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**Interorganizational Interactions in
Industrial Clusters
- A study of the Business Park Drenas, Kosovo**

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Abstract

Over the past decade, the topics' industrial cluster and interorganizational network has received much attention. A combination of both the topics in a country with a transition economy has not been fully studied. Thus, the purpose of this dissertation is to investigate whether geographic proximity can stimulate interorganizational interactions between firms in an industrial cluster, the Business Park Drenas in Kosovo.

This dissertation is based on the Cluster theory and the Interorganizational Network theory. For the theoretical framework, a model was created based on the theories used in this dissertation and the two elements of the IMP Group's Interaction model. The two elements, power/dependence and cooperation/conflict are used to connect the industrial clusters and the interorganizational network. Therefore, the dissertation provides a new pathway for researchers, since the Interaction model has not been considered in relation to industrial cluster and interorganizational network earlier. A qualitative research strategy was used in this study with an interpretivistic philosophy.

The empirical findings and the analysis showed that interorganizational interactions are stimulated through proximity of firms. Trust is displayed as a key factor that stimulates knowledge exchange activities, informal relationships and valuable information exchanges, when selecting partners and relationships between firms and the government.

This research may be of value for governments and firms of transition countries, since transition economies are characterized by lack of trust, both among firms and between firms and governments.

Keywords: Industrial clusters, Interorganizational interaction, Interorganizational Network, Cluster theory, Transition economy, Cooperation, Kosovo

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1. Introduction

In this chapter the background, problematization, research purpose, research question and limitations of this study will be described. Furthermore the outline of this dissertation will be presented. The purpose of this chapter is to provide an overview of this dissertation.

1.1 Background

The concept of clusters has been the subject of intensive study in the last decade, where previous research has focused on the alleged beneficial effects of clusters (Caniëls & Romijn, 2003). Clusters that are formed around a geographical resource, such as natural resources, often result in similar firms' agglomeration in the same region. Thus, firms' within industrial sectors tend to be concentrated in a specific geographic location (Gordon & McCann, 2000; John & Pouder, 2006). The cluster frameworks usually explain the pattern of industry agglomerations, which often emphasizes firms' collaboration. The collaboration brings greater opportunity to information and knowledge exchange between firms within clusters, rather than outside the boundaries of clusters (John & Pouder, 2006; Lei & Huang, 2014). Hence, the cooperative learning and the flow of knowledge can only be generated through the embeddedness of firms' relationship within the cluster.

Michael E. Porter was the first scholar to announce the Cluster theory, where business activities are more effective through firms' interactions in close proximity. Furthermore, clusters can generate competitive advantages for firms, such as enhanced productivity levels, higher innovation and new businesses (Porter, 2008). However, Marshall (1920/2011) was the first to introduce the notion of clusters, referred to as Industrial districts. Industrial districts are agglomerations of firms in the same industry with industrial activities in well-defined geographical areas. Several frameworks have been disclosed, such as innovative milieu and technology districts, which discuss industry agglomerations from different perspectives. The difference between these frameworks has not been clearly defined from the Cluster theory (John & Pouder, 2006). However, scholars and practitioners agree on the specific characteristics of clusters: Clusters are characterized by regional economic activity located at all levels and potential relationships among firms (John & Pouder, 2006; Boja, 2011; Lei &

Huang, 2014). The relationships include, both vertical links, such as supplier-manufacturer-dealer-customer chain, and horizontal production links, such as firms in sectors of the same industry (Boja, 2011). The most common advantages for the vertical links and horizontal links are risk sharing and easier allocation of knowledge and resources (John & Pouder, 2006; Popescu, Ceptureanu, & Ceptureanu, 2012).

Alliances are created between firms to gain access to valuable exchanges, such as information, product/services, financial and social. Alliances modify existing networks to create an endogenous dynamic between the firms' action and the network structure. Eventually the endogenous dynamic brings forth the emergence of interorganizational networks. Interorganizational networks are different organizations connected to each other through exchange relationships, social relationships, common bonds and/or goals (Williams, 2005).

Scholars in Economics and Sociology have long struggled with the spatial characteristics of alliances and networks. Furthermore, most part of the literature has focused on alliances and network relationships among different firms located in the same geographical location (clusters) (Osborn & Hagedoorn, 1997). However, research on interorganizational networks has focused on several characteristics of interorganizational networks, which consists of activities, resources and actors. These characteristics influence each other in one-way or another, where firms interact with each other in terms of performing activities and controlling resources. Furthermore, activities tend to transmit the resources between actors to achieve mutual goals (Osborn & Hagedoorn, 1997; Williams, 2005).

There are different factors that influence firms' opportunities to benefit from the collaboration, such as network structure, links and the location of firms. Strong networks indicate high degrees of closeness and interaction, while on the contrary; weak ties attract other external connections (Felzensztein, Gimmon, & Carter, 2010). There can be both short-term and long-term relationships, where the short-term reflects the exchanges between parties, while the long-term relationships requires mutual adaptation between firms, to maintain strong cooperation (Ekelund, 2002).

1.2 Problematization

Porter's Cluster theory is based on New Institutional theory, which explains processes and outcomes of firms operating in clusters. Thus, scholars within institutional research tend to avoid explanations of firm interactions, even though different forms of collaborations takes place in clusters (Amenta & Ramsey, 2010). However, in social science studies, the Interorganizational Network theory analyses the firms' interaction, where the focus is on how the network structure emerges from collaborations between individual firms (Williams, 2005). The connection between the Cluster theory and Interorganizational Network theory provides a holistic understanding of firms' interorganizational interaction processes in close proximity.

From 1990, there have been more than 1600 academic articles on clusters in both, developed and developing countries (Swords, 2013). Early research of clusters in developed countries has focused on examining the proximity of firms as an important advantage for industrial development. Later studies focus on innovation in clusters, where knowledge creation and learning are the key advantages (Caniëls & Romijn, 2003). The ideal industrial cluster is Silicon Valley in the US, which has been used as the optimal model to strive for, by both governments and firms (Niu, Miles, & Lee, 2008). Other examples of successful clusters can be found in China, where both local and foreign investments have contributed to the economic growth (He, 2002). However, the research made in China cannot be comparable to the same extent with other developing countries with transition economy, due to the special case of the country.

According to previous literature within the Cluster theory, crucial factors for success in developing countries are activities such as, knowledge transfer, exchange of skills and experiences. Thus, clusters should stimulate interorganizational interactions between firms (Caniëls & Romijn, 2003). Furthermore, research has observed the effects of Interorganizational Network characteristics on firms' strategic adaptive skills in transition economies. Transition economies are those whose business environments are characterized by great turbulence, drastic changes and great uncertainty. Firms in transition economies also have the ability to be flexible to environmental changes relatively quick (Ma, Yao, & Xi, 2009).

The relationship between, the Cluster theory and Interorganizational Network theory can be beneficial to examine in a developing country with a transition economy. The lack of market structure and related institutions in transition economies, but still fast developing, makes the field interesting to examine. The factors that make the development of clusters successful are: trust, cooperation and collaboration between firms (Ketels, Lindqvist, & Sölvell, 2006). Therefore, from a network perspective, clusters can be viewed as a set of networks, where each company is involved in several network activities in the vertical and horizontal links. The vertical and horizontal links are links between businesses that Michael E. Porter came to notice, however, he refers to them as alliances (Boja, 2011). Horizontal alliances explain the relationship between competitors, while vertical alliances consist of the relationship between suppliers and customers. Strong alliances have been critical for cooperation, learning and competitiveness (Zheng & Lez , 2010). Alliance structures, such as industrial clusters, give firms located within the same area the opportunity to close interactions, high trust and knowledge transfer. The creation of clusters and networks are of great interest to increase the competitiveness, both regional and country wise according to several scholars (Swords, 2013; Boja, 2011; Kingsley & Malecki, 2004).

From what we have found, there has not been enough research done on the connection between industrial clusters and interorganizational networks in developing countries with an economy moving from a planned towards a market economy. Therefore, the dissertation will focus on a newly created industrial cluster location in Kosovo. Such research can be relevant because countries within these transitions have the mission to increase the private sector, strengthen property rights and let competitive markets dominate (Askarov & Doucouliagos, 2015; Tisdell, 2001). Furthermore, there are no evaluations or research done on cluster and network development in Kosovo¹.

Kosovo has a transition economy, and is moving from a centrally planned economy towards a market based economy system (The Heritage Foundation, 2015). The efforts to create clusters in Kosovo are the implementation of several business parks in the country. Business Parks consist of firms operating in proximity, which are located in specific areas with boundaries, referred to as Free Economic Zones. The Free Economic Zones aim to offer geographical

¹ Nol Buzhala, Head of the Sector for development of Economic Zones, Kosovo, nol.buzhala@rks-gov.net,

resources, such as better conditions for manufacturers, modern infrastructure and felicitities for firms located within the area. Furthermore, the benefits provided for the firms are used to attract new businesses and local and foreign investments. Thus, the creation of Free Economic Zones will have a direct impact on unemployment and poverty in the country (KIESA, 2015). Kosovo offers comparative advantages, such as a young and well-qualified population, natural resources, favourable climatic conditions, new infrastructure, and a fiscal policy with the lowest taxation in the region. These conditions make the country very attractive for both, domestic and international businesses (MFA, 2015).

