

Key Factors of Regional Competitiveness in Slovakia

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Abstract

The Article deals with issues of key factors of regional competitiveness in Slovakia. If we try to define key factors of regional competitiveness, we have to understand, what regions really are. Region is very flexible conception and can be perceived in different ways. Development of competitiveness is usually main strategic goal of regions. It is the way of maintaining and sustaining regional development. There are many factors that affect regional competitiveness. The goal of the article is describe the most important factors of regional competitiveness in Slovakia.

Key words: region, regional competitiveness, regional strategy, strategic management, factors of competitiveness.

1 Introduction

European regional policy (ERP) represents important part of European Union agenda. It works to decrease disparities among regions, to narrow the gap between the development levels of the various regions. Narrowing the gap between regions should lead to increasing of competitiveness of whole EU. This goal corresponds with content of Lisbon Strategy, main strategic document of EU. Lisbon strategy broadly aims to "make Europe, by 2010, the most competitive and the most dynamic knowledge-based economy in the world"[1].

Cohesion fund and structural funds are very important financial tools of ERP. The Cohesion Fund is aimed at Member States whose Gross National Income (GNI) per inhabitant is less than 90% of the Community average. It serves to reduce their economic and social shortfall, as well as to stabilise their economy. It supports actions in the framework of the Convergence objective. It is now subject to the same rules of programming, management and monitoring as the ESF and the ERDF. [2]

At present, four Structural Funds allow the European Union to grant financial assistance to resolve structural economic and social problems: [3]

- the European Regional Development Funds (ERDF), whose principal objective is to promote economic and social cohesion within the European Union through the reduction of imbalances between regions or social groups;
- the European Social Fund (ESF), the main financial instrument allowing the Union to realise the strategic objectives of its employment policy;
- the European Agricultural Guidance and Guarantee Fund (EAGGF - Guidance Section), which contributes to the structural reform of the agriculture sector and to the development of rural areas;
- the Financial Instrument for Fisheries Guidance (FIFG), the specific Fund for the structural reform of the fisheries sector.

2 Key Factors of Regional Competitiveness

Slovakia is part of EU from May 2004. Nowadays, Slovakia is now recipient of financial support from EU funds. Financial means from Cohesion and structural funds will lead to approaching of Slovakia GDP to average of EU. The subjects in Slovak regions can get support from EU funds. Slovak subjects have it's own experiences with using of EU funds. Some experiences are good some are bad. There is no complex analysis at this time, which could say, if the EU means were useful or not.

According to experiences from various projects we can say, that role of financial support from EU funds is usually overestimated. Especially subject in regions (local municipalities, town councils) consider EU funds as one and only source of regional growth. Lot of local authorities in Slovakia are replacing term regional development with term getting money from EU. If there is a discussion about different ways how to develop the region, only way of development is finding "purpose-made" grants and support.

We can say there is a big danger in such a perception. Regional subject instead of creating long-term strategic development conceptions are aiming their energy to create purpose-made project. They are acquiring money for activities that are not important for long-term development. Strategic and long-term aspects are essence of continual development of regions.

Real development should be based on strategy. Money is not solution of decreasing of disparities. Financial means from EU funds are one-shot supply of cash flow. If this cash flow is not used to support activities and project that correspondent with long-term strategy, they will almost no effect on regional development.

The success of regions is based on building and enhancing of **competitive advantages**. The competitive advantages can be dividing on **static** (we can also say hard) and **dynamic** (we can also say soft). Static competitive advantages cannot be changed. Typical static competitive advantages are: natural conditions, demographic structure, and geography. If there is no good level of static factors in region, region should target on dynamic factors. Dynamic factors are factors that can be changed. Dynamic factors include: strategic approach to regional development, coordination of activities in region, creation of strategically-oriented development plans and support of strategic partnership between various subjects in region.

Regional subjects often say that they are not successful, because external conditions are not appropriate. However, external conditions are not grounds of the success. Success is matter of internal attitude of each entrepreneur. External environment comprise conditions, but is not primary reasons of success or failure.

This statement can be applied to situation in regions. Static factors (natural conditions, demographic structure, and geography) have impact on fundament condition of region, but region can't change these factors. That means that key factors are those factors that can be changed. These factors are dynamic factors.

There are many approaches, which are trying to define factors that influence regional competitiveness. Structure of factors, as it is presented in this article, respects conclusion of regional policy in EU and in Slovakia. This structure also respect conclusion of practical research in Slovak regions.

