

CLUSTER AS FORM OF STRATEGIC PARTNERSHIP AND EXAMPLES OF SUCCESSFUL CLUSTERS IN SLOVAKIA

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Abstract

The article deals with the issue of clusters, which are a relatively new concept in the field of strategic partnerships. Clusters are network clusters of enterprises, organizations and institutions, purpose of which is to increase the added value, competitiveness and the use of synergies. All companies and institutions in the cluster must be viewed in terms of their interconnectedness and interdependence. The cluster opens up the need for close cooperation, the creation of the types of bonds that allow increasing of the added value of products and synergies between cluster members on the background of two clusters operating in Slovakia.

Introduction

The issue of creating and functioning of clusters is relatively new in theory and practice of management. Questions regarding the management of the cluster are developed in the literature only very modestly. It is possible to identify specific procedures, methods and methodologies, but these mostly relate to certain forms or even specific clusters. General recommendations that would map effective procedures and recommendations and those would be the result of research, however, absent. In this study, we try to outline specific examples of the operation of the basic attributes of clusters. We will use two specific examples from Slovakia.

Cluster is the youngest form of non-equity business interconnection. It is a form, which tends to refer to the network partnership mainly because many companies enter this type of relationship in effort to influence the quality of the product collectively, to gain a competitive advantage or to obtain a higher bargaining power thanks to the collective procedures. Thus they can have an impact e.g. on the cash flows of certain areas, regions, infrastructure and sector development. Clusters are a good tool, and in the recent years also widely used, to increase the performance of the entities that are grouped in a cluster and to enable them to communicate quickly

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and efficiently with each other. Objectives of clusters can be very diverse. Those clusters that work well should influence the rate of the added value of products, this applies to both manufacturing and services, and they should be able to create and make use of synergy effects.

Terms and Definitions

Though the concept of cluster is in the management field relatively new, we can meet with a similar type of cooperation in each strategic management publication, which dealt with the business clusters in industry and their impact on performance. It must be admitted, that it concerned mostly the functioning of companies in industrial parks or clusters. This included areas, in which were created the conditions for common business activities. The first author, who carried a concept similar to the cluster to practice for the needs of regional policy, was the Italian scientist Giacomo Becattini in 1979.²⁶ It was created as a model for spatial development needs, however, such an idea and model penetrated into the practice only in the 90-ies.

If we should identify the most important theorist, who was engaged in the issue of clusters, it is certainly M. E. Porter. He formulated the first definition of cluster in 1990. According to it the cluster is „a geographically close group of interconnected companies and associated institutions in a particular field that are linked throughout common technologies and skills. Generally they operate in the territory, within which communication, logistics and personal interaction are geographically facilitated. Clusters are usually concentrated in regions or particular cities“.²⁷ The expert group for enterprise clusters and networks at the European Commission also started to use this definition in 2005. The expert group set objectives to determine whether clusters and networks are an appropriate framework for productivity, innovation and competitiveness support of small and medium-sized enterprises.²⁸ The European Commission has extended this definition with several points. EU defined the clusters as groups of independent companies and associated institutions which:

- cooperate and compete simultaneously,
- are geographically concentrated in one or several regions, whereby a cluster can have a global scope,

²⁶ Giacomo Becattini published his ideas in the publication *Scienza economica e trasformazioni sociali*, La Nuova Italia, 1979.

²⁷ PORTER, M., E.: *Location, Competition and Economic Development. Local Clusters in a Global Economy*. In: *Economic Development Quarterly* 14, No.1. February 2000, p. 15 – 34, ISBN 0891-2424

²⁸ The goal of the project expert group was to determine whether the structure may be on the way to achieving the Lisbon goals. The project attempted to identify such Member or Candidate Countries EFTA / EEA include clusters or networks to national, regional, local and European policies. The project was launched in 2002. [cit. 2010.03.12]. Available at: <http://www.bth.se/tns/ctup/nsf/%28WebFiles%29/EuropeanClusters%20eu.pdf>

- are specialized in a particular area and are linked through common technologies and skills
- are traditional or high-tech,
- can be institutionalized or non-institutionalized.²⁹

What makes this definition for the purposes of the European Commission different was the possibility of competition between the firms in the cluster. The most remarkable thing about this definition is the perception of cluster as a non-institutionalized system that can operate without having an official representation, without the cluster management. Clusters without an institutional representation were not accepted in the later stage of the EU despite the existing definition of clusters, especially in the field of drawing of financial resources from the EU funds.

