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Factors Affecting Investment and Perceptions for the Bulgarian Market

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Authors' contributions

The corresponding author SD designed the study, performed the initial statistical compilations, wrote the protocol, and wrote the first draft of the manuscript. Author HN managed the analyses of the study, expanded the literature search and the formulated the final statistical tables and evaluations. Both authors read and approved the manuscript.

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ABSTRACT

This paper presents the research findings of a dual-survey process designed to understand the level of potential investor trust in the Eastern European market of Bulgaria both before and after being given information on the daily working environment for small businesses. The first survey inventories several key aspects of issues facing small businesses in Bulgaria and was distributed to potential investors. They are surveyed twice, both before and after exposure to the results of an inventory of owner issues. The second survey of Bulgarian business people was used to inventory these owner issues. The current climate of transitional economies and European bailouts means uncertainty for all aspects of global business. By furthering understanding of perceptions of investors and actual Bulgarian business practices, this research attempted to ascertain if increased trust was possible and if increased trust would translate to willingness to create business partnerships. Both surveys utilized a Likert scale. The potential investors surveyed were expatriates living in Sofia, Bulgaria and small business owners in the Mid-western United States. A second survey was given to Bulgarian small business owners. This work served to identify currently held practices, issues and ideas encountered in the Bulgarian market. The initial survey of expatriates and small business owners showed a general lack of trust in, and understanding of, Bulgarian businesses, practices and their national context. After exposure to the inventoried results of the Bulgarian business environment, the surveyed individuals responded with increased levels of trust in multiple aspects of the Bulgarian

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business environment and a willingness to partner with, and invest in, these businesses.

Keywords: Small business; trust; ethics; Bulgaria.

1. INTRODUCTION

The purpose of this paper is to present the research findings of a dual-survey process designed to understand the level of potential investor trust in Bulgaria both before and after being given information on the daily working environment for small businesses. The first survey examines several key aspects of issues facing small businesses in Bulgaria as they move further from the influence of communist business models and transition to viable, private ownership under membership in the European Union. The primary issues encountered by the Bulgarian small business owner were identified and inventoried as a step towards increasing potential investor knowledge of the market. Potential investors are surveyed both before and after exposure to the results of the inventory of owner issues in order to ascertain changes in trust and willingness to invest.

Research supports the understanding that trust is a crucial element in creating and managing all aspects of business [1,2,3]. The ability to build trusting business relationships across national boundaries may be limited prior to entering into an actual contract or negotiation process. While it may not be feasible to change business practices in every new potential market to mirror those in the home market, finding ways to engage partnerships across national and societal boundaries is of eminent importance in international expansion. Progress towards understanding business behavior and practices may allow for an initial level of trust for potential investors and partners to then seek business opportunities in new markets. This research attempts to ascertain if trust can be affected by increased awareness of business practices.

Trust has measurable bottom-line results [4] but is often hidden from view. Openness, disclosure, acceptance and reliability are all important components to developing trust within cultures [5]. When we define trust as a relationship of reliance [6] derived from mutual knowledge of the two parties in a working relationship, knowledge, and thereby trust, are promoted via exchange of information.

The survey used in this research attempts to promote this necessary exchange of information by delineating the characteristics and management style of the Bulgarian business environment. The second survey of this study was conducted using a sample of 148 Bulgarian businesses. The recent financial crisis has caused most businesses to look for every opportunity to reduce uncertainty, risk and transactions costs. Therefore, one might conclude, that the likelihood of investors to seek business opportunities in Bulgaria may be significantly reduced during the period of post-crisis rebuild unless more can be done to build trust and thus reduce risk. Bulgaria's inclusion into the EU in 2007 and its geographical location as a major road network for shipping between southern ports and the rest of the EU make it a country of particular interest for this study.

Prior to its inclusion in the European Union, Bulgaria's ruling party was seen as a stand in or substitute for the former communist party of 1990 which had simply undergone a name change to the Bulgarian Socialist Party. Instability is still prevalent in that no government party has won reelection since 1989. Elections are to be held in late 2013 and the inclusion of the nation in the EU will hopefully bring a clear and decisive victory for a democratic party.

Additionally, its inclusion in the EU gives Bulgaria the ability to handle crisis and economic struggles such as the recent influx of Syrian refugees. The EU will offer Bulgaria financial and humanitarian aid in such situations and such aid lends calm and stability for their economy.

