

LOCALIZATION DECISION-MAKING OF THE FIRMS AS DYNAMIC PROCESS

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The word localization is of Latin origin and “locare” means “to place”. Localization is the process of selecting the place for specific socio-economic activities. Each place offers spectra of specific resources and each social or economic activity is characterised by different needs. The optimal localization of a socio-economic activity is where supply of available resources (including quality a quantity parameters) is able to satisfy all aspects of demand. Resources and needs vary over time and, as a result, the location of socio-economic activities changes.¹

Localization is among the most important themes analyzed in the research works focused on the utilisation of territory (theme for socio-economic geography, spatial economics and others). This is one of the historically first schools of regional development. First the localisation theories were confined to work with classical approaches. However, as the economic science developed, novel approaches (e.g. behavioural or institutionalist) became its integral parts, thus confirming that localisation is a universal theme. At its theoretical level, location was studied by J. H. von Thünen (location of agricultural activities), A. Weber (location of industry), T. Palandek (the concept of monopolistic competition), A. Lösch (sales market identified as the key factor of localisation), W. Christaller (location of services), F. Perroux, G. Myrdal, A. O. Hirschman, J. R. Boudeville, L. E. Davin and J. Paelinck (polarisation of economic growth) and others. Some economists (especially those who also focus on sociology) challenge certain assumptions of the rational behaviour of individuals and firms. They emphasise that there are high transaction costs and there is no complete or sufficient availability of information. Other (more recent) theories work with value added. This concept was developed by B. Hayter, who analysed an economic situation involving changes in the production area.

On the theoretical base there was realized an empirical research aimed for decision-making process of the firms in the Czech Republic (controlled by residents and foreign owners) about their localization. The study was also focused on nature of investment - „new company“, „new subsidiary company“, „new operation“, „the others“. The list of companies covers the entire range of companies from small ones up to corporations with trans-national impact. Main topics of this research are “quantification of costs of production before investment”, “determination of main types of costs”, “importance of geographical (transport) nearness of consumers and suppliers and competitors”, “willingness of managers to move the destination of job location”, “importance of closeness of important city”, “number of predominant factors of decision-making”, “importance to be locate in region with economical growth”, “intuitiveness of decision-making” (all) in the process of localization. Output of this work is confronted with a findings of earlier studies focused on localisation priorities FDI in the Czech Republic.

¹ Wieloński, A. (2004): Lokalizacja działalności gospodarczej: teoretyczne podstawy, Uniwersytet Warszawski

Key words: localization, regional development, spatial planning, theory, empirical research

Introduction

Localization is a process of making decisions in space. The word localization is of Latin origin. “Locare” means “to place”. Localization is the process of selecting the place for specific socio-economic activities. Each place offers certain resources and each economic activity is characterised by certain needs. The best location of a socio-economic activity is where optimum resources exist for it. Resources and needs vary over time and, as a result, the localization of socio-economic activities changes (Wieloński, 2004).

Localization is among the most important issues studied in the research areas focused on the utilisation of space (socio-economic geography, spatial economics etc.). This is one of the historically first issues of regional development. People have always been interested in what is the best location. The first people settled at places with the best conditions for survival, i.e. where food was available, dangers were low, climatic conditions favourable etc. Hence, localization was primarily addressed in the context of natural conditions. Agriculture developed in the Neolithic era, so that conditions favourable to agriculture were the most important localization factor. Agricultural settlements developed at that time (including the most important civilisation regions of the Near East, the Nile Valley, later India and China and still later Europe and America). People began actively influencing space (nature). This is also important for the attractiveness of specific sites. In some cases this influence led to destruction of the natural system, in others, on the other hand, well-functioning cultivated landscape developed. Migrating groups of hunters and collectors were replaced by farming communities (they also migrated, but far less often). Crop production and animal domestication developed (Varadzin, 2004).

As crafts developed, metal extraction and processing became an important localization factor, leading to changes in the utilisation of space. The concentration of crafts, combined with the development of trade, led to the formation of towns. Towns became centres of socio-economic and cultural development. As a result, the number of population grew.

Further changes occurred as the energy generation activities developed. This is associated with the invention of the steam engine, which open up the way mechanical production.

A significant change came in the mid 20th century: it took the form of automation and information revolution, which enhanced the importance of socio-economic activities independent of natural resources. As a result, space lost part of its importance.

Location theory

First the localization theories were confined to work with approaches classic political economics. As the economic science developed novel approaches (e.g. behavioural or institutionalist) became localization theory integral parts, thus confirming that localization is a universal theme.

At its theoretical level, localization was studied by J. H. von Thünen (location of agricultural activities), A. Weber (location of industry), T. Palandek (the concept of monopolistic competition), A. Lösch (sales market identified as the key factor of location), W. Christaller (location of services), F. Perroux, G. Myrdal, A. O. Hirschman, J. R. Boudeville, L. E. Davin and J. Paelinck (polarisation of economic growth) and others.

J. H. von Thünen's model of localization of agricultural activities

J. H. von Thünen (*Der isolierte Staat in Beziehung auf Landwirtschaft und Nationalökonomie*) was the first theorist to address the localization issue in detail. Although his theory focuses on issues related to agriculture, it can be applied to any other branch of the economy.

Von Thünen's model describes the sales market situation in an "isolated area" with a centrally located city. The key factor underlying location is the closeness (or distance) to the market and the transport costs related to it. Von Thünen's model shows the hypothetical distribution of different types of agricultural production around one central market place (centrally located city). The model is based on the following assumptions: the "isolated market" model (with no links to any other market), the soil quality is consistent throughout the whole area, there is only one point of exchange (one market), the transport costs depend solely on distance to point of exchange (the land is flat and no landscape relief features interrupt it), there is free competition on the market and all competitors act to maximise profits (Kuciński, 2004).

According to von Thünen, if the foregoing statements are true, there are ring areas of agricultural activities around the market, each with a specific use of the land. Each of the ring areas is characterised by its type of produce, depending on demand on the market, type of technology, transport costs and maximisation of land rent. The heaviest and least-durable products are supplied from the ring area that is the closest to the market. On the other hand, products that are the easiest to transport (i.e. the lightest and most durable products) are grown in the most distant areas. Land rent is maximised in this way.

A number of other economists further developed von Thünen's work (A. Weber, W. Alonso etc.).

