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**Medium size cities economic development  
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The case of Larissa – Volos dipole in Thessaly region of Greece**

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## **Medium size cities economic development and regional competitiveness**

*(The case of Larissa – Volos dipole in Thessaly region of Greece)<sup>1</sup>*

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### **Abstract**

*The main purpose of this article is to investigate the relation between cities' economic development (local level) and regions' competitiveness (regional level) in the region of Thessaly, Greece (the Larissa – Volos dipole case - study). The last fifteen years almost fifty non - local enterprises have established new plants or have expanded their business activities to Thessaly region and especially around the cities of Larissa and Volos (eastern Thessaly). The first issue that this article investigates concerns the reasons for this agglomeration. The second issue has to do with the contribution of enterprises to the cities' development and to the region's competitiveness as a whole. The third issue concerns enterprises' decision analysis process to establish business activities in Thessaly region and the role of place marketing policies supporting this decision. Finally the article provides suggestions and particular development strategies for the strengthening of the Thessaly region's competitiveness through the economic development of the Larissa - Volos dipole.*

*Key words: regional competitiveness, local economic development, place marketing, medium-size cities, Larissa-Volos dipole*

### **1. Regional competitiveness and attractiveness in the EU**

The issue of regional competitiveness / attractiveness is at the forefront of the international economic debate, especially the last decade. The role of the regions in this “new international economic environment” is vital. Regions are not only national, geographic and financial, sub-fields but also very important spatial and financial entities of the global economy (Kotios and Tselios 2002).

Globalization's characteristics (international trade, FDI, human resources specialization and mobility, technology transformation inter alia) and international competitiveness (Best 1991) have influenced deeply the places' competitive profile, creating powerful levels of places' attractiveness. Following this argument, a form of “new competition” with primary axis the element of FDI on industrial reconstruction is taking place globally. This “new competition” phenomenon is mainly translated to “places' competition” which has been an extremely interesting research area for many scientists, since it has been related to dramatic changes in the economic power distribution. On this point and according to Lever and Turok (1999), places do not compete like commercial enterprises. Places compete in order to increase their attractiveness to the potential target markets [mobile investments, tourism, big events, specialized human resources (Roth-Zanker 2001), modern infrastructure, high technology, innovation activities and systems (Santos 2000: The

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<sup>1</sup> The authors would like to thank all the enterprises located in the cities of Larissa and Volos and also their headquarters in Athens and Thessaloniki, for their valuable contribution to this research.

case of Portugal). They also compete in order to increase the quality of life (Rogerson 1999, Wong 2001), and the environmental standards.

Following Cheshire and Gordon (1995a: 385, 1996) and Cheshire (1999) attitude, territorial competition phenomenon has been identified as a procedure in which units are activated and operate at regional economic level, seeking to promote this economy as a 'location' for the development of economic actions, in competition (directly or indirectly) with other territories. Budd (1998), referring to Cheshire and Gordons' position, supported that the previous argument includes: firstly, common action and different measures for local economic development and, secondly, the strategic thought to implement a development policy concerning the role that the potential city/ place will play in future, taking into consideration other cities' movements at the same time<sup>2</sup>.

The term "regional competitiveness" comprises the ability of a region to satisfy the needs and demands (in goods and services) of the local and global markets, acquiring a high and sustainable level of income (EU. 2000, Omoregie and Thomson 2001), acknowledging that the differences in infrastructure and human capital are widely recognised as contributing significantly to variations in regional competitiveness (Commission of the European Community, 1994, p.65 in Budd 1998). The EU economic integration and the advent of the euro currency have generated the intensification of competition among regions<sup>3</sup> (Malmberg *et al* 1996, Begg and Hodson 1999, Boldrin and Canova 2000) as the national borders have stopped to identical with the economic borders. Furthermore Cheshire (1999) supports that the EU integration increases the range of competition between local economies because the obstacles to movement are reduced and because the restructuring generated by integration produce new local opportunities. Together these generate increased incentives for the regions (territories) to develop competitive policies.

Cities are the most dynamic centers of economic transformations in a global level (Harris 1997). The main argument arises through the analysis of the international bibliography is that regional competitiveness / attractiveness presupposes the economic development and vigorousness of the regions' main cities (Cheshire and Gordon 1992, 1998, Cuadrado – Roura & Rubalcaba 1998, Cuadrado – Roura 2001). This conclusion is harmonized with the basic principles for the competition between cities, as they referred in the European Spatial Development Perspective (EU 1999). EU supports that regions / peripheries could become competitive only if the cities belong to them have their own economic power.

The degree of cities' competitiveness, depends on some very important factors, such as: the city's size, localization economies, urbanization economies (Petraikos 2000, Petraikos and Economou 2000, O'Sullivan 1996). But, it also depends on the character of the government policy that exists in countries, which adopt this kind of activities (Budd 1998).

Budd also mentioned the existence of two kinds of competition<sup>4</sup>: a) competition between economic areas (activities or markets) that operate in cities' environments, b) competition among cities / places distinctive characteristics (local distinctiveness)<sup>5</sup> but also between cities distinctive perceptions.

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<sup>2</sup> Budd's position is very important as it supports, indirectly but obviously, that cities should develop competitive strategies if they wish to become competitive in an environment where international competition is considered "de facto".

<sup>3</sup> It is worth to say that many scientists believe that the territorial level chosen by the Commission to evaluate the process of economic convergence, i.e. NUTS 2 and 3 regions, is not appropriate for the purpose of the measurement of income disparities (Boldrin and Canova 2000:8)

<sup>4</sup> In the first case for instance, there does exist a competition among London and Paris airports, concerning which of the two airports has the ability to provide the most competitive international services. In the second case, the competition concerns: the forecasting and the strategic planning of infrastructure issues, the managerial ability of the available natural and human resources and the perspective for available specialized human resources.

<sup>5</sup> In this case, we mention 'LODIS' Programme (European Commission, Recite II Programme), which has been developed in the UK regions and other European cities in order to audit the distinctive characteristics of the areas being studied, aiming to their promotion and contributing to the increase of competitiveness in those areas.

In the context of cities' competition, fundamental is the variable of FDI<sup>6</sup> attractiveness<sup>7</sup> (Parkinson 1991), which contributes to regional development by increasing the capital stock and the productive capacity (Ioannides and Petrakos 1999, Iammarino and Santagelo 2000). Every region / city looks to raise its degree of "investability" so as to gain advantage in this intense competition as the attractiveness / competitiveness of an area is basically defined from this criterion. "Investability's" emphasis is on how a locality can be made attractive to potential investors and on identifying and dealing with those features of the local business environment that most detracts from its appeal (Begg 2002:107 - 108). In opposition to the approaches above, Krugman (1994, 1996a) supported that competition does not take place between cities/countries, but among enterprises, which are located in these areas. Along with this view, comes an older thesis (Porter 1990), which agreed with Krugman's position, but sets as a main subject the grouping of economic activities – as long as the enterprises act collectively – of the existing enterprises and the character of influence on cities/ regions competitiveness. Porter (1998, p. xii) also disagree with Krugman position, arguing that the national environment affect the competitive position of firms. Given the regular use of his 'diamond' model as an under printing for local economic development strategy, the reasoning also applies to cities (Begg 1999).

In opposition with the approaches above, which focus especially on the relation between the enterprises' competitiveness and the role of national and regional economies, Kresl and Singh (1998), put another dimension on cities' competition phenomenon. They argue that especially in the era of trade liberalization and rapid change of technology, increasingly attention must be given to the competitiveness of the urban economy and to the policies to enhance that competitiveness. In order to support this argument focus their analysis on the 24 largest US metropolitan areas, trying to describe each urban economy from the standpoint of its competitive strengths and weaknesses, in comparison to the other 23 urban economies, evaluating the cities' strategic performance and their ability in planning and finally to provide the elements that should be included in its strategic plan.

However, it is a dangerous illusion to believe that local development can arise only from local actions, from territorial "micro - policies", in the absence of or contrary to general macro – policies (Viesti 2000:470). Regional competitiveness is closely associated with factors strongly affected by national (and supranational) policies such as the structure of economic activity, the level of innovation, the degree of accessibility and the education attainment level of the work force (EU 2000). So, both local economic policies and national (and supranational) ones influence local factors<sup>8</sup>.

*Of course, there is no ready – made developmental strategy, devised in some other successful European region and waiting to be mechanically implemented in a more problematic region in a way which will guarantee successful economic transformation (Hudson et al 1997:372, Wong 1998). Regions with different specialization have different growth paths (Giannetti 1999:29).*

The main purpose of the article is to investigate the relation between cities' economic development (local level) and regions' competitiveness (regional level) examining the validity of this argument in the Region of Thessaly, Greece (the Larissa – Volos dipole case - study). The last fifteen years a number of 50 - 60 no-local enterprises have established new plants or have expanded their business activities to Thessaly region and especially around the cities of Larissa and Volos. The first objective that this article investigates concerns the reasons of this agglomeration. The second objective has to do with the contribution of

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<sup>6</sup> For statistical purposes, FDI is defined as the acquisition by an individual or an enterprise resident in one country of assets located in another (EU 2000).

<sup>7</sup> FDI differs from local investment in that the locus of decision – making and sources of competitiveness in the former lie abroad (Lall 2000). In order for lagging regions to derive the full benefits of FDI, it is important that the firms making the investment become integrated into the local economy (Mouque 2000). In this paper, the term FDI is synonymous with hyper topic (non-local) investments.

<sup>8</sup> It has been proved that the economic surrounding of a region seems to influence its economic development perspectives. A poor region surrounded by poor regions will stay in this state of economic development whereas a poor region surrounded by richer regions has more probability to reach a higher state of economic development (Vaya et al 2000, Le Gallo 2001).

enterprises to the cities development and to the region competitiveness as a whole. The third objective concerns enterprises' decision analysis process to establish business activities to the Thessaly region and the role of Place marketing policies supporting this decision. Finally the article provides suggestions and particular development strategies for the strengthening of the Thessaly region's competitiveness through the economic development of the Larissa - Volos dipole.

## 2. Medium-size cities and Local economic development

According to Bennett and Krebs (1991:1) '*Local Economic Development concerns an extensive scale of several factors, which support and fortify local economies growth and development*'

It also concerns actions that take place in city's / place internal environment through the motivation of the existing local enterprises, in order to contribute in local development, to become more competitive and to expand their financial and production activities (Bennett and Krebs, 1991: 15)<sup>9</sup>.