There is some ability to generalize results to other transitional economies of Central and Eastern Europe, thereby aiding the rebuilding with economically sound business partnerships. A first survey recorded the responses of 97 potential investments or business partners both before and after exposure to information gathered from the Bulgarian business survey (herein referred to as the 'second survey').

2. EXPERIMENTAL DETAILS

A number of studies support the importance of trust in business relationships. [2] argues that trust is particularly important in business relationships for Asia. [7] noted the need for strong trust in European business systems such as those in Germany. [8] notes the lack of investor trust in American business as a precedent condition for the ongoing, unstable market. Additionally, he goes on to encourage investment in smaller companies who have less complex business systems. Other research argues that a level of transparency in organizations allows stakeholders to protect their own interests [3] resulting in their transactions being more highly value-generating and characterized by cooperation.

[9] emphasized the role of trust as a result of business and employee behavior. [9] specifically supports the approach of this study in that it advocates that personnel behavior of small and medium sized companies have the ability to engender trust. This study delineates behavior in order to increase familiarity and thereby affect trust.

[10] use small and medium sized Swiss enterprises to look at the crucial role played by trust in creating and managing alliances. They also delineate some of the antecedents and outcomes of trust. Mutual trust, followed by acquaintance with the business partner, emerged as the most important variable for success in their study.

[11] states that legalistic remedies are weak substitutes for trust. Similarly, [12] argued that trust reduces costs and delays associated with formal legal contracts. This is important to note when looking at the emerging economies of former communist countries where legitimate legal systems are still emerging and at times suspect.

“Generally, economic welfare will ultimately depend on successful transactions in the context of new entrepreneurial networks of relatively small businesses, which are vulnerable to external opportunism...”. The new businesses can only be successful “in a hostile environment if strong support from external political forces exist until the transition economies have developed their own socio-economic institutions ...this is the point where the EU can and must play an important role, in that it offers to draw on the reputation and credibility of existing Western European” institutions [3].

With this thought in mind, the idea of promoting trust via familiarity with common practices becomes more legitimate and valuable.

[13] defined trust as a willingness to be vulnerable despite the inability to control or monitor the other party. Thus, in business relationships, the issue of trust increases the level of potential risk in every transaction with the partner. [14] also supports the idea that familiarity

can breed trust. [15] propose that the key to understanding and improving the potential for business success lies in the power of trust and that trusting relationships create a valuable asset for a firm. In [8], advice for investing in smaller companies due to their 'simpler' business methods, there is again support for this idea of investment correlating to trust based on ease of learning, understanding or familiarizing yourself with a company.

[16] found that trust was essential to reducing transaction costs. They defined trust in terms of the ability to behave in accordance with expectations and act with honesty. The link between behavior and trust is of particular interest in that the focus of the current study is to increase familiarity of potential investors with Bulgarian business behaviors.

[3] notes that transition economies have little chance to escape their reputation of being generally characterized by a low level of trust. They find support for the idea of increasing economic growth in transitional economies by fostering the development of 'extended trust', or highly generalized norms of business behavior. These authors state that, "'extended' trust is a prime facilitator of accountability and transparency in organizational relationships in business networks in the new EU member states." [3]. While the research in this study does not make suggestions for changing or forming new norms of business behavior in transitional economies, it does support the idea that transparency of the existing norms and methods of conducting business could generate increased levels of understanding, resulting in higher degrees of business relationship trust.

[17] state that in business, as in any significant relationship, trust is the essential precondition for real success. They build the case and argue that trust can never be assumed or taken for granted and must be built and sustained in the relationship. These authors go on to emphasize the need for trust in the growing global economy where we often rely on strangers as business interactions become more complex. [18] found familiarity as having a moderating effect between trust and socio-psychological variables of ethnocentrism and animosity. [19] found that trusting beliefs moderated negative effects of country-of-origin.

Very little research exists for the Bulgarian business environment in general or specific to any singular area such as business processes, dilemmas and daily methods of doing business. The field is broadened slightly when reviewing other former Eastern Bloc countries. Much of the existing research focuses on the ethical environment and ethical decision making process in CEE.

