Industry and Business Study of Architecture in Terms of the Žilina Region

TATIANA ČOREJOVÁ, PETRA HOLLÁ BACHANOVÁ, MIRIAM MOČKOVÁ
University of Žilina
Univerzitná 8215/1, 010 26 Žilina
Slovak Republic
Tatiana.Corejova@fpedas.uniza.sk, Petra.Bachanova@fpedas.uniza.sk,
Miriam.Mockova@fpedas.uniza.sk

Abstract

The paper is devoted to sector studies in branch of architecture. The study contains the survey intent on determination of the current situation in architecture industry in Žilina region. The survey was realized from July to October 2013. On this survey thirty-two individuals or companies from the field of architecture were participated. Almost all businesses fall into the category of micro enterprises. The research was focused on the evolution of the architecture industry in Žilina region, the identification of subjects and main industry leaders, the determination of economic and social localisation factors, the analysis of companies cooperation in this sector, the impact of national and regional policy on architecture industry development, the sources of funding, the problems and barriers to business in architecture sector and other important factors impacting on the development of this sector. The results of this research activity mentioned the need of support to this creative industry, not only from regional level but also from national and local level.

Key words: architecture industry, creative industry, Žilina region.

JEL Classification: Z190

1 Introduction

Architecture is the art and science of designing and constructing buildings, facilities, structures and their bodies, as well as various architectural complements. It is a synthetic indicator of culture and civilization, which is mostly a collective creation, and artistic and technical as well as an expression of economic opportunities and organizational capabilities of society. It gives an account of material and ideological aspects of life of its time. In particular, vernacular architecture is the most important part of our cultural heritage. There are many historical and cultural buildings, museums, art galleries, romantic mansions, castles and unique technical monuments in the Žilina region. The methodology used in the development of creative industry study consisted in carrying out research activities, within which the research problem "Absence of a comprehensive view of the state of the creative industry - architectural activities - in the Žilina region" was defined and research objectives that have been defined by project content KRENAR. (Identification of the characteristics of the industry in the region, Location factors and cooperation, Value chain of industry, Institutional environment and policy). The survey aimed to determine the current situation in the creative industry in the Žilina region was realized in the months of July to October 2013. There were involved 32 individuals / companies from the field of architecture. Thus there was achieved the maximum margin of errors of ± 7% and the reliability of research results of 90%. As an appropriate method of investigation there has been identified method of questioning in the form of standardized interview.

2 The Current Situation in the Creative Industry in the Žilina Region

The current situation in the creative industry in the Žilina region
In 2012, there were up to 89 companies focused on architectural activities in the Žilina region. Although there were not obtained responses for the entire complex in the context of the research data were sufficient to evaluate the individual characteristics of companies in the sector of architecture. As the most common **business activity** the respondents primarily presented architectural studies and designs, project activities, project documentation, interior designs and design, urban studies and plans. Some of the respondents, in addition to main activity, are devoted to the construction supervision, engineering activity, and architectural consultancy, expert opinions, blueprinting works and digital data processing and DTP graphics.
84% of surveyed companies have mainly **customers** from Žilina region. There is 69% of customers coming from other regions in the Slovak Republic, 19% of respondents indicated that they have also customers in Europe, none of the entities surveyed has customers from countries outside Europe.

"Self-employed person" "Freelancer" (44%) was a dominant **legal form** of the companies focusing on architecture in the Žilina region followed by the legal form of the" Limited Liability Company" (37%) and "Free Enterprise" (16%). Department of chief architect in Martin is the only which carries out its activity as "Self-budgetary organization".

Considering **the company size in terms of the number of employees** (whether in whole or full-time), the vast majority questioned there were micro-architectural companies (97%), where all but one company gives employment from 0 to 9 employees. Almost 68.75% of respondents said that they are working alone; they do not employ any **employee** and do not include any **organizational structure.** If necessary, they cooperate with external experts, specialists, or subcontractors of particular professions. Department of chief architect in Martin falls into the category of small companies employing 14 employees (12 of them full-time).

