

The Cluster Association – a Form of Business Development

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***Abstract.** In the context of our future development and integration into the European Union, the organizations are searching for new, attractive and advantageous solutions and ways of development. Most frequently they succeed in achieving their goals, a proof being their numerous innovative, original ideas which they put into practice and about which mass media keep us informed. In the global competition for markets, there is a need of strength and power. Therefore, the idea of “cluster” associations of organizations which, on the one hand, have common interests and, on the other hand, ensure the success of certain endeavors for society is among those actions initiated by firms in order to ensure the power that we have mentioned and a very advantageous position in the contemporary competition frame.*

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I. Considerations about clusters

A cluster is a mechanism that intercorrelates the component firms between them at a high level, transforming them in an integrated system on the competition market and reacting as a single competitor.

We notice that each and every firm brings to the association what represents its best, undertakes activities and attributions of the *cluster* strategy which are realized at optimum parameters, but, at the same time, is preoccupied by its own interests. Such an interest, for example, can be the wages, the professional improvement of its employees and finally stopping the migration of the working force and eliminating the problem of the lack of personnel.

A cluster means a network of firms which use all forms of differentiating knowledge considered both key resources and key products. The focus lies on organizational learning which is at the basis of functioning statute and regulations.

The new entity provides a series of advantages such as:

- the complementarity of the network;
- the diversity of the network;
- intense interpenetration;
- the development of a cooperation culture;
- flexible organization;
- wages improvement;
- cooperation and competition;
- geographical cluster in certain area;
- various specializations reunited by interests and technology.

The *cluster* confers to the economic, social and administrative medium in which it functions the advantage of important

works of general interest, whose chances grow due to collective support.

Michael Porter, an American specialist, has defined clusters as being a geographic concentration of interconnected institutions and companies in a certain field. Clusters comprise a group of related industries and other entities important from the competitive point of view. For example, these include suppliers of specialized inputs, such as components, vehicles and services or suppliers of specialized infrastructure. Many times, clusters extend downstream towards various distribution channels and clients and sidewise towards producers of complementary goods and related industries through qualifications, technologies or common inputs. Finally, clusters include governmental and other types of institutions such as universities, agencies of standardization, think tanks, and suppliers of specialized instruction, education, information, research and technical support (The Group of Applied Economy, www.gea.org.ro). In other words, the partnerships are not only private, but also public and private.

Clusters can be extended beyond a limited traditional geographical area, existing the possibility that the barriers generated by distances and borders to be surpassed. Thus, we identify the advantage of national or international cooperation between firms and states. The idea that comes up is that an economic group, a geographical concentration or a network of firms in a certain field of activity or geographic area decide upon a mutual effort of cooperation for the lasting development of that sector.

If an American, a teacher of business administration at Harvard Business School,

respectively Michael Porter, coming from the most developed part of the world enlivened the idea of competitiveness between firms together with a better life standard of the population, then Romania had better take into consideration with all responsibility this manner of approaching business and put it into practice, the more so as the Romanian potential is known to be reduced, but at the same time that “The more, the better!”. Another reason is given by the necessity to cross the period of economic and financial crisis we live today, in which the whole model of Romanian economic development after 2000 must be revised, a vulnerable model lying too much on external capital. This situation leads to insecurity and to the raising of current account deficit, to a huge external debt, as compared to the national currency reserves and also to other undesirable consequences which have already been noticed: the fall of national currency, unemployment, etc.

II. Romanian experience

The idea of “cluster” is an absolute novelty neither in Europe nor in Romania, but we can say it is of present interest. We consider that in our country the paternity of this idea can be ascribed to Virgil Madgearu, the great forerunner of economic thinking. The interest in developing the internal market has mainly manifested itself after the Unity of 1918, which represented the climax of the integration of the Romanian inheritance within a unitary functional organism. The industrialization process characteristic to the third and fourth decades of the XXth century has primarily taken into account the

localization of the industrial branches in conformity with the raw material resources, the processing industry being concentrated in the neighborhood of ore, coal or salt mines, quarries, oil fields, natural gas, forests.

In his work entitled “The Evolution of the Romanian Economy after the World War” (Madgearu, 1995, pp. 97-98), the economy teacher Virgil Madgearu identifies 8 regions of industrial development in Romania at that time. These are:

1. The region of Prahova Valley has developed due to the existence of oil, quarries, and forests. These conditions have determined the establishment of oil distilleries as well as factories of cement, lime, plaster and paper.

2. Reșița Region due to the richness of the subsoil in iron ore and manganese coal and wood is characterized by the development of the metallurgical and siderurgical industries.

3. Turda Region rich in reserves of methane gas, salt, gold and silver ore, copper and lead, has determined the development of specific industries in this region: factories of cement, lime, bricks, tiles, porcelain, glass as well as of some industries of staple goods: alimentary, textile and leather goods industries.

4. Baia Mare Region has allowed the development of the industry due to the presence of gold, silver, copper, lead and zinc ore. The branches of chemical industry have been established on the basis of these resources.

5. Hunedoara Region in which the siderurgical industry has developed due to the iron ore, the forests (for manganese) and the waterfalls.