[20] surveyed Croatian companies on the topic of ethics in 2010 and specifically noted the unwillingness of managers to talk about ethics or potential unethical behavior in their corporations. They found that although "good corporate governance and high ethical standards are essential for corporate long-term success," the standards were still in a very early stage of development in Croatia. Furthermore, these authors stated that "the problem in discussing ethics is the lack of a single, universal standard" [20]. Their findings revealed a lack of business transparency to the public, dearth of board supported and implemented ethical standards and an over-protection of shareholders. Their findings in relation to lack of transparency are of particular interest to this research. Their research lends support for the specific need to research emerging markets while at the same time comparison to the research presented here is limited due to their use of much larger firms than those under study in Bulgaria.

[21] surveyed insurance companies in Hungary concerning 32 potential ethical issues and found the following issues presented some of the biggest problems: lack of knowledge to perform duties, failure to identify customer needs, misrepresenting ability to provide service, lack of objectivity in business dealings, failure to provide honest responses to customers, misleading representation of products and receiving gifts. Although their research looked at a facet of the service industry, the findings seem consistent with the following research for Bulgarian business owners of small stores who are selling products. An attempt was made to mirror the major issues identified by [21] by inquiring about bribery, misleading billing and employee training and support, since these issues are frequently spoken about in regards to the business environment of CEE.

[22] examined 19 areas of Hungarian business responsibility. They found that ethical decision making as a specific responsibility to the public ranked as low as 16th (out of 19) for one segment of their testing group and accurate advertising ranked 14th. Additionally, managers considered "operating within the law" as a sufficient indicator of social responsibility. Similarly, [23] found deceptive and misleading advertising in the top five most common unethical behaviors for Hungarian businesses. These findings point to areas that would engender mistrust for potential investors and could negatively affect willingness to enter the market.

[24] work found a very high level of tolerance and acceptance of corruption as 'the way of life' in Slovakia. This work looked at public sectors of business as opposed to individually owned retail outlets. [24] found that health care was the sector most highly associated with corruption and bribery in his study of Slovakia. The study also looked at education, police and court sectors and found similarly high levels of bribery and widely held acceptance towards the practice.

[25] surveyed management students in France and Romania about their perceptions of business ethics. They included three topics specifically relevant to the questions asked of the Bulgarian businesses in this study: relevance of moral problems in relationship to viable business, use of office supplies for personal use and raising prices in order to then reduce the price and mark it 'on sale'. Although their research findings for Romania cannot specifically be related to this Bulgarian study, their inclusion of these topics reflects the relevance of these business situations for former Eastern Bloc countries.

Applying the Business Ethics Index (BEI), [26] found that Bulgarians generally expressed optimism for the future ethical behavior of businesses. While encouraging, a continuing gauge of the realization of this optimism is warranted. Two of the areas consumers most strongly associated with unethical corporate behavior were overcharging and low product quality. Both of these topics are covered in the current survey.

2.1 Objective

The attractiveness of the Bulgarian market as a legitimate place for creating working partnerships and investment is exemplified in a number of ways. Bulgaria adopted a democratic constitution in 1991, beginning the transition from a communist nation of half a century. The country offers a well-educated pool of potential employees, abundant land and a sound infrastructure of roads and railway. Additionally, Bulgaria became a member of the EU in 2007. However, the recent financial crisis, EU bailouts and questions surrounding the longevity of the euro has created a great deal of uncertainty for all aspects of global business. This uncertainty does not bode well for a country such as Bulgaria which is

already plagued by lack of interest from foreign investors. For example, Bulgaria has one of the lowest GDPs in the EU and the level of foreign investment has remained low despite its inclusion in the EU.

This paper attempts to shed light on a possible explanation for the lack of investment and partnerships with Bulgarian businesses. By furthering understanding of perceptions of investors and actual Bulgarian business practices, this research attempted to ascertain if increased trust was possible and if increased trust would translate to willingness to create business partnerships.

2.2 Methodology

An initial survey of expatriates working in Bulgaria and small business owners with no experience in Bulgaria was used to gauge two specific items. The first was trust in various aspects of the Bulgarian business environment and second was willingness to partner with Bulgarian businesses. This same survey was then given to the same group of respondents approximately two months later. Prior to taking the survey a second time, they were asked to review the results of the survey given to the Bulgarian business owners, which is discussed next. Although one might assume that expatriates working in Bulgaria had a sound understanding of the Bulgarian business climate, especially in comparison to a Midwestern survey group, this assumption could not be made for the following reasons. First off, expatriates often work in Bulgaria on a short term basis. They may also be isolated from Bulgarian business practices due to working in a foreign (non-Bulgarian) company and with all other expats. Tests showed no significant statistical difference in responses between the expats and the Midwestern businessmen (MWB below). Thus, the inclusion of these two categories of business people offers a statistically sound basis for inclusion in the test group. Reliability of the data was tested using Cronbach's Alpha and gave results .71, .6 and .64 which indicates the data collected is considered valid and reliable for discussion and analysis.

