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CLUSTERS – A STRATEGY FOR LONG RUN DEVELOPMENT[†]

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Abstract

The world is changing; companies should adapt to trends and produce innovative and creative products. Starting from this point, it is easy to see the necessity of partnerships and collaborations between companies all over the world. In literature, this structure is found as "cluster". In Romania, there are approximate 45 clusters, but not all of them are active. The purpose of this paper is to analyze what the determinant factors that influence companies to become a member of a cluster are. It is very important to discover the reasons why SMEs choose to add a cluster or not. Firstly, through this analysis we could measure the level of trust and confidence between companies, which is the most important factor in long run partnerships. Secondly, we could observe what number of companies is prepared to make transactions with authorities, and what the weak points of this system are. Thirdly, we could make correlations between different regions and suggest some improvements. From a methodological point of view, we will use both quantitative and qualitative methods of research. We will select a sample of respondents and apply questionnaires in order to collect all data we will need for the research. Then we will make the analysis and interpretation using different statistical methods.

Keywords: Cluster, Triple Helix, Private-Public Collaborations, Regional Development, Smart Growth.

1. Introduction

The global economy is changing at the same time with the market necessities. It is very clear that in order to be competitive, all economic agents should adapt rapidly to the market changes. Clusters are networks of groups of people in different structures, as companies, banks, public authorities and final customers. These networks facilitate the communication between private and public actors, stimulating collaborations and partnerships. The strategic goal is to increase the revenues and be more competitive on market.

2. Literature Review

According to Choe and Roberts (2011), there are spontaneous and developed clusters. Spontaneous clusters are more successful because they are formed as a result of investment in a piece of infrastructure, a new technology, the existence of R&D centers and universities, or a

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chance happening, while developed clusters are formed on the government's initiative. The authors explain the importance of clusters in economic environment, using as examples clusters from Singapore and Hong Kong. These cities benefit from low taxes system and workforce costs, and have turned into competitive cities with specialized industries, innovation driven and also a competitive industry clusters.

In the 2012/2013 State of World's Cities Report "Prosperity of Cities", UN-Habitat (2013) presented the situation of cities in developing countries, which have embraced the model of innovation clusters and have become high-tech hubs. This report explains how the prosperity of cities could be improved. In doing so, UN-Habitat analyzes five indicators of prosperity: environmental sustainability, infrastructure, productivity, quality of life, equity and social inclusion. An improvement on these indicators could raise the prosperity of cities index. Furthermore, this will have consequences on attracting investors and creating partnerships. Based on a survey research, UN-Habitat identifies five main factors for the innovation of the cities: creative urban management, entrepreneurial capacity, the promotion of the arts and culture, the emergence of industrial clusters and research and development.

Moonen and Clark (2013) have identified as success factors for business, firstly the cities with large numbers of multinational firms, secondly high-tech clusters and thirdly a new role of city government in achieving city goals. In other words, for a city to be successful it should be profitable with strong entrepreneurship and specialized clusters; creative with innovative events and cultural meetings; and balanced between life quality and wealth. As the authors observed, guaranteed government employment and an established presence of ITC clusters are highly important for attracting investors and foreign capital. Moreover, cities with clusters are more attractive for investors, especially when the members of the clusters are international companies.

Suciu (2009) explains that cities have always been centers for culture, civilization and hubs of creation. To retain a long-run sustainable competitive advantage, cities should manage and explore the resources and make a better place to live, work and recreate; in other words to invest in people, entrepreneurship and innovation. Clusters share the companies' experience, create links between public and private domains, and sustain the efficient use of resources.

There is an increasingly number of clusters all over the world. This revealed the fact that more countries and cities sustain cluster development as an instrument for sustainable economic environment. As Suciu and Florea (2014) showed, in Romania there are around 47 clusters, with specific activities, which create large networks. Unfortunately, not all these clusters function properly. Public authorities stimulate interactions and collaborations within the national territory.

Selada *et al.* (2011) consider that in order to support the regional development, it should be necessary to identify the strategic advantages of that region. For instance in low density areas the main problem is the attraction and retention of talented and skilled labor force. In this case, the strategic advantages are based on the quality of life and place, conserved in natural, historical and cultural amenities. Public authorities have to create favorable conditions, develop the infrastructure and support companies to increase their activity, to develop creative businesses and to sustain all entrepreneurial initiatives. The effects of knowledge spillover derived from geographical proximity provide the transfer of technologies and information, the translation of business models and strategies, developing the small local economies.

On a study conducted by Eurostat (2013), for one in nine products and processes, innovative enterprises co-operate with European partners. Considering this an advantage for European Union, companies should invest in innovative partnerships, in an open collaboration with research institutes and universities. Moreover, the European Commission stimulates innovation and creativity, building an Innovation Union.

3. Data and Methodology

These companies were surveyed about their opinion on becoming a cluster member. Regarding the methodology, we used both quantitative and qualitative methods in order to identify and explain the perception of the attendance on a cluster partnership. In doing so, we applied questionnaires and we had individual meetings with decision makers about their business activity and about the strategy the company follows. In surveys we tried to measure and analyze under what circumstances companies would become a member to a cluster. We conducted a research on a set of companies with more than 10 employees and with an experience more than 1 year. With the purpose of interpreting the questionnaires, we used a Likert Scale with five degrees.