6. Ferdinand and Nădrag Region still offered the possibility of developing the siderurgical and mechanical-siderurgical industries for the production of pig iron and steel using iron ore from Teliuc and pig iron from Călan, even if it was situated farther from the points of supply with raw material and fuel.

7. Cisnădie Region where the old domestic industry constituted the qualified basis for the textile industry which then extended comprising the Sibiu and Tâlmăciu regions.

8. Piatra Neamț, Bacău and Buhuși Region constituted an adequate place for the textile industry determined by the specialized working force.

These industrial concentrations identified almost a century ago have afterwards prove their viability, but in a socialist economy. Nowadays, we find them in the industrial scenery, some of them active, others falling or latent, but no matter their nature, we keep in mind the fact that the idea of development concentrated on resources and regional forces was sustainable.

Such a solution deserves to be taken into consideration in a bigger proportion by the firms in our country and deserves to be rendered profitable this time on the basis of other conditions and resources, but in a context of unity between the Romanian firms.

We can very well be inspired from the experience of some countries such as USA, France, Italy, Finland or we can borrow some of the enthusiastic actions of Hungary or even the Moldavian Republic.

The association becomes a necessity in order to face the intensification of competition on diverse local, national and

international markets. It is also a good motivation to finish far-reaching projects (for example gigantic constructions, highways, tourist centers, etc.) which require huge expenses, manpower, training and work quality. From organizational point of view, we mention that there are a standard number of firms belonging to cluster, but this may have or not a distinctive organization and a manager or not.

The unity of clusters is highly appreciated by the European Union too. The European officials recommend this idea by means of various channels (for example, by means of the eight Agencies of Regional Development), from the same reasons: they have the power to support progress; they can be innovative, concentrate business and thus, strengthen firms both from the inside and from the outside that is the competition on the international market. West ARD is already an associated member of BelCAR network – an European cluster network in automotive system, which is, in fact, a project coordinated by the Economic Development Agency of Stuttgart Region, destined to some European regions which have already had clusters or will organize them.

The European Union obviously supported the development of clusters in Central and Eastern Europe ever since UE-15, reflecting the tendency of decentralizing the areal production characterized by lower costs (manual labour) and more potential towards flexibility. Later on, in 2005, an international conference named “To a Knowledge Based Society” was held, with the aim of discovering ways of strengthening the potential of all regions in the new ten European Union member

countries, but also in the other two countries which were to adhere, Romania and Bulgaria. One of the conference premises was to organize a modern, innovative cluster type association to include business organizations, research units, universities, institutions of public administration.

Romania can not brag about a special success or a great progress in this direction, even if the idea was on the agenda of all governments since 1990 until present day. But since the three conditions of success for clusters are only partially fulfilled, we are at the beginning of our journey. The three conditions that we refer to are:

- the power transfer towards the local authorities;
- equal access to public information;
- the close relationship between economy and the educational system.

We notice that the development of clusters has political connotations both in the context of globalization and the integration of Romania into the European Union, too.

Until now, five important studies based on different methodologies have been elaborated and these lead to the identification of the following potential clusters:

1. In 1998, CISA (The International Centre for Entrepreneurial Studies) in Bucharest identified the existence of three incipient forms of non-functional clusters in the production of software (Bucharest), in the naval industry (Constanța) and in the wood industry (Brașov, Caraș-Severin, Hunedoara) (CISA, 1998).

2. In 1999, Marco Riccardo Ferrari, assistant researcher for the Economic Department of the Bocconi University in Milan, also identified three non-functional

“proto-clusters” in the wood industry (Prahova), the textile industry (Galați) and the pottery industry (Alba) (Ferrari, 1999).

3. In 1999, Valentin Ionescu applies a different method and identifies two “proto-clusters” in the pottery industry (Alba) and the software industry (Bucharest) (Ionescu). He draws attention upon the idea of “emergent clusters”.

4. In 1999-2001, the VICLI project emerges and is developed within the European Programme Interreg II C – CADSES⁽¹⁾, which identified four potential clusters: pottery, wood, typography and the apparatus industry in Harghita.

5. In 2002-2004, the INCLUD project, financed by Interreg III B CADSES (www.includ.net) identified the following domains: the textile industry (Bacău and Timiș), software (Timiș, Cluj, Bucharest), wood, steel components and metallic products (The Central Region), chemistry (Brașov). Besides, two clusters have been selected for a deeper analysis and future support based on the interest of certain partners in the European Union, respectively for textiles at Bacău and wood manufacturing at Mureș.

6. Another research has taken place within the WEID project, financed by the European Commission through Frame Programme 5 (FP5), in 2001-2004 (www.west-est-id.net); this has enhanced possible clusters in sports in the Banat-Crișana region and in the footwear industry in Arad and Timișoara.

7. An interesting idea is that which mentions Timiș county as a potential “industrial district” by its Italian meaning, motivated by the high concentration of

Italian investments in the area (Faculty of Economics - Insubria University, 2000). In the Western Region there is a growing development of the above mentioned concept which is also supported by the fact that a component of The Interreg III C Programme is the elaboration of a management guide of clusters and a cooperation strategy between the European regions and the regional clusters of seven regions.