Alfred Weber's model of industrial localization

A. Weber's work (*Über den Standort des Industries*) is the first systematic theory of industry localization. The primary localization factors included transport costs, labour costs, and agglomeration costs (Kuciński, 2004). The best location is where the costs are the lowest. Weber asserted that neither demand (nor the market price) do affect the entrepreneur's locational behaviour, as they are the same everywhere and one entrepreneur cannot change it (the perfect competition assumption).

As said, Weber determined three major location factors: transport costs, labour costs and agglomeration costs. The entrepreneur must take these factors into account when deciding where to locate his industrial operations. According to Weber, the "transport cost" factor is the most important and, accordingly, a place with the lowest transport costs (costs to bring raw materials to the place of production and costs to bring finished products to the market) is the best location. However, the other two factors can also influence localization. They can induce the entrepreneur to change location, as they may compensate the increased costs incurred by the change in location, which means that the increased costs of transport are lower than the reduced labour costs or agglomeration costs.

Perfect competition of the 18th and 19th centuries

Weber and von Thünen base their considerations on the assumption of perfect competition, characterised as follows: there are many firms active on the market, the product is homogeneous, the buyers and sellers have perfect information, and the costs of switching from one seller to another are nil (after Joan Robinson; Holman, 2001). Today we consider the perfect competition model as extremely unrealistic, but this was not the case in von Thünen's and A. Weber's times.

Perfect competition corresponded to the situation at the end of the 18th century and the entire 19th century, when the economy relied on small producers who, as individuals, could not influence the market price. There were no complex technologies to develop technological monopolies. The products were very simple and very similar to each other, thus meeting the condition of the homogeneity of production. Hence, both Weber and von Thünen assumed (in keeping with their time) that the producers had no influence on demand and were unable to realize any effect on the market prices of the production factors and the products; consequently, prices played no role in the entrepreneur's decision-making and in the location model. Location was given exclusively by the minimisation of costs. In the 19th century, production was based on the utilization of natural resources. Proximity of markets was also important, because transport was poorly developed. This led Weber to believe that the most important costs were those incurred in transport.

Perfect and imperfect competition

As economics developed, assumptions of perfect competition were abandoned and imperfect competition was studied instead, assuming that the firms can influence the price of its products in circumstances where some buyers do not know that other sellers offer cheaper goods, or where a change of the seller or buyer leads to higher costs etc. (Holman, 2001). Localization theories changed with the modification of the entire economics (economic science). T. Palander (*Beträge zur Standortstheorie*), for example, proposed a modification based on the monopolistic competition concept, and worked with a price determined by the seller's market position and the size of the market "controlled" by the seller.

Control, as referred to above, means that conditions are created, under which monopolisation develops to a certain degree. A certain degree of monopolisation can occur in a number of ways, for example by making a product not made by anybody else or by dominating a certain area (region) where no other producers exist. 100 per-cent uniqueness is very rare and so is 100 per cent domination of the market space. What happens more frequently is that a producer uses an advantages of having a product different from others and being located closer to customers.

Just as producers seek to maximise benefits that result from their products' being different from others (production heterogeneity) and meeting more closely the needs of a certain group of customers, they also seek to maximise their benefits from being located nearer to their customers. This of course is taken into account in entrepreneurs' localization decision-making and becomes one of the key localization factors.

Under the conditions of perfect competition, firms seek to minimise their costs per production unit. Under the conditions of monopolistic competition, firms also seek to minimise such costs but their efforts are primarily focused on maximising the sales volume, which includes efforts to maximise the dominated area (region).

Location factors under the conditions of monopolistic competition

In compliance with the monopolistic competition theory, A. Lösch (*Economics of Location*) identified sales market as the key localization factor; transport and labour cost minimisation and agglomeration cost minimisation are then ancillary location factors. Thus the localization of the firm is determined more specifically by the location of raw material resources and semi-finished product suppliers (minor roles are also played by transport and the primary energy sources). The decline of the importance of transport costs is due to the rise of mobile electricity. A. Lösch's model reflects the economy of the first half of the 20th century, which differed substantially from that in the 19th century.

Central places theory

The localization theory is not solely focused on the issues of the localization of firms. An example to this effect is the central places theory, addressing the relationship between the size, number and location of cities. This theory is also referred to as the service location theory, as follows from W. Christaller's conception. W. Christaller (*Die zentralen Orte in Süddeutschland*) stated that a central place is characterised by the services provided, including, for example, public administration, cultural institutions, health, trade and financial services etc. The key factors of Christaller's model are the distribution of the population and three types of services. The first type of services includes basic services (meeting ordinary needs); the second includes higher-level services (meeting intermittent needs); and the third includes the highest-level services (meeting sporadic needs). The highest-ranking centres in the system are the largest cities where all types of services are provided (centres I), followed by middle-rank centres (II), providing second-type services, and the lowest-ranking centres (III), providing only basic services. It is asserted in the classical (basic) central places theory that inhabitants of a lower-level centre who need higher-level services visit the nearest higher-ranking centre where such services are available. Certain changes can be observed at present as a result of the development of individual car transport. Instead of visiting the nearest higher-ranking city, people go straight to the highest-ranking city (Wieloński, 2004).

The essence of this theory is explaining localization of services – i.e. explaining the relationship between the importance of the centre and the importance of the services it provides.

There are two ways to prove that this explanation is rational. The first is empirical, based on spatial analysis. It can be found empirically that once a city reaches a certain level of importance, it provides services that are not provided in lower-ranking cities (e.g. financial services). This conclusion also corresponds to deductive logics, where we can rely on the general finding that for effective provision of services a certain size of the place (centre) is needed in order to achieve economies of scale and a sufficient cost-effectiveness of the service. For example, for a community of less than a hundred people cannot be effectiveness to run subsidiary of a bank.

We cannot say if the types of the services provided are the result of the existence of centres or if the existence of centres is the result of the provision of services. What we are able to say, however, is that there is an interdependence between centres and the provision of certain services.

Theory of city-forming and city-serving services

An economic approach to localization of services was also used by W. Sombart (*Der moderne Kapitalismus*), who divided cities into two groups: inward-looking cities, focusing on city-forming services (i.e. services provided to their own inhabitants) and outward-looking cities, focusing on city-serving services (i.e. services for their inhabitants and other services provided to the cities' wider surroundings, such as banking services, research centre services, services related to culture, sports etc.).