Unlike the Porter's cluster definition the European Commission ceased to perceive cluster as a spatial aggregation. This makes the European view different from the view of the U.S. Even today the American literature does not call anything as a cluster that cannot be considered as a group of companies. M. E. Porter expanded his vision of cluster in 1998, although he kept the geographical distinction. According to this "clusters are local concentrations of interconnected companies and institutions in a particular field. Clusters include a group of interrelated industries and other entities that are important to competition".³⁰ According to the Porter's view, the clusters aggregate companies in the horizontal, vertical and conglomerate level. They may extend towards the sales channels and customers, to the sides of complementary products producers and companies, which are relative in terms of skills, technologies or common inputs. Profit and non-profit organizations, regional and local agencies, governments, normative agencies, educational institutions and universities, research teams and trade associations can enter clusters; anyone can enter who is able to provide specialized teaching or trainings, various necessary forms of education, information, research results and technical support. The OECD defines a cluster as "a grouping of horizontally or vertically linked companies specializing in a similar or related field and cooperating with supporting organizations".³¹

We have identified clusters to be a type of collaborative network of enterprises. According to this companies and institutions entering a cluster are independent legal entities and they keep their full legal subjectivity and independence. They are not connected regarding the ownership, so they come under the free forms of strategic partnerships, and more specifically to network

²⁹ Blekinge Institute of Technology. [cit. 2010.03.12] Available at:

<http://www.bth.se/tks/ctup/nsf/%28WebFiles%29/EuropeanClusters%20eu.pdf>

³⁰ PORTER, M., E.: *On competition*. Boston 1998. Harvard Business School Press, p. 226 ISBN 0-87584-795-1

³¹ OECD 2005. Summary Business Cluster Promoting Enterprise in Central and Eastern Europe. In: *OECD Multilingual summaries /online*. 9.p. [cit. 2010.03.15] Available at: <http://www.oecd.org/dataoecd/7/3/351136952.pdf>

alliances³². Companies and institutions associated in a cluster delegate certain competencies to the cluster management; however, they expect the cluster to be a form of strategic partnership, where communication above standard will take place between institutions and companies, particularly regarding the formulation of objectives of the cluster and their implementation. According to this a cluster has to have its own strategy and strategic objectives; all entities that are a part of a cluster must formulate them together and accept them.

Objectives and functioning of clusters

The objectives for which the clusters are formed are very diverse. We used the term “associated entities in the cluster”. The term “association” means the connection for a certain purpose in a figurative sense and that "purpose", for which the clusters are being formed, can be very diverse. Each cluster as a network alliance brings together mainly small and medium-sized businesses and is the newest form of business network. It tends to be described as a cooperative network.³³ In principle, we have named the main purpose, for which clusters are being formed, when we have accepted the Porter's cluster definition, according to which this has always been a geographic feature. This means that one of the main objectives is the regional development, and development of regional characteristics related to a particular sector (mostly tourism). Since clusters are networks of interconnected firms - knowledge, research, implementation and sharing of knowledge, whether in the form of technology or mutual learning are key characteristics of clusters. The concept of clusters goes beyond network cooperation of stakeholders because it includes all forms of communication and transfer of knowledge.³⁴

Cluster as a network arises from the need to coordinate the activities of companies, products or product portfolio of which are similar – i.e. homogeneous enterprises, but also those heterogeneous, where the similarity criteria cannot be named. For clusters is typical, that they represent the interests of all concerned entities, whether the main objective is formulated as the regional development or development of a certain destination. This is especially true when it concerns the sector in which the individual product does not affect whole sales or development of sectorial structures. One of the objectives that meet the clusters is the development of standard business environment and business relations. Consequently, most clusters have goals that

³² SMOLKOVÁ, E.: *Strategické partnerstvá ako fenomén globálnej ekonomiky*. Bratislava, Infopress 2009, s. 74 a n. ISBN978-80-85402-92-6

³³ PAVELKOVÁ, D. a kol. *Klastry a jejich vliv na výkonnost firem*. Praha. Grada 2009. S. 14 a n. ISBN 978-80-247-2689-2

³⁴ KUBIČKOVÁ, V.: *Pozícia klastra v inovačnej politike cestovného ruchu*. In: *Ekonomika cestovného ruchu a podnikanie*, s. 41-47 ISSN 1337-9313, roč. 1, 2009

correspond to what the literature refers to as a mission. The most of the clusters actually formulates the mission, if the cluster is emerging as a legal entity.

