

## **LOCAL SELF-GOVERNMENT AND TERRITORIAL DEVELOPMENT**

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### **STATE POLICY ON ENSURING CLUSTER DEVELOPMENT OF REGIONS IN UKRAINE**

*The article explores clusters as an instrument for enhancing the competitiveness of a region. Clusters are formed where “breakthrough” advances in technology and production methods occur or are anticipated, followed by entry into new market niches. The main benefits of cluster development for businesses include improved efficiency, reduced operational costs, expansion into new markets, and increased flexibility and innovation potential in developing new products and technologies.*

**Keywords:** *cluster, competitiveness, innovation, transformation, efficiency, strategic management, innovation orientation, industrial cluster, technological cluster, regional cluster, economic expansion.*

**Problem Statement.** The acceleration of globalization processes intensifies competition not only among companies and countries but also among regions. This imposes new demands on the tools for maintaining and enhancing territorial competitiveness.

Regional competitiveness is based on the efficiency of the economic actors operating within a territory. Therefore, the cluster approach, as an alternative to the traditional sectoral industrial policy, serves as an effective instrument for increasing regional competitiveness. This approach directly influences both productivity and employment, while helping to reconcile contradictions between them. Labor productivity within clusters grows due to specialization and outsourcing of non-core activities, while employment increases through the attraction and formation of new economic actors in related and supporting industries.

International experience provides numerous examples of improving the competitiveness of regions and production complexes through cluster-oriented regional policies. Notable examples include clusters in small and medium-sized enterprises (furniture, footwear, food production), in the innovation sector (biotechnology, telecommunications), in large-scale industrial manufacturing (automotive), and in the field of motorsports.

**Purpose of the Article.** To analyze the state policy ensuring cluster development of the regions of Ukraine.

**Analysis of Recent Studies and Publications.** The features of the formation and implementation of state regional policy have been studied by both domestic and foreign researchers [1–10].

However, issues related to the application of advanced international experience in Ukraine, specifically concerning the formation and implementation of regional policy based on the cluster approach, remain insufficiently explored.

**Article main body.** The diversity and individuality of clusters make their classification difficult. Various definitions of this form of relationship between members of the business community and authorities exist. A Cluster is defined as a stable territorial-sectoral partnership of enterprises and organizations united by an innovative program for implementing advanced production, engineering, and management technologies aimed at improving the competitiveness of cluster participants [8].

A cluster, as a sustainable partnership of interconnected enterprises, institutions, organizations, and individuals, can have a potential that exceeds the simple sum of its components. This added value arises from collaboration and the effective use of partners' capabilities over the long term through a combination of cooperation and competition. Companies benefit from sharing best practices and reducing costs by using common services and suppliers.

Cluster participants include manufacturers and suppliers, engineering and consulting firms, research organizations and universities, credit institutions and banks, infrastructure facilities, regional administrations, and professional and public associations [6].

Constant interaction promotes formal and informal knowledge exchange and cooperation among organizations with complementary assets and professional skills. The

formation of a “critical mass” of companies within a cluster stimulates the further attraction of new firms, investments, services, and suppliers, as well as supports the development of local professional personnel.

In most cases, clusters emerge spontaneously under the influence of several factors, the most important of which is entrepreneurial initiative. The foundation for cluster formation lies in the possibility or necessity of joint use by multiple economic entities of one or several unifying factors, such as: base technology, marketing channels, personnel training systems, and know-how generation systems related to a single product area.

Any cluster goes through a number of stages. These may not be the same for all clusters, and the pace of their development may vary. However, there is an internal logic to the path along which clusters develop, which makes it possible to discern certain characteristic patterns. Even though the precise form and direction will depend on specific circumstances, a cluster goes through the following stages of its life cycle [7]:

1. **Agglomeration.** The stage where a certain number of firms and institutions exist in the region.
2. **Emerging Cluster.** At this stage, some actors begin to cooperate around core activities and realize shared opportunities.
3. **Developing Cluster.** New participants join, creating new interconnections; formal and informal institutions to support cooperation may appear, along with regional branding and shared digital platforms.
4. **Mature Cluster.** A critical mass of participants is reached, and connections extend beyond the cluster’s borders to other industries and regions. New firms emerge through spin-offs and joint ventures.
5. **Transformation.** Over time, markets, technologies, and processes evolve, and so must clusters. To remain viable, clusters must innovate and adapt—sometimes transforming into new clusters or refocusing their activities.

