firm mobility, equating the cost of location factors across space (Maskell & Malmberg, 1999). Consequently, it is important to re-consider firm relocation as the 2007 global economic crisis has transformed the conditions under which firms operate.

The academic discourse on firm mobility in the 2007 economic crisis is still developing. Particularly, Kinkel (2012) has studied the movements of internationalized German firms, finding that many have returned to Germany since the late-2000s. Kiss (2012) has examined the impact of the economic crisis on the geography of firms in Hungary and found that the number of enterprises leaving the country declined whereas those entering increased, despite the fears of relocation of foreign companies from Hungary to lower-cost destinations. Finally, Salt and Wood (2012) have provided evidence about the post-2007 movements of eight British Transnational Corporations (TNCs) from the European Union (EU) and the USA to emerging economies to reduce operational cost, although they did not find any particular pattern. Nevertheless, the literature on economic geography still has much to investigate in what manner firm mobility has developed in the aftermath of the 2007 economic crisis.

This paper examines the movements of SMEs from Greece to Bulgaria. Undoubtedly, Greece constitutes this EU Member State that has been mostly affected by the crisis because of its position in the periphery of European economic integration, its weak institutions and the rescue plan that the Greek government has applied since 2010 (Hadjimichalis, 2011). This plan involved severe austerity policies, like increase in taxation and reduction of wages, which were catastrophic for the Greek economy and social justice (Kapitsinis *et al.*, 2013). Indeed, after a period of high economic growth (1980-2008), Greece became the only developed national economy since the end of WW II to experience recession for six consecutive years (2008-2013), with a total loss of 25% of the gross domestic product (GDP), according to Eurostat (http://epp.eurostat.ec.europa.eu). The unemployment rate rose to 27% in 2013 (from 7.7% in 2008) and household income significantly declined. Consequently, Greek SMEs, which are credit-dependent and family-owned with low levels of technology, profitability and productivity (Liargovas, 1998), experienced a great drop of profits.

Unsurprisingly, the Greek Ministry of Finance (http://www.minfin.gr/portal/en) has provided evidence of 228,000 fewer SMEs (26% loss) in 2014 compared to 2008, as most have gone bankrupt while others relocated to the Balkans and, mainly, to Bulgaria, according to data from the Bulgarian Commercial Register (http://www.brra.bg/Default.ra). To the author's knowledge, this is the first study of firm relocation from Greece to Bulgaria during an economic crisis, as previous studies were conducted before 2007, in times of economic growth at the macro-level (Labrianidis, 2001; Bitzenis, 2006). Greek affiliates, through outsourcing and partial or complete relocation, were the leading mode of firm entry in Bulgaria which began in 1989 after the transition of Bulgaria towards a free market economy. Businesspeople relocated seeking market expansion, cost reduction and maintenance of firm competitiveness. Labor cost, geographical proximity to Greece and level of competition were the main relocation factors.

Three arguments are proposed. Firstly, the analysis of firm relocation from Greece to Bulgaria in the aftermath of the 2007 economic crisis calls for a reconsideration of the theoretical, conceptual and analytical framework on firm mobility under conditions of economic growth at the macro-level. Secondly, the paper argues that, while in times of economic growth, businesspeople usually perceived relocation as an opportunity for market expansion and production cost reduction, in the aftermath of the economic crisis, relocation became a necessity to stay in business. Finally, it is claimed that the significance of firm relocation factors has changed.

The paper is structured as follows. The next section discusses the theoretical and conceptual framework for studying firm relocation in times of crisis. Then, the methods employed in this study are described. The fourth section analyzes the results of the survey while the last part outlines the concluding remarks.

2. Conceptualizing Firm Relocation in Times of Crisis

2.1. Explaining Firm Relocation

Firm relocation has been a significant research topic in economic geography. According to Kiss (2007, p. 47), it refers to the transfer of "part or all of firm production and/or services to another place". Undoubtedly, businesspeople dynamically move their enterprises towards regions that increase their profit rate (Hudson, 2001; Harvey, 2006). Between the 1980s and late-2000s (pre-crisis period of economic growth), two landmark strands have emerged in the literature on firm mobility: New International Division of Labor (NIDL) and Cross-Border

Entrepreneurship (CBE). These theoretical tools have studied firm relocation during times that many national economies have recorded economic growth. Indeed, in 1980-2008 global annual GDP growth was always positive and global GDP increased six fold (World Bank) (http://data.worldbank.org/). These literatures have commonly focused on the EU that has facilitated firm movements through the opening of the borders (Domanski, 2003; Smallbone *et al.,* 2011).

The literature on NIDL explains firm mobility with labor features, namely labor cost and skills. NIDL scrutinizes two particular dynamics in the increasing outflow capital investment, usually perceived as an opportunity by businesspeople (Castells, 1996). That is, relocation is among the restructurings, such as operational cost reduction, mergers and buyouts, that businesspeople adopt to improve and restore firm competitiveness. On one hand, Wilkinson *et al.* (2001) have suggested that labor-intensive firms or production branches of TNCs tend to move towards areas of cheap labor seeking reduction in production cost. Therefore, NIDL is potentially relevant for the Greek SMEs, as they are primarily labor-intensive (Giannitsis, 2013). On the other hand, Castells (1996) has demonstrated that companies in high-tech industries or R&D branches of TNCs locate in regions of high-skilled labor to improve the quality of products and services and stimulate innovation.

A second strand of the literature, CBE, has developed in recent years and concerns SMEs. CBE focuses mainly on enterprises in border regions relocating to geographically proximate countries (Smallbone *et al.,* 2011). Therefore, CBE could fit this paper, since SMEs constitute the majority of Greek firms while Greece and Bulgaria share a common border. Scholars have stressed joint ventures, subcontracting, subsidiaries and partial relocation as the dominant modes of firm entry in a territory (Labrianidis, 2001; Wright *et al.,* 2007). According to CBE, entrepreneurs commonly view firm relocation to neighboring countries as an opportunity to counter the fierce competition by taking advantage of geographical proximity, emphasizing market expansion, cost reduction and technological improvement as the main relocation factors that are internal to the firm, the firm relocation incentives (Pavlínek & Smith, 1998; Smallbone *et al.,* 2011). Further, some businesspeople have relocated attempting to maintain business, although this was found in the case of economic recession in particular sectors and places, such as the Greek garment and clothing companies and the enterprises in the industrial district of Como in the 1990s (Karagianni & Labrianidis, 2001; Alberti, 2006).

Economic geographers have indicated several elements external to the company that are crucial for firm mobility. There is compelling evidence that transportation cost from raw material sources or markets is important, owing to its considerable contribution to total operational cost (Labrianidis, 2001; Nguyen *et al.*, 2013). Unsurprisingly, although a high level of demand could increase the number of corporations infiltrating a region (Wilkinson *et al.*, 2001; Domanski, 2003), a drop of demand may drive out economic activity from a territory (Alberti, 2006). Most studies have focused on the former. Several scholars have considered low taxation, provided as incentive from local and national governments, to stimulate business activity in a region, whereas high taxation suspends it (Labrianidis & Kalantaridis, 1997; Domanski, 2003). Firms are attracted to areas of weak competition, while strong competition negatively affects territorial attractiveness (Karagianni & Labrianidis, 2001; Nguyen *et al.*, 2013). Usually, entrepreneurs prefer moving to geographically proximate regions as they intend to maintain relations with existing partners and customers (Smallbone *et al.,* 2011; Carrincazeaux & Coris, 2015). Guzik and Micek (2008) have shown that a high level of trust affects corporate mobility as it stimulates firm economic growth. Finally, it is widely recognized that labor features are central to industrial geography (Hayter, 1997; Harvey, 2006). Businesspeople are attracted to areas of cheap labor given the enormous benefits to firm profitability, while high-skilled labor attracts companies to a region (Castells, 1996; Kiss, 2007).