One hundred and eighteen surveys were distributed to this first group of interest. An equal number of surveys were given to expatriates living in Sofia, Bulgaria and small business owners in the Mid-western United States. Results from 97 of these first surveys were tabulated and used to calculate the statistics given below. Twenty one of the surveys were deemed unusable, primarily due to not being completely filled out.

These surveys were filled out via paper and pen in English. An attempt was made to request responses from an equal number of men and women. Nationality, gender and type of business currently employed in were requested as demographic markers. The breakdown of the demographic variables is represented in Tables 1,2 and 3. Tests showed no statistical differences for responses based on demographics analyzed.

Table 1. Gender distribution for survey of business people

	Male	Female	Totals
Expats	28	12	40
MWB	33	24	57
totals	61	36	97

Table 2. Nationality distribution for survey of business people

	American	European	Asian
Expats	8	28	4
MWB	48	2	7

Table 3. Type of business currently employed in for survey of business people

	Finance/Banking	Manufacturing	Textile	Food	Other
Expats	17	2	2	7	12
MWB	7	11	6	11	22

A second survey was conducted with Bulgarian small business owners in order to gain an understanding of methods of doing business. Small business owners were asked on an individual, personal basis to participate in the survey. The person requesting participation was a Bulgarian national, fluent in the language. Respondents were chosen on a random basis from three different separate towns, each with a population under 100,000. To put the sampling into perspective, the capital of Bulgaria, Sofia, has over one million in population and the next six largest towns have a population between 100,000 and 350,000.

The second survey (of Bulgarian small business owners) was administered away from the place of business, usually at a café or park. Time to respond was not limited and questions were answered by the respondent via paper and pen. Anonymity was assured and no identifying information such as gender, race or age was requested as part of the formal, written survey. This decision was made, and believed necessary, in order to be received, welcomed and cooperated with in attaining valid survey responses. This was also viewed as a necessary pre-caution given that we were dealing with a former communist country whose inhabitants generally display distrust of revealing too much to authority figures and who are relatively new to self-employment or business ownership. Respondents were told that the survey was for academic use and specifically for studying and teaching about the Bulgarian business environment.

Survey responses were sought from male and female business owners on an equal basis. Of the 148 respondents of this second survey, 76 were female, although their written answers were not collected and analyzed separately from male respondents. The survey and averages for each question are included as Appendix 1. Another parameter set for this exploratory research was the length of time the individual had spent as a small business owner. The respondent was asked verbally the number of years they has spent in this role and the desire was to sample from individuals with more than one and less than ten years' experience. It cannot, and should not, be assumed that the respondents had spent all their years as a small business owner in the same or in only one business. Quite often in the years after the 1989 collapse of communism and the transition to democratic business practices, many individuals opened and shut one small business endeavor after another until they were sufficiently 'self-taught' in the idea of supply and demand for products. Additionally, small business owners would find that even with sufficient demand for their products, supply was unpredictable and erratic.

3. RESULTS AND DISCUSSION

The initial survey of expatriates working in Bulgaria and small business owners with no experience in Bulgaria showed a general lack of trust in and understanding of Bulgarian businesses and their national context. There was no statistical difference in responses based on gender or nationality, when nationality was grouped into two categories of American and 'other'. The non-American nationality groupings were very diverse and no single pool of nationality was large enough to use for individual statistical analysis but they were grouped into European and Asian categories for this purpose. Respondents were prescreened to determine interest or plans in entrepreneurial endeavors. This was done with a single question as to whether they planned to engage in a new entrepreneurial business or expand an existing business within the next eighteen months. The type of business the respondents were currently engaged in was generally divided into the categories represented in Table 3. A larger sampling pool or sampling from one industry in particular might provide for a future path of analysis and testing.