The question how to manage a cluster is more complex than it would first appear, because there are no clear guidelines. However, it is possible to derive the cluster management from its contract or its legal form. If the cluster is defined according to specific state laws, its management is derived from the required legal form. Another case is when the term cluster is absent in the laws and its establishment is derived from the Law on Association of Citizens and Civil Code, if the clusters were created as an interest group of legal entities. The formation of the cluster implies a written agreement of establishment. The memorandum (contract of the formation) lays down the organizational structure and leadership competences, depending on whether the cluster is set up as a profit-making or non-profit organization. Regarding the fact saying, that most of the clusters in the Slovak Republic appear in the form of civic associations, functioning of cluster is intended by the Law on Association of Citizens³⁵. Activities of the association, its institutions and its scope, commencement and termination of membership are written in statutes. Institutions and enterprises in the cluster are then cluster members, who pay membership dues and elect the head of the cluster. Management representatives are therefore members of the cluster. They formulate mission, goals and vision in the optimal case. In terms of effective cluster management is extremely important to ensure communication and information channels inside and outside, the optimal financing of the cluster and, of course, set up and operation of control processes.

Examples of successful clusters in Slovakia

In Slovakia there exist two types of clusters - technological clusters in certain sectors (e.g. automotive industry) and tourism (destination) clusters, bringing together various companies and institutions within regions. Take a closer look at two practice examples to better understand how clusters work in practice.

Automotive Cluster - Western Slovakia

The Automotive Cluster - Western Slovakia was established in 2007 as a concentrated grouping of independent, regional interconnected companies and associated institutions with the potential to increase their competitiveness.

The main objective of this cluster is to build a modern and technologically advanced base for the automotive industry in Slovakia, prepared not only to improve the quality of human

³⁵ Law on Association of Citizens (Zákon o združovaní občanov č. 83/1990 Z.z.)

resources, but prepared also in terms of technology transfer and innovation processes, the creation of new subcontracting chains.³⁶

The founding members of the cluster were the Trnava Region and the town of Trnava. There are currently dozens of cluster members - universities, high schools, various innovation centers and chambers of commerce, and of course a number of commercial entities. The reason for setting up the cluster were the need to address those issues that concern everyone, such as staff training, negotiation with suppliers, cooperation with research and development organizations and institutions, and raising funds for the projects and grants. There are more goals set by this cluster; these are the ones that are communicated:

- Improving economic performance through shared resources,
- Gradual increase in the number of innovations and increase of technological capabilities of firms
- Promotion of members of the national and international events,
- An easier access to new markets and increase of export activities through joint actions,
- Guidance in the preparation of projects financed from EU funds,
- Attracting investments producing a high added value
- Supporting research, development and innovative technologies including support of the successful implementation
- Organization of education and improving the quality of human resources,
- Increasing specialization of firms
- Development of the region and a more efficient use of public resources³⁷

It is undisputed, that with cooperation in these areas companies, institutions and organizations related to the cluster may actually boost their competitiveness and increase their bargaining power. However, this depends on the skills and performance of the cluster management. The goal and the mission is formulated correctly, the cluster has been operating for several years and according to quantitative indicators - growth in the number of projects, the number of members and information about the organized events it is possible to call it a successful and efficient functioning cluster.³⁸

³⁶ Automobilový klaster Západné Slovensko. [cit. 2012.10.22] Available at: <http://www.autoklaster.sk>

³⁷ Automobilový klaster Západné Slovensko. [cit. 2012.10.23] Available at: http://www.autoklaster.sk/index.php?option=com_content&task=view&id=232&Itemid=132

³⁸ Automobilový klaster Západné Slovensko. [cit. 2012.10.23] Available at: http://www.autoklaster.sk/index.php?option=com_content&task=blogcategory&id=107&Itemid=155

Liptov Cluster - Tourism Association

The Liptov Cluster - Tourism Association³⁹ is an association of legal entities, which were established with a vision to transform the region of Liptov to a recognizable European tourist destination. The strategic objective of this cluster is to double the visit rate of the region of Liptov by 2013 compared to 2007. The association was established in 2008

The Liptov Cluster is acting like a Destination Management Organisation (DMO) thanks to its mission and vision. It fulfils the role of an official common marketing and organizational headquarters for its members and partners from the tourism sector in the region of Liptov, it coordinates the tourism development at the regional level, supports the tourism as an industry in the region.