The Business Park west of Kosovo in Drenas is known as the most functional Free Economic Zone in Kosovo. In total there are 41 businesses in the park, whereas, of 23 businesses are operating and 18 businesses are in the start-up phase. The investments in the Business Park Drenas amounts to 26 million Euros and have approximately 350 workers². The Business Park Drenas can be described as an industrial cluster with businesses in the same sector operating in proximity. It is divided into different industries, such as construction industry, metal industry, pharmaceuticals industry and food industry. However, few businesses from the different industries have been placed next to each other, which has changed the initial structure of the park. The reasons behind the structure change of the park are lack of investments in the country and lack of local businesses from the same industry. Furthermore, the collaboration between the firms operating in the Business Park Drenas has not been evaluated, which makes it unclear how and if interorganizational interactions appear. Therefore, it can be valuable to evaluate the park and use the evaluation as a marketing tool to attract new investors.

More precisely, we will focus on the interorganizational interactions between firms in the same industry located in the same industrial cluster, the Business Park Drenas. The dissertation will be based on the Cluster theory and the Interorganizational Network theory. The contribution to the field is a deeper understanding of firms' interorganizational interactions in the same industry. In addition, there is a lack of research made in developing countries with transition economies. Therefore, the Business Park Drenas can be beneficial to

² Nol Buzhala, Head of the Sector for development of Economic Zones, Kosovo, nol.buzhala@rks-gov.net, 2015-05-12

examine, since the park offers a concrete example of an industrial cluster located in a country with a transition economy. Furthermore, the dissertation can contribute to the knowledge pool in Kosovo due to the lack of research on industrial clusters and interorganizational interactions in the country.

1.3 Research purpose

The paper attempts to contribute by examining the industrial clustering in Kosovo. We take the Business Park Drenas and try to assess whether geographic proximity can stimulate interorganizational interactions between firms in the industrial cluster.

1.4 Research Question

How can industrial clusters stimulate interorganizational interactions between firms?

1.5 Limitations

The limitations of this study are that only one industrial cluster in Kosovo was examined. In addition, several other industrial clusters were considered, but due to the time constraint we had to limit the focus to only one. Furthermore, all the firms in the chosen industrial cluster were not operating, which is an important factor to consider. There are not many partners to choose to cooperate with, which might have an impact on the findings in this dissertation.

The theoretical limitations consider the two theories used, the Cluster theory and the Interorganizational Network theory. There are a lot of frameworks within the field of clusters and interorganizational networks. Due to the space limitations, we don't go into deep-analysis of various frameworks outside the previous mentioned. However, we did not consider that various frameworks that were not brought up, might contribute to our theoretical framework. Regardless of the many definitions of clusters and networks in the literature, we have reduced the different conceptions by selecting the two relevant approaches for this dissertation.

1.6 Outline of the dissertation

This dissertation will consist of six chapters. The first chapter consist of the background, problematization, research purpose, research question and limitations of this study. The second chapter presents the theoretical review, where literature on industrial clusters and interorganizational networks are discussed individually, and through the Interaction model. Thereafter, the theoretical framework is presented, which will be the base for the analysis. The third chapter presents the research philosophy, research approach, choice of theory and choice of methodology. This is followed by chapter four, which presents the empirical method. The fifth chapter consists of the empirical findings, analysis and discussion. The sixth chapter presents the conclusion. In the conclusion, a summary of the dissertation is presented, and continued with a conclusion of the findings, a critical review, theoretical implications, practical implications and recommendations for future research.

2. Research Method

This chapter will present the different choices of methodology. Furthermore, the research philosophies, research approach, choice of theory and choice of methodology will be presented. The purpose of the chapter is to give an outline of the method used in this dissertation.

2.1 Introduction

When evaluating the research design of the dissertation, it is important to consider the following factors; research philosophy, research approach, and choice of theory and methodology (Bryman & Bell, 2011). The following paragraphs will present the different factors related to our choices in the dissertation.

2.2 Research philosophy

The choice of *research philosophy* helps the researchers to clarify from what perspective they interpret the world and views the human behaviour (Bryman & Bell, 2011). There are four different philosophies the researchers can choose from. The philosophies are Realism, Positivism, Interpretivism and Pragmatism (Saunders, Lewis, & Thornhill, 2012), where the first three are the most common philosophies used in business research (Bryman & Bell, 2011). The realistic research philosophy is based on the social science view, which implicates that there is a reality beyond the description of it, also referred to as external reality. The positivistic research philosophy enables the researcher to study the social reality, which will allow the researchers to create hypothesis based on the theory that later can be tested. Furthermore the research data in positivism must be conducted in an objective way (Saunders, Lewis, & Thornhill, 2012). The interpretivistic research philosophy is based on the view that a strategy is needed, which considers the difference between people and objects in natural science. Therefore, interpretivism demands the researchers to understand the subjective view of actions and interpret them, for the group being studied. The pragmatic research philosophy allows the researcher to use a combination of the described philosophies above (Bryman & Bell, 2011).

This dissertation will use an interpretivistic research philosophy since there will not be any hypothesis to be tested or any external reality to investigate. Instead the dissertation will be based on semi-structured interviews to investigate the relationship between the Cluster and Interorganizational Network theories, with regards to power/dependence and cooperation/conflict.

2.3 Research approach

There are three different research approaches researchers can use; deductive, inductive and abductive approach.

The deductive approach is based on theories, where hypotheses are constructed and the empirical materials are tested against the hypotheses. In contrast, when using an inductive approach, the empirical material is used as the starting point, without any theoretical preconceptions. The researchers will then create a theory exclusively on the empirical data. The abductive approach is a combination of both deductive approach and inductive approach, which means that the researchers go back and forth between the empirical data and the theoretical reflections. Furthermore, they proceed from the theories and test the empirical data, then go back to modify and develop the theories if needed (Alvehus, 2013).

In this dissertation, the *abductive* approach will be used. The reason behind choosing the abductive empirical-driven approach is because it might become problematical to use pure deductive approach hypotheses in qualitative research, where unbiased interpretations are difficult to make. In contrast, using an inductive approach could also become complex for a qualitative research, due to the fact that interpretations are in some way based on earlier theories (Alvehus, 2013).

2.4 Choice of Theory

There are several theories in the field of clusters and networking. However, this dissertation will focus on two major theories, which are the Cluster theory and Interorganizational Network theory. Furthermore, this dissertation will use the atmosphere part in the Interaction model by the IMP Group as a connection between the two theories. All three theories above

will explain and increase the understanding of this dissertation.

2.5 Choice of methodology

The purpose with this dissertation was to see if geographic proximity could stimulate interorganizational interactions between firms in the same industry. A lot of research on clusters and interorganizational networks has been made in developed countries. However, a combination of both clusters and interorganizational networks in a developing country with a transition economy has not been fully studied. Therefore, this dissertation used an interpretivistic research philosophy, since there were not any hypotheses created. Furthermore, an abductive approach is used, as the mix of the empirical data and the theoretical reflections was most suitable.

3. Theoretical Review

In this chapter the literature review will be presented. We will look into previous research and theories about industrial clusters and interorganizational networks, both individually and together through the Interaction model. At the end of this chapter, we will present our theoretical framework for this research and argue why it is relevant.

3.1 Industrial clusters

Clusters that develop around a central geographically limited resource often result in the proximity of firms from the same sector, where limited access to the resource develops competition. Thus, clusters with an industry identity are often characterized by a concentration of competitors. However, industrial clusters form around a geographic area because of different factors. The most common factor for proximity is a physical resource tied to the location. In other cases, industrial clusters develop from; labour with unique set of skills, cheap labour and factor or climatic conditions (John & Pouder, 2006).

Marshall (1920/2011) observes two connected reasons of why firms would continue to stay in the same geographic area. Firstly, firms in a proximity environment are able to become more efficient from specialized labour. The advantages of specialized labour will create more job opportunities, as well as recruiting and application costs will be reduced for both parties. Secondly, firms are able to respond faster to market conditions, because of the flow of knowledge in clusters (Gordon & McCann, 2000). Cluster members are encouraged to specialize in several activities, such as technology, information and resources. These factors develop profitable capabilities for firms. In addition, firms' specialization leads to differentiation, which is more likely to increase the variety of firms in the industrial cluster (Niu, 2010; Porter, 1998). Porter (1998) also emphasizes the fact that there are different industry groups within the boundaries of clusters. Thus, research in the field of industrial clusters does not consider several important actors in competition and their linkages across other industry classifications (Porter, 1998).

Several scholars agree that knowledge is distributed within industrial clusters. The maximum flow of information and ideas, such as market knowledge, are easily shared in clusters, compared to firms, which are locally isolated. These cluster advantages do not particularly

benefit a specific firm, but rather all the firms within the cluster (Gordon & McCann, 2000). However, Dahl and Pedersen (2004) are critical to this view and argue that knowledge is centred in a single firm, rather than circulating openly within clusters. Moreover, Martinez et al. (2012) mention that knowledge is a crucial resource, where valuable inputs must be carefully distributed and that exchanges of external knowledge outside the cluster can be necessary. Firms will, therefore, benefit from external knowledge depending on their own resources, which are contradictory to the statement, that cluster advantages benefit all the firms (Martinez, Belso-Martinez, & Más-Verdú, 2012; McCann, Tomokazu, & Gordon, 2002). Furthermore, a firm with strong internal resources is more likely to exchange knowledge, since it has access to valuable knowledge and more to offer. This implies that some firms have more advantages from being located in a cluster compared to other firms (Yli-Renko, Errko, & Sapienza, 2011).