2.2. The Conceptual Framework

The conceptual framework of many relocation studies (Pennings & Sleuwaegen, 2000; Hong, 2013; Nguyen *et al.*, 2013) is worth reconsideration for many reasons. Firstly, these studies project, rather than explain, relocation through exploring the possibility of moving. Secondly, they emphasize factors that attract corporations in destination region but underestimate conditions in the home region. Thirdly, these literatures usually focus on some presupposed factors without regard for the broader economic and institutional framework. However, these elements interact with the wider socio-economic environment. Subsequently, Domanski (2003) and Labrianidis and Kalantaridis (2004) have analyzed firm relocation accounting for the broader economic and institutional environment. On these grounds, this paper explains, rather than predicts, firm movements by analyzing the wider social and macroeconomic environment, in both home and destination territory, without presupposing relocation factors.

The three levels of abstraction suggested by Hudson (2001) for the interpretation of socio-economic phenomena are adjusted to the analysis of firm mobility under economic crisis. The lower level concerns the economic practices, which stem from the interaction between systemic processes and institutions and are related in this study to entrepreneurs' decisions in managing the crisis and their geographical outcome (firm relocation). The higher level refers to the crisis, since structural aspects of societies and economies significantly affect firm mobility (Maskell & Malmberg, 1999). Undoubtedly, in times of crisis, businesspeople move their corporations from territories with declining profit rate to those restoring profitability, seeking a 'spatial fix' to resolve the crisis (Harvey, 2006). Firm movements are also influenced by formal and informal institutions, the meso level of abstraction, as the entrepreneurs are embedded in networks with other businesspeople, employees and the State (Labrianidis & Kalantaridis, 1997; Domanski, 2003). The institutions in each country have been affected by the crisis and have influenced the differentiated impact of the economic recession on each territorial economy and, thus, on firm mobility.

3. Data and Methodology

This explanatory investigation draws upon data collected in a fieldwork in Bulgaria between May and July of 2014. Regarding the sample frame, while there is no formal database of Greek firms in Bulgaria, the author acquired a list from Ciela, a business software company (http://ciela.bg/), including details of 11,500 Greek firms located in Bulgaria in early 2014. However, most enterprises had incorrect details and were thus inaccessible. Therefore, the author was obliged to employ convenience and snowballing non-probability sampling method, starting from some companies with correct details, included in the list of Ciela. Concerning the sample features, the author addressed to businesspeople that have moved their SMEs to Bulgaria since 2007, the beginning of the global crisis (post-crisis period). The author argues that the representativeness of the sample is adequate as its frame, method and characteristics have been well defined (Fowler, 2002). Considering limitations of time and financial resources, the accuracy of the sample is high as the author repeated the questionnaires addressing many owners of firms of different size, branch and location.

Structured questionnaires were used to investigate Greek SMEs' relocation to Bulgaria (see Appendix 1 for the structure of the questionnaire). Email survey and self-employed questionnaires were combined to increase the response rate. In total, 103 owners and managers of Greek SMEs in Bulgaria completed questionnaires (see Appendix 2 for a statistical presentation of the sample including firm features such as size and economic sector). The businesspeople were asked to describe their strategy and to evaluate the impact of several factors on the decision to relocate from 1 (the lowest) to 5 (the highest), using the Likert method. With 68 out of these 103 respondents the author conducted semi-structured interviews to discover issues and factors that were indiscernible in the questionnaires (see Appendix 3 for the schedule of the interview). Additionally, interviews were carried out with the owners of four accounting companies in Bulgaria and representatives of five regional Chambers of Industry and Commerce in Greece and two in Bulgaria, as they have high knowledge on the issues and performance of the Greek SMEs in the neighboring country. Finally, one interview was performed with a product manager of business loans in a Greek large bank to achieve a better understanding of Greek SMEs' external finance conditions. Concerning ethical considerations, all the participants in the survey have been assured confidentiality, anonymity and commitment that the data will be used only by the author for research purposes.

Descriptive statistics were used in providing early insights from questionnaire data. The author estimated the frequency (%) of aspects of firm relocation, like firm size and firm structure that is re-organized (see Appendix 2), and the mean Likert value for each element that affected firm relocation. Following Miles *et al.* (2013), data were analyzed employing qualitative analysis and pattern matching by comparing empirical evidence with the theoretical propositions and research arguments: the literature findings referring to the pre-crisis period (including these of the main theoretical tools of NIDL and CBE) were compared with the research outcomes in order to examine the extent to which post-crisis firm relocation can be approached using main conceptual tools established to explain firm mobility in the context of economic growth.

4. Analysis and Discussion

4.1. Firm Relocation from Greece to Bulgaria

The unprecedented rise of firm movements from Greece to Bulgaria since 2008 indicates the great impact of the crisis on firm mobility (Figure 1). It seems to be a dynamic phenomenon, while the firms' duration of operations in Bulgaria is uncertain. For instance, companies inspected at the beginning of the fieldwork are known to have ceased operations in the following months. There are also many registered, albeit inactive, Greek enterprises in Bulgaria, a phenomenon that is not new (Bitzenis, 2006), as businesspeople strive for tax avoidance in several ways. As noted by the President of a Greek regional Chambers of Commerce and Industry, "entrepreneurs aimed at buying land or vehicles, testing the market or carrying out triangular transactions in order to avoid the Greek higher tax rates. This is legal within the EU". Some businesspeople establish inoperative firms in Bulgaria while sustaining and operating a business in Greece. The latter is taxed under the Bulgarian regime, despite not actually operating there. Questions arise on the legitimation of these business activities related to triangular transactions since they constitute a great loss of revenue for the Greek State. In 2015 the Greek government announced, but did not implement, a 26% tax on transactions from companies in Bulgaria, in cases where these transactions are believed to be triangular.

