

FACTORS OF SLOVAK REGIONS COMPETITIVENESS DEVELOPMENT IN CONTEXT OF REGIONAL POLITICS OF EUROPEAN UNION

Miloš Mrva¹⁰

Abstract

Goal of this article is to introduce dissertation thesis Factors of Slovak regions competitiveness development in context of regional politics of European Union. Objective of this thesis was to investigate regional development and associated factors mainly from scope of strategic management. Each region is unique and is characterised by its specific properties and key capabilities, which must be necessarily managed.

Introduction

A contribution to theoretical and practical aspects of Slovak regions development, (especially at viewpoint of regional management) was dominating effort in considering the choice of dissertation thesis. Effort to prosper from other scientific projects, which are focused on regional development either, was another reason in this thesis choice account. This thesis knot to the activity of Strategy and business department of Faculty of management UK, especially on project APVT - 20 - 032104 Methodology of creation strategic development plan of a municipal.

Assignments, which most of authors engaged in regional development, deal with the regional development mainly in macroeconomic scope, and were another reason for selection of this theme. Objective of this work was to investigate regional development and associated factors mainly from scope of strategic management.

Moreover, the strategic management theory bears with application of strategic management of regions sporadically, because the orientation on company management is dominating. However, practical findings acquired by author in regional projects especially, confirmed the assumption, that the strategic management is the core of regional development. Each region is unique and is characterised by its specific properties and key capabilities, which must be necessarily managed.

¹⁰ Mgr. Miloš Mrva, PhD., Faculty of Management, Department of Strategy and Entrepreneurship, Comenius University in Bratislava, Odbojárov 10, 820 05 Bratislava, tel. 00421/2/50 117 551, e-mail: milos.mrva@fm.uniba.sk

Companies, so as regions are at different level of successfulness. Some are more, some are less successful. This difference is called regional disparity. But what is behind these disparities hidden? Are there any rules or factors, of which make assumption for successfulness of region and growth of its competitiveness when we maintain and strengthen them? These were the main questions, which author put the accent in this dissertation thesis on.

Work enabled narrower connection between the management theory and the use of regional management. Contribution for a managerial practice was mostly significant for regional management and management of towns, municipalities, local governments and regions either. The main practical contribution was naming the factors which contradistinguish successful regions from unsuccessful regions. Results of the thesis should not contribute only to the people who are directly responsible for regional development, but to those either, who want to contribute with their activities to the development and the growth of competitiveness of one's own micro region, region and whole country and European Union respectively.

Hypothesis of this dissertation thesis was defined as follows: We assume that the management of regions is founded on similar principles like the company management, with a respect to particularities regions dispose with. We assume an existence of some factors either, of which replenishment and reinforcement leads to the competitiveness growth of regions. We assume that we can name these factors concretely and consider them as universal at the most of Slovak regions.

To investigate which of the competitiveness growth factors (from a scope of the management and the regional management) are affecting the development of regions in Slovakia in the biggest degree was a general goal of the thesis.

Searching for the factors of competitiveness development of regions was very complex task. It was necessary to realize all the specifications the regions dispose with. As it is mentioned in dissertation thesis, in definition of term region already dominates great ambiguity. The development of regions must be managed strategically in order to become successful. However, management of its development have to sweep in a different manner as a management of private companies. Regions cannot be assigned as members of market economy. They compete more or less for resource inquiries (investors, tourists, inhabitant's maintenances). However, their position is specific and it is necessary to access it very sensitively. There exist parallels between companies and regions as well. Regions as well as private companies have their own customers, stakeholders, they enter various relationships and they can compete. In order to work in a forward alternating global environment, the customers must have specified their vision and strategy and at a basis of

these specific steps and activities have to be chosen, which will lead to fulfil the vision. Regions have to develop from within, so the development strategy must be build up on a building and a reinforcement of their own potential, to create and support constantly sustainable growth. Strategic development of the region cannot be founded on single-shot activities, but on a long term building up of competitive advantages. These advantages may be promoted by a partnership within the region or between the regions. Primary assumption of functioning partnerships is interaction between all of these elements. Partnership principles is founded on a tight cooperation demand of governmental agency, municipal and regional self-government and other organs and organizations (e.g. business sphere, third sector) in area of development and realization of blueprint papers, at horizontal level (e.g. co-operation of towns and among the regions) as well as at vertical level (e.g. co-operation of Departments with regions and towns).