Strong communication channels are also a determining factor for developing successful clusters. However, Audretsch and Feldman (2004) argue that high-tech industries consist of knowledge spillovers, which describes the exchange of ideas among firms. However, knowledge spillovers are not key factors in the development of clusters, since it seems impossible to measure and identify knowledge flows. Therefore, the focus should be shifted to more measurable factors, such as specialization of labour (Dahl & Pedersen, 2004). Measuring factors raised a lot of attention among scholars, such as Audretsch and Feldman (2004), who made an effort to measure knowledge spillovers to prove the importance of transmitting knowledge. The result of their empirical measurement showed a linkage between industrial clusters and the exchange of ideas, where uncertainty in proximity was reduced from the high degree of knowledge (Audretsch & Feldman, 2004). Von Hippel (1994) observed the difference between information and knowledge, which he referred to as tacit knowledge. Tacit knowledge is different from regular information, in the sense of being difficult to transfer in verbal and written form. In contrast, information transmits faster between different places because telecommunication has eliminated space and linked distant places together. However, tacit knowledge is not affected by telecommunication, but from agglomeration of firms, where frequent social interactions, communication and observations take place (Audretsch & Feldman, 2004)

There are both, necessary and sufficient conditions for the formation and development of clusters. The necessary conditions involve specializations of product processes and the ability to transport the product. Primarily, the value-chain needs to be divided into specialization of divisions, so that multiple specialized organizations can be formed. Furthermore, the value-chain needs to consist of several actors to be sustainable, which creates healthy competition and mutual learning between firms. Sufficient conditions involve complementary actors, where collaboration becomes a vital factor for the success of clusters. Thus, proximity environments create mutual adaptations between firms, where tacit knowledge plays an important role in clusters (Steinle & Schiele, 2001). Complementary actors include both vertical and horizontal cooperation and collaboration, where relationships among actors can be complex and uncertain. When actors specialize in different activities, a multi-organization is created, which involves supplier-manufacture-dealer-customer chains and firms in competition, with identical or interrelated business areas (Jizi, 2012; Boja, 2011). Likewise, Porter (1998) emphasizes that clusters starts with a focal firm, which first forms upstream links; suppliers, manufacturers and R&D companies, and then downstream links; retailers and customers. Afterwards, the task is to identify firms in the same industry that produce complementary products and services (Porter, 1998). Institutions are also essential actors for industrial clusters, as they provide clusters with specialized skills, technology, information, capital and infrastructure. Thus, government and other governing organizations can be important co-operators for clusters (Porter, 1998)

Industrial clusters create a multi-chain of interconnected groups of firms, where firms can benefit from the low cost, improved customer relationship and mutual competitive advantages (Jizi, 2012). Successful clusters are usually characterized by extensive firm relationships and supporting actors within industrial clusters (Jizi, 2012; Boja, 2011; Porter, 1998). The European Commission investigated 34 industrial clusters in Western Europe and determined that clusters with strong cooperation, collaboration and support showed a positive effect on the performance of the industrial cluster. However, the transmission of knowledge between the firm and the customer is relatively more important than other activities, such as competition. Furthermore, informal contacts are not likely to involve more than small ideas between firms, which does not create a competitive advantage for firms within clusters (Dahl & Pedersen, 2004).

In the next paragraphs the Interorganizational Network theory, used in this dissertation will be presented.

3.3 Interorganizational networks

The characteristics of interorganizational networks are crucial to understand, because of the several interactions and values created in the network. Williams (2005), Osborn and Hagedoorn (1997) agree on that the main characteristics of interorganizational networks consist of interactions between firms in forms of activities and resources. Furthermore, Ma, Yao and Xi (2009) discuss the exchanges and relationships between firms, resources and activities. When firms participate in developing networks of alliances and exchanges, they have the opportunity to get access to valuable resources. Additionally, the network, which a firm is embedded in, can serve as a foundation of sustainable competitive advantages for firms (Ma, Yao, & Xi, 2009). Network resources in firms' alliances are related to both interorganizational characteristics and structure of interpersonal networks. These two aspects are essential to get access to the network resources for firms (Ma, Yao, & Xi, 2009). In the following chapters the interorganizational network will be discussed, where structure and firm interactions are the dominating topics.

3.3.1 Interorganizational network structure

Other ways of characterizing networks, according to Ritter and Gemünden (2003) are firstly, through alliances between firms, and resources, where the activities in the network are dependent on what other actors do. Second, networks can be viewed as self-organizing systems, with specific structures, also called strategic networks. Williams (2005) and Chandler et al. (2013) discuss the interorganizational network structure, from different perspectives. The interorganizational network structure is determined by the interactions and collaboration between firms in the cluster (Williams, 2005). However, factors, such as reputation and status play a crucial role when choosing which firms to collaborate with (Chandler, Haunschild, Rhee, & Beckman, 2013).

Firms' opportunities of acquiring benefits of networks are defined through network structure, the place of each firm and the firms' links (Williams, 2005; Chandler, Haunschild, Rhee, &

Beckman, 2013). Additionally, if the structure of interorganizational network offers many opportunities to benefit, the firms tend to be more motivated to cooperate with other firms because they realize that they can all gain from the cooperation. In contrast, interorganizational networks with structures that provide few opportunities to gain, firms are more likely to see each other as competitors rather than co-operators. Therefore, structures in interorganizational networks create several conditions that can affect the motivation of firms to interact with other firms. Nevertheless, there are not any guarantees that the relationship between firms is unilateral or determined, even though the network structure offers favourable conditions. Moreover, negative relationships, such as conflict and competition between firms may create pressure to change the structure in the network so that it is aligned with the desired levels of collaboration (Williams, 2005).

High levels of status and good firm reputations bring several important benefits for firms. Reputation is defined in terms of firms' economic performance, whilst status is defined as an actor position within the social structure (Chandler, Haunschild, Rhee, & Beckman, 2013). According to Chandler et al. (2013), firms will seek to interact and collaborate with those who have higher reputation than their own, because of the benefits a high reputation alliance possesses. Moreover, firms with high status have the ambition and capacity to form alliances with high reputation firms. However, high status firms face a relatively small group of attractive reputable firms, because it is difficult to find firms at their high-level of status. In contrast, firms with lower status are usually a larger group and more eager to collaborate with firms that have a greater reputation. Therefore, status and reputation are essential factors for partner formation, which in turn affects the network structure. The effects of status are stronger than the effects of reputation in interorganizational network structures and partner characteristics (Chandler, Haunschild, Rhee, & Beckman, 2013).

3.3.2 Interorganizational interactions

Earlier research has studied interactions between firms as an isolated part from the Interorganizational Network theory. As research improved, scholars identified these interactions to form interorganizational networks between firms (Ritter & Gemünden, 2003). There are five different episodes of interactions that occur in interorganizational networks, which are important to understand when analysing the relationship between firms (Ritter &

Gemünden, 2003). The first episode is the interactions between individuals or firms, which are characterized as an incident or a single interaction in the network. The second episode is the individual relationships in the network, which are characterized as an interaction between two actors. The third episode is the similar relationship between firms, where the starting point is at the focal firm and then relationship patterns are observed, from the firms that are most similar to the focal firm. The fourth episode is the relationship of an actor, where both the vertical and horizontal links are taken into consideration. The fifth and last episode is analysing industries and markets as networks. A single firm cannot structure and run networks by themselves, which makes the firm dependent on the activities that other actors perform. Thus, the interaction between actors tends to build clusters and networks of organizations, with the goal to compete against other clusters and networks (Ritter & Gemünden, 2003).

Values in interorganizational networks can either be created or destroyed through interactions, relationships and collaborations between firms. There are different types of values created depending on what type of interaction in the interorganizational network the firm is involved in. Values can either be created from one actor or both parties involved in the interaction. However, the values do not necessarily imply the same worth for the both parties. The relationships in the vertical links, between the suppliers, the manufactures and the customers, benefit all the involved parties in either similar or different levels. Therefore, the values created in an interaction are crucial factors to motivate firms to participate in interorganizational networks (Ritter & Gemünden, 2003).

In the next paragraphs the Interaction model will be presented. The elements, power/dependence and cooperation/conflict in the atmosphere dimension of the Interaction model, will be used to connect the Cluster theory and the Interorganizational Network theory.

3.4 The interaction model

The connection between the Cluster theory and the Interorganizational Network theory can be observed through the theoretical interaction approach by IMP Group (Industrial Marketing and Purchasing Group)³. The interaction approach is based on the interactions between several actors, where the focus is on finding the most beneficial actors in their industrial

³ IMP-Group is an informal, international network of scholars that approaches marketing, purchasing, technological development and management from an interactive perspective. <http://www.impgroup.org>

sector (Ekelund, 2002). The approach has been widely used to understand the dynamics of business markets. Therefore, scholars accept the idea that no firm is working in isolation from others (Sutton-Brady, 2001)

There are both long-term and short-term relationships between the actors. The IMP Group's Interaction model focuses on the buyer-seller relationship. However, the model is applicable on other actor relationships. The long-term relationship consists of more complex interactions, where the focus is to strengthen the relationship between firms rather than profit from the relationship (Ekelund, 2002).

The Interaction model is based on four basic dimensions: the interaction processes, the interacting parties, the interaction environment and the atmosphere, which is a part of the interaction processes. The first dimension is the interaction process, which consists of exchanges in terms of product/service, information, financial, and social. The second dimension is the interacting parties, which plays a determining role within interaction processes, due to the different characteristics; structure, strategy and size of the actors. The interaction environment is the third dimension and refers to several factors that affect the interaction, such as the market structure and the social system. The fourth dimension is the intangible nature of the atmosphere, which is the condition of actors' interaction. Firms can describe the atmosphere of the interactions through three elements; power/dependence, cooperation/conflict and closeness/distance. The three elements explain the communication and the relationships between the parties, where trust and commitment, control the pattern of the atmosphere (Ekelund, 2002; Sutton-Brady, 2001).