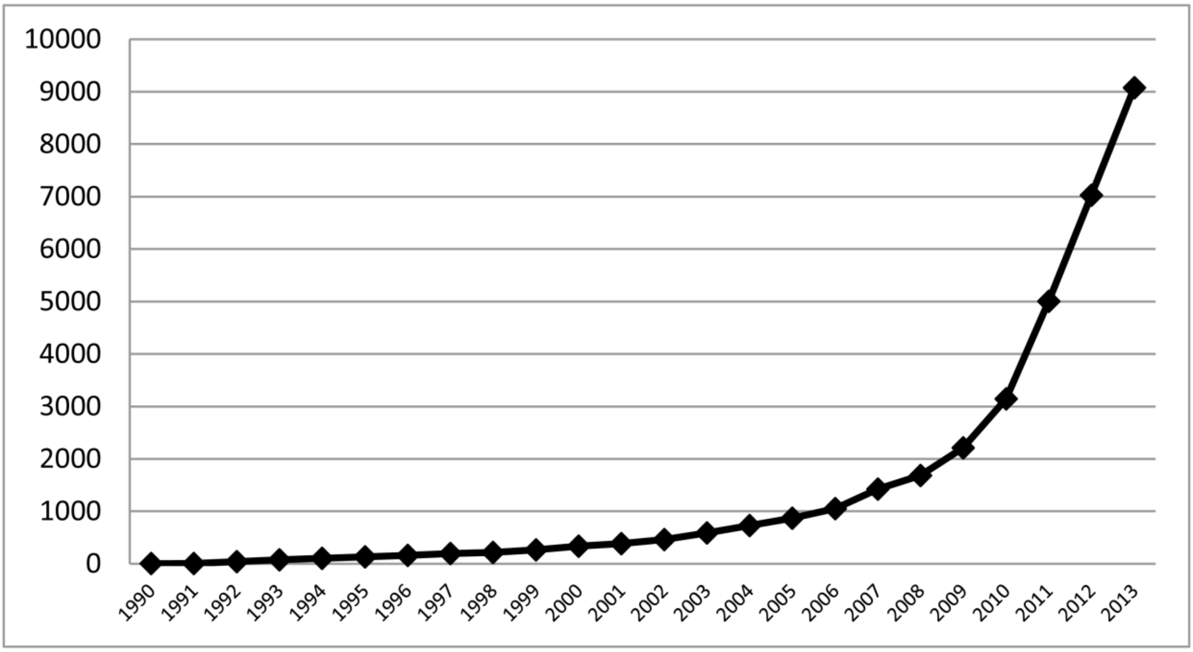

Figure 1. Total number of registered firms with Greek interests in Bulgaria. *Source:* Bulgarian Commercial Register

Therefore, the estimation of the exact number of Greek companies in Bulgaria is difficult. Based on respondents' opinions and data from the Bulgarian Commercial Register, the author estimated the number of active enterprises falling within Greek interests in Bulgaria at around 1,000 in 2006 and 3,000 in middle-2014. Most companies are identified as SMEs. The Vice-President of Thessaloniki Chambers of Industry and Commerce said that "there are some large corporations, but small and medium predominate". Most sample companies (66%) were micro, like most Greek SMEs (Liargovas, 1998), while 24.5% were small and 9.5% medium. Further, while in the 1990s manufacturing and trade were the dominant sectors of Greek firms in Bulgaria and other Balkan economies (Labrianidis, 2001), the sample companies were more evenly distributed among economic sectors: trade (29.1%), food and accommodation services (16.5%), manufacturing (15.5%) and construction (11.6%). Most trade corporations sell clothes and food products, while the main manufacturing branches include textiles and aluminium.

Concerning firm geographical distribution in Bulgaria, most sample SMEs were located in the border region of Blagoevgrad and the capital region of Sofia (Figure 2), similar to Greek companies in Bulgaria in the 1990s (Karagianni & Labrianidis, 2001). Businesspeople preferred the Blagoevgrad region, and specifically the towns of Sandanski, Petrich and Blagoevgrad, because of its geographical proximity to Greece. Companies were also attracted to Sofia since it offers better connectivity and the largest market. Further, several entrepreneurs relocated to Plovdiv to take advantage of the Greek students in this region.

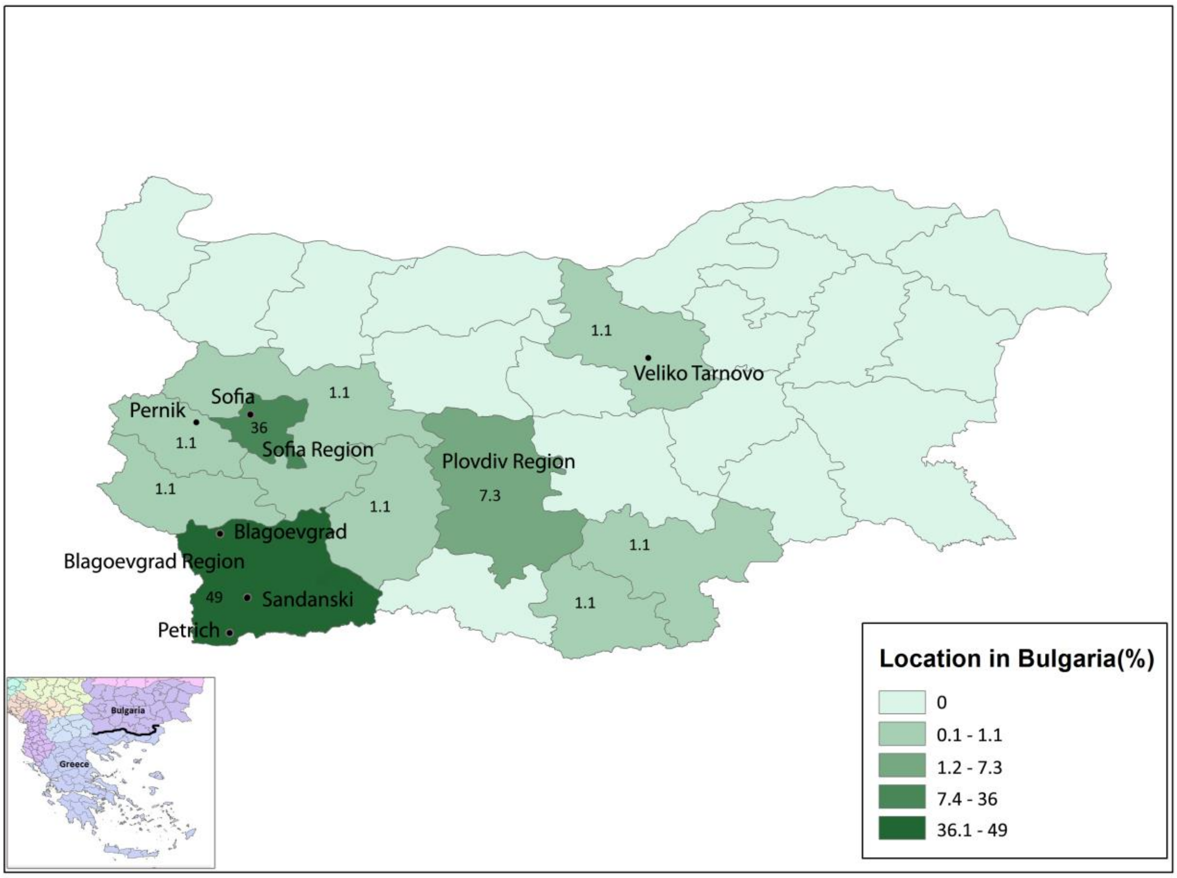

Figure 2. Surveyed SMEs' distribution (%) in Bulgaria. *Source:* Survey data, 2014

Contrary to common suggestions in CBE literature (Wright *et al.*, 2007; Smallbone *et al.*, 2011) and previous evidence of firm relocation from Greece to Balkan economies in the 1990s (Labrianidis, 2001), firms have left from many Greek regions, not mainly the border ones, as shown in Figure 3. Half of the enterprises were previously located in Thessaloniki and Attiki, the two metropolitan regions which have been greatly affected by the crisis (Giannitsis, 2013). Businesspeople have also moved their companies from border areas of Northern Greece owing to the geographical proximity to Bulgaria. Some SMEs were previously located in distant regions, like Chania in Crete Island, foregrounding the intensity of firm exodus.