Respondents who have **employees** see their **benefits** especially in creativity, flexibility, and quality of work undertaken, qualifications and a broad range of knowledge, involvement and tenaciousness in finding new contracts, experience, responsibility and precision. In contrast, they consider disadvantages, or **deficiencies** particularly poor knowledge of working with some software, poor ability to communicate in a foreign language, ignorance of commercial legal relationships, less expertise and insufficient conditions for further training of employees.

Asked whether the addition of architectural activities the respondents have also **other jobs, or another major income,** 71.88% of them responded negatively. The remaining 28.12% said that in addition to main activity they also have other income or employment. It was mostly a rental property / premises, publications, lectured in professional courses focusing on interior design, but also the profession of forensic expert.

The bulk of the companies in the Žilina region provides about the same scenario concerning their **foundation and development in time.** Architects have completed a university degree at the Faculty of Architecture, Slovak University of Technology in Bratislava. The exception is one of the respondents who stated that he/she has completed a degree in furniture design and wood products at the Technical University in Zvolen. Many of the respondents worked or collaborated with architects during their studies. Small group consisted of architects who established sole companies – business during the study. After graduation, most of them started working in the project company and they started their own business after acquiring practice. Then, they passed the examination at the Slovak Chamber of Architects, becoming authorized architects. Almost all respondents stated that they started their own business without previous business experience. There were also those who received authorization during the course of the project company based on which they founded their own company. Regarding employees of architectural offices, their education corresponds to the respective working position. In case of larger companies that have created different departments, it is possible to meet an employee of secondary education. The bulk of the respondents surveyed (up to 48.39%) carries out his/her activity in this field for more than 15 years, it could be considered that the sector has its tradition in the Žilina region. 12.90% of individuals / companies has been working in the market for more than 11 and less than 15 years. The remaining 38.71% of architects has been active in this sector from 5 to 10 years. Most companies were established in 2006.

There may be seen corporate **spin-off processes** in the sector of architecture in the Žilina region. It is common practice that the architect must first acquire some experience in the field in order to operate more or less independently. Therefore, after taking out the know-how, they leave the original, mostly design company in order to set up their own. In general, it is the separation of individual from the original company, not a group of employees, even though this is not the exception.

Main companies in the sector

Based on data obtained from the research, it was not possible to determine the main companies in the sector, as sales data were obtained from only a small number of subjects, where they were irrelevant and inadequate to draw conclusions about dominant companies in the market in the Žilina region. In terms of structure and size of companies by number of employees, it was difficult to identify the major leaders in the field of architecture, as almost all companies fall into the category of micro-companies. Regarding the share of export sales, it was possible to get only 3 responses of the total number of respondents. This data was also insufficient to evaluate this part of the study. Therefore, the main companies in the sector were identified according to the information in the database obtained from the Statistical Office. In particular, the categorization of organizations by size, namely the amount of sales in thousands € and the number of employees was taken into account. On the basis of the filtering selected, there were selected the following main companies in the industry: AB-studio, CREAT architects, Koreňová Architects, statiCK, Ltd. and AA Design, Ltd.

Economic and social location factors

The research showed that up to 46.88% of companies surveyed reported that they chose Žilina as **the residence of their company** in the Žilina region. The second most frequently reported residence with a share of 18.75% was Ružomberok, followed by Martin and Liptovský Mikuláš with the same percentage – 9.38%. Dolný Kubín, Bytča also had the same percentage - 3.13%. The remaining 6.25% of companies were seated in other locations (smaller villages).

The question of the location of architectural companies, the data differed only in the most numerous category of residence, which was already mentioned Žilina. Despite the fact that 46.88% of companies identified Žilina as the residence, 50% of companies stated the registered office there. It can be assumed that companies which are resident in smaller villages, they set up their operation just in larger cities, where there is potential for greater buying power.

The main reason why architectural studios and architects themselves decided to act just in the Žilina region is in particular that **founders of the studios and architects come from there.** Žilina region is the place where they were born and spent most of their lives. There lives their close relatives, friends and acquaintances. There is also an important factor for them that they know the environment, they have professional background, and also have built a network of contacts representing for them potential customers and collaborators. Žilina region represents for them a familiar environment both from the **economic** and **social side**. A small percentage of architects who have come from other than the Žilina region, indicated as the reason for the transfer to the Žilina region job offer that they have been provided with in the past.