This first survey sought to assess two things. First, was trust in various aspects of the Bulgarian business environment and second was willingness to partner with Bulgarian businesses. The survey used a scale of one to five, and zero reflected *do not know or does not apply*. One stood for *never*, two meant *rarely*, three *sometimes*, four *frequently* and five, *always*. The same areas of business practices that were covered in the second survey of this study given to Bulgarian business owners were reflected in this first survey. These areas included *post-sale service, in-store service, business practices, customers and employees*.

Business people were asked about their perception of *post-sale service in Bulgaria in general* and *with regards to standardized return policies* and responded that they expected to '*rarely*' see either element (1.9 and 2.2 respectively). They also responded that they *always* (4.8) expected Bulgarian businesses to *discourage returns*. When asked if they would trust a business to *accept returns if the business had a written, posted return policy*, they still responded negatively (1.8). For the second round of taking the survey, these scores were as follows:

post-sale service in Bulgaria in general, 3.1
standardized return policies, 2.7
discourage returns, 4.0
accept returns if the business had a written, posted return policy, 2.7

Each of these scores reflects a move toward a more positive perception of Bulgarian business practices with regards to post-sale service.

When asked about perceived in-store service, respondents showed a lack of trust in the expected business practices by scoring the following items highly: *false and misleading statements* (4.3), *misleading advertising* (4.1) and *adding costs to billables* (3.9). The first two moved in a positive direction (less expectation of false and misleading statement and advertisements) and the last moved in a negative direction upon tabulating results for the second round of the survey (higher expectations of seeing billables added to a bill). Additionally, responses showed an expectation for *misuse of company assets* (4.8), *giving of bribes* (4.6) and *receiving bribes* (3.5). Discrimination based on *ethnic origin* and *gender* also received higher scores (3.8 and 4.1). Scores with regard to bribery and discrimination did not show much change on the second round of taking the survey.

The scores for employee issues were skewed towards *do not know* during the first survey process, but upon retaking the survey again, respondents gave indication of feeling knowledgeable about employee issues. For example, *employee theft* (3.0) and *employee training* (3.8) were scores that reflected that the respondents felt they had knowledge of Bulgarian employee practices during the second surveying, while on the first survey, these scores reflected a lack of knowledge (*do not know*).

When asked if they felt *employers, employees* or *business people* could be trusted to engage in business with, respondents showed a resounding lack of willingness to trust (2.9, 2.7 and 1.9 respectively). They were also asked if they would consider *investing in a partnership or expansion to Bulgaria* (1.7 and 1.3). The second administration of the survey showed the following scores for these five questions: 3.9, 3.6, 3.8, 3.2 and 2.9. On each of these aspects, trust increased and willingness to partner with or expand to Bulgaria increased.

The second survey, given to Bulgarian business owners gave the following insights. The first part of the survey is divided into five separate and brief areas of questioning. These five areas are: post-sale customer assistance, in store service, business practices, customers and employees. The order of the five question areas in part one of the survey were arranged so that the two areas which may cause the most discomfort or emotion in the respondent were placed last (fourth and fifth). These five areas and the questions reflect an interest in the daily operations of the business and those who run it. The second part of the survey was designed to ask more pointed questions about the respondent's personal approach to their business as opposed to their perceptions of the daily operations which may often be delegated to various employees.

A scale of one to five with zero reflecting *do not know or does not apply* was used for responses. One stood for *we do not ever do this*. Sequentially then, two means *we rarely do this*, three *we sometimes do this* and four *we frequently do this*. A score of five reflects the choice of *we always do this*.

The first area of inquiry is centered on the post-sale experience. Notable hallmarks of western business and what is viewed as 'good customer service' or 'customer centered business' practices scored low. The ideas of *easy returns, assuming the customer is right, or returns without questions* all scored below 2; the businesses in question did not generally engage in these practices. Interestingly, *Discouraging returns* scored four as did the belief that *Customers try to return used products*. Bulgarian businesses surveyed seemed disinclined to engaging in the standard practice frequent in US markets of open return policy. The rationale behind their approach may lie in their belief that customers are only returning products they have already tried out and used, or for deceptive reasons. The converse belief would recognize that returns may play a legitimate role in their business for reasons such as low quality, faulty workmanship, defective merchandise or over-purchasing.