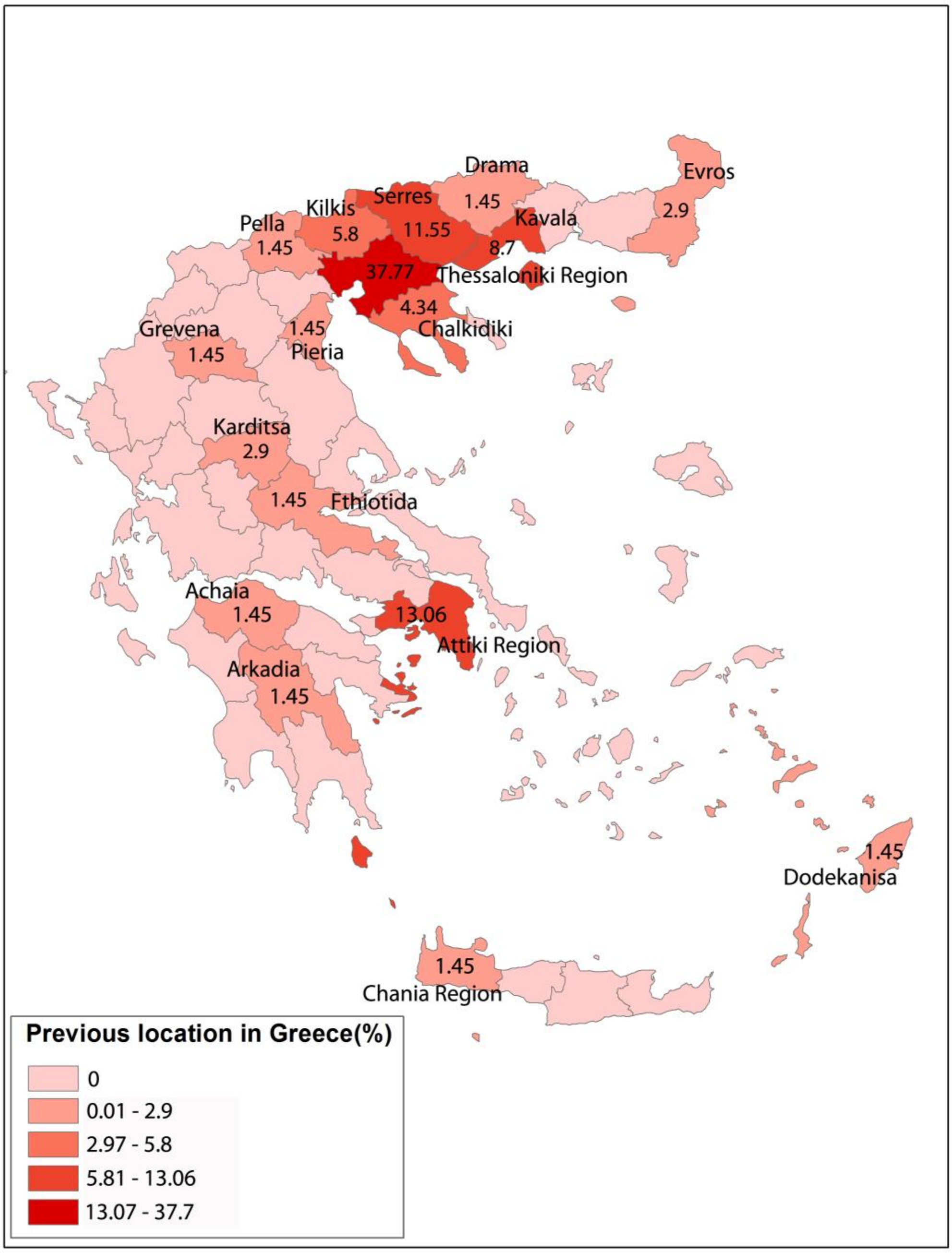

Figure 3. Sample SMEs' distribution (%) in Greece before relocation. *Source:* Survey data, 2014

Regarding the firm structure that is re-organized, complete relocation recorded the highest frequency (see Appendix 2 for more information). Most entrepreneurs (52%) decided to move their whole company to Bulgaria in order to avoid the unfavorable conditions in Greece. Contrary to frequent claims in CBE literature and previous evidence about cross-border business activities from Greece to Bulgaria and Albania and from Eastern Germany to Western Poland in the 1990s and early-2000s (Labrianidis, 2001; Bitzenis, 2006; Smallbone *et al.*, 2011), a small number of subsidiaries were found (10%). In explaining the decision to entirely move his food services company to Blagoevgrad in 2010, a respondent pointed out, “I could not make it in Greece. I could not find a reason to continue having even part of my firm there”. Accordingly, few entrepreneurs (9.5%) moved only one part of the company to Bulgaria to take advantage of the cheap labor, similar to the arguments of the NIDL scholars (Wilkinson *et al.*, 2001). By contrast, Karagianni and Labrianidis (2001) have shown that 40% of Greek enterprises in Bulgaria were involved in partial relocation in the 1990s. Further, 37% of respondents still own a company in Greece, usually inactive to facilitate trade and pay-off debt. Therefore, this is considered as firm expansion, albeit atypical due to the inactive mode of the company in Greece.

When asked about the impact of the crisis on the decision to relocate, 86% of the respondents replied that it was very significant, contrary to recent studies that have indicated a limited impact of the 2007 crisis on firm relocation, such as firm exit from Hungary and mobility of British TNCs (Kiss, 2012; Salt & Wood, 2012). However, the economic crisis influences the performance of companies mostly in places that have been most acutely affected (Hudson, 2001). Greece has been one of them since 2007. The respondents deemed the socio-economic context, shaped both by conditions prior to 2007, including high level of corruption and bureaucracy, and the effects of the crisis and austerity policies, involving lack of demand and restricted access to external finance (Giannitsis, 2013), a deterrent for firm operation. On these grounds, they reacted against falling profits by moving to Bulgaria.

For 71% of respondents who specified the relocation incentive, the main driver was to keep their business going and restore firm performance, as most SMEs faced high bankruptcy risk (Table 1). For example, as the owner of a logistics company in Petrich stated, “I could not run my firm. Therefore, I was forced to move to Bulgaria to maintain business”. Only 29% relocated in quest of market expansion and production cost reduction, which scholars previously found common incentives for firm relocation in NIDL and CBE literature (Labrianidis, 2001; Wilkinson *et al.*, 2001; Wright *et al.*, 2007). According to these strands of literature, firm mobility has been usually perceived as an opportunity in the pre-crisis period, when many countries have recorded economic growth, in several case studies, such as Greek trade enterprises relocating to the Balkan countries, Japanese electronics companies partially moving to Malaysia and German automobile business relocating to Central Europe, seeking lower production costs and proximity to emerging markets (Pavlínek & Smith, 1998; Labrianidis, 2001; Wilkinson *et al.*, 2001). However, the current firm movements were motivated by necessity. Firm survival has also proved to be the primary driver to relocate for owners of clothing and garment companies from Greece to Bulgaria in the 1990s, due to the rise of competitive pressures in these economic sectors following European market integration (Karagianni & Labrianidis, 2001). Additionally, businesspeople have moved their companies from the industrial district of Como in the late-1990s, attempting to stay in business, as the specific area recorded a major economic decline (Alberti, 2006).

Table 1. Greek firm relocation incentive to Bulgaria

	Market expansion	Lower production cost	Firm survival and improvement of economic situation	Other & DK/DA	Total
Number of firms	14	10	61	18	103
%	17	12	71	-	100

Source: Survey data, 2014

The entrepreneurs could not sustain business in Greece, under these conditions, even after internal restructurings, such as layoffs and operational cost reduction, thus necessitating relocation. In other words, respondents strove for restoring firm economic growth and profit rate. Few respondents sought product improvement or technological upgrade, contrary to claims of NIDL and previous evidence in other case studies, including the mobility of British and French companies in the 2000s (Wilkinson *et al.*, 2001; Kalantaridis *et al.*, 2011; Carrincazeaux & Coris, 2015). The owner of an accounting company explained, "businesspeople move their companies to Bulgaria, striving to survive and, then, restore profits by pushing down the operational cost; a small number of entrepreneurs have other goals, such as product improvement". Respondents perceived relocation to Bulgaria as a way out of their problems, thus highlighting space integral to business solutions, similarly to what Harvey (2006) has described as 'spatial fix'.