Monocentric city model

Alonso's (William Alonso, *Location and land use*) monocentric city model is primarily based on the assumption of the perfect competition: the city develops on a homogeneous plain with no natural hindrances (von Thünen's model of localization of agricultural activities). Direct distance and the existence of one centre are the only criteria of accessibility and transport costs.

In this model the costs of transport grow proportionately to distance from the centre while rentals fall proportionately to distance from the centre.

People on the demand site can be divided into groups based on preference to smaller rent and smaller transport costs. Those who most strongly emphasise transport costs are located in the centre. Those who prefer lower housing costs (i.e. lower rentals) prefer living farther from the centre. We can also in this way divide the sectors: services are located in the centre and industry is located farther from the centre. Then follow housing and the rural sector (Maier, Čtyroký, 2000).

Reality is not very closely reflected in Alonso's model. Its main merit is that it offers a simplified explanation of why cities tend to develop monofunctional zones around the centres and why the intensity of economic exploitation under market conditions as a rule grows toward the centre (Maier, Čtyroký, 2000).

Polarisation theory

Polarisation theory represents another trend within the localization theories. A polarisation theory is not a closed and consistent theory. It is a complex of arguments (Maier, Tödtling, 1997).

The localization nature of polarisation theory is given by concentration processes. Firms tend to locate their activities in a area (region) with the highest rate of economic growth and development.

Unlike the neoclassical approach, which is based on the deductive method, polarisation theories are based on an inductive approach. They rely on detailed empirical research using case studies or on the explicit experience of the researcher. As distinct from the neoclassical theories, polarisation theories are less abstract and are difficult to integrate into a more general economic science (Maier, Tödtling, 1997).

The following assumptions are common to the polarisation theories (Maier, Tödtling, 1997):

- Production factors are heterogeneous and at least partly immobile, i.e. they cannot be perfectly substitutional, so that there is not absolute levelling of the prices of production factors;
- Monopolies, oligopolies and externalities exist on the market (instead of theories based on perfect competition assumptions);
- Information, particularly that on technical and organisational novelties, is not automatically accessible. It spreads over area and through the economic system.

Francois Perroux (Note sur la notion de "pole de croissance"), who addressed the issue of sectoral polarisation, is referred to as the founder of the polarisation approach. He believed that economic growth does not arise consistently. There are driving sectors and driven sectors. Driving sectors are characterised by a large size and robust growth. A sector becomes a driving sector if it achieves internal and external economies, i.e. positive internal and external effects and innovation – particularly economies of scale. However, driving sectors may also have an adverse impact: e.g., they seize economic factors from other sectors (Maier, Tödtling, 1997).

F. Perroux stated that strong economic units are the poles of growth. Large firms, groups etc, are such strong economic units, characterised by a strong market position and rapid economic growth, in which other companies may also participate.

Theories of regional polarisation are related to Perroux's sectoral polarisation. Gunnar Myrdal (Economic theory and underdeveloped regions) and Hirschman (The strategy of economic development) are representatives of this approach.

G. Myrdal and A. Hirschman divide interactions between regions into two categories based on antagonistic effects: Myrdal refers to “spread” effects and “backwash” effects. A. Hirschman calls them “trickling-down” effects and “polarisation” effects. They in fact describe effects that are very similar to Perroux’s “impact” and “retarding” effects. The concepts of “spread”, “trickling-down” or “impact” effects comprise all the mechanisms that lead to the spreading of development impulses in space. They spread positive impulses to adjacent areas (spatial spreading of impulses). “Backwash”, “polarisation” or “retarding” effects, on the other hand, spread adverse impacts to the surroundings, including, e.g., drift of skilled manpower, reduction of the innovation potential, fiercer competition etc.

The ratio between these two types of effects is the key factor that decides whether the effects are to be generally positive or negative for the adjacent areas. A. Hirschman assumes that the “spread” effects prevail. G. Myrdal, on the other hand, believes that “backwash” effects prevail and that imbalances are widening – rather than levelling out differences, the market mechanism widens them, so that the state must intervene with its regional disparities policy. Myrdal even recommends developing countries to apply centrally planned economy, at least for a certain period (Maier, Tödting, 1997).

According to G. Myrdal’s and A. Hirschman’s view, regional policies should be focused against the polarisation forces towards levelling out development differences, i.e., they should strengthen the balancing effects and reduce the polarisation effects (Maier, Tödting, 1997).

Polarisation theories were further developed by the French-Belgian polarization school (J. R. Boudeville, L. E. Davin and J. Paelinck), which is also referred to as the French development theory school. The centre (city, agglomeration) is considered to be the focus (centre) of growth that integrates (thanks to the demand for activities) the adjacent area and its inhabitants. Economic development (expressed, for example, as the growth of employment and economic strength) boosts demand, which, in turn contributes to further growth of the centre, which thus dominates an ever larger part of the region’s economic space (particularly in those parts of the region that are well connected to the centre of growth). Skilled manpower and capital, which find good opportunities of use in the centre of growth, come to the centre from these regions with which the centre is connected by good traffic channels (Maier, Tödting, 1997).

This school has a direct impact on spatial planning. If a city is to deliver its growth impulses to the surrounding regions (thus exercising its driving function), it must become involved in a functionally interconnected settlement system. Growth impulses do not spread consistently in space (Maier, Tödting, 1997).

Regional science

Walter Isard (Location and Space Economy, Industrial Complex Analysis and Regional Development, Methods of Regional Analysis) is the founder of regional science. It is the ambition of regional science to transform the descriptive regional economy into an exact science on solid theoretical footing, using modelling techniques. It uses the gravitational model, input-output theory, location models based on the theory of central places, and applies a quantitative approach (Blažek, Uhlíř, 2002).

Regional science is criticised for neglecting institutional behavioural issues. It is related to “new economic geography”, which is no longer based on the neoclassical approach: it works with

imperfect competition and with externalities, and reflects the importance of history (Blažek, Uhlir, 2002).