The founding members are four important tourism companies of Liptov - Thermal Park Bešeňová, Aquapark Tatralandia, Jasná Nízke Tatry and Skipark Ružomberok and three towns of the region - Liptovský Mikuláš, Liptovský Hrádok and Ružomberok. Apart from them the members are other companies and municipalities of the region. All founding entities have agreed to finance the association in form of a fee per visitor; in case of private actors "a fee per visitor means a fee for the first entry to the tourism center" and in case of a town it means a fee per "an overnight visitor in the town area", for whom the accommodation tax was paid.⁴⁰

The cluster formulates its objectives regarding the regional development as:

- Associating of tourism operators to actively develop tourism in the region
- Creation of common tourism marketing
- Creation of a common product portfolio at the regional level
- Building a positive opinion on tourism in Liptov
- Support and Guidance for effective territorial organizational structure of tourism
- Ensuring actively the transfer of experience, innovation and expertise in tourism from Europe
- Elaboration and implementation of the conceptual development of the tourism
- Coordination of development plans for tourism and investment attraction within the region
- Providing expert analysis and studies, monitoring and evaluation of market trends, statistics
- Coordination of common actions in the legislative amendments in the field of tourism and with the impact on tourism
- Creating of a professional background for government and businesses in tourism

³⁹ Klaster Liptov. [cit. 2012.10.23] Available at: <http://www.klasterliptov.sk>

⁴⁰ Klaster Liptov. [cit. 2012.10.23] Available at: <http://www.klasterliptov.sk>

- Implementation of common investment and non-investment projects and supporting participation in cross-border projects
- Improving the quality of human resources in tourism through coordination of the educational system
- The promotion and organization of cultural and sports events.⁴¹

In this case it can be stated, that the goals, mission and vision of the cluster are properly formulated. The cluster operates four years but just quantitative indicators - particularly growth in the number of tourists - do not show clearly, that the fulfillment of the vision in this case was successful, though the fact is we are talking about the crisis period, which was problematic to all tourism destinations in Central Europe. We note, however, that branding of Liptov region cannot be planned for less than 10 years. Regarding the mentioned facts, it is possible to identify the Liptov Cluster as a successfully managing and functioning cluster.⁴²

Conclusion

Clusters in Slovakia are mostly civil associations and operate on the basis of membership, which has its own distinct advantages and disadvantages. In Slovakia there exists even the Union of Clusters, an organization which declares the rights and the ability to satisfy the common needs.⁴³ It is possible to say there are many clusters in Slovakia, which are not working properly and they do not optimally represent the interests of its members. There are several problems. In the first case, if the cluster management is represented by a senior manager for a particular period who is a particular member of an involved entity without sufficient education and managerial experience in the management of clusters. The network partnership relationships work optimally if the management of the cluster is independent and evaluated on the performance basis, what is, unfortunately, almost contrary to civil associations. Another type of problem arises in connection with the member fees. If they are too high, management of cluster may not effort to secure the financial flows from outside sources. The management is losing the motivation to enter new projects and grants.

In Slovakia, as in Europe, there exist two types of clusters - technological and destination clusters. We introduced examples of both. Their operation, unfortunately, is not long enough to be able to assess the fulfillment of strategic goals. However, it is possible to say, that each cluster should have its vision and its management should have managerial training and experience in the

⁴¹ Klaster Liptov. [cit. 2012.10.23] Available at: http://www.klasterliptov.sk/sk/klaster_liptov/sluzby_pre_clenov.php

⁴² Klaster Liptov. [cit. 2012.10.23] Available at: http://www.klasterliptov.sk/sk/klaster_liptov/vizia_a_ciele.php

⁴³ Únia Klastrov Slovenska. [cit. 2012.10.24] Available at: http://www.uks.sk/ciele_uks.php

operation of clusters. Entities in the cluster should not only be associated with each other, but they should interact. It is certainly important to formulate the long-term objectives with strategic character, but the lack of operational objectives is always an indication, that the objectives have are only declarative function and it depends on the management of the cluster how the objectives will be fulfilled. There is no doubt, that there is the opportunity to be inspired by the interdependence of organisms in an ecosystem, but there is also the opportunity to learn from the management of successful clusters in the world. The interaction of companies in the cluster affects the planning, partnerships and collaboration in qualitative and quantitative terms. It should be noted, that all entities joining the cluster must perceive the needs and goals of all companies and institutions in the cluster and look for optimal collaboration models. Cluster is a partnership that will only work if those, who operate in it, will cooperate effectively because in the future everybody will be dependent on joint cooperation.

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