
Opportunities for Enhancement of Competitiveness in Forestry in Bulgaria

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Abstract. Competitiveness of forestry is prerequisite for multiple benefits to society. Its quantification by means of factor analysis and linear ordering in multidimensional space in previous studies [7, 8] reveals the unsatisfactory ranking of Bulgarian forestry in terms of competitiveness in comparison with 15 EU member states. In this relation in current paper an attempt is made to answer the questions: ‘What have to be done to enhance competitiveness of forestry in Bulgaria?’. The response is searched by means of questionnaire survey among specialists working in forestry. According to them to enhance the competitiveness of forestry in Bulgaria it is appropriate the territorial divisions of state forest enterprises to invest in forestry equipment and to increase the share of economic activities carried out with their own workers and equipment.

Keywords: market failures, competitiveness, state forest enterprises, representative sample.

1 Introduction

In previous studies, on the grounds of national forestry competitiveness estimation in 15 states members of EU is established unsatisfactory ranking of Bulgarian forestry (13 place) which does not correspond to the possessed forest resources [7, 8]. Because of that the goal of current article is to answer the question: ‘What have to be done to enhance competitiveness of forestry in Bulgaria?’. The answer of the question is searched by means of historical analysis, estimation of social actions of the economic subjects working in forestry and questionnaire survey.

2 Theoretical framework of the research

The sociologists use the category ‘social action’ as main constructive unit for explanation of man’s motivation. Generally, the social action comprises: the human activity which is motivated by the set goals and the methods for fulfilling these goals. According to Max Webber’s systematisation, the social actions can be grouped into four ideal types: goal-oriented rational, value-oriented rational, traditional and affective social actions. Nevertheless, not every social action can be defined as one of Webber’s ideal types [4, 16].

The **goal-oriented rational social action** is the rationally formulated and well calculated goal, the means for whose fulfilling are selected on the basis of rational thinking. The goal and the means for its attaining are merged together in a rational way by the actor. The actors operate in a

rational goal-oriented way if they coordinate their actions with their goals, means and the possible results [4, 16].

The **value-oriented, rational social action** is the second ideal type which accentuates on the conscious, rationally selected pursuit for a certain value or a group of values. These economic, political or spiritual values are the motive behind the actors' mode of behaviour. The actors subordinate their actions to the motive, without considering any other side effects or benefits that may result from their behaviour [4, 16].

The **traditional action** is an action that is typical for a given tradition. The traditional action is not clear, at times even automatic, which practically results in lack of meaningful orientation [4, 16].

As far as the affective action type is concerned, the actors completely give in to the emotional condition or affects that have gained control over them at a certain moment. The affective mode of behaviour borders with the rationally oriented one and often goes beyond its limits [4, 16].

When the types of social acts are compared, they reveal the different grade of their social character. For instance, the traditional act is far more social than the affective one; the value-oriented rational act is more social compared to the traditional one. This '**social intensification**' is an expression of rationalisation which end part is the ideal type of goal-oriented rational social action. When we speak of rationalisation, we need to clarify which is the sphere of life that needs rationalisation as well as the values and end goals that are pursued via this rationalisation. In forestry sphere the economic rationalisation is to provide all the actors on the market of wooden and non-wooden products with an economic opportunity to realise their property through strict calculation of revenues and expenditures. The last one is connected with the idea of M. Webber for the rationally organized capitalistic enterprise. Under the concept of 'capitalistic' M. Webber understands economic action based on the expectation for profit by using the opportunities of exchange, i.e. of peaceful chances of acquisition. Forced acquisition follows its own specific laws so it is not appropriate to fall under the same category as exchange-oriented acquisition [17]. Where profits are achieved in a rational way the respective action is oriented towards strict capital calculation. This means: 'at the beginning of each entrepreneurial activity there is initial balance before each individual action – calculation, during the control and verification of expediency – subsequent calculation, at the end in order to establish the 'profit' – final balance' [17].

3 Estimation of social actions of economic subjects working in Bulgarian forestry during its history

During the period 1878-1934 the forest authorities were occupied only with the control in forest territories. The use of forest goods was realised by local population. At the end of the period with the use of forest goods were engaged forest labour cooperations also. The logging activities done by local population were not separated from the family economy. The traditional and affective social actions prevailed. There was not strict calculation of incomes and revenues which did not create conditions for establishment of rationally organised enterprises. The profit was achieved through political pressure, illegal logging and low payment of local population's labour [14].

After 1934 till 1947 two ways of wood harvesting were established – economic and cooperative. The goal was through them not only the rent but part of the profit to remain in the forest owner. The enterprise ‘Economic exploitation of state forest’ (SEDG) was created and realised the exploitation of forest with state means. A part of the economic activities SEDG performed through inner firm organisation and administrative control between the sections. The other part was assigned to forest cooperations by means of market mechanism. The actions of SEDG were goal-oriented rational. They were based on strict calculation of incomes and costs. The cooperators in forest labour cooperations took care of forests as the last ones were the source of permanent income and goods for them. Because of that their actions were also goal-oriented rational [14].

During the period 1947-1960 the main contradiction in forestry was caused by departmental fragmentariness. Attempt for its solution was done with Ordinance No 28 of Ministerial council (MC) on 29. 01. 1960. Through it forest creation and logging were unified in Main Management of Forests, which was subordinate to MC [14].