Referring to the World Bank (2001) '*Local economic development is about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community. "Community" is here defined as a city, town, metropolitan area, or sub national region*'

Furthermore, Local economic development (LED) offers the local government, the private sector, the non-profit sectors and the local community the opportunity to work together to improve the local economy. It focuses on enhancing competitiveness, and thus increasing sustainable growth; and also on ensuring that the growth is inclusive. Local communities respond to their LED needs in many ways. There is a wide variety of LED initiatives, including:

- ensuring that the local investment climate is functional for local businesses
- supporting small and medium sized businesses (SMEs)
- encouraging new enterprise
- attracting investment from elsewhere (within the country and internationally)
- investing in physical (hard) infrastructure
- investing in soft infrastructure (including human resource development, institutional support systems and regulatory issues)
- supporting the growth of particular clusters of businesses
- targeting particular parts of the city for regeneration or growth (spatial targeting)
- supporting survivalist (often informal) businesses
- targeting certain disadvantaged groups

Each of these local economic development initiatives aims to increase the level of sustainability and the degree of the competitiveness of cities/ regions. Each of these initiatives focuses on particular sectors of cities/ regions environments in order to examine and evaluate the cities/ regions strengths and weaknesses and then to plan and perform the appropriate development plans that satisfy, in this way, the main vision and the primary cities development objectives. Table 1 presents some local economic development initiatives on international level, joined with the relevant cities cases. The main point is that the following initiatives take place or should take place on a local level focusing on the particularities and the needs of each studied area. Some of the cases have been taken from the World Bank database ([www.worldbank.org-2001](http://www.worldbank.org-2001)) and the rest came from individual research studies and programs that have been developed especially in Europe in the last decade.

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<sup>9</sup> Referring on this issue, Coffey and Polese (1984, 1985: 86) and Barkley and McNamara (1994) used endogenous development models, focusing on local enterprises development and extension, aiming at the maximization of the anticipated benefits deriving from linkages between each other, and also the development of a dynamic urban administrative actor.

Table 1: LED initiatives

LED Initiatives	Cities-regions cases	References
Comprehensive LEDA overview and encouraging local business growth	Bosnia- Herzegovina (Cebeda), France (Lille)	World Bank (2001)
Area targeting and regeneration strategies	Greece (Thessalonica)	World Bank (2001)
Urban policies and regeneration strategies	Northern Ireland (Belfast and Londonderry)	Ellis and McKay (2000)
Urban design contribution to the local economic regeneration.	UK (Birmingham)	Hubbard (1995)
Business regeneration and local partnerships	UK (Sheffield)	Strange (1997)
Urban regeneration and city-centre sustainable markets	UK (Glasgow)	Jones and Watkins (1996)
Local employment, local infrastructure and new cooperative enterprises	Sweden (Jamtland)	Lorendahl (1996)
Provision and support for business and training programmes by Local Enterprise Companies-LECs	UK (Scotland)	McQuaid (1997)
Place marketing, town center management and urban revitalization	UK regions	Page and Hardyman (1996)
Information and communication technology policies in European cities	Hague,Eindhoven,Helsinki and Manchester	Van den Berg and van Winden (2002)
Focus on cultural politics of local economic development	USA-Kentucky (Lexington)	McCann (2002)
Targeting particular parts of the city for Regeneration (spatial targeting)	South-Africa (Johannesburg inner city)	Bremner (2000)
Attracting specialised stuff (managers and professionals) from elsewhere	Germany (Weser-Ems region)	Roth-Zanker (2001)
Transport investment, urban regeneration and business	UK (Sheffield)	Dabinett <i>et al</i> (1999)
Encouraging local business growth and investment in hard infrastructure	South-Africa (Johannesburg)	World Bank (2001)

Authors' elaboration

Since the 1960s, LED has passed through three broad stages or 'waves' of development. In each of these waves LED practitioners have developed a better understanding of successful and unsuccessful programs. Today LED is in its 'third wave'. Table 2 presents these waves, the main focus and the elements of each wave that the cities used to achieve the level of their development (World Bank, 2001)

Table 2: The three waves of Local Economic Development

Three Waves of Local Economic Development		
Wave	Focus	Tools
<b>First:</b> <b>1960s to early 1980s</b>	During the first wave the focus was on the attraction of: <ul style="list-style-type: none"> <li>mobile manufacturing investment, attracting outside investment, especially the attraction of foreign direct investment</li> <li>hard infrastructure investments</li> </ul>	To achieve this cities used: <ul style="list-style-type: none"> <li>massive grants</li> <li>subsidized loans usually aimed at inward investing manufacturers</li> <li>tax breaks</li> <li>subsidized hard infrastructure investment</li> </ul>

		<ul style="list-style-type: none"> <li>expensive "low road" industrial recruitment techniques</li> </ul>
<p><b>Second:</b> <b>1980s to mid 1990s</b></p>	<p>During the second wave the focus moved towards:</p> <ul style="list-style-type: none"> <li>the retention and growing of existing local businesses</li> <li>still with an emphasis on inward investment attraction, but usually this was becoming more targeted to specific sectors or from certain geographic areas</li> </ul>	<p>To achieve this cities provided:</p> <ul style="list-style-type: none"> <li>direct payments to individual businesses</li> <li>business incubators/workspace</li> <li>advice and training for small- and medium-sized firms</li> <li>technical support</li> <li>business start-up support</li> <li>some hard and soft infrastructure investment</li> </ul>
<p><b>Third :</b> <b>Late 1990s onwards</b></p>	<p>The focus then shifted from individual direct firm financial transfers to making the entire business environment more conducive to business.</p> <p>During this third (and current) wave of LED, more focus is placed on:</p> <ul style="list-style-type: none"> <li>soft infrastructure investments</li> <li>public/private partnerships</li> <li>networking and the leveraging of private sector investments for the public good</li> <li>highly targeted inward investment attraction to add to the competitive advantages of local areas</li> </ul>	<p>To achieve this cities are:</p> <ul style="list-style-type: none"> <li>developing a holistic strategy aimed at growing local firms</li> <li>providing a competitive local investment climate</li> <li>supporting and encouraging networking and collaboration</li> <li>encouraging the development of business clusters</li> <li>encouraging workforce development and education</li> <li>closely targeting inward investment to support cluster growth</li> <li>supporting quality of life improvements</li> </ul>

Source: World Bank (2001)

Analysing table 2, becomes clear that in the last wave (1990s onwards) LED initiatives focus on two major objectives. The first is the development of partnerships between the private and the public sector and the second is the necessity for competitive advantage creation through the attraction of highly targeted investments. This fact is very important since there exists a total opposition between the LED objectives in the last decade and the previous one, following the transformation of cities production base (mainly the SMEs). On the third wave, cities use their 'economical image', the investment on knowledge diffusion (Bretschger 1999) and on education as tools, but it is also very important that for the first time there exists clear orientation in the 'soft economic factors' such as the quality of life, the culture and the attractiveness of the cities as a whole.

### 2.1 Basic characteristics of the medium-size cities in Europe the last twenty years (1980 - 2000)

The last twenty years (1980 - 2000) are related with some very crucial changes especially in the economic environment of the medium-size cities in Europe. In brief, the main characteristics of European medium-size cities focus on the following:

- a) Concerning their production structure, medium-size cities are characterized by the dominance of secondary production sector and especially in a limited number of production branches (Petraikos and Economou 2000), gaining their benefits mainly from intrasectoral specialization and co-operation (Herderson 1993).
- b) A second very important characteristic concerns the rapid development of the service production sector that takes place especially in metropolitan centers, in which the enterprises located there have the opportunity to get very important urban scale benefits, deriving from the extended environment and the available supported services of their business activities [very characteristic is the case of Warsaw, which is the only urban center of multinational companies agglomeration in Poland – a market with 40 million residents and also the main competitive gate for entry to Russia and the Baltic countries for West European enterprises (Keivani, Parsa and McGreal 2002)].



- c) The specialization to a limited number of production branches (secondary sector), could create hazards for the cities' economic development, concerning the adaptation to the new economic environment, since cities' capacity to adopt, to plan and to implement reconstructed policies on their production base is limited.
- d) Medium size cities competitiveness is more limited than that of metropolitan centers. Not only the breadth of their production base, but also the capital mobility (mobile investments), agglomerate in the metropolitan centers, leaving very limited development opportunities and competitiveness for the medium or small-size cities ( Petrakos and Economou 2000)

From the previous characteristics derives the question if, in fact, based on these conditions, development opportunities and a high degree of competitiveness for the medium - size cities is created and furthermore if 'yes' *in what sectors? In what level/ degree?/ and under what conditions?*

The answers to the questions above depend on the character, the historical background, the geographical position of the cities in the national, European and international space, the endogenous cities economic strengths (ESDP 1999), and also on the capacity of the cities decision makers to plan and implement strategic development policies and action plans.

### 3. Place Marketing and Waste Strategies

On Place / city marketing or Urban marketing (Short and Kim 1998, Van den Berg *et al.*, 1990) procedure – especially in the last decade- there are many important reports and options concerning the concept, the importance and also the effectiveness of Place / city marketing procedure on cities development (mainly the economic) [Ashworth and Voogd 1990, 1994, Kotler *et al* 1993,1999, Urban 2002, Metaxas 2002b]. In a first step, we present some very important definitions in order to understand better Place marketing as a concept and as a process.

According to Kotler, Asplund, Rein and Haider (1999:125):

*'Place Marketing* refers to 'a place planning procedure concerning the satisfaction of the needs of target – markets. It could be successful when it satisfies two main parameters: a) The enterprises' and the residents' satisfaction from the purchase of goods and services that the place provides, b) the satisfaction of the expectations of potential target -markets (enterprises and visitors), as long as the goods and the services that the place provides to them are those that they wish to get'.

In an order view, (van der Berg *et al*, 1990/ 1999) the urban marketing procedure is described

*'as a set of activities intended to optimize the tuning of supply of urban functions to the demand for them from inhabitants, companies, tourists and other visitors.'*

Both of the definitions focus on the principles of demand and supply in a free and also competitive market. Cities exist in this market; compete each other trying to be attractive to the potential target markets by satisfying their needs and their perceptions<sup>10</sup>. Furthermore the Place / Urban marketing procedure is not the 'promotion' or the 'selling' of a place/ city/region as a tourist destination. The promotion is one of marketing's steps before the selling. So, in order to build an effective place promotion strategy, firstly, it has to be supported through Place marketing procedure. Place marketing and place promotion are very different aspects. Place promotion development requires Place Marketing Strategic planning. On the other hand, 'selling' is the Place / city marketing's main aim and particularly it is the final objective of the

<sup>10</sup> D'Arcy and Keogh (1998), referring to the TeCSEM research programme (Cheshire and Gordon 1995a), said that this programme is divided between cities, which focus on either the demand or the supply-side assets of territorial competition. The demand-side studies examine the attributes which firms demand from a particular location...and the supply-side studies examine various aspects of the local economy, concerning the role of institutional structure in the implementation of industrial policies (Begg *et al* 1995), city marketing (van der Berg and van Klink 1995) and mechanisms for the delivery of public policy on local level (Benoit 1995)

promotion phase. Marketing is the strategic procedure that is designed and performed, in order to sell something successfully (Metaxas 2002b). According to Holcomb (1993) marketing's orientation concerns the effective countries' / cities' development through strategic planning procedures. Following these approaches place marketing could be taken into consideration in both as a managerial principle (describing the relation between the customers and the market) and as a toolbox with applicable insights and techniques (van der Berg 1999).