8. In the CURAS⁽²⁾ program taking place within The Cooperation Agreement between the Romanian and the Flamish governments and implemented between 2003-2004 a functional cluster resulted in the automobile sector, auto components, localized in Argeş.

III. How does a cluster come into being and develop?

The following compulsory steps have been identified:

1. the creation of the cluster based on different circumstances, for example, the existence of raw material, technologies, knowledge, management, needs and favorable conditions that offer development perspectives and lead to a possible cooperation between firms at a certain moment in the future. The first step of this kind is always made by small firms which want to develop their field of activity and their position on the market.

2. educational institutions, business associations etc. join the growing cluster;

3. gradually, the visibility, the prestige and the attractiveness of the cluster develops and thus it becomes a mature organization;

4. since nobody escapes decline, an innovation, a renewal brought by a cluster is sometimes necessary. The cluster may become part of a bigger one (regional, national etc.). The motivation for such decisions resides in the situation of technologies: economic, social, administrative, institutional or even cultural.

We can be witnesses to the development of a Romanian successful model – the cluster, competitive agglomeration. But on the other hand this thing may not actually happen. In favour of the idea of the failure of the project in our country we mention the comparison with the free zones introduced shortly after the Revolution and which at a theoretical level have been appreciated by both specialists and outsiders being recommended as a solution for economic and social development. In reality, neither the legislation nor the enthusiasms have supported the free zones, these being actually little stars without brightness on the firmament of the national economy.

Romania has to define its industrial orientation towards the perspective that it was offered by the adherence to the European Union.

In addition, it has to abandon the comparatively fragile advantage offered by a cheap manual labour and head to a different position on the external markets: medium and high price and an appropriate to high standards powerful brand image.

Clusters are adequate means for business cooperation, commercial information, communication, legislative advocacy. There are mediums for a common marketing, a competent sharing of activities, resources, ideas, splitting of expenses and thus of results.

Without applying specialized methods, but reviewing the events that have recently taken place in Romania, we could say that there are still possibilities of creating clusters in other sectors too, such as:

- constructions, due to the 2006 signing of the Social Sectorial Agreement for Constructions for 2007-2009;
- infrastructure (roads and especially highways), motivated by the acute necessity of building these access roads for which huge sums of money are spent;
- the wine industry on an extremely competitive market where all climate factors play a major role;
- tourism under the circumstances in which the development rhythm of this sector is far from that of other European states;
- ecological agricultural products, required more and more and which many states that are neighbors to our country concentrate upon;
- the transfrontier cooperation, in this way the interstatal relationships can be founded on different basis etc.

The banking system heads its strategies according to the distribution of economic clusters, the map of credits for investments and development following the map of clusters.

The acknowledgement of the fact that we have a real alternative for the development of Romania becomes evident together with the approval of the Operational Sectorial Plan – The Growth of the Economic Competitivity – Financing the IMMs out of structural funds between 2007-2013.

Created as a response to the first priority of the National Plan for Development

2007-2013 (The growth of economic competitiveness and development based on knowledge) and to the second priority within the National Strategic Frame of Reference (The growth of economic competitiveness on the long term) this POS can offer financing to support and integrate enterprises in chains of suppliers and clusters.

As eligible activities, we can mention:

- the cost of the studies for the identification of member companies;
- the evaluation of the cluster viability;
- business meetings and workshops;
- the costs of creating and developing clusters;
- the acquisition of logistic equipment necessary for the functioning of the cluster;
- tangible and intangible means for the functioning of the cluster, lands, buildings, means of transport exclusively;
- the wages of the manager and of the operational personnel of the cluster;
- consulting services before and after the creation of the cluster;
- promotion costs of the cluster and other activities for members and clients;
- business meetings, seminars for members and potential members;
- sectorial/regional market researches.

The conclusion is that the competitive agglomeration, the association of firms both in their own and their mutual interest represents an alternative which the Romanian firms have to seriously take into consideration because the competition is harsh, big firms have already emerged on our market and their survival and development is harder and harder.

The obvious social-economic effect can be expressed by the growth of production and competition of the implied companies and sectors, by the raise of innovative potential, the stimulation of new companies, regional economic development, the emergency of new markets, etc.

Some limits and barriers have been noticed as regards this type of cluster association, the most significant being the fear of investing in associations, caused by some previous failures or partners who would like to hold the control, as well as

by the fear of sharing profit. In this way, the National Agency of Small and Medium Enterprises – as a representative forum, have increased its intentions of developing the association spirit. The research made by this institution has revealed the fact that most of SME, 70% respectively, develops an isolated business towards the other market actors, an isolation that cannot favour and develop the change of experience and good practice, or cannot lead to solving some difficulties SME confront with in business.

Notes

⁽¹⁾ Virtual Clustering Identification and Dissemination of strategic Territorial Planning Best Practices for Certain Countries of Danubian and Southern Europe.

⁽²⁾ Clustering and Upgrading Romanian Automotive Suppliers.

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