Part one also reflected high scores and business practices that prohibit returns even if a product defect is at issue and the desire to quickly settle all return claims. The desire to settle returns quickly may result in a customer practice of not even inquiring about returns and the expectation of businesses being unwilling to accept legitimate return requests.

The second area of questions centers on *In Store Service*. While the respondents viewed their businesses as providing good service to all consumers, the scores for *evaluating the competition and being negative about competitors to customers* scored 4.1 and 3.5

respectively. Responses also showed a recognition of *engaging in misleading advertising* (3.1 = we sometimes do this) but not *verbally misleading the customer in person* (2.0 = we rarely do this). Respondents also acknowledged the following practices of: *adding costs to billable deliveries after the customer leaves the store* (3.9 = we frequently do this), *advertising one product but substituting with a different product in store* (4.1) and *knowingly offering inferior quality products* (3.6). Each of the responses in this second section raises questions for business people use to a western mentality of business practices. These practices may reflect a unique Bulgarian business environment but can easily lead to frustration and unwillingness for the unknowing business partner looking to work with, or alongside, Bulgarian businesses.

The third section, Business Practices, reflected a continuing reliance on bribery in daily business. Bribery is a generally accepted, although highly resented, fact in many transitional economies. Bulgarians seem to accept the need to offer bribes (with the average score of 4.5 = *we frequently do this* for one subcategory) while responding that they *rarely receive bribes* themselves (score = 1.8).

While responses in the fourth section indicated that male and female customers were generally treated the same, ethnic origin and perceived ability to pay scores were of interest. *Refusing entry to gypsies* received an average score of 4.7 which reflects an almost unilateral business practice for those surveyed. The use of the term 'gypsy' is considered widely acceptable in Bulgarian society. This distinct subgroup of the population usually lives in a completely separate area of the towns surveyed and there is little to no overlap in daily interactions between the populations. Respondents also showed a willingness to *assess perceived ability to pay* and to base customer service on this assessment (score of 4.0).

Written codes of conduct for employees to follow did not appear to play a role in those surveyed. The fifth section also indicated that businesses do offer specific employee training and do not perceive significant issues with employee theft. Interestingly, although respondents did not indicate a difference in treatment based on gender of customer in section four, they did indicate a propensity towards *different treatment of employees based on gender* in section 5 (score of 3.9). *Family relationships* also warranted varying treatment as indicated with a score of 3.2.

Two different questions asked about the *importance of sales and profit over service* and received scores of 4.2 and 4.5 respectively. Both answers indicate that Bulgarian business may still lag behind the commonly accepted goal of customer service as a daily priority. When asked if *ethical business decisions are not important if no one will know anyway*, respondents averaged a score of 3.6. This score may reflect a growing awareness of the importance behind making sound ethical choices while at the same time an uncertainty about how to put the awareness into practice without sacrificing profit goals and complying with the need to give bribes in order to maintain a business presence in their town. Additional encouragement about a changing perception and growing awareness of the need for ethical decisions in business dealings may be gleaned from two other response averages. Respondents disagreed with both '*If you are making a profit, you should not have to worry about ethics*' and '*Ethical decisions are not important to most businesses*' statements (scores 2.1 and 1.8).

Charging the highest possible price, personal use of company supplies, and raising prices in order to then show a lower sale price all met with strong agreement from respondents. The question then becomes whether commonly accepted viewpoints and practices in western

business models should necessarily be imposed or expected when dealing with businesses in Bulgaria.

The hypothesis that information centered on five areas of business practices will lead to a willingness to partner with Bulgarian businesses was tested. Stated as:

H1: *The greater the level of information provided, the more likely that business people will be willing to partner with Bulgarian owned businesses.*

Regression analysis was used based on the five question areas of *post-sale service, in-store service, business practices, customers* and *employees* where the dependent variable was willingness to partner with a Bulgarian business based on the second round of surveys with expats and Midwestern businesses people. Table 4 shows the regression analysis results for these five categories when used as the independent variable. The regression co-efficient shows the direction of the relationship between variables and the significance value indicates strength of the relationship between variables. The negative coefficient for business practices and employee issues indicate that these two variables have an inverse relationship with willingness to partner with Bulgarian businesses. The inverse relationship indicates that poor business practices or employee issues as tested (such as theft, conduct and training) will lower likelihood of partnering. We accept the hypotheses H1 based on the given regression results.