However, there were different incentives for relocation. Many owners of micro (76%) and small (52%) companies strove primarily for firm survival, as these firms were more vulnerable in the context of the economic crisis (Giannitsis, 2013), while 66% of medium enterprises' owners aimed at market expansion. Most owners of secondary sector companies (52%) would still have moved to Bulgaria without the crisis, while the respondents engaged in trade (80%) and services (72%) activities would not have moved to Bulgaria if economic growth in Greece had continued, suggesting that the Greek manufacturing was more resilient than trade and services in the post-crisis period.

4.2. Elements that Affected Firm Exit from Greece

Table 2 illustrates the average ('level of significance') and standard deviation of Likert value for the elements that affected respondents' decision to relocate from Greece. Overall, entrepreneurs did not consider a couple of aspects but the economic and institutional environment as a whole, within which enterprises are embedded and is quite important for their operation comprising several interconnected components that affect firm relocation (Domanski, 2003; Labrianidis & Kalantaridis, 2004). The owner of a service company explained, "the crisis and austerity policies led to sales' drop, rise in taxes and profits' fall. Then it was the lack of external finance and the increase of debt and bureaucracy. All these together affected my decision to leave Greece". Many respondents similarly summarized their decision, affected by a large group of factors.

Table 2. Level of significance of elements that affected firm exit from Greece

Variable	Mean	Standard Deviation
1. High taxation and slow VAT refund	4.54	1.03
2. High bureaucracy	4.30	1.16
3. Market instability and huge fall of sales	4.13	1.22
4. Difficult access to external finance/credit	3.86	1.39
5. Deposits' seizure of the state	3.41	1.75
6. Difficult access to energy	3.38	1.58
7. High labor cost	3.22	1.54
8. Inability to use the post-dated checks	3.10	1.77
9. High rent prices	2.92	1.60
10. The impact of Greece's membership in the Eurozone	2.81	1.72
11. Intensive competition	2.53	1.53
12. High transportation cost	2.43	1.54

Source: Survey data, 2014

The respondents assessed taxation as the most important element in their decision to relocate from Greece. The Greek State increased the corporate tax rate from 20% to 26% in 2013, which was however still lower than in other EU countries, like Germany (30%) and Italy (31.5%), according to Eurostat. In order to understand the significance of taxation, the crucial drop in revenues during the economic recession, which made the payment of taxes more difficult, and the recent exceptional taxes that the Greek government implemented, such as property tax and a special solidarity levy, need to be considered. A respondent stated, "last year I paid 70% of the revenues for taxes". Gabe and Bell (2004) have claimed that high-tax regions remain attractive if money is spent on public goods. However, this is not consistent with the recent developments in Greece as these taxes were the epicenter of the Greek government policy framework in achieving fiscal balance.

The research findings are surprising in that the labor cost, probably the most important firm relocation factor in the literature (Hudson, 2001; Labrianidis & Kalantaridis, 2004; Kiss, 2007), proved just seventh in the classification of the elements that affected firm exit from Greece. Contrary to NIDL assertions and evidence of firm relocation from Greece to Bulgaria in the 1990s (Karagianni & Labrianidis, 2001; Wilkinson *et al.*, 2001), only a few entrepreneurs mentioned labor cost in their decision to leave Greece. The owner of a wholesale trade company in Sofia stated that "no, wages were not among the key issues to me; they were quite low. Social contributions were a little higher". This research outcome reflects the recent labor cost reduction in Greece, which was the greatest in the EU in 2010-2013 owing to a 19% decline of gross wages, according to Eurostat. Despite the reduction in labor cost, thousands of businesspeople left Greece because their firms were not profitable.

Lack of demand had a great impact on firm exit from Greece and was found to be more important than previously credited in studies, which have emphasized the level of demand in destination territory, including the case of firm relocation to Poland and emerging Asian economies in the 1990s (Wilkinson *et al.*, 2001; Domanski, 2003). Fall of demand was the outcome of the rise in the unemployment rate by 190%, wage cuts and drop in household income (-30%) in 2007-2014 (Eurostat data), which are factors greatly affecting the demand level (Kiss, 2012). The owner of a trade firm explained, "my clients could not buy anything as they did not have the sufficient funds to pay". Commodities could not be sold, thus resulting in high illiquidity, while invested capital partly lost its value. Further, some entrepreneurs proceeded with sales on credit, which were, eventually, never paid, leading to outstanding payments for already concluded transactions.

In addition to this, firm exodus has been affected by the restricted access to external finance, mainly bank loans and overdrafts, a factor that has not been fully examined in economic geography literature despite the remarkable efforts of Klagge and Martin (2005) and Dunford *et al.* (2014), who have focused on the importance of external finance conditions in attracting companies in a territory. The impact of external funding conditions on entrepreneurs' decisions to leave a region remains less known. There are a number of root factors on the significance of access to external finance. Greek SMEs have been historically credit-dependent (Liargovas, 1998), while the provision of external finance had crucially increased since 2000, owing to the falling interest rates from competition within the Eurozone. Banks granted loans to SMEs without considering entrepreneurs' capability of paying off their debt, in a mode of business subprime lending. The interviewed product manager of business loans stated that "then, things were optimistic and, thus, SMEs' borrowing was over their limits". However, since 2007 access to external finance has become severely restricted for the Greek SMEs due to banking losses and poor firm performance (Giannitsis, 2013). In the context of economic recession, entrepreneurs were incapable of carrying out business partly because they could not get financed. An entrepreneur in Petrich explained, "difficult access to external finance was the number one relocation factor. All foreign suppliers required pre-payments, but I could not have access to funding".

Further, the level of bureaucracy, related to the refund of Value Added Tax (VAT), has increased since 2007 thus leading to time-consuming and expensive transactions with the State. While money from VAT return became critical to counter illiquidity, the average period for VAT refund in the early-2010s was 350 days, according to the Greek Ministry of Finance. Characteristically, the manager of a medium construction firm condemned that "the State did not pay off the €300,000 VAT refund. It is completely unorganized".

Subsequently, in terms of norms, entrepreneurs' trust in the State collapsed in the context of the crisis and the government's austerity policies. A respondent underlined, "the State had asked for an extra commission to back me, but since 2010 it has been on my tail", also suggesting the high level of corruption (Giannitsis, 2013). Further, trust among the social actors shrunk in the post-crisis period. The case of bank checks is indicative. In Greece, post-dated bank checks had historically been a significant transaction means, on the basis of trust among people with personal relations. However, bank checks became useless following the collapse of trust in the post-crisis context. This was evident from the owner of a manufacturing enterprise in Blagoevgrad who stated that "the bank checks could be neither used nor redeemed. There was no trust". Distrust has led to higher uncertainty, which entrepreneurs, overall, attempt to avoid (Guzik & Micek, 2008).

Finally, the respondents' entrepreneurial mindset proved crucial for firm relocation, as business mentality is important for firm operation (Kalantaridis *et al.*, 2011). Greek businesspeople, based on short-termism and low entrepreneurial skills, prioritize quick and easy profits over long-term business strategies that improve quality (Giannitsis, 2013). This escalated the impact of the crisis on Greek SMEs. A respondent explained, "I got several loans to buy fields for my company to build my reputation. However, borrowing was a mistake. I did not need these loans. Eventually, I could not pay off my debts".