The relationship atmosphere is a vital factor when developing relationships between firms, and determining the characteristics of the relationship. Furthermore, the three elements have been accepted as a framework to analyse the relationship atmosphere between different actors, among scholars. Therefore, the elements are adequate to use when observing the relationship between parties and understanding the characteristics of the relationship (Sutton-Brady, 2001). This dissertation will focus on the two elements, power/dependence and cooperation/conflict in the atmosphere dimension of the Interaction model. These two

elements can be connected with both the Cluster theory and the Interorganizational Network theory.

The following subchapter will present the theoretical framework used in this dissertation, the Industrial Interaction model and its components.

3.5 Theoretical Framework

The case of the Business Park Drenas, Kosovo is relevant to examine, since there are no earlier observations or evaluations of interactions between the firms in the business park. Furthermore, the Interaction model is mostly used between buyers and sellers. However, the dimensions used in the Interaction model can be found in firm relationships in clusters and interorganizational networks. Therefore, it can be relevant to conduct research on the atmosphere dimension from the Interaction model, based on the Cluster theory and the Interorganizational Network theory. Furthermore, the interactions between firms depend on the opportunities to benefit from the cooperation, which indicates that the atmosphere in the cluster is crucial. Additionally, the two elements in the atmosphere dimension: power/dependence and cooperation/conflict are of great importance because they enable us to identify the relationship between interorganizational interactions and industrial clusters. Therefore, this dissertation will focus on the two first elements of the atmosphere dimension, power/dependence and cooperation/conflict.

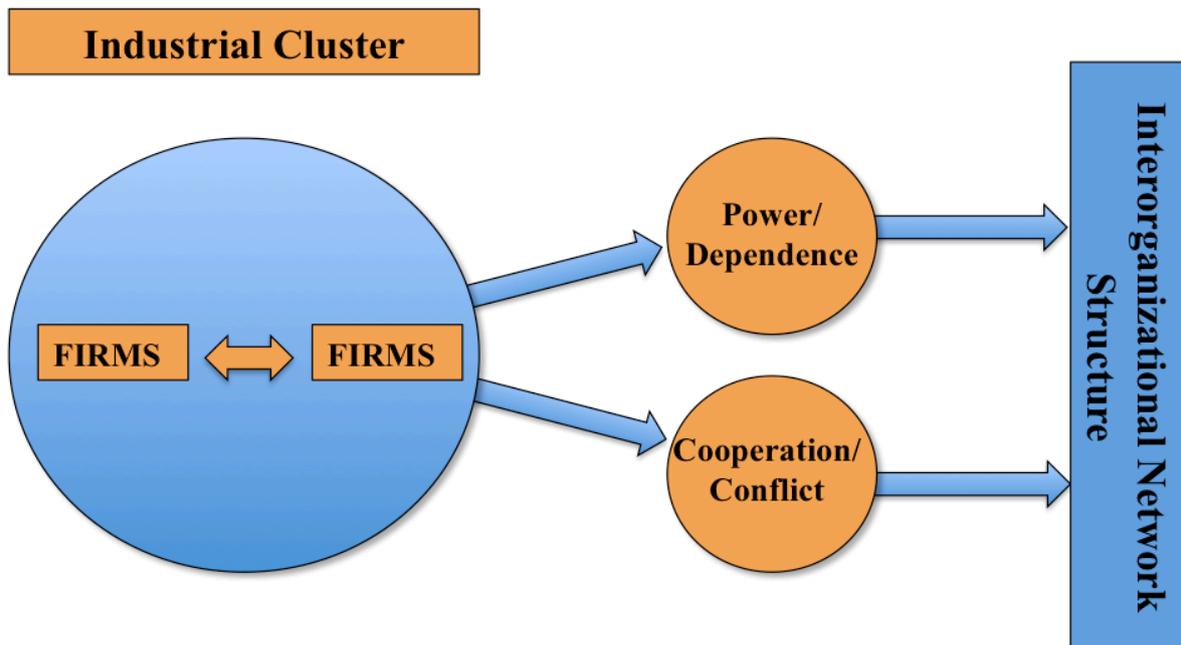


Figure 3.1. Industrial Interaction model

The Industrial Interaction model demonstrates the relationship between the industrial cluster, interorganizational network structure and the two elements power/dependence and cooperation/conflict. The industrial cluster is shown on the left side, where interorganizational interactions between firms occur. The interorganizational interactions affect both, the elements power/dependence and cooperation/conflict. As a result, these two elements affect the interorganizational network structure.

The next paragraphs will describe the depending factors in the Industrial Interaction model and how they are related to the industrial cluster and the interorganizational network structure.

3.5.1 Power/dependence

The exchanges between parties in relationships are characterized as balanced or imbalanced in relation to power/dependence in the atmosphere. Imbalance in a relationship between parties can depend on the amount of resources the involved parties have to offer, compared to the other party. However, this does not imply that the party with a higher amount of resources shows his power. Therefore, the power/dependence element can be balanced as well, because parties have the ability to control their power in the relationship (Paliwoda , 2013). Creating

alliances can eliminate dependence uncertainties. Furthermore, for alliances to be able to survive, the bargain power needs to be shifted between partners, which creates mutual partner dependencies (Xia, 2011).

The power/dependence within industrial clusters can be associated with the benefits that occur in exchanges between firms. The dependence can be mutual when product/service, information, financial and social are shared easily, which benefits the parties involved. However, firms with strong reputation and status possess a greater power in a relationship, because other firms are more eager to cooperate with them. The Cluster theory also suggests that there is both power and dependence within the boundaries of clusters, where firms seek other firms, depending on the amount of access to valuable knowledge. Furthermore, firms with lower status are usually a larger group and more eager to collaborate with firms that have a greater reputation. Therefore, status and reputation are essential factors for partner formation, which in turn affects the network structure.

3.5.2 Cooperation/Conflict

The cooperation/conflict element in the atmosphere dimension describes the willingness of firms to cooperate and collaborate with each other. Furthermore, the cooperation can occur in both single exchanges, but also long-term exchanges, where one of the parties can gain advantages in one stage and the other in a later stage (Paliwoda, 2013).

The cooperation/conflict within industrial clusters can be associated with the structure of interorganizational networks. The cooperation is high when the interorganizational network is structured in a way that it offers many benefits for firms. The benefits of the structure indicate that firms are more likely to be motivated to interact with each other. Furthermore, structures where the opportunity to benefit is low, firms tend to compete with each other and create conflicts. Therefore interorganizational network structures tend to change depending on the cooperation, interactions and conflict in the cluster. Relationships between firms, such as the supplier-manufacture-dealer-customer chain are more likely to high cooperation, since the actors specialize in different activities. However, the relationships between firms in sectors of the same industry are usually more difficult to predict where the cooperation is high/low.

Finally, the Industrial Interaction model will be used as a framework in our research to investigate the relationship between industrial clusters and interorganizational networks with regards to interorganizational interactions dependent on power/dependence and cooperation/conflict in an industrial cluster.

4. Empirical Method

This chapter will present the empirical method, which will consist of this dissertation. Furthermore, the time horizon, data collection, analysis method, site and participant selection, interview guide, reliability, validity and generalizability of the dissertation will be described.

4.1 Research strategy and time horizon

There are two research strategies a researcher can choose from, the quantitative or the qualitative research strategy. Furthermore, there are different methods to collect data within these two strategies such as interviews, ethnography, surveys, or experiments (Bryman & Bell, 2011). In this dissertation, the purpose was to study a cluster in a developing country, with a transition economy, and then connect the Cluster theory and the Interorganizational Network theory by using the Interaction model. Therefore, a qualitative research strategy was used with semi-structured interviews. Semi-structured interviews mean that a researcher has a list of questions on the important topics of the research, where questions can deviate from the way outlined at first (Bryman & Bell, 2011).

The collection of data in this dissertation were conducted at a particular time, more specifically between April 23th and April 28th, 2015 in the Business Park Drenas, Kosovo. Several topics, such as cluster, interorganizational network, power/dependence and cooperation/conflict were covered in the semi-structured interviews. Therefore, the time horizon applied is a cross-sectional study. According to Bryman and Bell (2011) cross-sectional research is conducted at a single point in time and more than one topic is used to obtain variation.

4.2 Data Collection

There are several methods for researchers to choose from for the data collection. Bryman and Bell (2011) mention different methods within qualitative research, such as observations, interviewing, focus groups, language-based approaches and qualitative analysis of texts and documents. The interview method is the most common method used in qualitative research (Bryman & Bell, 2011). Based on our research question and the theories used in this

dissertation, semi-structured interviews were chosen to cover the topics in this dissertation. Furthermore the semi-structured interviews were used to have the possibility to ask follow-up questions, get a deeper understanding of the responds and give the interviewee the chance to further develop his/her answers. The interview method is suitable when researchers:

- Have a greater interest in the interviewee's point of view to understand the reasons behind the occurrence.
- Wants to have the ability to depart from the interview guide that is outlined and ask new follow-up questions.
- Wants long and detailed answers from the interviewees

In order to collect the data needed in this dissertation, we had to interview several businesses in the construction industry in the Business Park Drenas. The interviews covered, their networks, interactions, power/dependence and cooperation/conflict with other businesses in the park. We both attended every interview where we had different tasks. The first task was to ask the questions and record the interviews. However, only four companies gave us the permission to transcribe their interviews, an extract of these will be found in appendix B. The second task was to write down important key words and summaries of each interview. The summaries and the complete transcriptions will be available upon request. Additionally, secondary data was used to complement the research and increase the knowledge of the topics. Documents and e-mails conducted from the Ministry of Trade and Investments of Kosovo were also used to get information about the Business Park Drenas and the companies located there.