There are several examples of cities which adopted and performed the place/ urban marketing procedure in order to reconstruct and to promote their images to the external target markets (the case of Barry Island in South Wales, Selby and Morgan 1996, the revitalization of UK towns, Page and Hardyman 1996, the case of Rotterdam, McCarthy 1998, the case of Prague, Hammersley and Westlake 1996, the case of Berlin, Cochrane and Jonas 1999, Hope and Klemm 2001). By examining these or other relevant cases we could easily support that place marketing is an effective tool for cities economic development and competitiveness. But on this point there are some opposite views.

The investigation of the relationship between Place / City Marketing, Local Economic Development (LED) and cities' competitiveness in most of the theoretical and empirical approaches tends to analyze and examine each of the above terms separately, presenting most of the time place promotion (and not place marketing) procedure as something less interesting in the whole process of LED, and cities competitiveness without any academic or empirical investigation of the impact of place marketing on cities development taking place (Bradley, Hall, Harrison 2002). Place marketing procedure is mentioned simply as a strategic process, without presenting anywhere an obvious connection either with LED or City's competitiveness.

Cheshire and Gordon (1996), trying to give an answer to the question: '*is territorial competition beneficial to the wider community?*' suggest that there must be some evaluation development policies between those territorially competitive policies that are pure zero sum and those which potentially offer nets gains not only to the people who live in the territory but to the wider community<sup>11</sup>. They also support (Cheshire and Gordon 1998) that the simplest way for someone to realize and evaluate local development actions is to analyze them as investments actions that take place in a city/ region by examining their positive or negative consequences on different spatial scales. Mainly they are orientated towards the fact that local development policies are created from local decision makers, in order to influence city's selection process by potential investors. However, out of these development policies, the ones with the lowest influence and importance, especially mobile investments attraction, are those related to the direct city's promotion and advertisement. This option supports Keating's (1991:190) older thesis, which argued that promotional efforts and activities that cities use in order to support their image and their development are, very simply, ineffective.

These positions are totally in opposition to Place marketing supporters (Kotler *et al* 1993, 1999, Ashworth and Voogd 1991: 45, Urban 2002). According to Metaxas (2002b) promotional activities and policies without strategic planning based on knowledge and 'know-how', are not useful and therefore could become waste strategies. From his point of view, Reese (1992), supported that the appropriate performance of promotional efforts could cause positive influence on decisions concerning planning policies, which are related to local economic development issues.

Concluding this analysis, the article supports that both sides are right. The most crucial subject is that Place / Urban marketing procedure should operate following some particular prerequisites / criteria (Metaxas 2002b). These prerequisites, in brief, concern the strategic planning process, the connection between city's vision and city's development objectives, the evaluation of the potential target markets, the creation and the evaluation of development alternative scenarios and also the development of partnerships between the city's local authorities, the private sector (enterprises), and the citizens. Following these argument, development policies, such as Place / Urban marketing, could become effective tools on cities' local development and competitiveness influencing positively the attractiveness of the regions in which they are located.

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<sup>11</sup> Cheshire and Gordon (1996,1998) mention three distinct classes of policies: a) those there are pure waste, b) those that have positive impact locally but pure zero sum and c) those which increase economic welfare, both locally and from a wider perspective

#### 4. Geographic (spatial) and economic (brief) description of Thessaly Region

##### A. Geographic (spatial) description of Thessaly Region

Thessaly Region, one of the biggest regions in Greece in size and population, lies in the middle of the Greek peninsula and is bounded by the Aegean Sea on the east and Pindos mountain ranges that separate it from Epiros Region on the west. The main distinctive characteristic of this region is that two of the largest medium – sized Greek cities, Larissa (municipality of Larissa – prefecture of Larissa) and Volos (municipality of Volos – prefecture of Magnesia), are located in its territory<sup>12</sup>. Larissa, the region’s capital, is crossed by the main national highway<sup>13</sup> that connects the country’s metropolitan areas of Athens and Thessaloniki. Volos is one of Greece’s major harbors with exceptional physical beauty.

The term “dipole” contains the notion of the combined developmental strategy of the two cities. The geographical locations of the two cities, the distance inter se (56 km) and their market size and potential have given a unique character to the entire region. Thessaly region is the only Greek region that contains two mediums – sized cities in its land. These cities are classified in the same category (many important indexes for the quality of life are quite similar) and a very intense competition exists between them for the dominance in the region and the adjacent area. The two cities in common have many of the characteristics of a Greek metropolitan urban center (Athens, Thessaloniki) and constitute a Greek peripheral metropolis. This is the Larissa – Volos dipole, Thessaly’s major development pole. (In the Appendix, there is a paper of Thessaly region).

##### B. Economic description of Thessaly Region

Larissa and Volos are the region’s cities with an extremely low share of the primary sector of production. On the contrary, the tertiary sector dominates in the economic activity of the two cities. The relatively low share of the secondary sector of production in the two cities is due to the deindustrialization phenomenon that had taken place (in the ‘90s) as a consequence of the European integration.

Table 3: The allocation of economic activity per sector

SECTOR (% OF G.D.P.)	LARISSA		VOLOS	
	1991	1998	1991	1998
1ST	23,40	21,40	11,90	11,32
2ND	25,60	20,20	36,92	31,41
3RD	51,00	58,40	51,18	57,27

Table 3 and Figure 1, show in two time periods the allocation of economic activity per sector in Larissa and Volos. The primary and the secondary sector present a significant reduction of their share of GDP (5,5%) from 1991 to 1998 and the third sector increase its share 6,09% in Volos and 7,4% in Larissa.

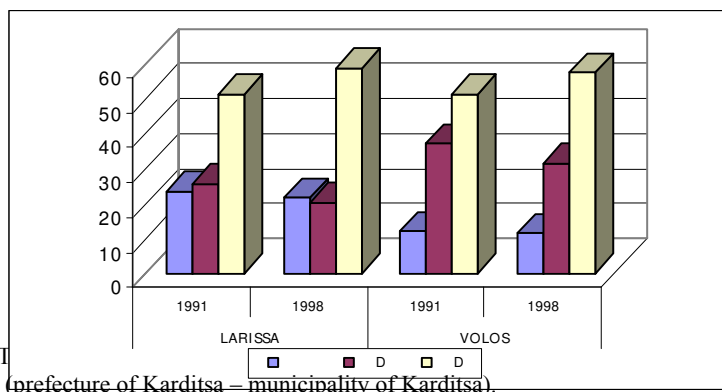


Figure 1: The allocation of economic activity per sector

Sources: Hellenic National Statistical

...ipality of Trikala) and Karditsa

<sup>12</sup>

(prefecture of Karditsa – municipality of Karditsa).

<sup>13</sup> Patras – Athens – Thessaloniki – Evzonoi (north – south) national highway (P.A.TH.E.)

Agency(1991)–ICAP(1998)

Table 4: *The allocation of economic activity per branch*

Branch	LARISSA	% (ratio)	VOLOS	% (ratio)	Total per branch	% (ratio)
Professional	3.345	34,8	2.823	46,1	6.168	39,2
Manufacturing	2.965	30,8	1.104	18,0	4.069	25,8
Industrial	39	0,4	54	0,9	93	0,6
Commercial	3.267	34,0	1.371	22,4	4.638	29,4
Tourism	0	0,0	766	12,5	766	4,8
TOTAL	9.616		6.118		15.734	

Sources: Professional Chamber of Larissa (2002) – Professional Chamber of Magnesia (2002)

Table 4 shows the allocation of economic activity per branch. The first important thing is that the two cities characterized by promiscuous development of their production branches. Both of the cities present a very strong profile of professional, manufacturing and commercial branches with limited presentation of the industrial branche. The second important thing is the development of tourism. Larissa characterized from the inexistence of tourism in opposition with Volos where the tourism have a quite high contribution to the GDP. This could be explained from the geographical position of Volos and the accessibility to the sea and to Northern Sporades Islands, which support the development of tourism activities.

### C. The area's investing climate

In the recent years (1997 – 2001), a considerable attempt (by the central government and the endogenous dynamic) for the enforcement of the area's investing climate has been observed. The basic development priority of the two cities is to become competitive against the other medium – sized cities in a micro (Thessaly Region & Central Greece) and a macro (Greece and beyond) level. This is a one – way road, in the extremely competitive environment of the integrated Europe, for the two cities in order to avoid the unpleasant economic and social consequences of underdevelopment.

Tables 5 and 6 present the investing climate in the region of Thessaly and the invested capital by sector of production

Table 5: *The area's investing climate*

Year	Region of Thessaly		Prefecture of Larissa		Prefecture of Magnesia			
	Number of companies founded	Invested capital (euros)	Number of companies founded	% (ratio)	Invested capital (euros)	Number of companies founded	% (ratio)	Invested capital (euros)
1997	168	27.241.443,79	65	18,7	10.837.132,75	56	22,1	12.884.685,41
1998	139	21.585.165,29	65	18,7	13.459.941,28	28	11,0	4.142.039,60
1999	170	25.352.002,86	76	21,9	12.395.994,10	47	18,5	6.352.751,26
2000	162	101.890.931,71	71	20,4	88.366.324,27	52	20,5	3.931.327,94
2001	165	25.759.434,03	70	20,1	9.226.704,61	70	27,6	5.253.558,30
Total	804	201.828.977,68	347		134.286.097,01	253		32.564.362,51

Source: ICAP 2002

Table 5, presents the investing climate in Thessaly region. The first view is that the prefecture of Larissa has the highest share in the number of the founded companies. The period 1997-2001, 347 companies founded in Larissa (43,1%), in opposition with the prefecture of Magnesia which have 253 companies founded (31,4%). The second and very important thing is the invested capital distribution. Prefecture of Larissa dominates against prefecture of Magnesia with 66,5% of the total invested capital in Thessaly region and only 16,1% concerns the prefecture of Magnesia. Something that is explained by the increasing development of services sector especially in the year of 2000 in Thessaly region and especially to the city of Larissa. Furthermore concerns the participation of a big number of enterprises to development business programmes especially in manufacturing, services and commercial branches.