The perception of a cluster in Romania is quite different from other countries, mostly because of the low development stage. For example, in order to start a new business every entrepreneur should spend time for government regulations. The number of meetings and visits with public authorities is around 25 days, comparing with 20 days in Czech Republic, 17 days in Estonia, 16 days in Ukraine, 13 days in Moldova, or 10 days in Latvia and Poland. Nevertheless, in Romania more than 28% of companies use finance and working capital from banking systems, through loans and overdrafts. Having an overview on Romania financing system it is easy to observe there are malfunctions. On the other hand, companies invest in their workforce by organizing formal trainings and sending their employees abroad for experience and ideas exchange with their colleagues. Around 40% of medium companies allocate resources for labor.

4. Results

From our research we identified a percentage of 87% of respondents who totally agree with partnerships and collaborations with other companies. This percentage could be influenced by the economic situation, which increases the competition between companies. Because it is very difficult to survive during crisis periods, many small and medium firms started to find solutions in order to reduce the expenditure to a minimum level. Therefore, all companies search for partners and investors, as a way to maximize the advantage on both parts. In Romania, these relations are very important, mostly because of the weak reliability in other companies. A long relation between companies straightens the trust in each member and also allows a long term for payments, which is one of the most important aspects in business development.

Fewer than 5% of respondents have benefited of tax cuts and subventions from the public authorities. Unfortunately, the subvention practice is very low in Romania, mostly because the public authority does not have enough budget for these expenditures. The government's program sets new directions in public outgoing, in order to sustain innovation and the employment of the students. The implication of authorities is more visible in national research program, sustained also by the European Commission. The small percentage of companies that benefited of support from authorities shows that there are few firms that take advantage of the subvention and tax cuts.

Moreover, about 93% of respondents consider subventions are a very important instrument to sustain the economic activity of the companies. For instance, the implication of the public authority in economic environment could be redirected to support specific activity, as industry, medicine, telecommunications or agriculture. Using efficiently these instruments, companies could be more productive and competitive on market. Nevertheless, the public support and investment increase the trust in national economy and attract foreign investors.

Around 58% of respondents consider that a partnership with universities and research institutes would improve their products and services. The rest of the respondents do not agree mostly because of the activity domain. Making correlations between the percentage of respondents who agree with partnerships and collaborations and the percentage of respondents that consider partnerships with universities as beneficial, we could observe an increasing attention on all types of partnerships. It is a strong relation between these two categories. This could explain the idea that the majority of the respondents, who consider the collaboration with

another company an important fact, would be also open to collaboration with universities.

On the other hand, this percentage of 58% agreement on collaboration with academic institutes is a weak point for business development. All kinds of partnerships with universities lead to knowledge accumulation and know-how transfer, which creates advantages to both sides. For instance, it stimulates young students to face the competition on the job market, and adapt to the companies' necessities. Further, they will be better prepared for the market demand and they will apply all the knowledge and skills they have. Regarding the companies, this segment of market will benefit from a flux of know-how and ideas, which consists in activity improvement.

There is an important percentage of respondents who are sceptic on private-public collaboration. The perception should be straightened due to the positive aspect and influence on business environment. This weak proportion may be amended by facilitating the negotiation and relation between these two poles, by gathering them on a round table discussion. In Romania, the majority of entrepreneurs do not have enough time for these meetings, and they work overtime. Economic environment and financial situation are the most significant factors that influence the business strategy.

Only 11% of respondents have employees with ages between 20-35 years old. This is a negative aspect, especially due to the fact that young people have a greater power of knowledge absorption than the older ones. Going further, young people use high technology frequently and stay in touch with the latest news. People older than 40 are reserved with changes and technology progress. Because of this, they adapt to trends much slower than the youth.

Discussing with managers, the problem with hiring students and young people is the lack of experience, which is very important regarding technical activities. For instance, we observed a difference regarding the activity domains, because the service domain has a different structure of responses than the industry domain. In services domain, managers hire young people to prospect market and sustain sales activity, while in industry domain managers hire older people with experience and technical skills. Analyzing these structures, we propose a strategy based on investing in young workforce to the industry domain, which will attract more advantages on long term.

Regarding the percentage of 40% of companies which allocate resources and invest in their workforce, this percentage is correlated with the one addressing the employees' age. Companies with young employees have more benefits than those with old employees. This may be due to the technological absorption and transfer, which happen much easier. Despite all of these arguments, in Romania old employees are preferred instead of the young ones, because of their important experience and knowledge.

Regarding the aspect of employees' age, there is a difference between SMEs and corporate companies. In small companies, there is a predilection for medium age employees, while multinational companies and subsidiaries prefer students or younger people, which could work in an intensive schedule and adapt rapidly. Taking an overview on corporate companies, they invest in young workforce, mostly because young employees are willing to receive a low income in exchange for accumulating experience. In doing so, large companies prefer investing in trainings for their employees than hiring people with experience and important wage claims.

5. Conclusion

Clusters facilitate the communication between private and public actors, stimulating innovation and creativity. The strategic goal is to increase the revenues and be more competitive on market.

In order to create these networks, the entrepreneurs should understand their benefits, while regional authorities should be more involved in sustaining the start-ups and the economic environment.

An increasing number of entrepreneurs have already collaborations with the public domain, represented by public authorities, regional development agencies, universities and research institutes. Medium and large companies should be open regarding collaboration with

universities and research institutes, in order to develop new and significantly improved products and services.

Each company follows the same objective: a long run development with increasing profits. This structure of triple helix facilitates a sustainable development on a long term. Evaluating and measuring the importance of the clusters in an economic environment, we could propose this as a model for regional development.

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