If a region is managed in this manner, the use of financial resources (private, public or European) will get other dimension. The region uses financial resources to start up the development activities, which have constantly sustainable character. Developing activities of the region relate to reinforcement of competitive advantages and subsequently with the region competitiveness. Competitiveness relates to developing and maintaining the competitive advantages, which make every region unique. Access to the formulization and the use of term competitive advantage of the region must be very sensitive, because competitive advantage is always connected with a specific activity and a specific group of stakeholders in the region. Competitive advantages in companies always lead to the main aim of company- to the growth of a market value. In the region this is not so clear. Competitive advantages in the region we must relate to a specific subject, because competitive advantage oriented at investors must be a competitive advantage for the inhabitants either. Competitive advantages may be considered as factors of competitiveness within the region. However, it is important to put an emphasis on impact of investigation of each competitive advantage on development of competitiveness of whole region.

Region's competitive advantages may be divided into static and dynamic. Static competitive advantages influence the existence of static (or hard) factors and those determine the state of region's competitiveness. However, they don't have to reflect own development dynamics. Also is necessary to hint, that few static factors cannot be influenced at all (e.g. natural conditions, cultural-historical potential, demographic structure of population, region accessibility, separation from important industrial and market centres etc.). They are namely linked with corresponding region. Influence and change of other factors is time and resource expensive and it represents long term process (e.g. change a branch of industry, technical and social infrastructure or educational level of manpower). Dynamic factors (or soft factors) are more independent on each region and a degree of its suggestibility is much higher. This makes possible to use dynamic competitive advantages and

factors associated even in regions, in which existence of static competitive advantages absent. Regions, which don't dispose with high level of static factors (relates to bulk Slovak regions), have to focus on competitive factors, which are real-time influence able. These factors rest on strategic approach to development of the region, coordination activities within the region, on creation of strategically oriented development plans and synergic relationships and also in general support of development potential of region. Important factor is ability to effectively use tools of regional politics and region's general ability to acquire resources for region activities financing and filling up its strategy.

Existence of need of developing competitive factors separates successful regions from those less successful. Region cannot affect a fund of natural wealth or its distance from capital city. It cannot choose the demographic composition of population either. What may the region influence and realize? It may aim to build up its own development potential, strategic access the development activities control and create mutually profitable relationships with external subjects. All these factors are influence able and achievable. Their application first of all requires strong will and strategic thinking of those, who manipulate an influence on development management in the region.

Project APVT dealt with an investigation of Slovak regions development. An interesting finding was one of the results of this investigation- the role of EU instruments of payment is much overestimated and good many times is considered as the only one competitive development tool of regions. However, many municipals, local and regional self governments confused an idea of regional development and obtaining funds from EU. Discussion on ways of development often limits on looking for purposive grants and supports. However, this thinking is very dangerous. Regional subjects (regions itself, micro regions, towns and its corporations) create purposive projects (which try to get funds to finance diverse and good many times nonconceptual activities) instead of creating long term developing conceptions. However, this thinking lacks forward strategic aspect, which is for development of region necessary and let's say, crucial.

In many cases a tool became a goal. The EU structural funds assistance is just about to be a tool for regions, to make the development effort easier to forward. The development has to be founded on strategic conception, which will be continually fulfilled. Regions don't solve their problems by using of EU financial resources. The EU financial resources injection is just a single-shot money seed supply. If the regions use these purses for activities, which are consistent with specified conception, they will deliver long term effect.¹¹

¹¹ Regional Policy Euroinfo: *Reports*. [on-line] 10.7.2009 [cit.2.9.2009] From: http://ec.europa.eu/regional_policy/sources/docoffic/official/repor_en.htm

A progress in competitiveness of less developed regions depends on their potential and the ability to create and strengthen their own competitive advantages. A few principles for regions (and a region management either) which want to develop on base of permanent sustainability are listed below:

- Strategic access to activity management in the region
- To support small and medium corporations and other local subjects at their field
- To influence the growth of educational level of population
- To cooperate with other persons involved in development within the frame of their region and beside it.
- To build up a long term relationships with persons involved in regional development

Persons involved in a development of regions frequently reason the unsuccessfulness of their development activities by unfavourable external conditions and absence of static competitive advantages and factors respectively. As Dobrucka shows, the cause of successfulness and unsuccessfulness of organizations consists not in conditions of external environment. In her job about factors of successfulness of small and medium companies she claims: „Success is a matter of a businessman’s personal mind. External environment creates conditions indeed, but it’s not a primary cause of successfulness or unsuccessfulness of the company. Each businessman, who sees his problems only as a result of an unfavourable turbulent external environment, should look into his company with dispatch and draw a corresponding conclusions.“¹² We can apply this statement on situation in regions either. Factors such as natural conditions et cetera influence the initial situations of regions indeed. Nevertheless, they are unchangeable and because of these factors are becoming pivotal, which the region can influence by its own activities.