Economic location factors

Economic location factors, also called "hard" location factors, are characterized that they directly affect business of architectural sudio. Among of selected factors, qualified workforce and dynamics of the development of the local market represented the greatest importance for architectural studios, up to 90.6% cases, followed by the presence of companies from related industries, proximity to other markets, the availability of funds and the availability of suppliers, size of the local market, companies in the same industry, education opportunities and public support. Infrastructure for presenting their outputs (clubs, theaters, galleries) and business premises are little significance for architects. The smallest importance is given to the organization of major events such as fairs, festivals and etc. Considering the architectural studios economic factors which have a direct impact on the demand for their architectural services, financial situation of the studio and qualified architects represent the greatest importance. Architects assign less importance to soft business factors, and therefore places and events where architects should present their results and take out inspiration for their creative art.

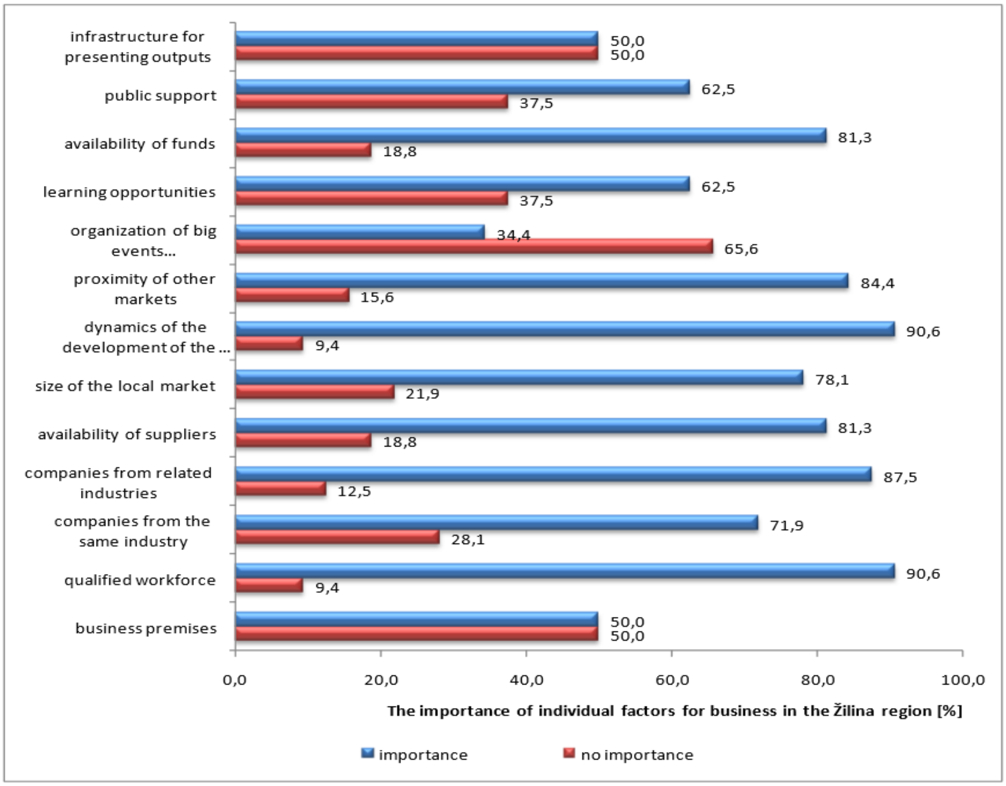

Fig. 1 The importance of individual factors for business in the Žilina region.
Source: processing on the basis of research results.

Architectural studios marked **the quality of the economic location factors** in Žilina region in different ways. Availability of suppliers, presence of companies from the same and related industries, and qualified workforce were considered sufficient quality factors. Public support and avaiavailability of funding, dynamics of the development of the local market represented for them the lack of quality. Soft factors such as the organisation of major events and infrastructure for the presentation of creative output were also left behind. None of the factors was identified as completely inadequate, but on the other side, or as completely satisfactory.

Architectural studios evaluated on average **the suitability of Žilina region for their business** on a scale from 1 to 10 (with 10 being the best) at the level of **6.16,** which means that architectural studios considered the place of business for a slightly above average, with the result that there is still quite a lot of aspects that are not quite perfect and there is room for improvement.