Table 4. Regression results for willingness to partner with Bulgarian business

	Regression coefficient	Significance
Post sale service	.091	.012
In-store service	.077	.011
Business Practices	-.200	.001
Customers	.101	.002
Employees	-.144	.005

4. CONCLUSION

"Consider the degree to which the former Eastern Bloc Countries require the vigorous, enlightened, and principled participation of their citizens if they are to be smoothly integrated into, and be successful in the EU. This includes the necessity for business people to moderate their concern for profits with human-centered values if these economies are to avoid a catastrophic polarization of wealth. As business and individuals plunge in the quest for an intemperate and narcissistic materialism, the potential of human capital keeps dissipating in these countries [27]."

Understanding the practices, decisions and environment of the Bulgarian business owner can be critical to developing a sustainable working relationship. The inclusion of Bulgaria into the European Union (EU) and the use of the Euro, makes doing business in Bulgaria a viable and appealing proposition. The vast majority of Bulgarian businesses are still small by comparison to other countries and the environment is still plagued with roadblocks for many foreigners. Possibly due to their lack of experience in free market, legally regulated businesses, many Bulgarian business people fail to recognize the issues they face on a daily basis and instead, accept situations as 'the way things are'. "Many types of ethical problems encountered during the transition are unlikely to diminish significantly as a result of either privatization or regulation..." [21]. Studying the practices and dilemmas faced by these

small business men and women is crucial for banks who loan start-up funding, owners who strive for success in a free market, entrepreneurs who wish to expand outside of the country's borders and foreigners who wish to establish business relationships within Bulgaria.

The results of this initial study show the impact that can be gained by increasing awareness of businesses practices with certainty instead of guesswork or speculation. Although the general principles and practices of the surveyed businesses may vary significantly from those of the non-Bulgarian business people in the first survey, the results indicate a willingness to engage in or partner with Bulgarian small businesses. This willingness was preceded by an increased level of trust based on simple awareness and understanding of general practices and beliefs of the potential business partner.

Writing about Central and Eastern Europe (CEE), [28] stated, "At this stage of CEE transition, business ethics activities are driven more by academia than by business." In her research, when asked about the importance of business ethics in company strategy, Bulgaria scored the lowest of all CEE countries with thirty two percent of companies viewing ethics as *unimportant to rather unimportant*. This historical perspective gives insight and perspective to the task and learning curve necessary for all levels of interaction with Bulgarian businesses.

There is also much to be gained for the future educators and business owners of Bulgaria. Education centered on free market business principles is relatively new within the borders of Bulgaria and is only in its second decade. Many of the current business owners are learning on-the-job about how to own and operate a business. Their models, successes and failures are replete with examples to build upon for the next generation of owners and small businesses. Additionally, only by understanding the current, ingrained attitudes and methods of business, can educators adequately and confidently proceed with shaping and teaching future ideals. [29] cautioned of the nuances shortly after the opening of borders in the 1990's by stating, "North American and West European academics are accepting offers to speak or teach about business ethics to audiences in counties with transitional economies. Such engagements should not be accepted without an appreciation for the challenges involved."

Part of the challenge in studying the environment of the small business owner in Bulgaria is the lack of experience and focus for the business person in understanding what is meant by business principles, standards and ethics. Entrepreneurship, business ownership and self-employment are not ideas or experiences that the current generation of start-ups has previous, long-term experience with. Many business owners are learning how to manage personnel and understand all aspects of a free market economy on a daily basis. They do not necessarily have formal training or education in how to run a for-profit company. Lessons are learned on-the-job, by reading western accounts of how to operate a business or by trial and error.

This research represents a beginning step in identifying currently held practices, issues and ideas encountered in a single market. Although the sample size is good, there is room for extending and furthering the findings. Demographic factors such as age and gender could be added to the basic findings, as could regional variations of commonly held business practices and beliefs. One of the most significant limitations of this study, which poses interesting questions for future research, centers on whether the business people surveyed have previous experience in state owned or operated industry. Another is educational background of the business owners. For example, whether they have had any western

education or work experience would be of particular interest in understanding their viewpoints and beliefs.

Although the respondents for the first survey indicated increased levels of trust in Bulgarian businesses, we cannot be certain that this was wholly due to their exposure to the results from survey two administered to Bulgarian businesses. Other factors could account for some or all of the increase in trust that their responses indicated. For example, exposure to news reports, self-seeking of more information about Bulgaria after initial exposure to the survey, or coincidental meetings or opportunities to engage in conversation with Bulgarian nationals, could also account for varied levels of trust and willingness to partner.