A distinctive feature of a cluster is that it is not formally registered as a single legal entity or a single economic entity. The emergence and development of a cluster in some cases follows a specific scenario (for example, when government agencies actively participate in cluster development). Joint business planning by groups of economic entities, temporarily

joining forces to implement joint projects, is quite common [1].

The development of a potential cluster typically requires active intervention by local authorities interested in improving regional economic efficiency. In some cases, minor efforts suffice; in others, large-scale projects are necessary.

Another crucial factor in the emergence and sustainability of clusters is geographical localization. The proximity of core participants, together with transport and information infrastructure, facilitates cooperation, technology exchange, and personnel mobility [5]. However, due to modern transportation and communication technologies (Internet, email), cluster boundaries are increasingly expanding.

The relationships among participants within a cluster network resemble a strategic alliance, in which members:

- develop a common strategy or shared objectives through the exchange of ideas and know-how;
- act as a unified competitive entity while maintaining individual autonomy, thereby using resources more efficiently and reducing transaction and control costs;
- are often coordinated by a strategic center—a leading company that develops partner competencies, coordinates activities, organizes technology transfer, and promotes innovation;
- use dynamic, self-organizing processes that collect and analyze information about market demands, new technologies, resources, and competitors to ensure flexible and value-maximizing responses;
- often delegate material flow management to a specialized firm [2].

Typically, clusters aim to achieve the following objectives:

- 1) Increase participants' competitiveness through new technologies.
- 2) Reduce costs and improve efficiency of knowledge-intensive services via synergy and standardization in logistics, engineering, IT, and quality management.
- 3) Ensure employment during enterprise restructuring and outsourcing.
- 4) Enable collective lobbying of member interests before public authorities.

Among the factors motivating integration into industry clusters are:

- unified requirements from major manufacturers to suppliers and dealers;

- reduced technology implementation costs through economies of scale;
- more effective collective innovation processes in high-tech industries, including co-design and cooperative outsourcing;
- expansion of engineering and consulting service markets for Small and Medium-sized Enterprises (SME) via subcontracting in complex projects;
- better access to market information and improved promotion of SME products;
- enhanced investment and grant opportunities;
- improved access to foreign partners and new markets [10].

A key distinguishing feature of clusters is their innovation orientation. Clusters typically emerge where technological breakthroughs are occurring or expected, leading to new market opportunities. Consequently, both developed and developing countries actively use the cluster approach to support the most promising sectors of entrepreneurship and to strengthen national innovation systems.

Conclusions. Despite the ongoing formation of clusters in various regions, economic clusterization remains one of the strategic objectives of Ukraine's economic policy—an effective tool for addressing large-scale national challenges.

Global experience shows that the key to cluster competitiveness lies in the quality of essential resource groups, including: natural resources, production and technical infrastructure, human resources, financial resources, scientific and technological infrastructure, information infrastructure, and administrative support. Thus, the development of clusters accelerates business growth and fosters the emergence of new enterprises. The advantage of clusters is that the growth of one or several leading enterprises producing final goods stimulates the development of the entire value chain — suppliers of raw materials, distribution networks, design and research institutions, and educational organizations.

At the same time, a technological cluster is also a social construct — a community of people with shared economic interests. A cluster represents a form of self-organization for survival under international competition, where national borders lose their role as economic regulators. Hence, regions with strong clusters become leaders of national economies, determining their global competitiveness.

The most dynamically developing regions are those where industrial or innovation

clusters have formed—complexes of enterprises, research centers, and government institutions concentrated geographically and interconnected through production and technological chains. These complexes serve as an alternative to the traditional sectoral approach.

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