Table 6: Invested capital by sector of production / comparison to Larissa, Volos and Greece

6.A.: INDUSTRY				
	INDUSTRY (% ratio)			
YEAR	LA / TH	LA / GR	MA / TH	MA / GR
1997	80,8	5,6	11,4	0,8
1998	64,8	3,8	15,4	0,9
1999	64,2	3,3	13,9	0,7
2000	30,0	0,9	10,9	0,3
2001	45,0	2,0	43,6	2,0

Source: ICAP 2002 / Own elaboration

6. B.: TRADE				
	TRADE (% ratio)			
YEAR	LA / TH	LA / GR	MA / TH	MA / GR
1997	21,2	1,9	6,0	0,5
1998	67,7	3,6	15,8	0,8
1999	51,8	2,0	12,2	0,5
2000	56,6	1,2	25,6	0,5
2001	52,7	1,7	29,6	1,0

Source: ICAP 2002 / Own elaboration

6. C.: SERVICES				
	SERVICES (% ratio)			
YEAR	LA / TH	LA / GR	MA / TH	MA / GR
1997	20,2	0,4	42,5	0,9
1998	64	2,1	14,7	0,5
1999	49,9	1,0	22,1	0,5
2000	93,6	4,7	2,2	0,1
2001	27,5	0,1	56,4	0,3

Source: ICAP 2002 / Own elaboration

6. D.: TOURISM				
	TOURISM (% ratio)			
YEAR	LA / TH	LA / GR	MA / TH	MA / GR
1997	0,4	0,0	58,3	0,5
1998	0,0	0,0	75,0	0,1
1999	0,0	0,0	90,5	0,3
2000	18,8	0,0	62,3	0,0
2001	1,3	0,0	85,3	0,3

Source: ICAP 2002 / Own elaboration

Tables 6A, 6B, 6C and 6D, present the invested capital by sector of production in a comparison between the two cities (Larissa and Volos) and Greece. Analysing separately each sector we have to point out the following:

- The last five years, the invested capital in the industrial sector is characterized by a continuing reduction in Larissa, with exception the year of 2001. It is characteristic that the invested capital in Larissa in four years (1997-2000) falls to 50,8% of the total invested capital in the region of Thessaly. Of course, the same view derives from the comparison with Greece. In 1997 Larissa held the 5,6% of the total invested capital in Greece, which is dramatically decreasing to 0,9% in 2000. This reduction derives from the rapid increase of the service sector in the city, especially the year 2000. The view in Volos is an opposite one. It is characteristic that the city of Volos in the last five years has kept a stable percentage of the invested capital in the region of Thessaly, without big variations, except for the year 2001. In 2001 the percentage of the invested capital increased to 32,7% of the total invested capital in the region of Thessaly. This fact gives a first appreciation that the city seems to seek its industrial identity, something that it was more specific before the deindustrialisation period. On the other hand, Larissa is characterized mostly by a trend to become a commercial and service urban center, considering a hegemonic role in the region. Furthermore, it is very important that both of the cities absorb almost the 90% of the total invested capital in Thessaly region. This point is very crucial since it creates anisomeric distribution of development and inequalities within the region.
- In the trade sector the two cities have an almost similar development. We could support that Larissa is characterized by a strong and stable percentage of the invested capital in trade and commerce, in opposition with Volos, which is trying to develop trade and commercial business activities. This is something obvious if we take into serious consideration the fact that Volos is actually trying to reinforce its position in the region of Thessaly and mainly against the city of Larissa. In comparison with Greece the percentages of the invested capital are low. This fact could be explained as an outcome of the increasing development of the commercial sector, which has been expressed through the creation

of small business units in regional level. This option is also supported by the evidence of the allocation of economic activity per branch (table 4).

- c) In the services sector the two cities present a view with a lot of variations from year to year. This could be caused by the necessity of the cities to create a more competitive image in order to attract foreign enterprises in this sector, by adopting new kinds of business activities in order to face the demands of their competitive external environment in microeconomic and macroeconomic level. Especially in this sector we could support that the two cities do not follow a parallel development. For example in the year 1997 Volos held the 42,5% of the total invested capital in Thessaly region while in 2000 Larissa held the 93,6%. In the next year, 2001, the city of Volos increased its share to 56,4%, while the city of Larissa reduced its share to 27,5%. This phenomenon could be explained, since each city tends to focus its concentration to the development of services, creating this way a more attractive and modern image.
- d) In the end, the tourism sector is characterized by the dominance of Volos, which, in the period 1997-2001, held a continuing increase of the invested capital in the region Thessaly. This focus on the tourism sector is explained by the city's tendency to specialize on tourism since the city has natural resources, accessibility to the sea and to Northern Sporades Islands. On the other hand the geographical position and the climate of Larissa do not provide the city with the opportunity to develop tourism activities as much as Volos.

By concluding this analysis we could support that both cities tend to specialize in particular and different production sectors. Both of the cities tend to play a crucial role in the competitiveness of the region and both cities are characterized by the necessity to become attractive and competitive to their external target markets. According to the evidence, this necessity is more obvious for the city of Volos. Volos is trying to reconstruct its industrial image, and at the same time is investing on the development of the Tourism and the Services sectors. From its side the city of Larissa tends to become a city of commerce/ trade and services, paying limited attention and interest on the tourism sector. Under these circumstances two very important questions arise: a) *does the economic development of the one city cause economic hysteresis of the other?*, and b) *could the competitiveness of the region be achieved through the cooperation of the two cities?* These questions are going to be answer in the following.

## 5. Questions for investigation and research method

### 5.1 Main questions

In order to define the relationship between the local economic development and the regional competitiveness, the article tends to investigate some basic questions and give a first view of relevant explanations. The studied area is the Thessaly region and especially the cities of Larissa and Volos (dipole). The following questions primary concern the studied area of the Thessaly region. We could not support that any conclusions are sound on national level or for all the cities- dipoles in Greece or in Europe. On this point, the research is characterized by two weaknesses which are: a) The small number of foreign enterprises in the area does not allow us to make wider, more secure conclusions but only to provide the main trends, and b) The research does not make comparisons between other European urban dipoles in order to support strongly that any conclusions stand or not for all the cases. However, this research is the first phase of a wider research that is about to take place in various Greek regions.

The main research questions are the following:

- Q1: *In what criteria can the foreign or non-local enterprises select a specific location for establishment? (define the importance of these criteria).*
- Q2: *What is the significance of the two cities dipole for the area selection?*
- Q3: *In what ways/ means or practices do the foreign enterprises contribute to the local economic development?*

Q4: What is the significance of the existence of the two cities dipole for the region’s competitiveness?

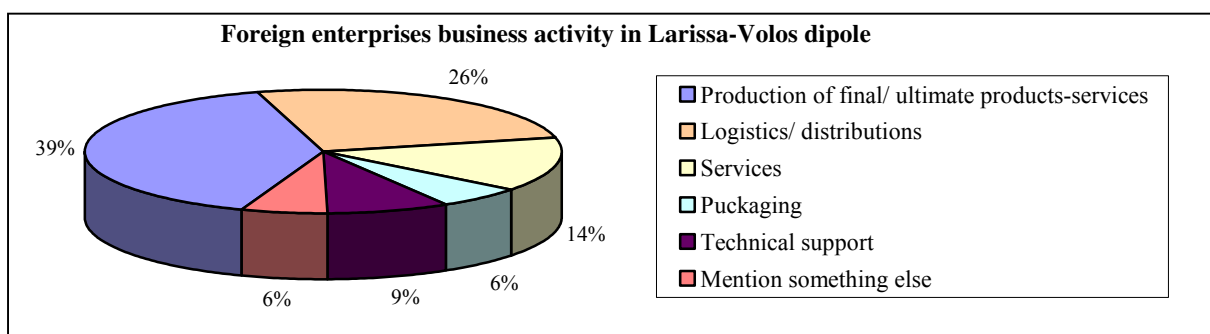
Q5: Does the studied area face waste strategies?

Q6: Do place marketing policies contribute to the enterprises’ final decision on the area selection?

**5.2 Research method**

The sample of this empirical research is forty-five (45) foreign (non-local) enterprises which have invested in the Thessaly region and especially around of the cities of Larissa and Volos in the last fifteen years. From this number of enterprises the research gets twenty-five (25) responses (55,5%). The research uses questionnaires. As far as the foreign enterprises activities are concerned, in the research area, 39% of them were producers of finished products and services, 26% were in logistics and distribution business area, 14% develop services business activities, 6% packaging, 9% technical support and finally a 6% develop other business activities. It has to be stresses that on this question enterprises could choose one or two alternative answers. Following this some of the enterprises develop more than one kind of business activity in the research area.

Figure 2: Foreign enterprises business activities in the area of Larissa-Volos dipole



5.2.1: Answering the research questions

Questions 1 and 2:

Table 7 presents the selection criteria and their level of importance in percent (%). The scales (5) and (4) concern the ‘most important’ and ‘important’ criteria and the scales (2) and (1) the ‘less important’ and ‘unimportant’.

Factors as *geographical position* (68%) and the *size of the local market* (48%) have the major significance for the foreign enterprises to the decision making process of selection. The position of the two cities and furthermore the centrality of the region of Thessaly (map 1) are acknowledged as the most important criteria for new plants establishments. The size of the local market is an advantage and also distinctive characteristic of this area, since Larissa and Volos are two of the five big cities (population > 100.000 citizens) in Greece located in the same region, having between them 56km distance. The accessibility to big markets is related to the consuming population in local and regional level, but also the degree of buying capability of these areas to consume products and services that foreign enterprises promote into these markets. The significance of the dipole distinctive characteristics for the enterprises decision process, is also supported from the responses that are presented in table 9.