Caution was taken in that the respondents may not be as familiar with surveys and research gathering mechanisms as respondents in a traditional, western, free-market economy. It is difficult to ascertain the willingness for business people to engage in ongoing or repeated research inquiries. Thus, any attempt to study long term changes or evolution of practices and business values may be stymied due to a lack of understanding on the part of the respondents as to the value of their contribution or due to their distrust of repeated questioning.

Additionally, it cannot be assumed that the findings for a Bulgarian study would correlate or transfer to other former-communist countries or people. Nationalism and long-closed borders may translate into very distinct and individualistic findings for each of the Easter-Bloc countries. Surveying larger cities in Bulgaria may also give a very different view of opinions, values and business practices.

While it may not be realistic to change attitudes and practices in the short term, it is inherently important to understand the varying perceptions and practices of a nation before engaging in any level of partnership. This study focused on one potential way to increase understanding and then measure any respondent change in trust and willingness to do business.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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APPENDIX 1

RESULTS from 148 Surveyed Business Environment Survey

Please rate the following items as they pertain to your business specifically.

- 0 = does not apply or do not know
- 1 = we do not do this
- 2 = we rarely do this
- 3 = we sometimes do this
- 4 = we frequently do this
- 5 = we always do this

Post-Sale Customer Assistance	0	1	2	34	5
Accept returns without questioning	3	average = 1.7			
Assume the customer is always right	12	average = 1.2			
Make returning products fast and easy	4	average = 1.9			
Discourage returns as much as possible	5	average = 4			
Do not allow returns of products even if they are defective	2	average = 3.9			
Customers try to return used products to us	7	average = 4.0			
Settle return claims as quickly as possible	3	average = 3.6			
In Store Service					
Attempt to provide prompt good service to all customers	1	average = 3.5			
Freely evaluate our competitors to our customers	6	average = 4.1			
Comfortable telling customers negatives of your competitors	4	average = 3.5			
False or misleading representations of products in advertisements	11	average = 3.1			
False or misleading representations of products verbally	13	average = 2.0			
Knowingly offer inferior quality products	7	average = 3.6			
Add costs to billable deliveries after customer leaves	4	average = 3.9			
Advertise a product but substitute with different product in store	2	average = 4.1			
Business Practices					
Misuse of company assets / property by employees	0	average = 1.2			
Giving bribes to influence					
Customers	0	average = 1.4			
Employees	0	average = 1.0			
Police	5	average = 2.0			
Other	1	average = 4.5			
Receiving bribes	97	average = 1.8			
Keep accurate records / books	18	average = 3.0			
Customers					
Treat male and female customers the same	0	average = 3.4			
Treat customers differently based on perceived ability to spend	2	average = 4.0			
Discriminate based on ethnic origin	1	average = 3.9			
Refuse entry to gypsies	1	average = 4.7			

Employees

Enforced written code of conduct	72	average = 1.1
We experience employee theft	3	average = 2.7
Specifically train employees	0	average = 4.1
Equip employees with product knowledge	0	average = 2.4
Treat employees differently based on		
Gender	1	average = 3.9
Religion	0	average = 1.9
Family relation to owner	0	average = 3.2
Expect sales over good service	2	average = 4.2

+++++

Please rate the following items as they pertain to your business specifically.

0 = Does not apply or do not know

3 = Agree and Disagree equally

1 = Strongly Disagree

4 = Agree

2 = Disagree

5 = Strongly Agree

The primary goal of a business should be to make profit.

Average = 4.5

Making a profit in your business should be your number one priority.

Average = 4.0

Ethical business decisions are more important than profit.

Average = 2.9

Ethical business decisions are not important if no one will know anyway.

Average = 3.6

If you are making a profit you should not have to worry about ethics.

Average = 2.1

Ethical values are not important to most businesses(businesses other than your own).

Average = 1.8

I should charge the highest possible price that consumers will pay for my product/s.

Average = 4.8

As the owner of my business, it is OK to take home office supplies paid for by the company.

Average = 4.0

An acceptable business practice is to raise the price on a product and then mark it *on sale* at the previous price.

Average =3.4

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