Social location factors

Factors of quality of life - social factors do not have a direct impact on the business of architectural studios, but determine the quality of life and satisfaction of their employees — architects, which, in turn, can be reflected in their working performance and creative thinking. "Nature and parks" and "presence of people with similar values and interests" appeared to be the two **most important factors**. (Figure 2) At least three-quarters of respondents always identified all other factors as significant. These were mainly the possibilities of cultural life in the region, urban facilities of cafes, restaurants and clubs, tolerance environment for creative work, aesthetic value of the city, and inspiration of environment for creation.

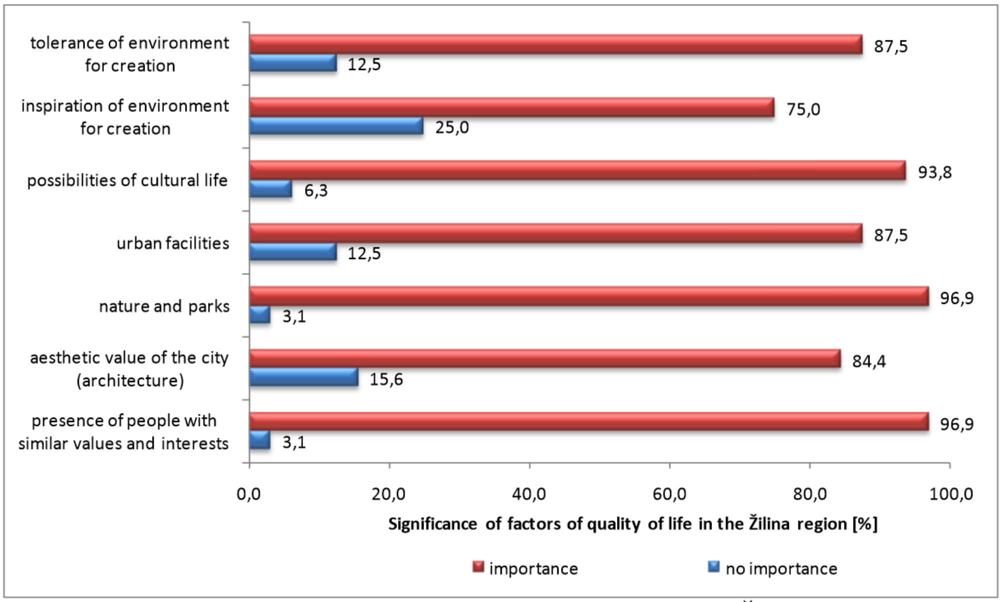

Fig. 2 Significance of factors of quality of life in the Žilina region.
Source: processing on the basis of research results.

Regarding the importance of individual factors in terms of Žilina region, the majority of respondents identified social factors as important or very important, while responses mostly occurred in the zone "important". Respondents considered the "nature and parks" and "the presence of people with similar values and interests" **the most important factors**, coinciding with the statement from the previous survey. Interviewees need to have in their proximity people with whom they understand, have similar interests and share the same values. Friends, colleagues and family members are most like such people. The evidence is the fact that the majority of respondents chose to remain in their place of residence, where they are in close contact with friends and family, despite the fact that they could find better conditions for their business activities elsewhere. Nature and parks was the second important social factor. Since the Žilina region is characterized by rich nature and recreation opportunities, many respondents have decided to stay right here, they probably preferred the natural conditions of the region again instead of better business, but poorer in natural wealth. Tolerance of environment is also important factor, because it is essential that neighbourhood was open to new ideas and trends in architecture and also inspirational environment for creative architect. The emphasis is also on the possibilities of cultural life in the region and the aesthetic value of the city, where architects are just the ones who can evaluate it from a professional point of view. An urban facility is the last and equally important factor for architects.

Respondents rated **quality of life in the Žilina Region 7.13**, rated on a scale of 1 to 10 (10 is best), which represents an above average satisfaction with the so-called "soft factors" that the Žilina region provides. There is still room for the development of certain aspects, in particular the city facilities.

The most commonly enhanced **attributes of quality of life** in the Žilina region, which are important for personal life of respondents, are mainly nature, especially the mountains, providing a wide range of sports and recreational facilities, proximity to family and friends, convenient location of the region, as well as transport infrastructure.