Furthermore, factors such as the *transportation and communication infrastructure* (40%), the degree of *investment incentives* (40%) and the *quality of life* (40%) hold a high degree of significance. Finally, the *cost of land use* has a high level of importance (36%) for setting up new business activities. It has to be mentioned that the level of importance of the previous factors follows the appreciation of the Commission of the European Communities (1993) in which these factors are examined both in *country* and *city* level, present percentages from 20% up to 40%. Following this option we could say that these factors have a ‘traditional’ character, concerning the main interest for foreign enterprises that wish to expand or to create

business activities. A very important thing is the high importance of ‘intangible’ factors such as the level of life quality, which comprises, especially the last decade, one of the major factors for enterprises in their decision making process. According to the Commission of the European Communities, especially the culture, the recreation, the existence of good schools and foundations and furthermore the level of area attractiveness, seem to play a major role in the selection process

Table 7: Selection criteria / Level of importance

Selection Criteria	Average	Sum: 4+5 (% ratio)	Middle: 3 (% ratio)	Sum: 1+2 (% ratio)	Total (% ratio)
Geographic position	2,2	<b>68</b>	12	20	100
Size of local market	2,9	<b>48</b>	16	36	100
High GDP	3,3	28	32	40	100
"Compatibility" with the local market	3,4	16	36	<b>48</b>	100
Access to suppliers	3,4	28	20	52	100
Exploitation of the dipole	3	32	<b>44</b>	24	100
Existence of other (similar) enterprises	3,5	20	32	<b>48</b>	100
Access to research centers	3,7	24	20	<b>56</b>	100
High specialisation of the local workforce	3,3	32	28	<b>40</b>	100
Transportation & communication infrastructures	2,9	<b>40</b>	32	28	100
Quality of life	2,9	<b>40</b>	28	32	100
Better investment incentives	2,5	<b>40</b>	28	32	100
Lack of competition in the area	3,2	24	36	<b>40</b>	100
Cost of land use	2,9	36	<b>40</b>	24	100

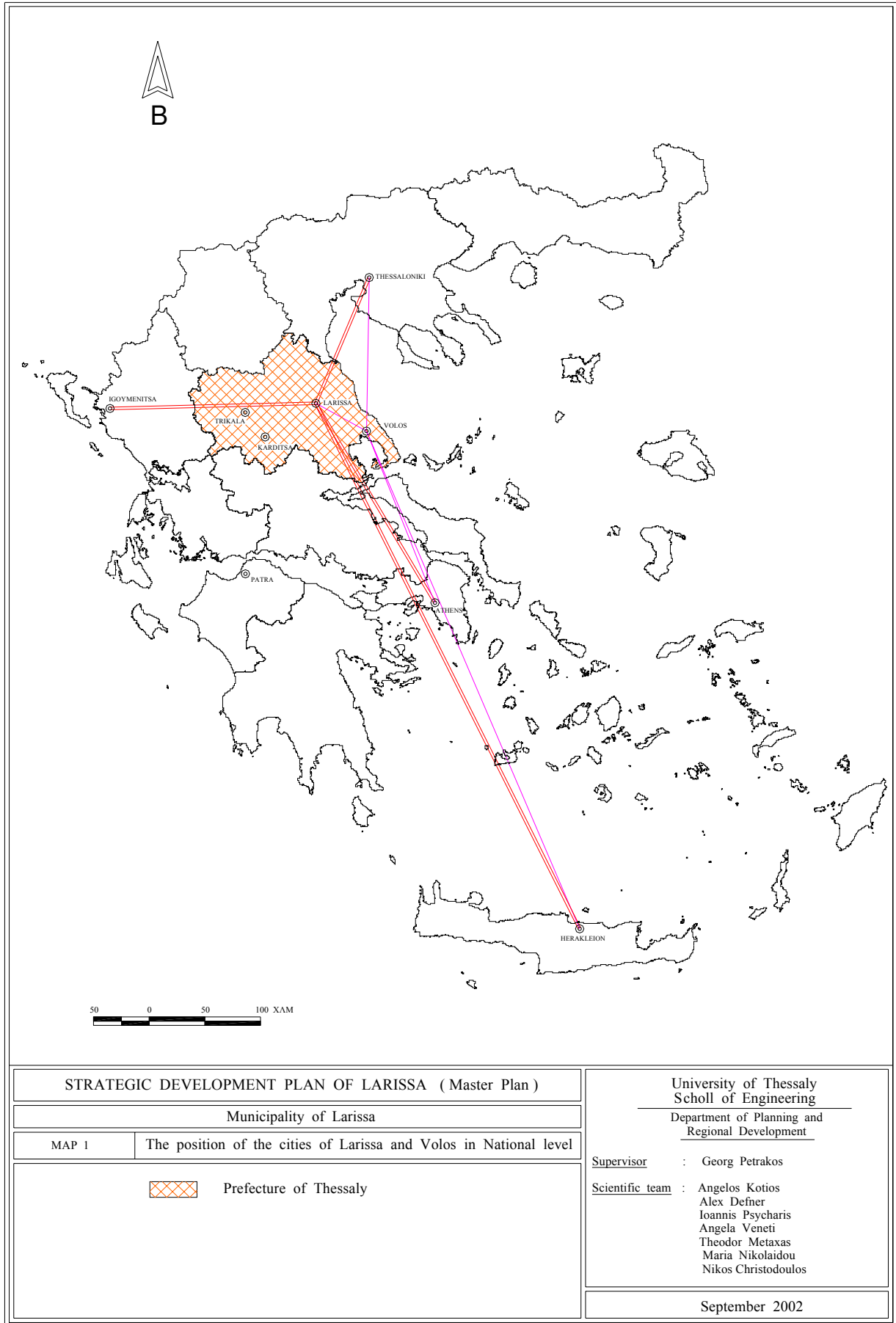
Source: Authors

Answering the second question, which concerns the exploitation of the two cities dipole, considering the decision-making selection process, the research evidence presents a quite high degree of importance (32%) and a higher degree of a middle response (44%). This fact means that the existence of the two cities dipole is a very important characteristic and an basic criterion in enterprises selection process in a first view. But, what kind of enterprises and which exactly particularities of the two cities create a major or low interest on the part of the enterprises? According to the evidence shown in table 7, the existence and the exploitation of the two cities dipole does not concern all the enterprises at the same degree. Viewing this observation in combination with the character of business activities that are developed by “foreign” enterprises in the dipole area, and additionally in combination with the high percentages of 'low importance' and 'unimportant' in factors such as the compatibility with the local market (48%), the access to suppliers (52%) and the access to research centers (56%), we could support that the exploitation of the two cities dipole as a selection criterion, concerns mainly those enterprises which tend to penetrate and distribute their products and services to new and big consuming markets (like Larissa and Volos), trying, this way, to increase their market shares in the particular markets. In other words, enterprises that belong to the commercial and service sector.

Coming back on the efforts of the two cities to become competitive and attract foreign investments on the one hand, and the necessity to improve their economic development and the degree of the region competitiveness on the other, the main question that arises is related to the character, the influences and the



long-term anticipated profits for the two cities, and for the region in general, from the foreign enterprises contribution to the local and regional development.



Questions 3 and 5:

The analysis of tables 8 and 8a tries to answer the previous question (which concerns the questions 3 and 5 according to the research). According to the evidence of table 8, all the enterprises support that they contribute to the local economic development of the two cities. In table 8a the enterprises explain the way of their contribution. 52% of the enterprises support that they contribute to the local economic development through the *reduction of local unemployment*.

Table 8:			Table 8a: <i>Contribution to LED</i>		
Responses	Number of companies	% (ratio)	Ways of contribution to LED	Number of companies	% (ratio)
Absolutely yes	8	32	Exploitation of natural resources	0	0
Yes	15	60	Growth of per capita GDP	5	20
Rather yes	2	8	Reduction of local unemployment	13	52
Rather no	0	0	Maintenance of highly specialised workforce in the area	2	8
No	0	0	Increase of the area's R & D level	0	0
Absolutely no	0	0	Attraction of other enterprises	5	20
Total	25	100	Total	25	100

Table 9 presents the number of employed persons in the 25 enterprises in comparison between the branches in Larissa and Volos to the enterprises headquarters in Athens and Thessaloniki. This comparison concern two main categories of employees: a) Managerial and high skilled executives and b) Low managerial stuff and workforce

According to the evidence, the enterprises recruit a limited number of the local specialised workforce (8%), so they have limited or zero contribution to the R/D level of the area in relation with the provision of new technology, the implementation of innovated production methods etc.

The main structure of the specialised workforce -of the enterprises that use executives – is located in the headquarters, mainly in the cities of Athens and Thessaloniki (table 9). Furthermore, the foreign enterprises located in the dipole area, have also limited connection with the Research and Academic centers, something that is supported by the level of significance that this criteria have for these enterprises in the decision selection process.

Taking into consideration, the evidence of table 9a concerning the allocation of the workforce per level of education in the city of Larissa, it could be supported that enterprises contribute positively to the reduction of local unemployment since that the major part of their employers (in the branches) belongs to the low – skilled workforce (high school graduates).

Table 9: *Categories of employees/ workforce in branches and headquarters*

Categories	Branches		Headquarters	
	Number of employees	% (ratio)	Number of employees	% (ratio)
Managerial and high skilled executives	129	16,0	380	42,1
Low managerial stuff and workforce	674	83,9	522	57,8
Total	803		902	

Table 9a: Categories of unemployed per level of education in Larissa

Level of education	Number of unemployed per level of education	% of unemployed per level of education
BA	640	9,5
Technical Education Institutes	294	4,4
High school	5669	85,5
N/ R	100	1,5
Total	6703	100

Source: Institute of Labor- Region of Thessaly (2002) – Strategic Development Plan of Larissa

Elaboration: Regional Economic Analysis Laboratory – University of Thessaly, dept. of Planning and Regional Development

