Building Clusters and Partnership on the Example of Italy and Slovakia

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Abstract: SMEs realize that the lack of financial, material and human resources is inhibiting their further development. One of the options how to face the increasing competitive pressure is networking of SMEs. In Slovakia there are various types of SMEs (370 193 SMEs in 2003 in the form of physical and legal persons). They exist as alone economic persons. To achieve long-term economically effective existence of these subjects, it is necessary to create new suitable forms of networking of SMEs. The way is to create innovative clusters as a form of common existence of SMEs, research institutions, universities and municipalities. This way SMEs can gain the character of innovative subjects and increase the product quality at low costs. To create a meaningful net it is necessary to overcome the fear from failure in the first place. SMEs should be convinced, that creating clusters can be the way, how to increase their competitiveness. The paper is oriented on the most suitable form of networking SMEs - clusters on the example of Italy and Slovakia.

Key words: SMEs. Network. Cluster. Innovative clusters. Competitiveness.

1 The Nature of Clusters

Industry clusters have become the sine qua non of economic development policy in many countries. Clustering provides firms with access to more suppliers and specialised support services, experienced and skilled labour pools and the inevitable knowledge leakage that occurs where people meet and talk about business (Rosenfeld, 2002, p. 1).

What is a cluster? Cluster is defined as geographic concentration of interconnected companies and institutions working in a common industry (Porter, 1998). It is important to recognize however, that industry clusters are more than a group of firms within the same industry. The cluster represents a synergy, a
dynamic relationship and a network between not only the companies that comprise a cluster but also the successful partnering of the stakeholders (government, education, and other supporting organizations).

Clusters are based on systemic relationships among firms. The relationships can be built on common or complementary products, production processes, core technologies, natural resource requirements, skill requirements, and/or distribution channels.

Clusters are geographically bound, have life cycles (embryonic stage, growth, maturity, decay). Clusters are not defined by organisational membership, and while an association provides members with many real benefits free riders also are parts of the clusters. Clusters may realise the same non-exclusive external economies as members of the cluster associations.

Clusters are divided by various criteria. Clusters typology can be based on

1 organization criteria:
   
   - industrial clusters (rural areas, no leader firm, shift from small-scale production to industry, informal relationships) - the example: Italian industrial districts,
   
   - technological clusters (urban area, incubator role, professional relationships) - the example: aircraft industry in Toulouse/France, wood industry in Banská Bystrica region/Slovakia,
   
   - SMEs concentration (rural areas, network activities, informal relationships) - the example: tourism industry,
   
   - system around a leader firm (urban area, hierarchical relationships) - the example: automotive sector in Montbéliard/France, Trnava/Slovakia (PSA Peugeot),

2 evolution criteria:
   
   - emerging clusters,
   
   - growing clusters,
   
   - declining clusters,
   
   - virtual clusters - cluster set up based on some project.

The identification of clusters should combine both a quantitative approach (number of SMEs involved, employment rate, relevance in the sector, etc.) and a qualitative approach (level of co-operation, common culture, etc.). However, the qualitative approach presents problems since it is difficult to get information on inter-firms relationships.
2 Building Clusters and Partnership on the Example of Italy

The region’s prosperity is determined by the competitiveness and productivity of their enterprises (as well as SMEs). Most clusters around Europe consist of geographical concentrations of firms in related industries. The networking and interlinkages between these firms (and with external companies and organisations) makes them stronger and helps them to maintain leading positions in their various markets. The cluster as a whole is greater than the sum of its parts.

One of the main characteristics of clusters (as mentioned previously) is the local/regional dimension. It can be seen on the example of Italian clusters (Baldassarri, 1996). Many industrial clusters have existed for decades, and have demonstrated a durable ability to renew and reinvent themselves. Made up of small, often family-owned firms, these industrial districts have very strong internal linkages, but communications with the outside are often much less develop.

Lombardy is Italy’s richest region, but the four provinces in East Lombardy (Bergamo, Brescia, Cremona and Mantova) find themselves rather remote from the region’s capital, Milan. In 1999, these four provinces joined forces, with Mantova as co-ordinator, to run the RITTS East Lombardy project, which aimed to remove barriers to innovation and improve channels of communication between firms and other actors. As industrial district account for over 80% of manufacturing companies and their employees in East Lombardy, it was clear that the regional innovation strategy should build on these clusters (In: Building an innovation strategy on clusters, 2003, pp. 5-6).

The majority of companies in East Lombardy have fewer than ten employees, and in each industrial district only a handful of companies have more than 100. Often 60-70% of SMEs work exclusively for the biggest companies in an industrial district. Many SMEs with 10-15 employees have been making efforts in recent years to develop their own brands and break into other markets at regional and national level, in order to reduce their dependence on a single customer. Many have also tried to diversify their product ranges.