Behavioural and institutional approaches

Some economists (especially those who also partly focus on sociology) challenge certain assumptions of the rational behaviour of individuals and firms. They question the assertion that the decision-making process of an economic entity (whether an individual or a firm) is always directed towards the entity's objective, i.e. maximisation of the benefits it can gain (In the case of firms, profit maximisation is the target). They also emphasise that there are high transaction costs and that there is no complete or sufficient availability of information. These considerations have led to innovated localization theories, the structure of which is similar to that of neoclassical theories but their contents are different. As a result of these innovations, theoretical conclusions are formulated, which may (but also may not) be closer to reality. This is confirmed by theoretical works based on behavioural approaches, which involve personal influences in the decision-making processes. The individual acting according to his/her personal needs is referred to as "*homo satisfandus*". Behavioural approaches also respect environmental effects, which involve risk and uncertainty. Thus, for example, the personal preferences of managers who prefer places (regions) where they have their personal hinterland (family, friends, familiar places) become involved in decision-making. It also happens that managers who do not have sufficient information copy the behaviour of their competitors, which may even be irrational from the viewpoint of the firm. Behavioural approaches are close to institutionalism, emphasising the lack of harmony between the interests of managers and owners of firms, which may influence the process of location of the firm's activities. According to institutionalism, market has no decisive effect on the allocation of resources and investments.

Institutionalism developed in the 1890s as a response to the fact that the neoclassical economy neglected the role of institutions. "Institution" means a social arrangement or a rule that regulates the relationships between individuals and between social groups. Institutions are recognised standards of behaviour, including traditions, habits and legal regulations. These standards are based on social psychology. Various types of organisations, such as corporations, business associations, trade unions, consumer associations and the state, can of course also be considered to be institutions. Institutions are the result of past social development. It often happens that institutions fail to meet new needs.

Institutionalists reject the neoclassic thesis that the consumer is a market sovereign. They do not believe that market is a tool for optimum allocation. Rather than that, they treat market as a social institution defined by the over-all institutional arrangement of the entire economy.

John. K. Galbraith is the most widely known post-war institutionalist. He believed that the key role in the current post-industrial era is played by the "technostructure", which includes professional managers, representing something like a social elite. Members of this "club" are able to ensure that the state acts in their favour and are guided by owners' interest only to a limited degree. Their ambition is to strengthen their power and prestige, which coincides with the objectives of corporations, focused on their growth. Corporations controlled by the technostructure displace smaller businesses from the market area. This issue can be addressed by state intervention, as far as it is not controlled by the technostructure.

Supporters of behavioural approaches to localization study focus on how firms proceed in preparing their localization decisions and how they behave under real conditions, rather than

examining how companies should behave. As distinct from neoclassical conceptions, an inductive approach is used in this case. Conclusions are derived on the basis of generalisation of empirical observations (Maier, Tödttling, 1997).

Neoclassical localization theories do not consider the factors of uncertainty and irrationality, although in reality firms are seldom able to use optimisation calculations. They often rely on simplified procedures, routine and experience. Such methods are summed up under the heading “heuristics” (Maier, Tödttling, 1997).

Heuristics includes solution patterns where an optimum solution is not what is being sought. It is necessary instead to find a solution in which the costs are tenable and which is acceptable. The use of a heuristic approach may be economically feasible mainly in those cases where an optimisation calculation involves high costs of information, time and resources and where avoidance of such costs offers a good compensation for the loss ascribable to the deviation from the optimum (Maier, Tödttling, 1997).

The ability to work rationally is an important theme for the behavioural approach. The factors underlying the ability of rational planning (location) include the quality and quantity of information and the capability to process and use such information.

Information availability mainly depends on the interconnection of the enterprise with its surroundings and on its size, as large enterprises are capable to process much information on the global world in a rational manner and, subsequently, to diversify their activities and locate them in different places.

Theories working with value added and clusters

Other (more recent) theories work with value added. This concept was developed by B. Hayter, who analysed an economic situation involving changes in the production area. The important periods in which changes occurred in the production area include the advent of Fordism, or the 1980s, when information technologies developed, allowing for the co-ordination of production from a single point (compression of time and space). This broke the traditional chain in which value was progressively added to products. Frontiers have lost their meaning. New business groupings, called clusters, have developed, in which the value-adding processes take place and where competitors both co-operate and compete. Within clusters it is easier for firms to seek business partners, financing sources and employees. Being a member of a cluster enhances the firm’s reputation. A. Marshall (Principles of Economics, issued in 1890) was the first to note the grouping of firms. Firms (industrial, at that time) grouped in regions where they co-operated to gain advantage over competitors. M.E. Porter continued in the investigation of business grouping. Porter applies the term “industrial cluster” to a group of organisations that cluster in a certain territory, belong to similar industries and their relationships are a mix of co-operation and competition. Competition between such firms is not static competition focused on the minimisation of costs through the effects of agglomeration: it is dynamic, focusing primarily on innovation. It is obvious that the cluster theory also belongs under the heading of localization theories.

Empirical research

The key issue of all localization theories and research of localization is the determination of localization factors. Each of above mentioned theory relatively exactly determines main localization factors but these factors are very different. The question is: “Do there exist any universal localization factors?”

252 firms have participated on empirical research of authors. 19,8 per cent of firms are in the micro-firm category (1 to 9 employees), 57 per cent of firms are in the small firm category (10 to 49 employees), 22,4 per cent of firms in the medium firm category (50 to 249 employees) and 0,8 per cent firms in the large firm category (250 and more employees).

3,7 per cent of firms are agricultural, 56 per cent are industrial and 40,3 per cent are aimed on services.

The research is aimed on new investment of character „new company“, „new subsidiary company“, „new operation“, „the others“.

The empirical research gives following outputs:

Nearly one half of companies were able „to exactly specify“ or “to nearly exactly specify“ costs of production before capital investment.

Costs of our production in given locality was possible to specify before investment:

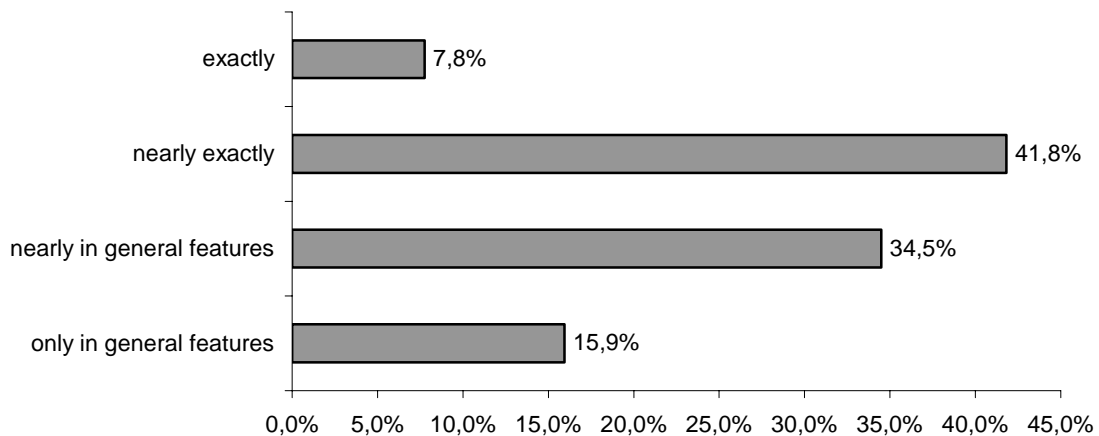


Chart no. 1, Authors

As main determining costs were selected „costs of tangible investments“. They were mentioned in 47,1 per cent. „Costs of transport“ were selected only in 8,1 per cent.