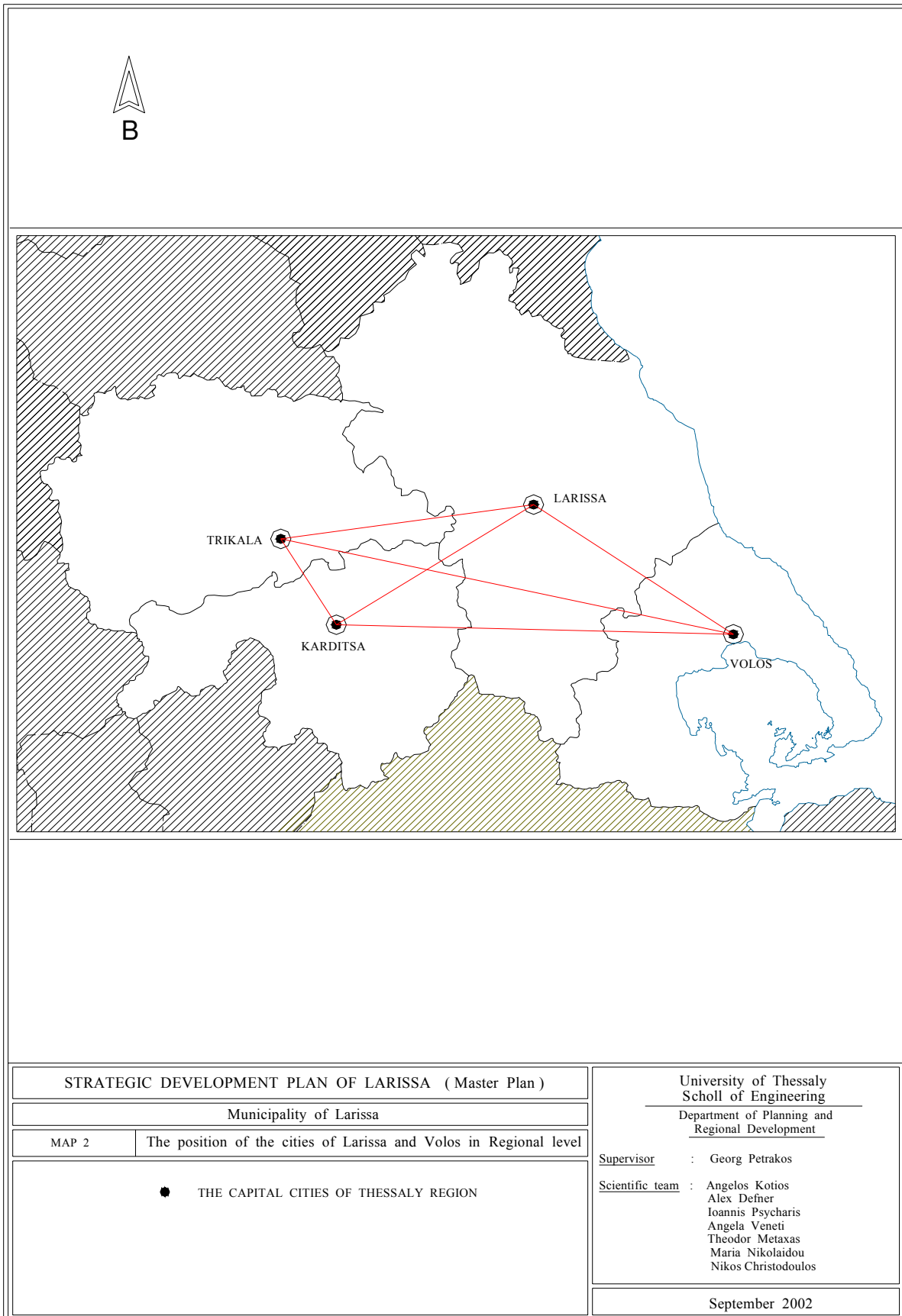
Very important are the responses with zero percent (0%) [table 8a]. The criteria *exploitation of natural resources* and the *increase of the R/D level in the area*, explain, to certain degree, the enterprises main concern to create or to expand their business activities in the commercial sector (retailing and wholesaling) rather than use the natural resources or the raw materials of the area, in order to produce their ultimate products.

The last two ways of foreign enterprises contribution concern the *growth of per capita GDP* (20%) and the *level of area's attractiveness to other foreign enterprises* (20%). We will support that the high contribution in growth of per capita GDP, concerns firstly the satisfaction of some of the previous ways of contribution to LED (the high degree of exploitation of the natural resources of an area, the high degree of maintenance of local workforce, the promotion and the support of local products). This argument is also supported by the low percent of the enterprises responses. On the other hand the contribution to the area's attractiveness seems to be true, since the two cities and especially the city of Larissa hosts already several enterprises brand names, especially from commercial and services sector.

Question 5 concerns the existence or not has the waste strategy phenomenon in the dipole area. According to the theoretical analysis - and especially following Cheshire and Gordon arguments - any development policy, which has the purpose of a high level city's competitiveness, should be evaluated considering its influences not only on local but also on a regional level.

In addition, we have give serious thought to the following: a) the anisomeric development, that already exists, among Larissa and Volos dipole with the other two capital cities of Thessaly region, b) the ways that the current foreign enterprises contribute to the local economic development, c) the efforts of each city to become dominant in local and regional level, d) the current situation that each city tends to specialize in particular production sectors, seeking at the same time their identity and e) the absence of the evaluation process for the potential external target markets effects on the cities economy and on the region generally. In conclusion, we could support that the dipole area and the region of Thessaly may face waste strategies in the immediate future.

What is most important, is that the a,b,c,d factors are caused by other conditions that already exist in the region. For example, by the geographical position and the population size provide a high prevalence for the two cities against to the other two (Karditsa and Trikala) [map 2], or by the efforts that each city makes in order to respond to the demands and the requirements of the new economic competitive environment in national and international level. Consequently, the most crucial subject is the last (e). The character of this evaluation requires the existence of a specific actor that will act according to the vision and the development objectives that each city has, taking into consideration the distinctive characteristics of the region and the level of the internal forces capacity to adopt, to plan and to implement development actions, based on the representation of common development interests for the wider area



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Question 4:

As it is mentioned from the beginning, the main purpose of this research is to investigate how the existence of the two cities dipole contributes to the competitiveness of the Thessaly region. According to the evidence of table 10, the enterprises support that the competitiveness of Thessaly region could be strengthened and supported through cooperation between the cities of Larissa and Volos (68%). This option is also enhanced by the responses to the rest relevant questions. The two cities could be developed in common (68%) and furthermore each city could operate beneficially to the other (64%). Referring to the distinctive characteristics of the dipole and of the wider region, the enterprises support that the investment in these particularities could operate positively not only to the cities economic development but also to the regional competitiveness (88%). In addition, each city separately, could become an 'attraction pole' (52%), without the economic development of the city causing economic hysteresis of the other (72%). In the end, the enterprises believe that the existence of the two cities dipole common development could operate in a competitive way against the big urban centers, Athens and Thessaloniki (44%).

Table 10: *Larissa- Volos dipôle*

<b>Larissa- Volos dipôle</b>	<b>Average</b>	<b>Sum: 4+5 (% ratio)</b>	<b>Middle: 3 (% ratio)</b>	<b>Sum: 1+2 (% ratio)</b>	<b>Total (% ratio)</b>
The two cities development in common	2,2	68	20	12	100
The economic development of one city to cause economic hysteresis of the other	3,9	12	16	72	100
Regional competitiveness through the cooperation of the two cities	2,2	68	20	12	100
Each city to become an 'attraction pole'	2,5	52	28	20	100
Each city to operate beneficially to the other	2	64	24	12	100
The two cities distinctive characteristics to operate beneficially to the cities' dipole and to the region in general	1,6	88	8	4	100
The existence of Larissa-Volos dipole to operate competitively against the big urban centers (Athens, Thessalonica)	2,92	44	20	36	100

Source: Authors

Concluding the analysis of table 10, the article argues that the importance of the dipole is obvious, since the enterprises take into account this significance in their decision selection process. But the effective operation of the dipole requires the existence of partnerships between the two cities, the existence of local authorities with entrepreneurial capacity and the adaptation and the implementation of new methods and development strategies and tactics so that the significance of the dipole can be supported and promoted as a distinctive characteristic and as a competitive advantage of this area.

Question 6:

Table 11 presents the possible benefits for the foreign enterprises from the implementation of Place/city marketing policies. In the current analysis the place marketing policy is expressed through the existence of a specific place marketing office. The international experience provides relevant examples for place marketing policies in several European cities. For Greek cities, place-marketing procedure is something unknown and very new.

According to the evidence, the enterprises support strongly that the existence of a place marketing office could help them penetrate more effectively into the local market (44%), to have a more effective adjustment (56%), to support and to promote their images (68%), to find and hire more quickly the appropriate local workforce (60%), and finally to have a rapid depreciation of their investment (64%). Following the enterprises appreciation we could say that the specific place marketing policy has major significance for the enterprises operation before and after they set up new business activities in the selected city/ area.

The most important thing is that the previous benefits are also the main business objectives that the enterprises should satisfy. The existence of specific place marketing policies (such as the current office existence) shows in same way the level of the city capacity to serve and to satisfy the needs and the demands of their external target markets (in the current case: the foreign enterprises)

On this point we define two crucial questions:

- a) *who will be responsible for the existence and the implementation of place marketing policies?*
- b) *under what requirements can the place marketing policies become a development and competitiveness tool and not a hindrance or a waste strategy for the cities and for the wider region?*

Concluding the analysis of table 11, the article supports that the adaptation, the planning and the implementation of place marketing policies, concerns all the internal production forces and the decision-makers of a local community. It requires cooperation between these forces and strategic development thought.

Table 11: *Benefits from a City marketing office existence*

Possible benefits to the foreign enterprises from a City Marketing office existence	Average	Sum: 4+5 (% ratio)	Middle: 3 (% ratio)	Sum: 1+2 (% ratio)	Total (% ratio)
Rapid and more effective adjustment of your company to the local market	2,4	56	24	20	100
Rapid and more effective penetration of your products/ services to the local and regional market	2,9	44	20	36	100
Rapid and more effective contact with producers and wholesalers	3,3	28	24	48	100
Rapid and more effective recruitment of specialised and skilled workforce	2,3	60	20	20	100
Rapid and more effective support and promotion of your company 'image'	2,2	68	20	12	100
Rapid and more effective contribution of your company to the local economic development and to the regional competitiveness	2,3	60	32	8	100
Rapid depreciation of your investment	2,4	64	20	16	100

Source: Authors

### 5.2.2 *The degree of prevalence of the cities Larissa and Volos in comparison to other cities*

The purpose of the following analysis is to present a very important relation both for the two cities (Larissa and Volos) but also for the foreign enterprises that select these cities in order to expand their business activities. Taking into consideration the appreciation of the enterprises that the dipole Larissa - Volos could operate competitively to the big urban centers (Athens and Thessaloniki) [table: 9], the following analysis presents the relation between the *degree of significance* (DOS: max 100) of the selected criteria and the *degree of prevalence* (DOP: max 100) in one or more of these criteria for the cities of Larissa (L) and Volos (V) in comparison with two different city types. Firstly in comparison to two medium-size cities, Heraklion (H) and Patras (P), and secondly in comparison to the two big urban centers, Athens (A) and Thessaloniki (T). Figures 3a, 3b, 3c, 3d and 4a, 4b, 4c, 4d, present the comparisons of Larissa and Volos with the other cities

The selection criteria that examined are the following:

- GP = Geographic Position
- SLM = Size of Local Market
- EOE = Existence of Other Enterprises
- ARC = Access to Research Centers
- HSLW = High Specialization of Local Workforce
- TCI = Transportations & Communications Infrastructures
- BII = Better Investment Incentives
- LCA = Lack of Competition in the Area