Analogue of the so called ‘American model’ of forest management is realized in Bulgarian forestry during the period 1960-1989. It is implemented when there are huge capitals and large forest properties. The industrial forest capital is with leading function. It gives direction of forest exploitation and forestry. This management model is typical for USA and Canada. The concessionary policies, which are carried out here, give to industrial forest capital the right to organise the use of forests. It is conducted by means of large industrial basis without interferences and restrictions. Because of that the conflicts between forest owners and users are eluded. The long term investments with which the concession form of management is connected demands from the concessionaire rational economic actions including investments in forests recreation [2, 5, 9].

After 1990 in Bulgarian forestry prevail value-oriented rational, traditional and affective social actions [14]. Profit is achieved not through strict calculation of revenues and expenditures but on the basis of irrational social actions as opportunism, rent seeking and asymmetry of information, which do not contribute for competitiveness enhancement.

4 Results and Discussion

On the basis of the study’s theoretical framework is formulated the research thesis, which states: The competitiveness of Bulgarian forestry is low due to prevalence of value-oriented, rational social actions and traditional ones, which find manifestation in some market failures as opportunism, rent seeking and asymmetry of information. The limitation of these social actions, i.e. market failures might be achieved through creation of Webber’s rationally organized capitalistic enterprise. In case of Bulgarian forestry the last one means investment of territorial division (State Forest Enterprises (DGS) and State Hunting Enterprises (DLS)) of state enterprises (DP) for management of state forest territories in their own equipment for realization of silvicultural activities and timber harvesting. It is supposed that DGS/DLS are able to create competition among the economic subjects in forestry through increasing the share of stewardship activities performed with their own equipment and workers (of DGS/DLS). The thesis is verified through questionnaire survey based on representative sample carried out among 171 specialists

working in the field of forestry. The answers of questions from the inquiry cards are presented in the lines below.

In this study under category 'rent seeking' is accepted the classical understanding that a contestable rent generates rent-seeking activities aimed at obtaining the rent. These activities involve unproductive use of real resources and cause a social loss. Rent-seeking costs are difficult for measurement but by means of contest theory and some assumptions about the social actions of rent seekers, the size of the social cost can be calculated from the value of the disputable rent. Typical examples of contestable rents are providing monopoly rights, privileged budget distribution, protectionist trade policies, national resource rights etc. [1]. Conceding the negative effects of this market failure it is important to check its presence in Bulgarian forestry through the answers of question 1st from inquiry card: 'To what extent in Bulgarian forestry there are market failures as rent seeking?'. The answers of the question confirm the existence of this market failure. They are distributed as follows: very high – 19.30%; high – 61.40%; low – 19.30%.

Under the term 'opportunism' in current paper is accepted the understanding of O. Williamson and namely 'self-interest seeking with a guile' [cited in 15] in other words 'parties are opportunistic when they act to their benefit yet to the detriment of the other party in the relationship' [3]. From here emerge the 2nd question from the inquiry card, which sounds: 'To what extent in Bulgarian forestry there are market failures as opportunism?'. The answers of respondents confirm the presence of opportunism in Bulgarian forestry and they are distributed as follows: very high – 22.22%; high – 67.25%; low – 10.53%.

The importance of the idea about 'information asymmetry' is not subjected to discussion and in present paper under this term is understood 'a situation in which respective parties own different amounts and types of information over time about a project or contract' [12]. By means of question 3rd from the inquiry card 'To what degree in Bulgarian forestry there are market failures as information asymmetry?' is confirmed the existence of information of asymmetry as the responses of the inquired are distributed as follows: very high – 14.62%; high – 52.05%; low – 22.80%; very low – 10.53.

The main research question is how to overcome these market failures? In correspondence with the accepted research thesis the limitation of market failures in forestry is connected with creation of rationally organized enterprises for multi-purpose forest use, which generate profits only through strict calculation of revenues and costs. On practice this means creation of competitive order in forestry [6, 10, 11, 13, 14]. Its achievement is possible through investments of DGS and DLS in their own equipment and expansion of the share of stewardship activities carried out with their own workers and equipment. One of the criterions for truth of the thesis above is the opinion of the specialists working in forestry. It is verified with the last two questions from the inquiry card. On question 4th: 'Do you think that through investments in forest equipment the territorial departments (DGS/DLS) of state enterprises will be able to constraint the market failures as rent seeking, opportunism and information asymmetry?' 80.3% answered with 'possible' and 'absolutely possible' and 19.7% of the inquired persons answered 'impossible' and 'absolutely impossible'. At the same time on question 5th: 'Is it possible territorial departments (DGS/DLS) of state enterprises to create competition among the economic subjects in forestry through increasing the size of economic activities done with own equipment and workers?' 87.7% of the

respondents answered with ‘possible’ and ‘absolutely possible’ and 12.3% of them answered with ‘impossible’.

5 Conclusions

The main reasons for Bulgarian forestry unsatisfactory competitiveness are some market failures as opportunism, rent-seeking and asymmetry of information. The limitation of these market failures is possible through establishment of structure of institutional rules that enables transition towards rationally organized enterprises. Through strict calculation of revenues and costs they should be motivated for goal-oriented rational social actions, which lead to competition, effective protection of property rights on production factors and investment. More precisely at present stage of development it is necessary the territorial division of state enterprises (DGS and DLS) for management of state forest territories to invest in their own equipment and to increase the share of stewardship activities carried out with their own workers and equipment.

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