The most important static factors are especially:

- Natural resources of region
- Historical and cultural resources
- Availability of region, existing infrastructure, distance from centre
- Economical level of broader region
- Diversity of economical sector in region

First factor contains uniqueness of nature in region – its diversity, potential for tourism, presence of healthy springs or other unique natural resources. Second factor express quality and quantity of cultural and historical sights in the region and also regards whole historical potential of region.

Factor of availability of region refers to existence of transport infrastructure – connection with other regions. Factor of economical level of broader region is also very important, because every region is part of broader region and is entering the relations with other subject in broader region. Diversity of economical sector in region refers, if region is bound to one important company or sector, or if there is broader variety of companies and sectors in region. Monosectorial orientation is very dangerous for regions, because in case of sector stagnation whole region has problems.

These entire factors have one thing in common – they can't be changed, or change is possible only in long term and is very resource demanding.

Static factors designated status quo of regions, but success of development depends especially on potential of dynamic factors (so called soft factors).

The most important dynamic factors are especially:

- Quality of human resources in region
- Quality of regional management
- Coordination of activities in region
- Strategic orientation of regional management
- Implementation of knowledge economy principles in region
- Quality of communication, relations and partnership among subject in region
- Regional ability of acquiring and efficient using of financial means

Quality of human resources in region

This factor refers to quality of people who live in region (residents in general). Important is to monitor quality of people, who are employed in local management. Quality of human resource is function of school system in region, of existence of other education institutions. Important factor of HR quality is rate of well educated people who stay in their home region.

Quality of regional management

This factor refers to regional management in general – how it works, if there are clearly defined authority and responsibility, if there are special departments, who are responsible for regional development. This factor is very important especially in Slovakia, because there is big difference between administrative division of region and real relations between certain subjects in region.

Coordination of activities in region

This factor shows, how individual activities, projects and processes are connected to each other, how it is bounded with regional strategy. Activities cannot be contradictory, however should cause strong synergy effect.

Strategic orientation of regional management

Strategy is crucial for region. A strategy is a long term plan of action designed to achieve a particular goal. Good strategy has to make provision for local specifications. If region has a long term strategy, it can distinguish between what is important and what is not important for region. We can say if there is no regional strategy, there is no regional development.

Implementation of knowledge-based economy principles in region

Knowledge-based economy is one of the principles that appear in Lisbon strategy and other EU documents. Knowledge-based economy refers to the use of knowledge to produce economic benefits. The transition requires that the rules and practices that determined success in the industrial economy need rewriting in an interconnected, globalised economy where knowledge resources such as know-how, expertise, and intellectual property are more critical than other economic resources such as land, natural resources, or even manpower. According to analysts of the "knowledge economy," these rules need to be rewritten at the levels of firms and industries in terms of knowledge management and at the level of public policy as knowledge policy or knowledge-related policy. [4]

Quality of communication, relations and partnership among subject in region

Relations between subjects in region and between regions (intra-regional and inter-regional relations and partnership) are crucial in matter of synergy effects. We can consider couple of steps before functioning partnership between subjects appears.

Regional ability of acquiring and efficient using of financial means

Region should be able to acquire money from various sources (especially private, state and federal).

3 Conclusion

There are many specifications, which differentiate regions from companies. Main reason is, that region is bounded with particular locality and this locality cannot be changed. Region can't move itself and go to other locality. This local bound can be sometime competitive advantage, but also handicap. This bound is related to static factors, as shown in the article.

If locality is handicap for the region, regional management has to focus on enhancing dynamic factors. The basic words of the success in the region, as proved in the article, are STRATEGY and PARTNERSHIP. If there is functioning partnership among regions, weaknesses of the region are decreased. Partnership is changing relative position of the regions – from competitors to cooperators. Strategy of regions will be crucial in compact system of areal planning. Single villages and towns are too small to have separate strategy, without respecting broader relations in microregion or region. Also central strategy of whole state is important, but cannot be one and only. From central perspective, the specifications and uniqueness of single regions and localities can't be identified. On the other hand, good regional strategy has to respect all principles of all strategies that are hierarchically over and under regional strategy. If we respect these rules, the competitiveness growth in each region will not be only competitive, but will help to increase competitiveness of whole EU.

The article was written thanks to the support of Agency for Science and Research Support under the grant n. APVT-20-032104.

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