The RITTS exercise has given rise to nearly 60 projects, each involving entrepreneurs, research centres and local development agencies. In most cases, the projects are jointly financed by their participants and the region, though some have not yet secured funding. Innovation exchange groups are at the centre of the strategy. Set up for each industrial district, they are designed to promote contacts between firms and research actors.

The RITTS East Lombardy project also provided support to create a network of innovation support agencies from the industrial districts. Generally, these agencies already existed, but tended to focus on their own districts. By working together,
the idea is that these small agencies develop stronger economic development services to help the SMEs in their districts (http://www.provincia.mantova.it/ritts/homepage.htm).

3 Building Cluster on the Example of Slovakia

The public sector can remove the barriers which prevent the formation of clusters, encourage companies to change their attitudes, help them understand the benefits of co-operating with their competitors and maximise the benefits available from regional assets such as universities. These ideas can be used in the process of creating clusters in Slovakia.

On the example of BABY RIS Project it is demonstrated the process of the creation of co-operation network and industry cluster.

Banská Bystrica Self-governing Region (BBSK) wants to attach to the tradition of research and development that was mostly in engineering, wood processing, electro technical and pharmaceutical industry. Research and development (R&D) base of Banská Bystrica region has weakened in terms of both workforce and technical capacities and the entrepreneurial R&D base has vanished.

SMEs, especially new-established SMEs have difficulties not only to elaborate marketing surveys, technical and economic evaluations, analyses, forecasts and trends on the world market, but also to elaborate technical documentation or ensure product approval.

The aim of BBSK is to involve the existing SMEs, institutions and organizations in the collaborative network to reduce redundancies and make extensive use of synergy effects. The core objectives to be achieved with the Regional Innovation Strategy (RIS) are following:

1 creating the awareness of “entrepreneurial and innovation thinking” in the minds of the people by providing education for managers, R&D and technical staff and by providing transfer of know-how from developed EU regions through the development of regional technology transfer mechanisms based on knowledge of experienced partner regions,

2 identification of key-industries in the region in order to provide high-quality long-term jobs with equal chances for both genders by working groups activities named “Priority areas and the system of supporting of starts-up SMEs”,

3 creation of networks and partnerships to enhance the information flow and the transfer of technology and the diffusion of knowledge in the region:
- by the generation of links between the major actors in the field of innovation (universities - Matej Bel University in Banská Bystrica, Technical University in Zvolen, research centres - Forestry Research Institute in Zvolen, Communication Research Institute in Banská Bystrica, Business Innovation Centre in Banská Bystrica, Centre for Creativity and Innovation in Banská Bystrica and companies - Regional Chamber of Banská Bystrica Slovak Chamber of Commerce, Regional Chamber of Lučenec Slovak Chamber of Commerce, Wood-processing Association as an arch over the SME’s in wood processing industry, OTP Bank, IQM, ltd.) through designing “Interconnection Model System”,

- by the development of a consortium consisting of representatives of SMEs, big companies and regional government to build collectively used testing facilities through submitting “Memorandum on creation of a consortium for building up testing laboratories”,

4 creation of innovation development supportive infrastructure

- by establishment of a R&D Centre BBSK through setting up of functional and technological specifications as well as personal resources,

- by creation of common multipurpose testing laboratories,

5 incorporation of regional governance into the innovation process:

- creation of the Council in Banská Bystrica for regional innovation development through “Statute of regional council BBSK for innovative development” approved by General assembly of BBSK,

- implementation of Structural Funds to finance innovative actions through concrete project proposals with connection to structural funds,

- establishing an inward investment policy to support innovative actions through analysis of regional innovative financing schemes and model of financing of innovative SMEs.

The BABY RIS Project will contribute to a more intensive use of state of the art technology in the development of new products by the enhanced diffusion of Know-how. It will lead to an increase in competitiveness and their better success on the market. The RIS of Banská Bystrica region will help to develop the infrastructure facilitating innovative companies through the foundation of Centre for Innovation Development that will demonstrate new ways of SMEs innovation and growth direction and to the use of existing knowledge, known rules and techniques in new and improved products, processes and services for the needs and to the benefit of a man and society development.

The project will develop a framework for the cross fertilisation of ideas and transfer of strategies and models of good practice to Banská Bystrica region from
EU Partner regions of Abruzzo, South Estonia and Nitra region and from other specifically selected EU experts who will bring a wider experience of RIS best practice.

Conclusion

In the last 10 years, we can detect a significant development of clusters across Europe. It can be said that the involvement of public actors, namely regional authorities, local institutions or universities, has been essential for cluster structures development. Clusters are a natural economic phenomenon. By working closely with a cluster, the organizations also have the opportunity to build relationships with industry that can facilitate the delivery of their services. Community organizations and companies can work together with industry and public agencies, research centres and universities.

List of resources:


[4] Internal Materials of Banská Bystrica Self-governing Region