4.3 Analysis method

There are different data analysis methods a researcher can chose from, such as, content analysis, grounded theory and analytic induction (Bryman & Bell, 2011). Based on the data collection method selected in this dissertation the most suitable data analysis method was the content analysis. Qualitative content analysis refers to reduction of the collected data to the most important parts into categories and themes. Furthermore, the condensed data are based on interpretations, which means that the researchers interpret outside the frame of what is said. Using content analysis has its benefits, such as, flexibility in research designs and is

content-sensitive. However, the flexibility in content analysis may be a challenge for the researchers, because there are no guidelines for the analysis and no “right” or “wrong” way of doing it. Therefore, to make a successful analysis, it is important for the researchers to have the research question in mind during the analysis. The success of the content analysis also depends on the researchers skills, perceptions and analytic abilities (Elo & Kyngäs, 2008).

The process of the analysis was made in two different stages. First, the data was collected and second, the collected data was reduced and categorized into themes. To our help we had the theoretical framework to decide what parts of the data to keep, reduce or remove. The purpose with the content analysis in this dissertation was to reduce the data without removing anything relevant to the dissertation.

4.4 Site and participant selection

The participants in this research were from the construction industry in the Business Park Drenas, Kosovo. The participants in this dissertation were not chosen in advance but through the snowball sampling method.

The first participant firm was selected based on the following aspects:

1. Number of employees
2. Company turnover
3. Largest parcel in the park

At first, an e-mail was sent to the Head of the Sector for the development of Economic Zones in the Ministry of Trade and Industry of Kosovo, asking about documents regarding the most successful Free Economic Zone in Kosovo. We received a response shortly after and received contact information to all the companies operating in the park along with other documents about the park. We contacted all the firms in the construction business by e-mail. In the e-mail we explained the purpose of the dissertation, what dates we were going to be at site in the Business Park. Furthermore, we asked if someone was interested in participating in this study, if so, also to state the partners of the company within the business park.

Table 4.1 Overview of the participant companies

Company	Turnover, million Euros	Employees	Specialization
Plastika Sh.p.k	7.00	60	Production, processing, service and recycling of plastic and nylon
NTP AeroCom	3.00	15	Paper Production, different sticky tapes
M Sora	1.90	9	Production of doors (standard and automatic), windows, panel plates
NP Metaj	0.40	5	Manufacture of bulletproof and anti-vandal glass
NTP Shehu	0.65	14	Production of plastic, wood or aluminium stairs and doors
EngGroup	0.50	10	Production of sheet metal ducts for ventilation and air conditioning
Dani Plast	0,08	6	Production of doors and windows of aluminum and plastic
Liftkos	1.10	38	Production and installation of elevators

As mentioned earlier the snowball sampling method was used to select the participants in this dissertation. The snowball sampling method is the most commonly used sampling method in qualitative research, especially across social sciences (Noy, 2008). The reason why we choose the snowball sampling method for this dissertation was because we wanted to evaluate the network interactions in the business park. Since there were no evaluations of the network interactions from before in the park, we had no information about the partner and interaction relationships between the businesses. As a result of lack of information, it was necessary to start with a focal firm and then continue to other firms in the park. Therefore, the snowball sampling method was suitable for this dissertation. When researchers use the snowball sampling method, the number of participants is not known in the beginning of the data collection. The number of participants is completed when the data collected do not contribute to new information in comparison to earlier interviews. Furthermore, researchers use one or several participants that are relevant to the research study to choose other participants (Bryman & Bell, 2011). In comparison to other sampling methods, the snowball method gives a part of the control to the participant (i.e. the informant). To avoid this uncertainty and be sure, researchers can direct the participants to the identities and numbers of referents they need. Researchers can then decide how many participants they want to contact, and how much each participant will contribute to the research. However, if the participant at the end of an interview feels dissatisfied, or if the researchers did not manage to gain the participants trust

and make them feel comfortable, the chances of getting information will decrease. Therefore, the quality of the information process from the participants is related to the interactions between the participants and the researchers (Noy, 2008).

The participants in this dissertation were selected based on the returned e-mails and the received documents from Ministry of Trade and Industry. We chose our first participant “Plastika Sh.p.k” that met the three requirements mentioned in the beginning of this subchapter. Furthermore, we could also choose other participants through the partner information we received in the e-mails. At site in Prishtina, we made phone calls to four companies that we found interesting based on their partners, to schedule meetings. From these four interviews we contacted other companies until the responses did not contribute to new valuable information for the study.

Table. 4.2 Site and participant selection

	Company	Date	Time	Site	Transcriptions
	Plastika Sh.p.k	April 23th	09:00-10:00	Prishtina	No
	NTP AeroCom	April 23th	12:00-13:00	Prishtina	Yes
	M Sora	April 24 th	11:00-12:00	Business Park Drenas	No
	NP Metaj	April 27 th	15:00-16:00	Prishtina	No
	NTP Shehu	April 28 th	08:00-09:00	Business Park Drenas	Yes
	EngGroup	April 28 th	14:30-15:30	Business Park Drenas	Yes
	Dani Plast	April 27 th	12:00-13:00	Business Park Drenas	Yes
	Liftkos	April 24 th	12:30-13:30	Business Park Drenas	No
Total	8	4 days	8 hours		19 pages

4.5 Interview guide

The goal with the semi-structured interview guide constructed for this dissertation was to obtain information from the participating companies, related to our theoretical framework topics. The semi-structured interviews consisted of questions about the company’s relation, collaboration, power/dependence and cooperation/conflict with other firms (See Appendix A). The semi-structured interview guide was created from the theoretical framework used in this dissertation and was arranged in three different themes: clusters/interorganizational networks, power/dependence and cooperation/conflict.

The first section of the interview consisted of introduction questions, such as the background of the company. The purpose with the questions in the introduction part was to give us a brief understanding of what the company does, the firm resources and their contribution to the business park. Additionally, the purpose with the introduction questions was also to warm up the respondent and make him/her feel comfortable with the interview.

The second section in the interview, covered questions related to the Cluster and Interorganizational Network theories. The purpose with this section was to gain information about the companies views of operating in proximity. The questions in this section mentions, strengths, weaknesses and benefits of proximity along with firms' cooperation willingness in the park.

The third section was related to the atmosphere element power/dependence in the Interaction model. The purpose with the questions in this section was to gain information about firms' power/dependence in relationships with partners. Reputation and status were also considered in this section because we thought it was interesting to see how the power/dependence in a business relationship can be affected by these two factors.

The fourth and final section contained questions related to the atmosphere element cooperation/conflict in the Interaction model. Also here reputation and status were taken into consideration in some questions. The reason for this was because in the study made by Chandler et al (2013), the factors reputation and status are related to cooperation. The purpose with the questions in this section was to gain information about the cooperation/conflict of firms in the business park, where different business exchanges, interactions and communications were considered.

4.5 Reliability, validity and generalizability

Reliability, validity and generalizability are different ways of measuring quality in a research study (Bryman & Bell, 2011). However, these three components in qualitative research are slightly different from quantitative research. One main reason is because, in qualitative

research there are no measurements in terms of numbers, but instead the key to quality is to collect and analyse the data in an organized and unbiased way (Gunnarsson, 2012).

4.5.1 Reliability

Reliability is connected to whether the research is repeatable or not. In other words, if other researchers would want to do the same study, will the results obtained in this dissertation be the same or will they differ in the repeated study (Alvehus, 2013). Reliability can be divided into two parts, external reliability and internal reliability. The external reliability is connected to which degree a study is repeatable. In qualitative research the external reliability is hard to achieve because a research of social setting is hard to “freeze”. The reason behind this difficulty is that a repeatable study is hard to compare with the original one, if the social setting is different. For example, in ethnographic research, the researchers replicating the study need to have the same social role as the original researchers. If this condition is not fulfilled, then the researcher conducting the replicable data will not perceive the same results as the original ones. Therefore the results will not be comparable. Internal reliability is connected to the perception of what is being observed, which refers to if more than one researcher in the team agrees on what is being observed (Bryman & Bell, 2011).

A high reliability can be hard to achieve in this dissertation, because of the data collection method: semi-structured interviews. Using semi-structured interviews, we may ask follow-up questions to the respondents to increase the understanding of the answer. This results in each interview being unique and personal since the questions may vary depending on the answers from the respondents. Furthermore, there can be differences in the data collected and the way the data is interpreted from interview to interview. Therefore, it will be difficult to repeat the study without getting different results.

4.5.2 Validity

Validity is connected to the measurement of the study. It refers to whether researchers are measuring what they want to investigate, more exact if they managed to measure or identify what they say they are (Alvehus, 2013; Bryman & Bell, 2011). Validity can be separated into internal validity, also called credibility and external validity, also called transferability.