Factors of competitiveness

We accrued from theoretical analysis and mainly from practical investigation, which was done within the frame of mentioned project APVT - 20 - 032104 Methodology of townships strategic development plan creation, in identifying factors of competitiveness development. Job’s author was a member of a solver team of this project from 2004 to 2008 and participated on research in various Slovak regions. Observations, questionnaires, discourses with key persons in

¹² DOBRUCKÁ, L. : Kritické faktory úspešnosti malých a stredných podnikov. Dissertation thesis. Bratislava,2009.

regions and an analysis of available documents and literature belonged to the basic methods of this research. On the base of this research which was carried out, we can say that there exist some parallels among each regions and is possible to reveal those key factors, by which successful regions differ from unsuccessful.

Structure of factors in development of region competitiveness was defined as follows:

Static (hard) factors:

1. Locality attractiveness in a term of a natural resources
2. Locality attractiveness in a term of historical and cultural heritage
3. Region accessibility, through-flow accessibility
4. Economical strength of a wider region.
5. A diversity of a region's industry orientation

Dynamic (soft) factors

6. Quality of a personal occupancy directing the organs of the region.
7. Level of human resources in region and the engagement degree of inhabitants into development process
8. Management level of region.
9. Existence of the strategic development in region.
10. Activities conceptuality in region.
11. Presence of the cooperation between internal and external subjects.
12. Application of the principles of the knowledge economics in a region development.
13. Ability of region to use and effectively acquire financial resources.

How can we characterise each factor?

1. Locality attractiveness in term of natural resources- this factor involves locality attractiveness in term of natural resources- landscape diversity, potential for mountain tourism, tourism by water, presence of a medical springs eventually other unique natural phenomenon's.

2. Locality attractiveness in term of a historical and cultural heritage - this factor represents a quality and a quantity of cultural and historic landmarks, which are present in each localities and it makes provision for a historic richness of each locality (public figures, historic events and other elements, which knot to region development).
3. Region accessibility, important through-flow accessibility – represent an existence of an infrastructure, which connects each locality with other regions, especially with better developed regions. Regions accessibility may be quantified from a time manner (as duration of a journey to localities from other regions) as well as from quantitative manner (a routes standard, alternatives of interconnection- roads, railroads and others).
4. Economical strength of a wider region - this factor makes provision for an economical level of a wider region, by which we have in mind administratively reserved region, or otherwise reserved region either (if we talk about locality Strbske pleso, then wider region represents High Tatras).
5. A diversity of a region's industry orientation - factor says, if is the region fixed to one company or industry respectively, or if there exist higher variability of companies and industry in the region. Uniform industry orientation is dangerous for regions, because in case of industry depression whole region can stagnate.
6. Quality of a personal occupancy directing the organs of region - this factor represents how much are corporate authorities ready to initiate changes in management, and start up the development process in region.
7. Level of human resources in a region and an engagement degree of inhabitants into development process - this factor says about an educational level of a manpower and also how intensively region management works with inhabitants, or if the inhabitants are engaged in decision, whether there are carried out activities, which increase the education of local inhabitants.
8. Management level of region - this factor says about the level of region management - if the competencies and responsibilities are clearly defined, if there are established some special organs, which are responsible for development of region, or if the regional

management is only a body of the management within the frame of municipal units.

9. Existence of the strategic development of region – this factor knots to the previous one. It is necessary for strategy in the region, to mark out clearly, which activities are about to be performed within the frame of development, to fill up determined objectives.
10. Conceptuality of activities in region – this factor tells us how are each activity interlocked - whether there are some synergic effects formed or if are the aims of each development actors contradictory or if the aims respect and fill up each other.
11. Presence of cooperation between internal and external subjects – connections between subjects in region and between other regions are important too on the part of effective use of resources and finding of synergic effect which may form. Primary assumption of linkages function is creation of communication channels between subjects.
12. Application of the principles of the knowledge economics in region development – this factor is about a degree of considering the knowledge economy principles in development of region. Orientation on principles of knowledge economy is important for long term maintenance of competitive advantages, which exist in the region.
13. The ability of region to use and effectively acquire financial resources – this factor tells us, how much is the region capable with obtaining various resources (private, state-owned and other) to finance their development activities. The ability to draw on the resources from EU funds depends on that, if the region has all the important documents (PHSR etc) ready and if the region has a reserve budget for eventual co-financing of investments.

In this dissertation thesis were these factors analyzed more deeply and their effect in chosen regions was investigated. The main interest was put on the region Trnava, where the practical application of the theoretical findings was applied.

Conclusion

Which findings were the most important in this work? It may be told, that on the part of partial aims repletion, all of the important terms of region's management were specified. The term region, as well as another terms are very variable and shady. So the context, in which are these terms used, have to be considered very carefully.