Cooperation of companies

Architects must be in close cooperation with many subjects from related industries, and so it is important that these subjects are located in their vicinity. The subjects, which architects mostly work with, are mainly government offices, self-governing organizations, professionals (designers in the professions), suppliers of interior furniture and equipment, craftsmen and suppliers of building materials. Most of the subjects, which architects work with, come from Žilina. Architects draw their ideas and inspiration for their creative work from several sources. The most frequently mentioned included consultation with their customers, when the architect tries to adapt his/her design to ideas and needs of customer; monitoring of actual trends in the architecture using the Internet, journals and books; study tours in Slovakia and abroad; visits to trade fairs and exhibitions dedicated to architecture; and last but not least, consultation with architects and other creatives.

Almost all respondents indicated that they are members of the Slovak Chamber of Architects (SCA), which provides authorization and regulation of professions – Architect and Landscape Architect and provide the ethical and professional supervision of the performance of their profession. The second most frequently mentioned professional association included the Slovak Architects Society (SAS). It is a voluntary, social, cultural and artistic association of architects and architecture fans. Its primary aim is to popularize architecture, expand architectural awareness of the public and contribute to the formation of a coherent architectural culture. Other associations mentioned included, for example, the Guild of Architects Ružomberok and the Association of Urbanists and Landscape Architects.

Influence of national and regional policy on the developments of the industry

The industry of architectural activities is linked to a number of legislative changes, such as the Act No. 50/1976 Coll. on Land-use Planning and Building Order (Building Act), Act No. 138/1992 Coll. on Authorized Architects and Authorized Engineers, the Ministry of Environment of the Slovak Republic Regulation No. 532/2002, laying down details on general technical requirements for construction and general technical requirements for buildings used by persons with reduced mobility and orientation, etc. In this legislation, it is possible to identify some irregularities, for example, consisting in establishing minimum requirements for architectural education. Legislation focused on the area of design concerning preconditions for obtaining authorization certificates and stamps includes another irregularity.

In the development of architectural activities, as one of the creative industries, appears to be a significant barrier in matters concerning the application of copyright to architectural work.

Regional policy in the development of creative industry - architectural activities lies primarily in the support of land-use planning for municipalities, cities, regions that have deficiency of funds for the development of land-use plans. There is a strong bond to the activities of the sector within the Žilina region, which represent: Land-use plan of HTU Žilina region, Urban Study Slovakia - Czech Border Area, Master Plan of Žilina region tourism, Urban Study LIVEPLAN (Turčianske Teplice, Rakša, Háj, Čremošné, Dubové).

Funding resources

The importance of funding resources for the company the respondents assessed is in Figure 3.