There were no significant constraints on relocating to Bulgaria. Some entrepreneurs mentioned their concerns with the foreign language and the 'unknown' of a foreign country. Even under the adverse economic conditions in Greece, the businesspeople were well able to manage relocation costs, which are critical for relocation decisions (Kiss, 2007), as, according to the respondents, the equipment was quite modest and inexpensive. This was particularly underlined by the statement of the owner of a trade firm: "I relocated to Bulgaria by making several transfers with a van. There was not much equipment, so costs were low".

4.3. Elements that Attracted Greek SMEs to Bulgaria

Entrepreneurs moved their firms to Bulgaria due to the economic and institutional environment as a whole. The Bulgarian State has been providing several incentives to attract foreign firms, thus regulating the lowest minimum wage and corporate tax rate in the EU since 2007 (Eurostat data). Moreover, the effects of the crisis on the Bulgarian economy have been less significant than on the Greek one, while austerity measures were less stringent than the ones applied in Greece, affecting mainly consumption (Petkov, 2014). Table 3 presents the mean and the standard deviation of Likert value for the variables that attracted the businesspeople in Bulgaria.

Table 3. Level of significance of elements that attracted firms in Bulgaria

Variable	Mean	Standard Deviation
1. Geographical proximity to Greece	4.57	1.00
2. Low taxation and prompt VAT refund	4.52	1.09
3. Low bureaucracy	3.94	1.40
4. Low labor cost	3.71	1.44
5. Easy access to energy	3.53	1.55
6. The Bulgarian State did not have many financial requirements	3.50	1.63
7. Market stability	3.42	1.49
8. Low competition	3.27	1.57
9. Low rent prices	3.27	1.57
10. Low transportation cost	3.15	1.61
11. Strong ties between firms in Bulgaria and Greece	2.79	1.57
12. Size of the Bulgarian market	2.63	1.45
13. Presence of Greek firms in Bulgaria	2.63	1.63
14. The impact of Bulgaria's non-membership in the Eurozone	2.50	1.69
15. Cultural connections with Greece	2.43	1.52
16. Easy access to finance/credit	2.22	1.42

Source: Survey data, 2014

Geographical proximity to Greece was demonstrated to have mostly affected respondents' decision to move to Bulgaria. Bearing in mind that Greek businesspeople have relocated to neighboring countries in the 1990s (Labrianidis, 2001), it is important to rediscover the significance of geographical proximity in the post-crisis period, since it was among the basic reasons that Greek businesspeople chose to relocate to Bulgaria and not to another more developed national economy. In explaining the relocation decision, the owner of a trade enterprise stated, "I would move to Germany, but I chose Bulgaria, as it combines geographical proximity to Greece and low operational cost". Considering that Bulgaria constitutes the only EU member state that has a common border with Greece, the significance of geographical proximity is not surprising since Greek businesspeople would wish to stay close to existing customers' networks that are quite significant for firm operation (Carrincazeaux & Coris, 2015). Characteristically, 48% of the respondents target the Greek market, despite the great drop in demand. Geographical proximity to home region was also cited as critical for firm mobility in the CBE literature because of the reduction in transportation cost (Smallbone *et al.,* 2011). Indeed, a respondent explained, "geographical proximity could help me to push down the transportation cost as I am close to my customers, thus facilitating trade". Finally, entrepreneurs' decision was also influenced by their dependence on family, which is strong (Giannitsis, 2013). The owner of a service enterprise in Blagoevgrad mentioned, "I wanted to be close to my family. I moved to a neighboring country instead of Central Europe".

Among the options in terms of cross-border relocations to low-cost economies, most businesspeople chose Bulgaria. Thousand Greek entrepreneurs have moved their companies to other low-cost neighboring countries, including Serbia, Turkey and Albania, in the pre- and post-crisis period (Labrianidis, 2001; Labrianidis & Vogiatzis, 2013). However, the most have relocated to Bulgaria since it was a member of the EU. Indeed, the European Single Market has facilitated firm movements within the EU (Domanski, 2003; Smallbone *et al.,* 2011). Bulgaria's accession to the EU in 2007 opened borders with the other EU member States and improved the State operation (Pashev, 2011). This was important for the decision to relocate for 70% of respondents. The project manager of Kilkis Chambers of Commerce and Industry confirmed, "in the 1990s, the Greek entrepreneurs tended to move to all Balkan countries, but since 2007 a significant preference towards Bulgaria has been observed".

Low taxation was found to be very significant, as businesspeople sought conditions for decreased expenditures and low operational cost. The Bulgarian State has maintained corporate tax rate at 10% since 2005, the lowest in the EU according to Eurostat, as one of the incentives for attracting foreign Direct Investment (FDI). The owner of a trade company in Sofia mentioned "low taxation in Bulgaria allows me to maximize cash reserves and profits". However, Bitzenis (2006) has indicated that, in the late-1990s, only 27% of Greek entrepreneurs included in his study considered low taxation for penetrating the Bulgarian market as corporate tax rate was 23.5% in 1999.

In line with the NIDL claims, other evidence in economic geography and previous findings of relocation from Greece to Bulgaria (Labrianidis, 2001; Wilkinson *et al.*, 2001; Kiss, 2007), labor cost proved to be critical, despite the noticeable reduction of minimum wage discrepancy between Greece and Bulgaria from 1:12 in 1995 to 1:4 in 2012 (Eurostat). Bulgaria has maintained the lowest minimum wage within the EU since 2007. This was a crucial condition for restoring Greek SMEs' profitability. As the owner of a manufacturing company explained, "labor cost was significant as I could largely push down the operational cost". Apart from wages, social security contributions were quite smaller in Bulgaria than in Greece.

Further, the Bulgarian State provides electronic governance and low level of bureaucracy, which have paved the way for low-cost transactions with the citizens, thus significantly attracting the Greek businesspeople. This contrasts Bitzenis (2006) who has found bureaucracy among the greatest barriers to Greek investments in Bulgaria in the late-1990s. It is worth noting that businesspeople are attracted by a high formal institutional capacity in a territory, like the German entrepreneurs in Central and Eastern Europe (Tüselmann, 1999), as formal institutions are crucial for firm performance (Domanski, 2003). An entrepreneur mentioned, “I am conducting all the transactions electronically with the online services of the State”. It important to note that while, in Greece, the entrepreneurs have been extremely disappointed with the time required for VAT return, in Bulgaria, it is refunded in 32 days.

Regarding the informal institutions, high corruption negatively affected decisions to relocate to Bulgaria, since a low level of development of norms increases the business risk (Guzik & Micek, 2008), although businesspeople found it understandable and only a few reported it as a barrier. Bulgaria still records high level of corruption, despite EU membership and recent improvement (Pashev, 2011). The owner of a trade enterprise stated, “civil servants require commission from me. It is a rule here. It is worse than in Greece. However, it is reasonable. People cannot survive on a €200 salary. The government policies drive them to act like this”. Surprisingly, few interviewees reported corruption as an obstacle, in contrast with Bitzenis (2006) who has found that it was a significant deterrent for Greek entrepreneurs’ decision to set up business activities in Bulgaria in the late-1990s. Despite the high corruption in the neighboring country, the businesspeople crossed the borders owing to their prior experience with high level of corruption in Greece (Giannitsis, 2013). Also, the entrepreneurs were prepared to do whatever it took to avoid the socio-economic conditions in Greece and maintain business.