Regions have many specifications, which don't allow an access to regions as to business subjects. The main reason is the fact that a region, unlike a company is fixed to specific locality, which is unchangeable for the region. It cannot leave the locality and it may represent competitive advantage but competitive handicap either. This handicap may be eliminated particularly by creating a partnership with other regions, because effective partnership decreases a disadvantage of an attachment to a specific place. In such a manner a region obtains customers and financial resources even there, where it can't get. There may arise important synergic partnerships and added value for all parties concerned thanks to existence of these partnerships. There is changing relative position of regions above all. Competitors become partners and the presence of partnerships like this is helpful for both parties.

The ability of local people to investigate the region's potential is the next factor of competitiveness development. The region may specify real strategy at the basis of potential discovery. At this basis it may take a place between other regions, synergic get through mutual exceptionalities. Existence of strategy of region as well as its implementation belongs to key factors of competitiveness development of regions. The strategy of regions becomes dominant in system of strategy planning and a strategy creation in hierarchy of each municipal. The strategy does not make sense in small villages and towns, because some towns are so small, that their purpose is being only a part of a wider micro region. Planning and strategy is important within the country, though its implementation is centralized, what limits its effectiveness and flexibility. Centralized strategy like this don't respect uniqueness of each region and fails to identify nonformal linkages which are present in regions.

Strategy of region makes provision for every regional specification and determines forward direction of region. If the region has a clear strategy, it proves to distinguish, which activity is useful for long term development. If the region has a strategy and replenishes it by strategic management, the region is progressive and the strategy has forward character.

Good regional strategy has to make provision for objectives and principles of hierarchically inferior and superior strategic documents. It has to respect specifications of each town and municipality in the region, though it has to be in correspondence with national and European strategy. Pointing of regional strategies like this enables, that the competitiveness development of

individual regions will reinforce competitiveness of all European Union and replenishes its main strategic aim. However, good strategy has to be long term strategy. It must respect specifications of regions and strategic management must be implemented into everyday activities of a region.

References

- [1] BELAJOVÁ, A. – FÁZIKOVÁ, M. : Regionálna ekonomika. SPU, Nitra, 2002. ISBN: 80-8069-007-3.
- [2] DOBRUCKÁ L. – COPLÁK, J. a kol. : Tvorba strategického rozvojového plánu obce. Bratislava, PEEM, 2007, ISBN: 978-80-89197-66-8.
- [3] DONNELLY, H.J., GIBSON, L., IVANCEVICH, M.J. : Management. Grada Publishing, Praha, 1997. ISBN: 80-7169-422-3.
- [4] JANEČKOVÁ, L., VAŠTIKOVÁ, M. : Marketing měst a obcí. Grada Publishing, Praha, 1999. ISBN: 80-7169-750-8.
- [5] HUDEČKOVÁ, .H. : Regionalistika, regionální rozvoj a rozvoj venkova. Praha, 2005. ISBN 80-213-1413-3.
- [6] MAIER., G. – TÖDTLING, F. : Regionálna a urbanistická ekonomika. Elita, Bratislava, 1997. ISBN: 80-8044-044-1.
- [7] MAIER., G. – TÖDTLING, F. : Regionálna a urbanistická ekonomika 2. Elita, Bratislava, 1998. ISBN: 80-8044-049-2.
- [8] PAPULA, J.: Vývoj teórie strategického manažmentu pod vplyvom meniaceho sa prostredia. Kartprint Bratislava, 2004. ISBN: 80-88870-40-2.
- [9] PORTER, M.E. : Konkurenčné stratégie. Victoria Publishing, Praha, 1994. ISBN: 80-85605-11-2.
- [10] RUDY, J. – PIŠKANIN, A.: Manažment. Klasické teórie a moderné trendy. IZOV, Bratislava, 1998. ISBN: 80-967430-6-6.
- [11] SILVER, A.D. : Strategic Partnering. McGraw-Hill, Inc. New York, 1993. ISBN: 0-07-057612-2.
- [12] SMOLKOVÁ, E. – BOROVSÝ, J. : Strategické partnerstvá pre malá a stredné podniky. Eurounion, Bratislava, 2005. ISBN: 80-88984-84-X.
- [13] SMOLKOVÁ, E., DOBRUCKÁ, L.: Konkurencieschopnosť regiónov. In: Firma a konkurenční prostředí II., Brno 2005, ISBN 80-7302-104-8.
- [14] SMOLKOVÁ, E.: Strategické partnerstvá. Iris, Bratislava, 2005. ISBN: 80-89018-80-7.
- [15] TEJ, J. : Regi3n a správa. Prešov, 2002. ISBN: 80-8086-139-2.
- [16] Regional Policy Euroinfo: Reports. [on-line] 10.7.2009 [cit.2.9.2009] From: http://ec.europa.eu/regional_policy/sources/docoffic/official/repor_en.htm