Main determining cost for localization decision of investment was:

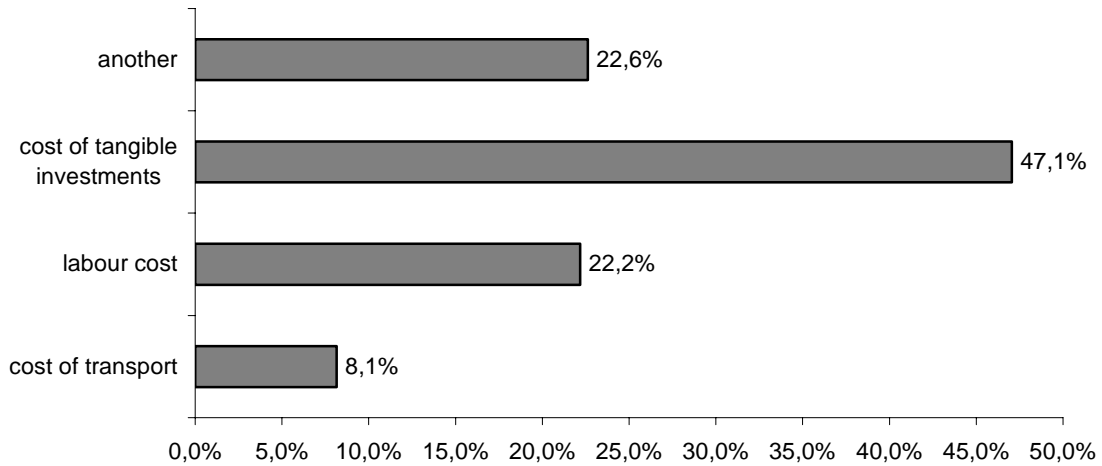


Chart no. 2, Authors

Less than half of companies rated the geographical (transport) nearness of consumers as „very important“. More than half of companies rated this factor of „very little importance“ or „insignificant“.

Was geographical (transport) nearness of consumers important for localization-decision:

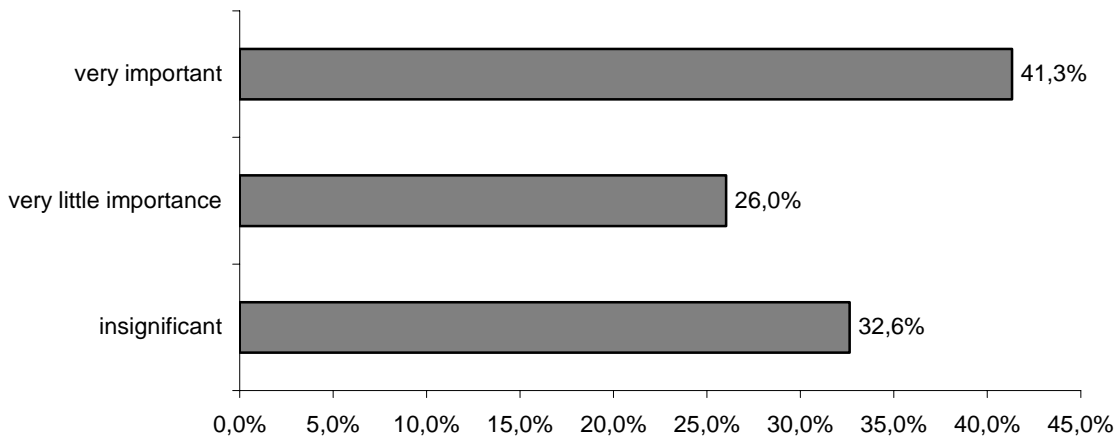


Chart no. 3, Authors

58 per cent of the firms selected geographical distance of competitive companies as insignificant in process of localization decision.

Was geographical distance of competitive companies important for localization decision?

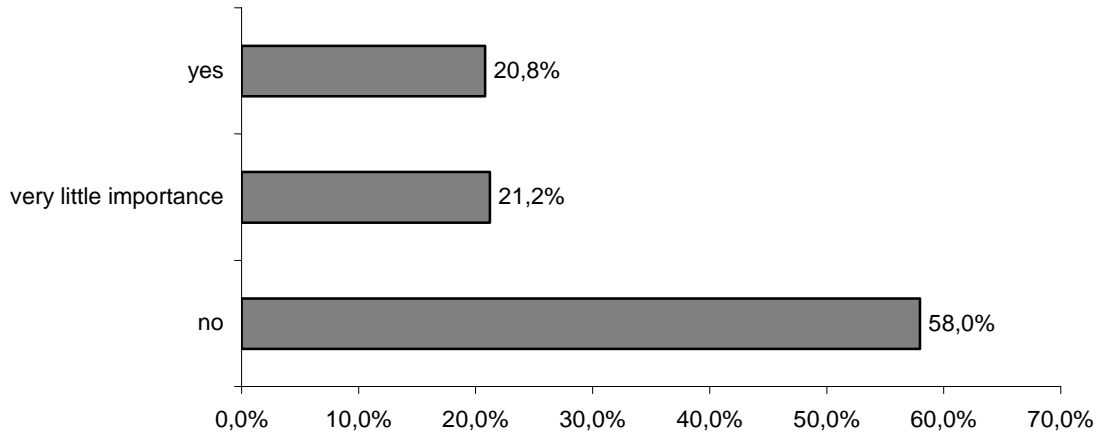


Chart no. 4, Authors

44 per cent of companies endeavored to invest on the place near important city, which is able to provide enough services (financial, education, culture, business institutions). 9,7 per cent of the firms answered that this factor was important for life of employees.

Did you endeavor to invest on the place near an important city, which is able to provide enough services (financial education, cultural, business institutions)?