The level of trust in the Bulgarian society had an ambiguous impact on firm relocation. In respondents’ perspective, Bulgaria provides an environment of ‘entrepreneurial safety’ based on a high level of trust, an important factor for relocation decisions, including movements of Central and Eastern European software companies within Europe in the early-2000s (Guzik & Micek, 2008). The owner of a trade enterprise mentioned that “here I feel sure of receiving my money”. Others disagreed, providing evidence for speculation, like the selective increase in land prices by the landowners for Greek leasers. A respondent stated that ‘I told the landowner that I am Greek. Then, he raised the rent from €50 to €150’. Finally, employees’ skills, which NIDL advocates consider an influence on firm mobility (Castells, 1996), discouraged SMEs’ relocation to Bulgaria as respondents considered them low. The manager of a company that develops water heating systems stated, “we were doubtful about employees’ educational level. In Greece it is better”.

5. Conclusion

This paper has studied firm relocation in the aftermath of the 2007 economic crisis. The study is limited in that it examines just the Greek SMEs and that a non-probability sample method is employed. However, this paper provides valuable insights for post-crisis firm movements.

This article provided empirical evidence to support existing claims. Entrepreneurs relocated to restore firm performance, thus seeking for a 'spatial fix', consistent with the claim of Harvey (2006) that businesspeople move their companies to avoid economic decline. In other words, the 'spatial' proved to be integral of entrepreneurs' efforts to solve their problems. Further, the EU and its regulations, such as trade liberalization, were found crucial for firm movement to Bulgaria, backing similar claims (Domanski, 2003; Smallbone *et al.,* 2011).

The analysis of the post-crisis firm mobility from Greece to Bulgaria is distinct from that in times of economic growth at the macro-level (Labrianidis, 2001; Kiss, 2007; Hong, 2013) as the crisis significantly changed the conditions within which companies operate and business decisions are made. The interpretation of post-crisis firm relocation moves beyond the existing theoretical and analytical context, although it constitutes the basis for any further elaboration. The Greek case seems to be a 'new phenomenon' of firm exodus.

This paper contributes to the literature by suggesting that in order to explain the post-crisis Greek SMEs' movements to Bulgaria theoretical efforts on firm relocation, articulated in times of economic growth, need to be re-considered. Contrary to NIDL (Castells, 1996; Wilkinson *et al.,* 2001), businesspeople did not move their companies to Bulgaria to improve firm performance and product quality, which are among the basic relocation drivers in NIDL literature, while labor characteristics were not particularly important in their decision-making. Nor was this relocation even a typical case of cross-border entrepreneurship (Wright *et al.*, 2007; Smallbone *et al.,* 2011), as relocation activity did not signify partial movement or subsidiaries, did not apply just to firms from border areas, while businesspeople did not perceive firm relocation as an opportunity, as they could not solve their problems in Greece by internal restructurings.

By contrast, it is the entrepreneurs' experiences of the Greek economic and institutional context as a whole that were determinant for firm exit. Historically, the Greek socio-economic framework has been weak characterized by slow VAT return, corruption, short-termism, high level of bureaucracy and subprime loans to SMEs. The 2007 economic crisis and, mainly, the austerity policies have had a very negative impact on firm performance, thus explaining Greek SME exodus towards Bulgaria. In fact, the post-2007 business conditions in a region resulted from the interaction between the impact of the crisis, the position of this territory in the international division of labor, its institutions and the austerity policies implemented to resolve the crisis (Hadjimichalis, 2011). These conditions, i.e. the post-crisis economic and institutional context, determined Greek SME exit towards Bulgaria.

In other words, the relocation decisions at the micro-level were affected by developments and changes in the macroeconomic conditions in Greece, as a result of the political choices made by the Greek government. Interpreting the nature of the policies implemented in Greece, it is important to highlight the government's decision to apply austerity measures attempting to resolve the economic crisis by achieving fiscal stability. These policies entailed heavy taxation, economic instability, drop in demand, collapse of trust and lack of external finance, thus setting the ground for SME relocation from all Greek regions to Bulgaria. Most entrepreneurs moved their whole company attempting to break free of the Greek socio-economic environment, perceiving relocation as a necessity to avoid firm bankruptcy, similar to other businesspeople in specific places and economic sectors that recorded economic recession in the 1990s (Karagianni & Labrianidis, 2001; Alberti, 2006). However, this case refers to all the sectors and regions in Greece, in the context of the 2007 general economic crisis.

Further, emphasizing the importance of not presupposing firm relocation determinants, a brief overview of the findings suggests that the significance of relocation factors has changed in the aftermath of the crisis and austerity policies. The research outcomes indicate taxation, trust, bureaucracy and geographical proximity as aspects that significantly influenced firm mobility. This is consistent with some existing evidence referring to the pre-crisis period about taxes, geographical proximity and trust in Greek firm relocation to Bulgaria and other cases (Domanski, 2003; Alberti, 2006; Guzik & Micek, 2008). However, it contradicts findings regarding the level of bureaucracy (Bitzenis, 2006). Significant insights are provided about the role of labor cost. On one hand, it was one of the most crucial factors in entrepreneurs' decision to move to Bulgaria. On the other hand, labor cost in Greece was found of limited importance for businesspeople's decision to relocate from the country, opposing evidence from several studies that have identified labor cost as extremely significant in firm mobility (Hudson, 2001; Domanski, 2003; Kiss, 2007). This research outcome is explained by the fact that the Greek government squeezed wages in an attempt to attract FDI. However, wage cuts have not stopped firm exodus, not to mention attracting further investment. This policy is unjust, deepening the inequalities in Greece, and ineffective, since labor cost alone cannot improve the attractiveness of a territory.

Finally, some elements, which have not been fully examined by economic geographers, merit discussion since they influenced firm relocation from Greece in times of economic crisis. Lack of demand was important owing to unemployment rate growth and wage reduction. Most studies have focused on the level of demand in the destination territory (Wilkinson *et al.*, 2001; Domanski, 2003). Also, this paper indicated that access to external finance emerged as an element greatly affecting firm exodus from Greece, on the grounds of SMEs' subprime loans before 2007 and the restricted access to bank credit in the post-crisis period. To date, economic geographers have not fully examined the interrelationship between firm finance and relocation (Klagge & Martin, 2005; Dunford *et al.,* 2014). These results suggest that in the changing post-crisis socio-economic environment any prediction of firm relocation incentives and determinants is falsifiable; by contrast a detailed analysis of them is necessary.