Quarters

1<sup>st</sup> quarter: Low degree of significance - Low degree of prevalence

2<sup>nd</sup> quarter: Low degree of significance - High degree of prevalence

3<sup>rd</sup> quarter: High degree of significance - High degree of prevalence

4<sup>th</sup> quarter: High degree of significance- Low degree of prevalence

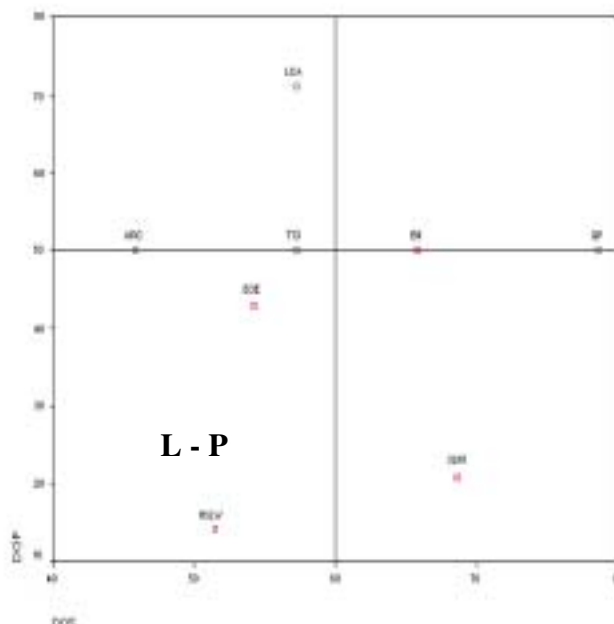
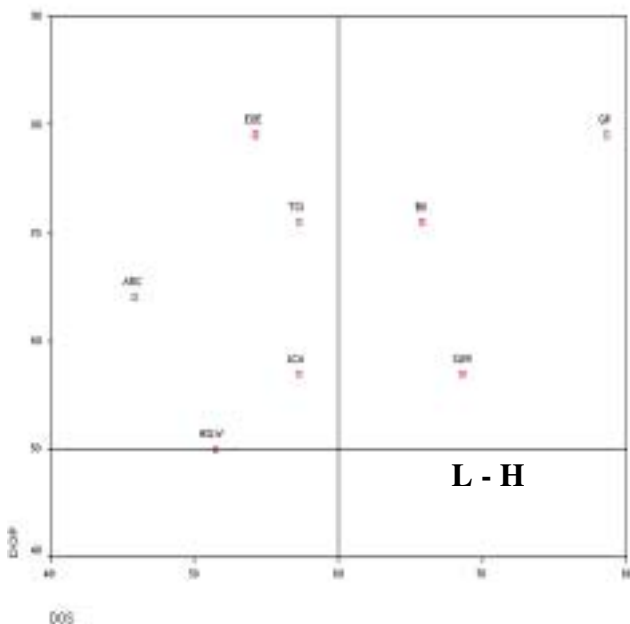
Larissa

In the comparison between the city of Larissa and the city of Heraklion (figure 3a), according to the research evidence, is presented the biggest agglomeration of the selection criteria. In this agglomeration (2<sup>nd</sup> quarter) Larissa has a high degree of prevalence over Heraklion, but these criteria have low degree of significance for enterprises. In the 3<sup>rd</sup> quarter Larissa has a high degree of prevalence over Heraklion in three major criteria (GP,BII,SLM), which also have a high degree of significance for enterprises.

Figure 3b presents the comparison between the city of Larissa and Patras. According to the figure the two cities seem to have the same development opportunities. Four of the selection criteria (ARC, TCI, BII, GP) are found on the horizontal axis in different quarters. BII and GP criteria have high significance for enterprises but the city of Larissa does not have a prevalence of these criteria over the city of Patras. The same appreciation follows the criteria ARC and TCI, which have low significance for enterprises. Larissa has prevalence in the criterion LCA, but this criterion has also low significance for the enterprises and finally, as for the criterion SLC, which has a high significance for enterprises decision process, the city of Larissa hasn't got a prevalence over the city of Patras.

Figure 3a: Larissa in comparison to Heraklion

Figure 3b: Larissa in comparison to Patras



In the next two comparisons (Larissa-Thessaloniki and Larissa-Athens) [figures 3c and 3d] the outcome is totally different. The agglomeration of the selection criteria is still the same but the position of the criteria has changed. The criteria GP, SLM and BII remain gathered together in the 4<sup>th</sup> quarter, having a continuing high degree of significance for enterprises but the city of Larissa has no prevalence over the cities of Athens and Thessaloniki.



Figure 3c: Larissa in comparison to Thessaloniki

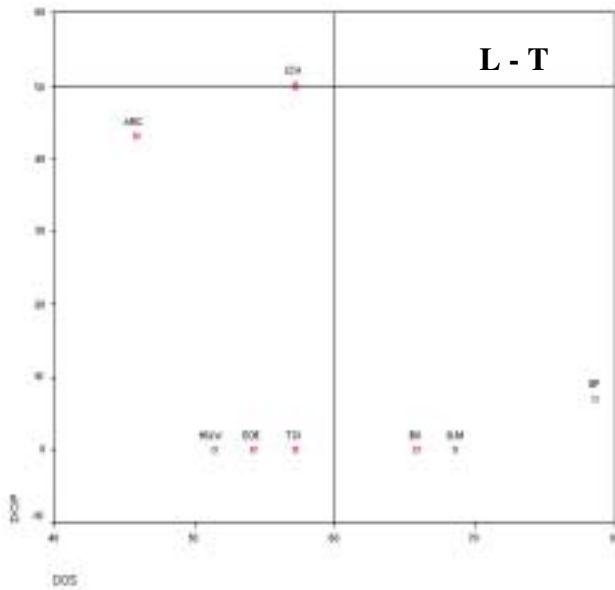
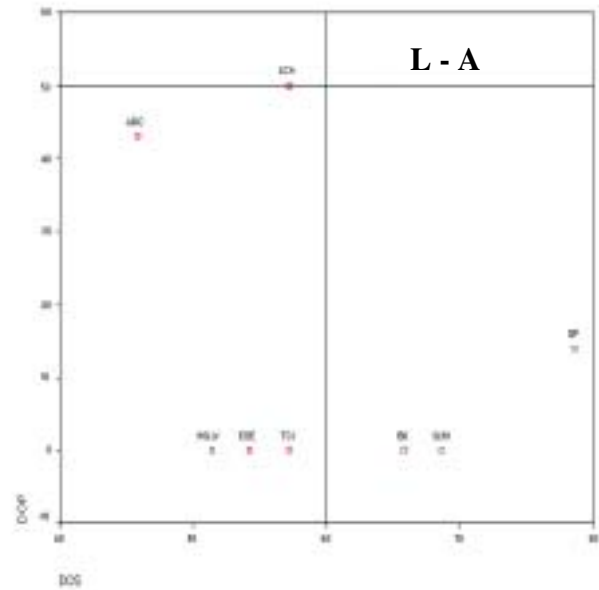


Figure: Larissa in comparison to Athens



Concluding the previous analysis we could point out the following: In all the figures there exist two groups of criteria. The first group concerns the criteria GP, SLM and BII, which have the major significance for the enterprises in order to select the most appropriate place/ city for business establishment. In these criteria the city of Larissa has a high degree of prevalence against only the city of Heraklion. In comparison with the city of Patras, the city of Larissa seems to have equal opportunities in order to attract foreign enterprises. The second group of criteria (ARC, EDE, TCI, LCA, HSLW), have a low degree of significance for enterprises selection process, in which, though, Larissa prevails (in some - LCA, TCI and ARC) over Patras and in all over the city of Heraklion. As it has already been mentioned, this view is explained by the fact that most of the enterprises come from the commercial and the service sector and pay more attention to the existence of the criteria of the first group. (This fact is also explained from the analysis in table 6).

Volos

Figure 4a presents the comparison between the city of Volos and the city of Heraklion. According to the figure Volos have a high degree of prevalence over Heraklion in the criteria GP and TCI, which have also high degree of significance for enterprises. On the 3<sup>rd</sup> and 4<sup>th</sup> quarter the view has changed in comparison with the case of Larissa figure (3a). Volos in opposition with Larissa has a high degree of prevalence to the criterion TCI. This prevalence is explained from the geographical position of the city and also from the fact that is a harbor. On the other hand Volos has a low degree of prevalence to the criterion BII, which has a high degree of significance for enterprises. On this criterion the city of Larissa has a high degree of prevalence over the city of Heraklion and consequently, over the city of Volos. Furthermore, the criterion SLM, has limited degree of significance for enterprises and limited degree of prevalence for the city of Volos. On the other hand the same criterion has high degree of significance for enterprises in Larissa - Heraklion comparison and also Larissa has a high degree of prevalence over Heraklion and also Volos. It is important to point out that the population size of the three cities is almost the same. However the city of Larissa has the prevalence to the criterion of SLM, since its geographical position and the population size, allow the agglomeration of enterprises.

The rest of the selection criteria (EDE, ARC, HSLW ) as in Larissa analysis, have a low or limited degree of significance for enterprises. In most of them (2<sup>nd</sup> quarter) the city of Larissa has a high degree of prevalence over the city of Volos.

Figure 4a: Volos in comparison to Heraklion

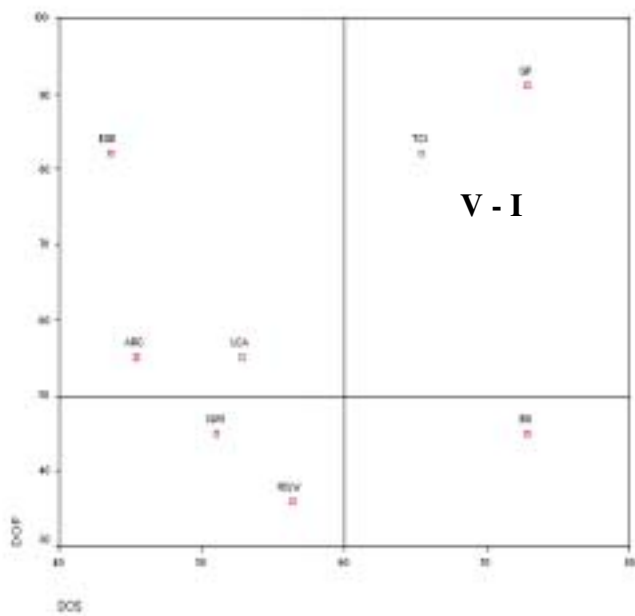
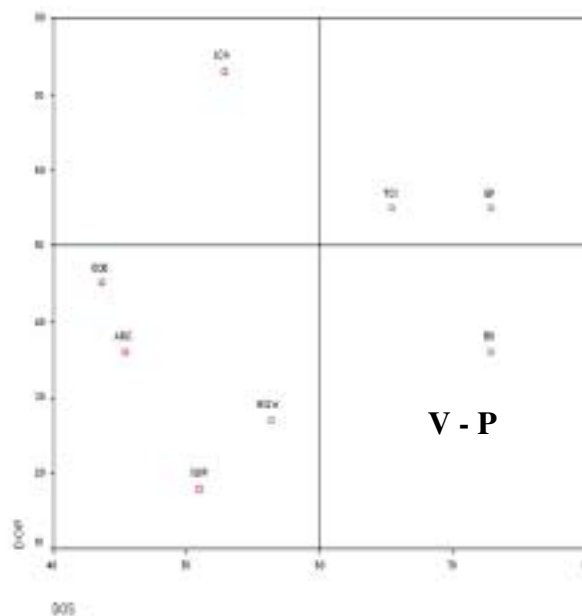


Figure 4b: Volos in comparison to Patras



In comparison to the city of Patras (figure 4b), the city of Volos has a high degree of prevalence in two very important selection criteria, TCI and GP. The criterion BII, present almost the same view as in case of Larissa-Patras comparison. In the case of Volos this criterion has high degree of significance for enterprises, but the city of Volos (like Larissa) has a low degree of prevalence. Another characteristic difference between Larissa and Volos in comparisons to Patras is the position of criterion SLM. In the comparison Larissa-Patras, this criterion has a high degree of significance for enterprises' decision selection process. In combination with the previous comparison (Larissa-Heraklion) we conclude that the city of Larissa concerns an attractive place for foreign enterprises in order to expand their business activities. This fact is also supported from the observation that the city of Patras has a high degree of prevalence to the criterion SLM over the city of Larissa, but this prevalence for enterprises selection process has low degree of importance.