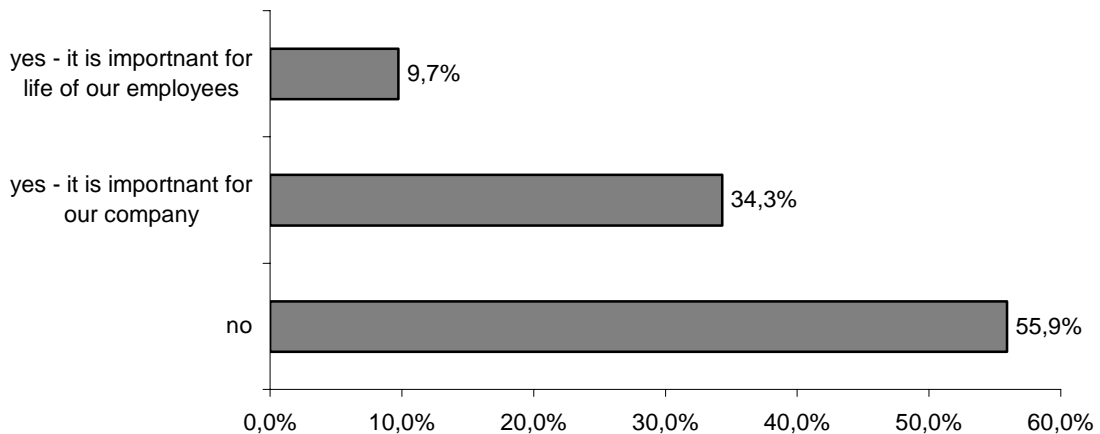


Chart no. 5, Authors

42,2 per cent of the companies endeavored to invest in region with economical growth. 57,8 per cent of companies selected this factor as „insignificant“.

Did you endeavor to invest in region with economical growth?

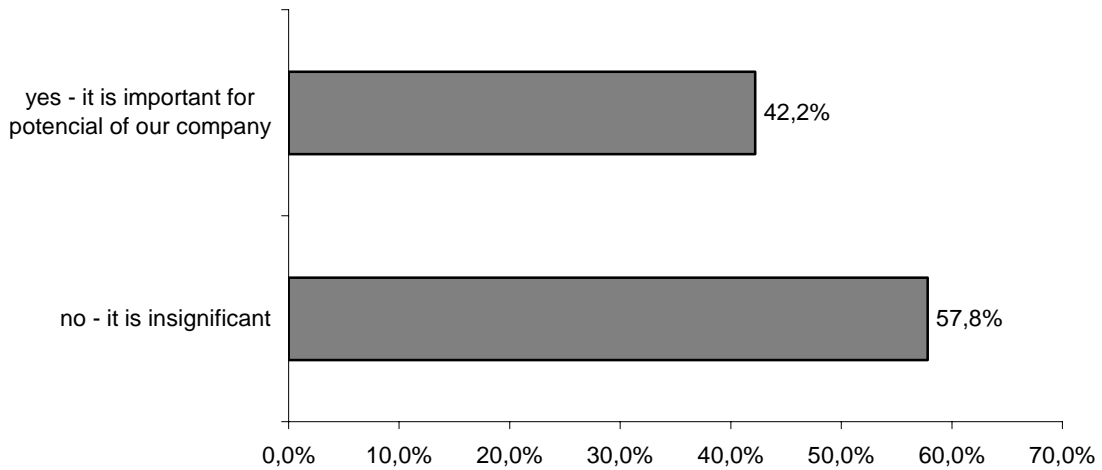


Chart no. 6, Authors

Nearness of suppliers is important for 22,6 per cent of respondent companies. 51 per cent of the firms selected nearness of suppliers as insignificant.

Was the nearness of suppliers important fo the lacialization decision?

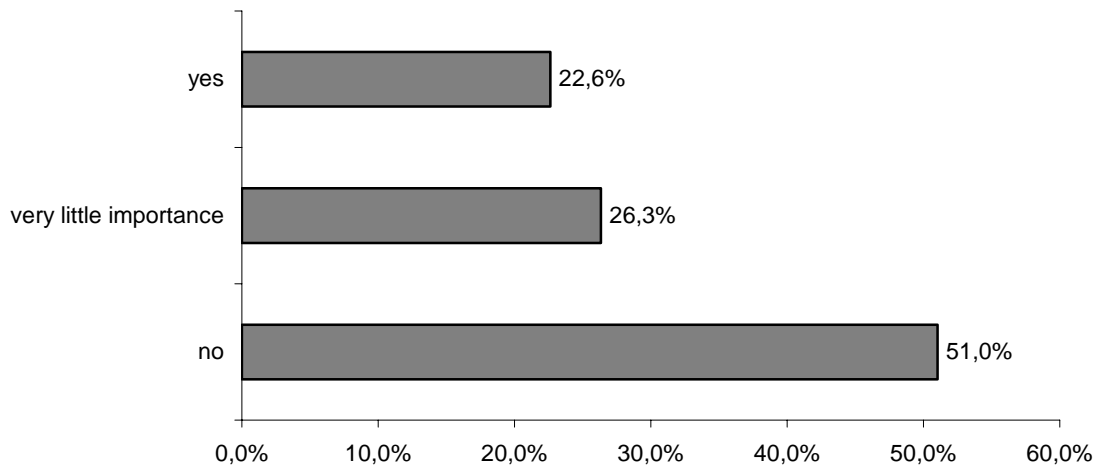


Chart no. 7, Authors

16,9 per cent of companies answered that “the willingness of managers to move the destination of job” had been important for the location-decision.

Was the willingness of management move the destination of their job important for the localization decision?