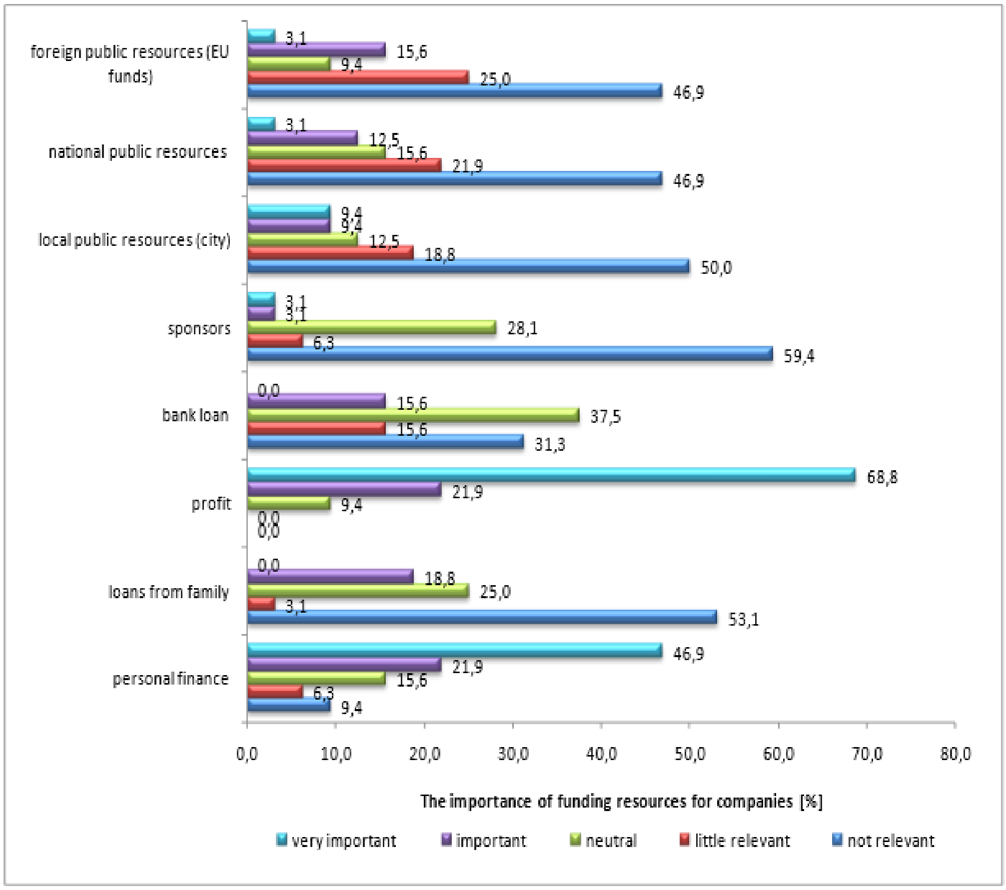

Fig. 3 The importance of funding resources for the company.
Source: processing on the basis of research results.

In the research activity implemented it was found that respondents finance their activities to the maximum extent from its own resources and **from resources generated from their own activities** (70%). Other respondents stated as a source of funding, for example, **deposits of company** (3%), **credit** (3%) and **leasing** (1%). Only one respondent, who is an employee of the Municipal Office in Žilina and works at the Department of Principal Architect stated as sources of funding **the budget of Žilina.**

Problems and barriers of business in the field of architectural activities

According to the results of research activities the most common problems entrepreneurs in the field of architectural activities must face include:

- inadequate legislation (outdated Building Act, Public Procurement Act) and intellectual property protection, inconsistent interpretation of legislation by government (even the existence of differences in interpretation of legislation in the regions / districts);
- poor financial discipline of clients and consequently low enforceability of claims;
- still higher administrative and financial difficulty (complex handling in offices, high fees), clientelism and protectionism in public administration and local government (non-

transparent allocation of public contracts – the criteria is price, not quality of the proposal), the incompetence of officials in public administration and local government;
- insufficient appreciation of intellectual work and experience of architects from clients;
- weak state support for the establishment of new structures, rather it is a reconstruction or extensions;
- absent regulation in the number of graduates - architects and civil engineers (the market does not need so many), while there is a shortage of skilled labour in urban planning;
- lack of funds for investors (mainly in residential, cultural, sporting, non-industrial buildings);
- constantly "undercutting" price within the community of planners.

3 Conclusion

The results of the research activity pointed out the need to support this creative industry, not only at regional level but also at national and local level. Respondents indicated that the state can be assigned the role of legislative support, and in relation to the already above-mentioned problems in enforcing copyright, and overall quality of legislation relating to the subject area. There appeared the following proposals of recommendations at the national level in the opinion of the respondents:
- implement stricter quality control of education of architects and civil engineers to achieve higher quality of graduates of this study;
- modify the legislation that covers the work of architects towards handling and reducing the amount of permits necessary to individual degree of project in the development of architectural work;
- decentralize investment in construction and thus support the growth of construction activity in the Slovak Republic;
- subsidize the level of micro-loans, facilitate the process of obtaining loans for construction activities;
- raise awareness about the importance of the architectural profession and the value of intellectual work in general;
- enact the exact terms and conditions of the zoning proceedings and building procedure (reduce the possibility of corruption and obstruction);
- do not set the procurement price as the sole criterion (Act also allows other criteria - e.g. quality, efficiency, originality of solutions, etc.).
- legislative support and facilitate the creation of so-called "construction police";
- simplify (e.g. do not require Title Deed, images of maps still "fresh" (within 3 months), unless office can verify the timeliness on the official website; do not condition own statement and statements by other statements and communications), clarify and improve the Building Act, Tax Acts, Act on Public Procurement, ensure their uniform interpretation and supervision of the proper observance of these Acts.