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Appendices

Appendix 1 **Structure of questionnaire**

A. General characteristics of the firm

1. How many people does your company currently employ in total (if it is a subsidiary, please choose the number of employees of all the companies of the group, if you know it)?
A. Less than 9 B. 10-49 C. 50-249 D. More than 250

2. What is your annual turnover (if your company is a subsidiary, please choose the annual turnover of all the companies of the group, if you know it)?
A. Less than €10m B. More than €10m

3. In which economic branch is your firm active?
A. Agriculture, forestry and fishing B. Mining and quarrying C. Manufacturing
D. Electricity, gas, steam and air conditioning supply
E. Water supply; sewerage, waste management and remediation activities
F. Construction
G. Wholesale and retail trade; repair of motor vehicles and motorcycles
H. Transportation and storage J. Information, publishing and communication
I. Accommodation and food service activities
K. Financial and insurance activities L. Real estate activities
M1. Legal, accounting, consulting and management activities
M2. Architecture and engineering activities. Scientific research and development. Other professional, scientific and technical activities
N. Administrative and support service activities O. Education
P. Human health and social work activities Q. Arts, entertainment and recreation
R. Other service activities S. Other

4. To which region is your firm located?
A. Sofia B. Blagoevgrad C. Pernik D. Kyustendil E. Plovdiv
F. Haskovo G. Pazardzhik H. Smolyan J. Kardzhali K. Other

5. Which of the following sentences describes better your case?
A. I completely moved my firm from Greece B. I moved a part of my firm to Bulgaria
C. I expanded my firm to Bulgaria
D. None of these. My firm was always Bulgarian. E. Other

6. If you moved your firm, do you still own an active company in Greece?
A. Yes B. No C. I do not know/I do not answer

7. Is your company a subsidiary?
A. Yes B. No

8. If you moved your firm, which prefecture did you relocate from? If you expanded your firm, to which prefecture is your firm located in Greece?
A. Evros B. Rodopi C. Xanthi D. Kavala
E. Serres F. Drama G. Thessaloniki H. Kilkis
J. Pellas K. Kastoria L. Other M. I do not know/I do not answer

9. When did you establish your firm to Bulgaria?

A. 2007	B. 2008	C. 2009	D. 2010
E. 2011	F. 2012	G. 2013	H. 2014

B. Relocation from Greece

10. Would you have moved your firm in Bulgaria if the crisis had not unfolded?
A. Yes B. No C. I do not know/I do not answer

11. Has the crisis and its impact affected your decision to move your firm to Bulgaria? *(1=not significantly at all to 5=very significantly)*
A. 1 B. 2 C. 3 D. 4 E. 5 F. I do not know/I do not answer

12. Would you have been obliged to close your firm if you had not moved to Bulgaria?
A. Yes B. No C. I do not know/I do not answer

13. What was the broader incentive of relocation of your firm? *(please choose one)*
A. Market expansion B. Lower production cost
C. Firm survival and improvement of its economic situation D. Other

14. Was your decision affected by the accession of Bulgaria in the EU? *(1=not significantly at all to 5=very significantly)*
A. 1 B. 2 C. 3
D. 4 E. 5 F. I do not know/I do not answer

15. In the context of the deep recession caused by the crisis, did the difficult access to credit/finance (such as loans, checks, subsidies) contribute to your decision to move your firm? *(1=not significantly at all to 5=very significantly)*
A. 1 B. 2 C. 3
D. 4 E. 5 F. I do not know/I do not answer

16. Would you have moved your firm if the loans, checks and subsidies from banks and, in general, the financing of your firm had been available in Greece?
A. Yes B. No C. I do not know/I do not answer

17. How important was each of these factors regarding your decision to move your firm from Greece? *(1=not significant at all to 5=very significant)*

High labor cost	1	2	3	4	5
High taxation and slow VAT return	1	2	3	4	5
High bureaucracy	1	2	3	4	5
Market instability and huge fall of sales	1	2	3	4	5
Difficult access to finance/credit	1	2	3	4	5
Inability to use the post-dated checks due to the complete loss of trust in the Greek market	1	2	3	4	5
The Greek state could seize my bank deposits	1	2	3	4	5
High transportation cost	1	2	3	4	5
High rent prices	1	2	3	4	5
Difficult access to energy	1	2	3	4	5
Intensive competition	1	2	3	4	5
The impact of Greece's membership in the Eurozone	1	2	3	4	5

18. How important was each of these factors in your choice of Bulgaria as location site of your firm? *(1=not significant at all to 5=very significant)*

Low labor cost	1	2	3	4	5
Low taxation and high VAT return	1	2	3	4	5
Low bureaucracy	1	2	3	4	5
Market stability	1	2	3	4	5
Easy access to finance/credit	1	2	3	4	5
The Bulgarian State did not have many financial requirements	1	2	3	4	5
Low transportation cost	1	2	3	4	5
Easy access to energy	1	2	3	4	5
Low competition	1	2	3	4	5
The impact of Bulgaria's non-membership in the Eurozone	1	2	3	4	5
Size of the Bulgarian market	1	2	3	4	5
Low rent prices	1	2	3	4	5
Presence of Greek firms in Bulgaria	1	2	3	4	5
Cultural connections with Greece	1	2	3	4	5
Strong ties between firms in Bulgaria and Greece	1	2	3	4	5
Geographical proximity with Greece	1	2	3	4	5

Appendix 2 **Statistical presentation of the sample**

Number of employees	**<9 (micro companies)**	**10-49 (small firms)**	**50-249 (medium enterprises)**	**Total**
Number of firms	68	25	10	103
%	66	24.5	9.5	100

Annual turnover	**<€10million**	**€10-50million**	
Number of firms	95	8	103
%	92.2	7.8	100

Economic sector	**Agriculture**	**Manufacturing**	**Construction**	**Trade**	**Food & Accommodation services**	**Other**	**Total**
Number of firms	4	16	12	30	17	24	103
%	3.8	15.5	11.6	29.1	16.5	23.5	100

Still owing an active company in Greece?	**Yes**	**No**	**DK/DA**	
Number of firms	32	54	17	103
%	37	63	-	100

Is the enterprise in Bulgaria a subsidiary?	**Yes**	**No**	
Number of firms	10	93	103
%	10	90	100

Structure of the firm that is re-organized	**Complete relocation**	**Partial relocation**	**Expansion of firm**	**Total**
Number of firms	54	10	20	103
%	52	9.5	38.5	100

Source: Survey data

Appendix 3 **Schedule of the interview with businesspeople**

A. The conditions in Greece in the pre-crisis period

1. The pre-crisis period of the firm: sustainability, problems, changes
2. Competition in the Greek market.
3. Credit conditions: significance, financing sources (bank loans, bank overdrafts, bank checks), important problems (availability, interest rate, guarantees, bureaucracy)
4. How has the State supported your firm?

B. The conditions in Greece in the post-crisis period

5. The post-crisis period: impact on firm performance, problems, decisions to confront it
6. Were you able to repay the creditors?
7. Were you satisfied by the support of the Greek state?
8. The impact of the crisis on credit conditions. Did you make efforts to change financing source?

C. Relocation to Bulgaria

9. The conditions in Greece before relocation. What would have happened in case of no relocation?
10. The impact of the crisis on your decision to relocate.
11. Describe to me, please, how you made the decision to relocate.
12. The broader incentives of relocation. To survive? To increase the profits? Combinations?
13. If crisis had not emerged, would you have left Greece?
14. The impact of the accession of Bulgaria in the EU on your decision to relocate.
15. The specific push and pull factors of relocation.
16. In the context of the deep recession caused by the crisis, did the difficult access to external finance contribute to your decision to move your firm? How significantly?
17. Level of agreement with the following statement: 'Sales dropped, profits fell, taxes increased… then it was the complete lack of external finance that would support my firm…so I could not operate my firm anymore… Therefore, I decided to move my firm to Bulgaria in order to survive…'
18. Did the fact that Bulgaria is not a member of the Eurozone influence your decision?
19. Why did you relocate to Bulgaria? The specific factors that pulled you in Bulgaria. Which were the most significant obstacles that you should take into account before you made your decision?
20. Why not to another more stable and developed economy?
21. Why didn't you leave Greece before?
22. Where did you get the information for relocating to Bulgaria? Were you influenced by the public discourse? Was this info adequate?
23. Relocation costs? High? How did you finance them?