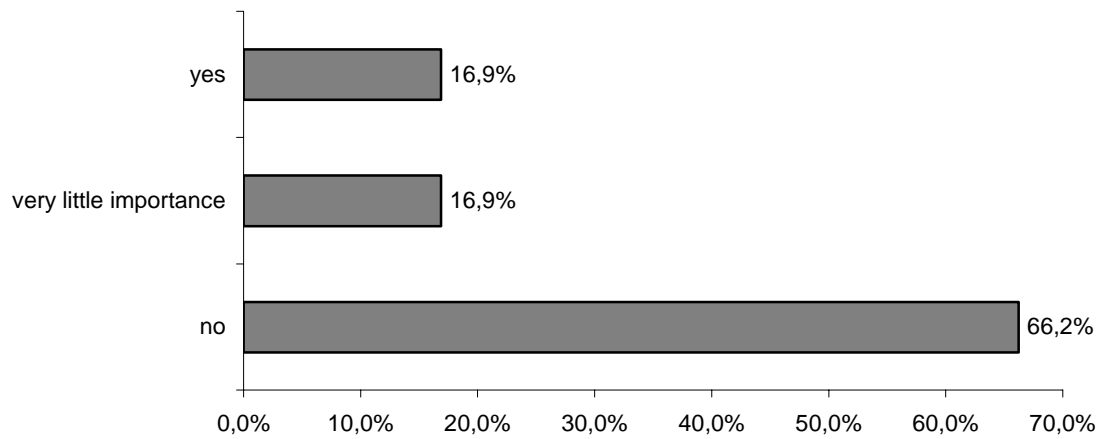


Chart no. 8, Authors

57,3 per cent of companies answered „no“ to the question if the region had to be proved useful for branch-firms.

Was it important that the region had proved to be useful for similar firms (firms from branch)?

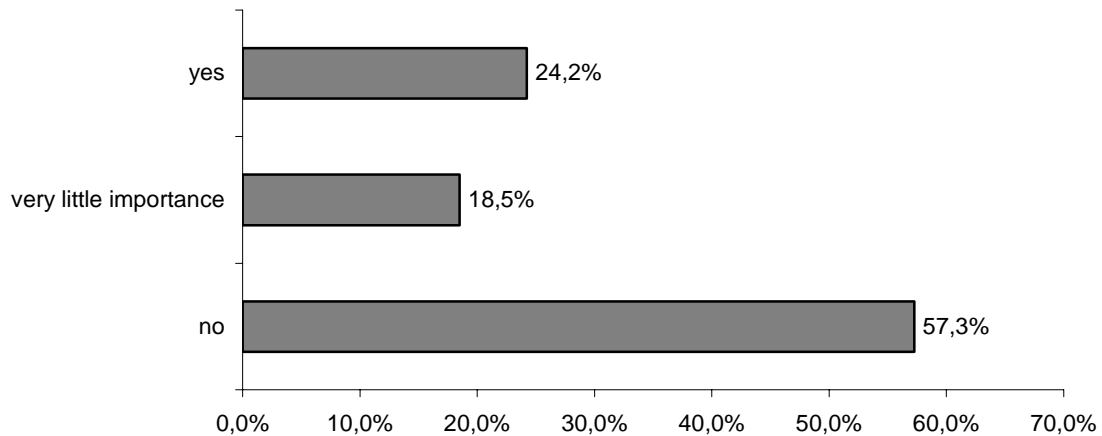


Chart no. 9, Authors

36,2 per cent of individual and „owned by a few owners“ companies answered that the company had been placed near of residence of owner(s) even if different place would be more economic-effective. Another 21 per cent recorded answer „nearly yes“.

Question for individual and "owned by a few owners" companies: Was for the localization decision more important the nearness of the residence of owner(s) then "to be more economic-effective"?

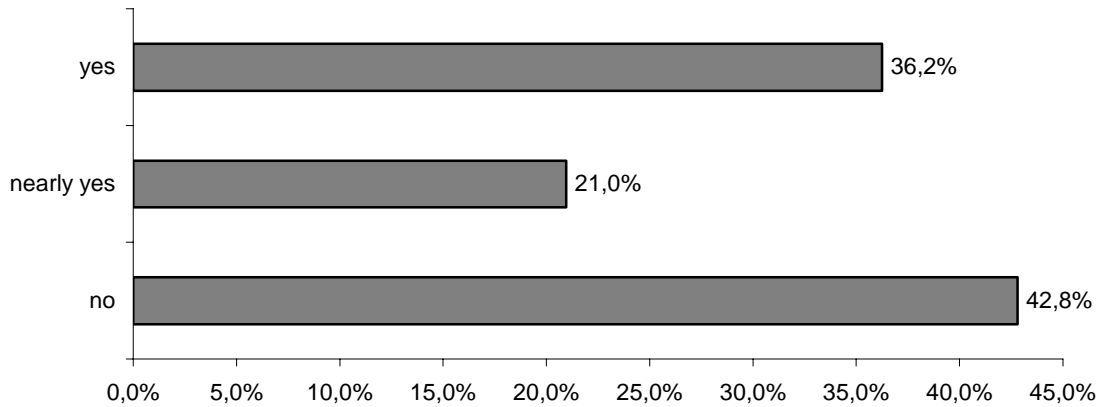


Chart no. 10, Authors

39,5 per cent of the firms recorded that for the location-decision were important only about 3 factors. 35,6 per cent of the firms recorded that they considered whole spectrum of factors.

Did you consider whole spectrum of factors for your localization decision?

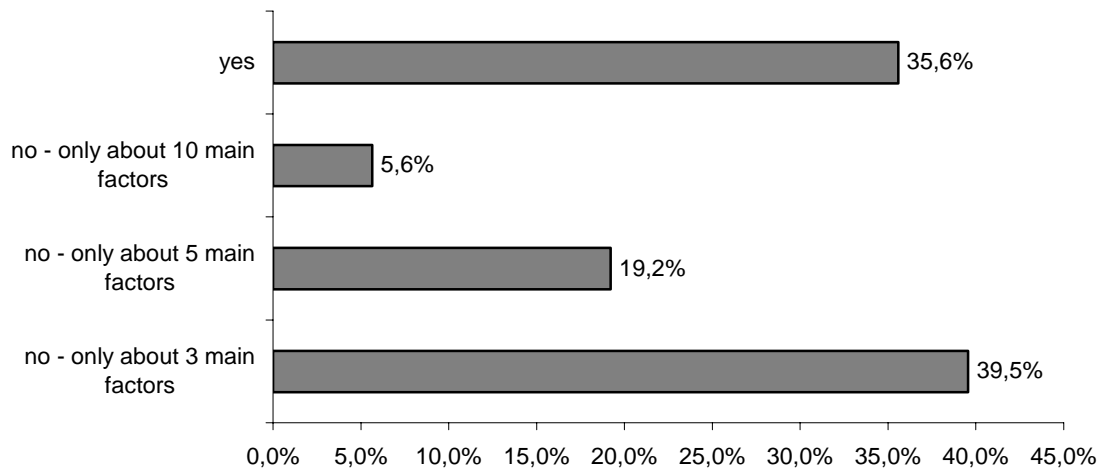


Chart no. 11, Authors

31,6 per cent of companies established the minimal acceptable values of factors for the location-decision. Another 32 per cent of firms answered „nearly yes“.