Respondents also expressed opinions in support of the creative industry at **local level**, while they see the role of cities / municipalities in **organizational support** of the industry in the form:
- increase in investment activities in public spaces, preparation of new development sites;

- simplification and acceleration of administrative proceedings in construction administration - streamlining work, compliance with legal deadlines for issuing decisions;
- launching transparent competitions for projects and work related to public / urban spaces and buildings.

Regional support through HTU based on the expression of the respondents is characterized as **system - conceptual support** by:
- support of land-use planning for municipalities, cities, regions that lack of funds for the development of land-use plans;
- support of the development of local activities and building the uniqueness of the region;
- effective control of compliance with the law on the part of subordinate institutions;
- intensification of cooperation with neighbouring HTU and creating opportunities for joint projects between regions;
- arrangement of architectural competitions and project works.

Based on the research and analysis of industry made within Žilina Self-Governing Region can be stated that the architectural activities as part of the creative industries in Slovakia:
- not identified major changes in the factors of location. Subjects develop their activities in relation to their customers and thus localize places of economic activity, the natural centres of the region,
- in the industry of architectural activities, there are subjects – small, predominantly based on the person of the architect and his/her decision on the location of the company and its direction,
- architectural activities immediately use the services of other subjects in the market - structural engineers and civil engineers, designers of special networks, devices, etc., or urban planners. There occurs the final architectural design and project documentation in connection with their work. Consequently, supervision in the implementation of the work is the right of architect,
- formation and location of company engaged in architectural activities requires educated, trained workforce possessing not only an invention, but also the appropriate permissions, which are based on state regulatory measures and clusters architects.

At present, the further development of the business of architectural activities is linked to the consolidation of the construction sector as a whole.

Acknowledgements

The paper is published within the project APVV-0101-10 Creative economy - regional and national economic conditions and incentives KRENAR, flight company 2011 - 2014th.

References

BUČEK, M. REHÁK, Š. TVRDOŇ, J., 2010. *Regionálna ekonómia a politika.* IURA Edition, Bratislava, [ISBN 978-80-8078-362-4].

KOLEKTÍV AUTOROV, 2012. *ŽILINA príbehy jedného mesta.* MESTO Žilina: 2012. ISBN 978-80-89401-92-5.

ŽILINA GALERY, 2013. *Architekti v Žiline.* [online]. [s.a.]. [Citované 2013-12-12]. Available at: <http://zilina-gallery.sk/index.php?/category/327>.

SAMSON, Š., BYRTUS, J., HUDEC, O., NAĎOVÁ, M. 2002. *Regionálna ekonomika* - Lokalizačná teória regionálnej politiky. EkF, TU v Košiciach.

ŠTATISTICKÝ ÚRAD SLOVENSKEJ REPUBLIKY, 2013. *Ekonomické a sociálne špecifiká.* [online]. [s.a.]. [Citované 2013-12-05]. Available at: <http://portal.statistics.sk/showdoc.do?docid=634>.

ŠTATISTICKÝ ÚRAD SLOVENSKEJ REPUBLIKY, 2012. *Správa o ekonomickom vývoji v Žilinskom kraji za rok 2012.* [online]. [s.a.]. [Citované 2013-12-05]. Dostupné na: <http://portal.statistics.sk/files/KrajskeSpravy/ZA/E_publikacia/info2012/4/informativna-sprava-rok-2012.pdf>.

Liptovský Mikuláš, 2013. [online]. [s.a.]. [Citované 2013-12-05]. Available at: <http://www.mikulas.sk/_zlozka.php?zlozka=14>.

Mesto Martin: Kultúrne pamiatky, 2013. [online]. [s.a.]. [Citované 2013-12-05]. Available at: <http://www.martin.sk/finale/?s=pamiatky>.

Ružomberok – História mesta, 2013. [online]. [s.a.]. [Citované 2013-12-05]. Available at: <http://www.slovakregion.sk/predstavujeme/ruzomberok>.

Žilinský samosprávny kraj, 2013. [online]. [s.a.]. [Citované 2013-12-05]. Available at: <http://www.regionzilina.sk/files/odbory/zahranicne-vztahy/on-line-kniznica/oizv/brozura_zsk_2013_nahlad.pdf>.