Internal validity refers to whether there is a connection between the theoretical ideas developed and the observations made in the study (Bryman & Bell, 2011). According to Gunnarsson (2012) the internal validity can be separated into three parts; communication validity, respondent validation and triangulation. Communication validity refers to researchers communicating skills, in other words, how well researchers can communicate and how the process of the study affects the knowledge validity (Gunnarsson, 2012). Respondent validation refers to the process whereby researchers provide their participants in their study with a description of their findings as corroboration that they have understood them correctly (Bryman & Bell, 2011; Gunnarsson, 2012). The aim with respondent validation is to gain a good correspondence between the findings in the study and the participants' experiences (Bryman & Bell, 2011). The third part of internal validity is triangulation, which entails researchers to use more than one method or source of data in the study (Bryman & Bell, 2011; Gunnarsson, 2012).

To ensure a high level of validity, we tried to explain the process of the study in a systematically and unbiased way. Furthermore, we used a variation of participants, with different specializations in the construction industry. All the participants in this dissertation will be offered a copy of the dissertation. Therefore, this study also succeeded in gaining respondent validation, to get a good correspondence between the findings in this dissertation and the respondents that participated in the study.

4.5.3 Generalizability

External validity refers to what grade of generalizability that can be applied on the findings across social settings (Bryman & Bell, 2011). For example, in qualitative research studies researchers do not define the generalizability. Instead, they present the process of the study and their findings, and then let the reader decide the degree of generalizability (Gunnarsson, 2012). Generalizability is referred to as external validity or transferability and is more regularly used in quantitative research rather than qualitative. Generalizability measures if the findings can be applied on other research settings than original ones. However, this is hard to achieve in qualitative research because of the tendency to use small samples. Therefore, the findings of this dissertation are not generalizable, because of the small sample and the

abductive research approach used. Nevertheless, the gathered knowledge attained in this study can be transferred to similar studies in developing countries with transition economies.

5. Empirical findings, analysis and discussion

The following chapter will present the empirical findings, analysis and discussion in this dissertation. The empirical findings and theories presented in the literature review are integrated in the analysis. Furthermore, we will present a table summarizing the empirical findings. Both the empirical findings and analysis will be presented in the following order: cluster, interorganizational network, power/dependence, and cooperation/conflict. At the end of this chapter a discussion will be presented.

5.1 Analysis of empirical data

Our theoretical framework, the Industrial Interaction model was used to facilitate the findings and analysis of the atmosphere in the Business Park in Drenas. The empirical findings showed similar characteristics discussed in the Cluster theory and the Interorganizational Network theory. Thus, we are able to draw clear parallels between the findings and the theories in this chapter.

Table 5.1 presents three themes based on the interview guide: Cluster/Interorganizational Network, Power/Dependence and Cooperation/Conflict. Each theme consists of different aspects that represent the theme. The intention of the first theme is to confirm that the Business Park is a cluster and the respondents' perception towards the interactions in the location. The second theme is a more deep portrayal of the firms' relationship and interactions. The third theme presents different aspects, such as information exchanges that may take place in a cooperation/conflict between firms. Furthermore, the table also illustrates different responses of the people interviewed to capture each theme. The number in brackets shows how many of the 8 respondents agreed to the aspect mentioned in the theme.

Table 5.1 SUMMARY OF THE RESPONDENTS VIEW ON THE ATMOSPHERE

Cluster/Interorganizational Network	Strengths of operating in proximity Infrastructure (8), Location (6), Cooperation (3), Consumer attraction (3), Communication (2), Diversity of firms in same sector (2), Healthy competition (2)
	Weakness of operating in proximity Non (7) Competition (1)
	Benefits are divided equally between firms in proximity (6) <i>Illustrate example "Firms in the Business Park benefit from being close to each other because it is a marketing strategy. When another firm's client comes to the park, they also see my firm. Which is a sort of marketing that benefits all of us"</i>
	Firms are positive to cooperation (8)
Power/Dependence	Depended of their partner (supplier-manufacture-dealer-customer) (6) <i>Illustrate example "We are not dependent, it is more that you want a good relationship because it is less risky, and you have already build up trust with that partner, so in that way you are depended of each other"</i>
	Not easy to switch partner (8) <i>Illustrate example "No, it is not easy to switch partners, because in my case, I work with only one type of material. This means that for me to change a partner requires me to change my whole production, like for example my products, machines and the saw blades"</i>
	The interaction between firms depends on the firm resources (if a firm has more to offer, the power increases and vice versa) (8)
	Reputation and status increases the power (8)
	Bargaining power is connected to reputation/status (8)
	Reputation and status are important factors for the valuation of a partner (8) <i>Illustrate example "Of course they are important factors, especially reputation, because for me that means trust and quality...and trust and quality are the most important factors in a partner because it shows that the firm is serious and keep their end of the contract, which in turn creates a will for me to keep that partner"</i>
Cooperation/Conflict	Competition in the Business Park (5)
	Exchanging ideas and information are easy in the Business Park (3)
	Informal relationships are more common in the Business Park (4)

4

⁴ The number in brackets shows how many of the 8 respondents agreed to the aspects mentioned in each theme.

5.1.1 Clusters

The outline of this subchapter will be presented in the following order: *advantages of cluster, specialized labour, informal relationships, market knowledge, information, and values.*

In previous literature, the most common *advantages* that emerge from industrial clusters are specialized labour, easier allocation of knowledge and resources (John & Pouder, 2006; Popescu , Ceptureanu, & Ceptureanu , 2012). The interviews revealed that the strengths of operating in the Business Park Drenas are the infrastructure, location and cooperation. All the respondents were unanimous in the opinion of the advantages, and the reason is explained by one of the respondents:

“Most of the firms that are placed here are depended on the electricity, which has been a constant problem when the business park did not exist. The previous location of the firm was a bit outside of the capital city and without any notice the electricity could shut down, which slowed down the production, increased the cost, and had a negative effect on our sales and relationships. In addition, the business park is placed in the middle of the country, which have increased our clientele” – Dani Plast

Thus, the major advantages mentioned in the interviews are what Steinle and Schiele (2001) refer to as necessary conditions for the formation and development of a successful cluster. The necessary conditions involve specialization and transportability of the product.

Firms in a proximity environment are able to become more efficient by using *specialized labour* (Marshall, 1920/2011). The respondents from the Business Park Drenas operate in the construction industry, which creates different specializations. Plastika Sh.p.k was one of the first firms that established its production in the park and it is today one of the largest firms functioning there. Plastika Sh.p.k has 60 employees, and the firm is specialized in production and recyclable plastic packages, which are mostly used in the packaging of different products. The firm demonstrates that specialization for a certain activity creates profitable know-how, which in turn creates a stronger need for its product in the business park.

Knowledge that is difficult to exchange in verbal and written form are more likely to be exchanged through *informal relationships* between firms located close to each other (Audretsch & Feldman, 2004). However, the empirical data did not show a clear connection

between informal relationships and knowledge exchanges in the cluster. All of the respondents had some kind of formal and informal relationships. However, 4 out of 8 respondents said that it was more common with informal relationships and only 3 out of 8 thought knowledge was easily attainable in the business park. The few informal relationships in the park can explain the reason to why knowledge is not shared easily between firms. The interviews also revealed that most of the knowledge that circulated openly between firms was basic knowledge concerning the park. Thus, the empirical data is consistent with Dahl and Pedersen's (2004) view on informal relationships and knowledge exchanges, where informal contacts only involve the exchange of small ideas between firms, which does not create a competitive advantage.

Firms operating in proximity are able to respond faster to market demands because of *market knowledge exchanges* (Marshall, 1920/2011). However, the majority of the respondents did not think that market knowledge was easily exchanged in the business park. One of the respondents explained:

“In order to exchange market knowledge there needs to be available information on the construction industry in Kosovo. The limited information of the construction market reduces the chance to actually share the information between firms” – N.P Metaj

Martinez et al. (2012) claim that knowledge that is valuable, rare, and non-substitutable becomes a competitive advantage. Thus, information concerning the construction industry could be used as a competitive advantage against other firms in the business park.

Information is a crucial resource that is kept inside the firm (Dahl & Pedersen, 2004). However, firms may take advantage of their superior performance if a piece of information could create power over another firm (Martinez, Belso-Martinez, & Más-Verdú, 2012). Several respondents mentioned that people are not open with valuable information that could hurt the firm, but knowledge that could benefit the firm is shared easily between partners.

One of the respondents mentioned that:

“Information that is shared between firms is the information that benefit the firm itself. For instance, a partner can mention that one of our competitors have approached them and offered a new technology. Then we have to offer something more to increase the value to our product and maintain the relationship. This kind of information can be shared easily because it is of mutual interest” – Plastika Sh.p.k

Values are created through the different types of interactions firms are involved in (Ritter & Gemünden, 2003). Common values increase the possibility for knowledge to circulate freely in clusters (Martinez, Belso-Martinez, & Más-Verdú, 2012). The Business Park Drenas was established in 2010, which makes the cluster relatively new. From the data collected, we found that several firms are in the development phase, and some forms of interaction and relationships have not occurred between all firms. Therefore, the common values among the firms have not been formed yet.

5.1.2 Interorganizational network

This subchapter will discuss the factors, *reputation and status* and how the factors change the interaction between firms.