Did you establish minimal acceptable values of factors for localization decision?

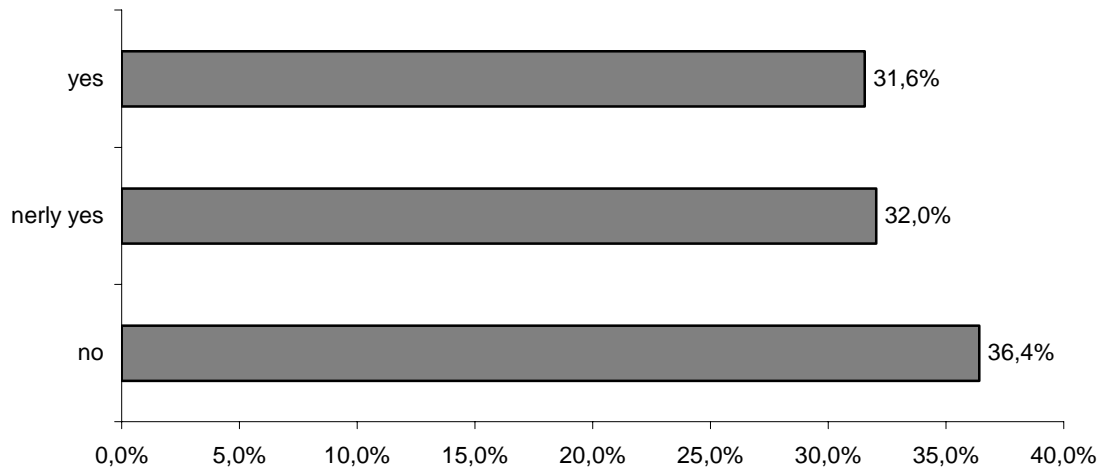


Chart no. 12, Authors

54,8 per cent of the respondents recorded that their location-decision was intuitive. 32,7 per cent decided on the base of rough calculations. 12,4 per cent of firms answered that they had been able to make exact calculations.

The localization decision was made

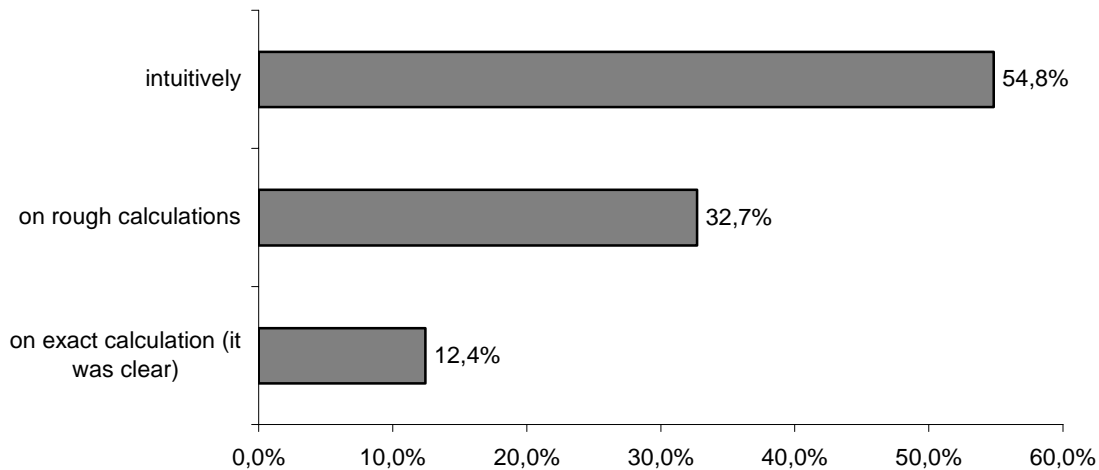


Chart no. 13, Authors

Conclusion

J. H. von Thünen was the first theorist to address the localization issue in detail. His theory focuses on issues related to agricultural activities. Another important localization theory is the theory of localization of industrial activities (industry), which was developed by A. Weber. As

the entire economic science was changing, localization theories were modified. A modification based on the monopolistic competition concept was proposed, for example, by T. Palandek, who studied price as a factor determined by the seller's market position and the size of the seller-dominated market. In compliance with the monopolistic competition theory, A. Lösch identified the sales market as the key location factor; transport and labour cost minimisation and agglomeration cost minimisation remained ancillary localization factors. A. Lösch's model reflects the economy of the first half of the 20th century, which differed significantly from the economy of the 19th century. The localization theory is not solely focused on the issues of the localization of businesses. An example to this effect is the central places theory, addressing the relationship between the size, number and location of cities. This theory is also referred to as the service localization theory, as follows from W. Christaller's conception. W. Christaller stated that a central place is characterised by the services provided. An economic approach to service localization was also used by W. Sombart, who divided cities into two groups: cities focusing on city-forming services and cities focusing on city-serving services. Polarisation theories represent another trend within the location theory. Francois Perroux is referred to as the founder of the polarisation approach. He stated that strong economic units are the poles of growth. The issues of polarisation of economic growth were also addressed by G. Myrdal and A. O. Hirschman. However, the most important role in further development of polarisation theories was played by the French-Belgian polarisation school (J. R. Boudeville, L. E. Davin i J. Paelinck), which considered the centre (city, agglomeration) as the focus (centre) of growth that integrates (thanks to the demand for activities) the adjacent area and its inhabitants.

Some economists (especially those who also focus on sociology) challenge certain assumptions of the rational behaviour of individuals and firms. They emphasise that there are high transaction costs and there is no complete or sufficient availability of information.

Other (more recent) theories work with value added. This concept was developed by B. Hayter, who analysed an economic situation involving changes in the production area.

The key issue of all localization theories and research of localization is determination of localization factors.

Empirical investigation performed in the Czech Republic is presented. Research for localization factors is a basis of all localization theories. Conclusion from this empirical research is that universal localization factors mentioned in localization theories do not exist. Factors are different in different types of firms. This was confirmed by the former empirical research aimed on foreign direct investment in the Czech Republic where as main localization factors were identified "economical growth", "agglomeration costs", "geographical (transport) distance of consumers and suppliers" and "institutional conditions for enterprise".

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