In the next two comparisons (Volos-Athens and Volos-Thessaloniki) [figures 4c and 4d] the outcome is totally different as in case of Larissa. The agglomeration of the selection criteria is still the same but the position of the criteria has changed. The only main difference in the case of Volos in relation to the case of Larissa is the existence of the criterion TCI to the area of high significance. This observation is very important, since the same criterion in the case of Larissa has limited importance for enterprises. So, it becomes clear that the city of Volos has the prevalence over the other cities (Larissa, Heraklion and Patras) on the criterion TCI.

On the other hand, the criteria GP, SLM remain gathered together in the 4<sup>th</sup> quarter, having a continuing high degree of significance for enterprises but the city of Volos (as Larissa) has no prevalence over the cities of Athens and Thessaloniki.

Concluding the previous analysis we could point out the following: In all the figures there exist two groups of criteria (as in Larissa case). The first group concerns the criteria GP, SLM and TCI, which have the major significance for the enterprises in order to select the most appropriate place/ city for business establishment. In the criteria GP and TCI, the city of Volos has a high degree of prevalence over the cities of Heraklion and Patras. In both of the comparisons<sup>14</sup> the city of Volos seems to be more competitive, in order to attract foreign enterprises. The second group of criteria (ARC, EDE, SLM, LCA, HSLW), have a low degree of

<sup>14</sup> This observation is related with the nature of the enterprises that have participated to the research. If for example the research had included enterprises mainly from the tourism sector that results might not have been the same.

significance for enterprises selection process, in which, though, Volos prevails (in some – EDE and ARC) mainly over the city of Heraklion.

Figure 4c: Volos in comparison to Thessaloniki

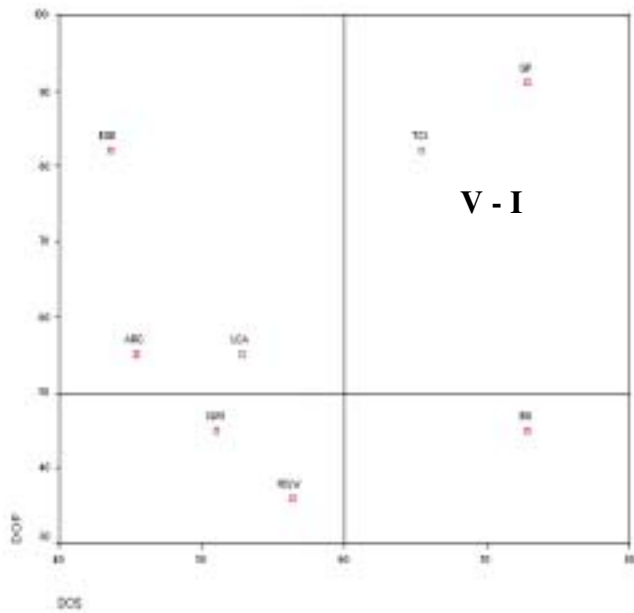
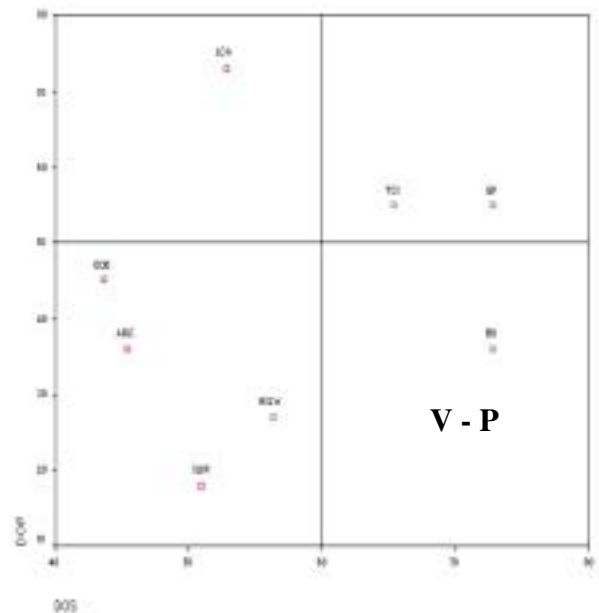


Figure: 4d Volos in comparison to Athens



In both cases (Larissa and Volos) the view is totally different in the comparisons to the big urban centers. According to the figures 3c, 3d, 4c and 4d, the cities of Larissa and Volos have no prevalence in the selection criteria over Athens and Thessaloniki. This fact has a logical base since the commercial and services enterprises, especially, prefer to agglomerate in big urban areas in order to penetrate into large consuming markets. Furthermore, the geographical position and the population size allow the big cities to attract more easily and effectively foreign investments, not only from the commercial and service sectors but also from the industrial one.

## 6. Conclusions and suggestions

### 6.1 Conclusions

As it mentioned before, the article presents empirical evidence from a small number of non – local enterprises (due to the small population) located in Thessaly region and for this reason the conclusions concern the area provide information of some trends.

According to the analysis above the main conclusions arise are the following:

a) Together with the traditional economic factors (such as the geographic position, the size of the local market and the transportation and communication infrastructure), intangible factors (such as the quality of life) have a great significance in the enterprises’ area selection process. On the contrary, factors such as the existence of high specialization local workforce, the accessibility to R & D centers and the cost of land use are less important although, according to the EU Commission, their significance depends in a great extent from the character of the enterprises’ activities in an area.

b) The existence and the exploitation of the Larissa – Volos dipole comprises a very important area selection criterion (from the enterprises side) mainly for the commercial and the services sector (according to the research outcomes). In addition, enterprises are strongly support that the cities’ mutual development

is feasible having as a prerequisite the investment (from the cities' side) in the cities' distinctive characteristics, enforcing this way the competitiveness of the whole region.

c) There is a great possibility for the region of Thessaly to confront, in the near future, the waste strategies phenomenon as the non – local enterprises contribution is rather low to the development of the region (as a total) and to the reduction of its (intraregional) inequalities as each city claims for itself the dominant role in the region.

d) The adoption, planning and implementation of place marketing policies is in a position to become a valuable tool for the development of the cities and the competitiveness of the region, with the cooperation of the cities' endogenous forces, having as a base the evaluation of the cities' distinctive characteristics and also the cities' potential target markets.

e) The comparison to the other two competitive medium – sized cities (Heraklion and Patras) has shown a prevalence of Larissa and Volos in the traditional economic factors (geographic position, size of the local market and transportation and communication infrastructure) while the comparison to the two Greek metropolitan centers (Athens and Thessaloniki) has shown an hysteresis to all selection criteria. This outcome is explained by the orientation of the medium – sized cities to a certain branches of production leading to their specialization and to the attraction of certain kind of enterprises' business activities.

## 6.2 Suggestions

The analysis has shown that the cities of Larissa and Volos have the objective to attract non – local enterprises in order to play a significant role in the new internationalized environment. Under this thought derives that the competitiveness for the two is a 'goal' and for the potential target markets a 'goal' and a 'prerequisite'. In order to satisfy the goal of competitiveness the two cities have to develop partnerships, concerning with representation of common interests. The most crucial point is that the economic development process has a strategic character in which the participants are all the endogenous cities' forces.

The two cities' dipole concerns a distinctive characteristic of the region. The article supports that this distinctive characteristic is also a competitive advantage. Following this argument the article provides some main suggestions, which are the following:

*The identification of the vision and the development objectives for the two cities and for the region.* This policy requires strategic thought, in order to plan the development future actions of the dipole and the wider region. This planning should be based on a long-term horizon with specific identification of the anticipated profits for the two cities and the region of Thessaly.

*Analysis and evaluation of the two cities distinctive characteristics and the characteristics of the dipole as a whole.* This analysis has as a purpose to examine the strengths and the weaknesses of the cities in order to focus on their characteristics to particular external target markets. The region should take the character of 'good' and the cities should promote this good to the external potential target markets, by taking into serious consideration the satisfaction of the demands and the needs of these markets.

*The development of partnerships between the two cities.* This suggestion seems to be difficult to implement, since the two cities seeking for their domination in regional level. But the competitiveness of the dipole and the region generally, requires local actors capacity, to plant and to implement effective urban management policies in order to achieve the sustainable economic development of the cities and the competitiveness of the region.

*The implementation of new development policies (such as Place Marketing).* The implementation of place marketing procedure requires the contribution of all cities actors. The research evidence has shown that the existence of this kind of policies could have positive impact to the economic development of the dipole and furthermore to the region as a whole. The promotion and the support through particular place marketing

plans concern a necessity that the two cities should take into serious consideration for their future development.

*The enforcement of the cities' production base.* Both of cities tend to specialize in particular production sectors. In order for each city to achieve the desirable level of specialization, it has to evaluate its production base, examining the main strengths and weaknesses on this area. Each city should evaluate the degree of difficulty of the enforcement to the sectors with the major weaknesses, and also the necessity and its capability to provide support to these sectors. Through this evaluation the two cities will have the opportunity to invest in their strength production activities and furthermore to create competitive advantage.

The previous suggestions-policies concern a sample of a variety of policies that the two cities could develop in common. The article support that the existence of the two cities dipole will operate beneficially to the competitiveness of the region, since that the two cities, Larissa and Volos, take into serious thought its major significance.

Concluding this paper it is important to mention that this research concerns a first attempt to study the medium-size cities development and the competitiveness of the Greek regions. Under this option this research is going to investigate a wider number of cities and regions in a near future

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