The interorganizational network structure is observed through the cooperation between the cluster members (Williams, 2005). Chandler et al. (2013) emphasize the importance of the factors, *reputation and status*, when firms choose another partner. Firms with a good reputation are associated with trustworthiness and good quality. Trustworthiness and good quality is created by past performances and behaviours (Chandler, Haunschild, Rhee, & Beckman, 2013). The significance of the factors, reputation and status are shown in the empirical findings. The majority of the respondents mentioned both trust and quality when discussing the valuation of partners. Their perception of a company’s reputation lies within how the company reflects trust and quality. Thus, the higher reflection of trust and quality, the better the perceived reputation becomes. Enggroup sh.p.k is a smaller company, which produces sheet metal ducts for ventilation and air conditioning. The company usually works with smaller project and focuses on the profit, which requires trust and loyalty among partners:

“Reputation and status are of course considered. You don’t hesitate to cooperate with the firm, because you know that the payment will be on time and it creates trust and a stronger relationship” – Enggroup Sh.p.k

According to Chandler et al. (2013), firms with a lower status are more eager to collaborate with firms that have a greater reputation, rather than firms that already have a strong position. This is clearly seen in Enggroup Sh.p.k statement below:

“Smaller firms are more open for collaboration with firms, because we want to grow and become more globalized. While, stronger firms of course work with us, but they are looking for other firms in the same range” – Enggroup Sh.p.k

High status firms, such as Plastika Sh.p.k prefers to cooperate with reputable firms, yet in reality work with a large group of lower status firms. The empirical findings are in accordance with Chandler et al. (2013). But, the lack of companies in the Business Park Drenas results in less options in the choice of partners.

5.1.3 Power/dependence

In the subchapter power/dependence, the following aspects will be discussed: *long-term and short-term relationships, balance and imbalance, partner switch and bargain power.*

Firms interact with each other in different ways. The interaction is dependent on whether the relationship is *long-term or short-term* (Ekelund, 2002). In the empirical study, a variety of firm cooperation and collaboration were brought up. There are both short-term and long-term relationships between different partners in the vertical link and the horizontal link. However, the short-term relationships mostly include different projects over a time period and collaborations between competitors for single occasions.

The relationship between partners can be *balanced or imbalanced*, depending on the power-dependence between the firms (Paliwoda, 2013). NTP AeroCom is a smaller company with a unique product that is located in the business park. However, there is a need and dependency for NTP AeroCom products among other firms, which creates a strong position on the market. The manager describes that their power can become obvious in the relationship to partners:

“Yes, it is a visible power that can be revealed in the relationships to other firms. We have a strong position in the market and we are a fast growing company because of the rare products we have” – NTP AeroCom

The imbalances that may exist in a relationship are connected to the resources the firm has to offer in a relation to the other firm (Paliwoda, 2013). All the respondents agreed that if a firm has more to offer, the power increases and vice versa. However, the empirical data also showed that a smaller firm does not necessarily have less power if it possesses rare and valuable resources. NTP AeroCom is categorized as one of the smaller firms in the business park and the rare resources of the firm still increase its power among partners.

Paliwoda (2013) mentions that a firm with greater resources does not necessarily have to show a visible power over other firms, which can balance the power-dependence element. In the empirical findings, we found out from the reputable firm Plastika Sh.p.k that mutual benefits can balance the power-dependence between firms. Plastika Sh.p.k is depended on long-term relationships, while their partners need good quality to decrease the transportable cost, which is described in their bargaining power against other firms:

“The key is to convince the partner of why your product is better than others. Firms need the product to be able to transport, thus the quality has to be good. Even if the price on our product is more expensive than competitors, we can compete with the quality because in the long-term they will not face problems with transport damages. We are able to show our partners that it will benefit them in the long-term, if they choose us as a partner” - Plastika Sh.p.k

The interorganizational network structure tends to change if there is a *partner switch*. Conflicts and disagreements can create negative partner relationships, which create pressure to change partners (Williams, 2005). All the respondents agreed that it is difficult to change partners, and it is necessary to maintain a strong partner relationship to survive. As one of the respondents puts it:

“It is difficult because several problems occur through the process. We changed partner once and automatically the whole supply chain changed, and we had to adjust to the changes in the process, which made it even more difficult” - Liftkos

Firms within the supplier-manufacturer-dealer-customer chain are dependent of each other, where it can be difficult for firms to switch partners.

The *bargain power* can either increase or decrease the imbalance of relationships (Xia, 2011). Firms with stronger bargain power can shift the partner dependence, which can create imbalance and the partner relationship tends to become unstable (Handfield, 2004; Xia, 2011). In contrast, shifting the bargain power between partners can eliminate imbalance in a relationship, which creates mutual learning and partner dependencies (Xia, 2011). All of the respondents emphasize the relationship between a high level of power and larger companies with stronger reputation and more resources to offer. However, the respondents also agreed that the dependence uncertainty could decrease by finding favourable conditions for both parties:

“A smaller firm always seeks to find partners that are larger. A larger firm automatically has more power, but both can win on the relationship, if for example the smaller company has good ideas and is able to be more innovative” – Enggroup Sh.p.k

5.1.3 Cooperation/Conflict

The outline of this subchapter is presented in the following order: attitude towards cooperation and government as co-operator.

The firm attitude towards cooperation determines the element cooperation/conflict. Thus, if the firms are negative towards cooperation, conflicts may occur in a cluster (Paliwoda, 2013). All the respondents' reactions towards cooperation and collaboration with other firms in the business park were positive, because they are aware of the benefits of operating in proximity. However, transition economies are characterized by uncertainty and lack of trust among firms, and between governments (Vajjhala & Vucetic, 2013). Lack of trust and loyalty among firms were reflected in the empirical data, where risk of delayed payments could result in conflicts between partners. Conflicts between firms tend to change the interorganizational network structure because the structure provides few opportunities for firms to gain (Williams, 2005). One of the respondents indicated that the effect of delayed payments could create great uncertainties for the firm:

“We try to find partners who pay in time, because it could otherwise jeopardize our firm and the profits. We have to use a cautious approach of selecting a partner, so that the other firm does not breach the contract, which will create a conflict. Of course you can take the case to court but the processes is long” – Enggroup Sh.p.k

Government and other governing organizations can be important co-operators for clusters, since they could provide the cluster with several resources, such as infrastructure (Porter, 1998). However, several members of the business park indicated that the cooperation between government and the firms operating in the park is weak. The members were dissatisfied with the government's involvement in the Business Park Drenas, since they did not follow up the progress of the park.

5.2 Discussion

This dissertation has asserted the importance of interorganizational interactions in industrial clusters. Previous researchers have emphasized knowledge and information exchange, as key advantages that emerge from interactions between firms in industrial clusters (John & Pouder, 2006; Boja, 2011; Popescu, Ceptureanu, & Ceptureanu, 2012). However, the empirical findings are not completely consistent with the key advantages, knowledge and information exchange.

Informal relationships are common in clusters, which increase knowledge sharing between firms (Audretsch & Feldman, 2004). However, the empirical findings are not consistent with Audretsch and Feldman (2004). There are few informal relationships and knowledge exchanges is not that common between the firms in the business park. However, the empirical findings also reveal an interesting aspect of informal relationships, where only basic ideas are exchanged. As mentioned by Dahl and Pedersen (2004), relatively small ideas are not considered as any greater benefit for the firms.

Valuable knowledge and information are not shared easily between firms operating in proximity (Martinez, Belso-Martinez, & Más-Verdú, 2012). The empirical findings show that rare knowledge, such as market knowledge is not shared between firms in the cluster, and also not between partners. Transition economies are characterized by turbulence, drastic changes and great uncertainties (Ma, Yao, & Xi, 2009). Thus, firms in the business park need to exchange market knowledge, so they are able to respond faster to market changes. Furthermore, valuable information can be used to strengthen the power in relationships, and, therefore it is kept inside the firm. To increase the information exchange between the firms in

the business park, there needs to be mutual benefits regarding the information between the parties involved.

Lack of trust between firms is a barrier to knowledge and information exchange. Kosovo has a transition economy, which has moved from a centrally planned system to a free market system. In a transition economy, the business environment indicates lack of trust and feelings of uncertainties, which could prevent knowledge to circulate freely in clusters (Vajjhala & Vucetic, 2013). The empirical evidence also show that the firms have difficulties trusting each other in the Business Park Drenas, because several respondents have experienced payment delays. An alternative to overcome the trust issues is to strengthen the firm relationships by focusing on long-term relationships.

Reputation and status are important factors for the firms, when selecting other firms to cooperate with (Chandler, Haunschild, Rhee, & Beckman, 2013). Reputable firms communicate trustworthiness and quality, which explains why firms in the business park are attracted to cooperate with firms that have strong reputations. As mentioned earlier, trust is a common problem in transition economies. Therefore, firms seek quality and trust in a partner relationship.

Both, power and dependence are revealed in the relationship between firms in the Business Park Drenas. Switching partners have shown to be a difficulty, which indicates dependence in the business park. The high level of dependence can be explained through the vertical link, where the firms are specialized in different divisions (Boja, 2011). However, several firms did not consider changing partners as a form of dependence, rather a convenience because of loyalty and trust in the partnership. The empirical evidence also shows that firms with more or rare resources to offer to the partnership have a higher bargain power. Therefore, the relationships between the firms in the park are dominated by imbalance. To be able to create balance between the relationships, the bargain power needs to be divided equally (Xia, 2011). Balance can be achieved through long-term relationships, which successfully creates trust and mutual learning for both parties.

The government are the promoters of the Business Park Drenas, where they should contribute with a fiscal policy and new infrastructure, which did not exist before the formation of the

cluster. However, the empirical evidence revealed that there is lack of involvement from the government in the business park. The dissatisfaction from the members in the cluster towards the government can decrease the level of trust between the members and the government, which is also a characteristic in transition economies (Vajjhala & Vucetic, 2013).

6. Conclusion

The final chapter will first present a summary of the dissertation, and continue with a conclusion of the findings, a critical review, theoretical implications, practical implications and recommendations for future research.

6.1 Summary of the dissertation

Much research of both, industrial clusters and interorganizational networks have been done in the last decade, where the focus has been on the alleged benefits of clusters and interorganizational interactions. However, there has not been enough research on the interorganizational interactions in industrial clusters, located in developing countries with transition economies. Therefore, the aim of this dissertation is to assess whether geographic proximity stimulates interorganizational interactions between firms in the industrial cluster, the Business Park Drenas. This dissertation was based on the Cluster theory and the Interorganizational Network theory, which has been used as a foundation for our theoretical model, the Industrial Interaction model. Our model reflects four different aspects; industrial clusters, interorganizational network, power/dependence and cooperation/conflict. Thereafter, the interviews were based on the four aspects. From the empirical evidence, we found out that dependence between firms is a dominating element in the business park and that the factors, quality and trust are important when firms evaluate partners. Furthermore, the empirical evidence also showed that some knowledge and information are not shared easily between members in the business park. In the analysis and discussion, the empirical findings are discussed in relation to the literature, and the connection to the transition economy of Kosovo.

6.2 Conclusion

This dissertation is aimed to answer the following research question: *How can industrial clusters stimulate interorganizational interactions between firms?* To be able to answer the research question, a qualitative research method was chosen to conduct the interviews, which came to be the foundation for the empirical analysis. The snowball sampling method was used to choose the participants for this study, which allowed us to identify the network and track the partner relationships in the business park.

This dissertation identified a range of determinants of interorganizational interactions in the industrial cluster, Business Park Drenas. In alignment with earlier studies, we found that interorganizational interactions can be stimulated through proximity of firms. Trust is a key factor that stimulates knowledge exchange activities, informal relationships, valuable information exchange, partner selection and relations between firms and the government. In addition we also found out that shifting bargain power allows the firms to avoid conflicts and create partner dependencies, which in turn stimulates long-term interactions. Furthermore, small firms with unique resources do not necessarily have less power in a relationship. The unique resources in a small firm can stimulate interactions between reputable firms and the small firm with low status. Another stimulating factor is sharing common values. However, industrial clusters need to undergo a long process in order to achieve common values, which can be a less favourable way to increase the interorganizational interactions.

The Business Park Drenas has shown to be a successful industrial cluster, especially considering the few companies operating in the park. One reason to the success in the park is the willingness to cooperate with each other. Furthermore, the firms in the park feel that there are more opportunities to benefit of being located in proximity, which shows that the park has a favourable network structure. Even though, some parts of the empirical findings from the Business Park Drenas were not consistent with the theories used in this dissertation, it is still a favourable location to invest in, due to the positive cooperation, new infrastructure, young and qualified labour and good fiscal policy. Additionally, the Business Park Drenas can contribute to a sustainable and positive economic growth for Kosovo. Therefore, this dissertation can be used as a marketing tool for new investors, due to the lack of information of the actual environment in the business park. Furthermore, this dissertation can be useful for the firms in the business park, to further stimulate the interorganizational interactions.

6.4 Critical review

The purpose with this dissertation was to examine the industrial clustering in Kosovo and whether geographic proximity can stimulate interorganizational interactions. However, we examined only one cluster in Kosovo, the Business Park Drenas, which makes the results of this study hard to generalize. A critical reflection is that only one cluster was examined. In order to generalize the results in this dissertation, the industrial clusters need to be comparable

with each other. Therefore, the comparison can be hard to achieve since the elements and resources of each industrial cluster may differ too much to make the comparison significant.

6.5 Theoretical implications

Over the past decade, the subjects of industrial clusters and interorganizational networks have been of great interest. However, there are still some aspects that have not been fully covered. One main aspect is the firms' interaction with each other in clusters located in a transition economy, which is reflected in this dissertation. Therefore, this dissertation provides a significant contribution for the field of both, industrial clusters and interorganizational networks.

Furthermore, power/dependence and cooperation/conflict from the Interaction model are used as elements to connect industrial clusters and the interorganizational networks. Thus, this dissertation offers a new pathway for researchers, since the Interaction model has not been considered in relation to industrial clusters and interorganizational networks earlier.

6.6 Practical implications

Kosovo is the youngest and poorest country in Europe, with a high unemployment rate and economic difficulties. The Ministry of Trade and Investments are trying to overcome these problems by creating industrial clusters in the country, to increase the economic growth and investments in the country. However, there are no evaluations of firm relationships and cooperation in the industrial clusters. Therefore, this dissertation has great practical implications for the Ministry of Trade and Investments of Kosovo, new investors and the firms located within the industrial clusters in the country.

This study will contribute to a greater knowledge about the network and the firm relationships in the park for the Ministry of Trade and Investments. Therefore, this study has the potential to be used as a marketing tool, both for local and foreign investors. Local and foreign investors will gain a greater knowledge about the firm cooperation and the willingness to cooperate in the park. Furthermore, the empirical findings and analysis offers a neutral view of the park, which gives new investors a fair chance to create their own view and valuation of

the Business Park Drenas. This study can also contribute to the firms located in industrial clusters in Kosovo. This research may also be of importance for governments and firms of transition countries, since transition economies are characterized by lack of trust among firms, and between firms and governments.

6.7 Future research

The study was made in the Business Park Drenas, where we found out that several firms are not yet operating because they are in the start-up phase. This affects the interorganizational network structure of the cluster, where factors, such as common values are not fully developed. Thus, further research on the interorganizational network structure and interactions can be interesting to investigate when all the firms in the constructing industry are all established and fully operating.

This dissertation is based on a single industry, the construction industry. However, the park is divided into different industries, such as metal industry and food industry. Porter (1998) emphasizes that there have not been enough linkages across different industries in clusters, which we also agree on. Thus, further research on the interorganizational interactions between firms of different industries could be of great value for the field of industrial clusters. Additionally, future research can be conducted on another industrial cluster in Kosovo, to generate a more generalized knowledge.

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8. Appendices

8.1 Appendix A: Interview guide – Business Park Drenas

A. Introduction

- A1. Can you briefly explain the background of the company? When and why the company was started. What industry are you operating in? What are the main characteristics of the industry?
- A2. Why did you chose to establish the firm in the Business Park in Drenas?
- A3. Was the company established in another location before the formation of the Business Park?
- A4. How are the firm's resources compared with other firms? Please explain your answer relative to staff size, budget, facilities, and information processing resources.
- A5. What are the institution's contributions to the firm and the Business Park?

B. Cluster/Network

- B1. What do you believe are the major strengths and weaknesses of operating in proximity?
- B2. Do you feel like some of the firms benefit more from being close to other businesses or do all of the firms benefit?
- B3. Do you think that your company benefits from being close to other businesses? If yes, in what way? If no, why do you think that's the case?
- B4. Do you feel like the businesses in the Business Park are positive to cooperation?

C. Power/Dependence

- C1. Could you recommend some of your key partners from both your vertical link: supplier-manufacture-dealer-costumer chain, and horizontal link: businesses that work with identical or interrelated businesses area. So we could contact the firms and get further information of the network.

- C2. How many partners do you have within the Business Park?
- C3. How dependent is your firm of your partners (supplier-manufacture-dealer-customer)?
- C4. How easy is it for your firm to switch partners?
- C5. Do you think that firms that have more to offer, such as strong internal resources, interact better than firms with less to offer?
- C6. Do you think that factors, such as reputation and status increases the power of a firm?
- C7. How is your bargaining power against a partner that has more/less resources to offer?
- C8. How is you bargaining power against a partner that has a strong/weak reputation and status?

D. Cooperation/Conflict

- D1. What factors were considered when choosing partners as opposed to other firms?
- D2. Are factors, such as reputation and status important for you valuation of partners?
- D3. Does competition between firms in the Business Park exist? If the answer is yes, in what way?
- D4. Are you likely to exchange ideas with firms in a similar business area?
- D5. What are your perceptions regarding the helpfulness in obtaining information from other firms in the Business Park?
- D6. Are your relationships with partners in the Business Park, a more informal or formal network? Please explain your answer relative to frequent interaction, such as face-to-face meeting or through telecommunication.
- D7. Please describe some of the information and knowledge experiences you have had in frequent interaction with other firms.
- D8. What are your perceptions of obtaining information from firms you are cooperating with?

8.2 Appendix B: Assembled extracts from transcripts

The following paragraphs are extracts from the interviews made with AeroCom, Enggroup, NTP Shehu and Dani Plast that were transcribed. The questions will be randomized.

Every interview was started with a short introduction:

Leotrina Koqani (LK): The interview will take around 40 minutes to 1 hour, based on the earlier interview. However, feel free to talk for as long as you like, because the information is of great value for us.

Company: AeroCom

LK: How easy is it for your firm to switch partners?

Xhelal Neziri (XN): hmm... no, it is not easy to change partner because you have to keep the partners close. You have to see the partner as the only one your working with, but at the same time work to get even more partners. So, you have to try to strengthen the relationship and you have to show respect.

LK: What are the institution's contributions to the firm and the Business Park?

XN: The electricity and infrastructure but also different conferences and seminars so we can get to know each other better.

Company: NTP Shehu

LK: Can you briefly explain the background of the company? When and why the company was started?

Kreshnik Shehu (KS): The Company started 1998, we closed it during the war and started again between the years 2003-2004. It is a small company that produces stairs and doors...the raw materials we use for production are wood, plastic and aluminum. We have 14 employees and the turnover amounts to around 650 000 euro, we provide products for the domestic market, but we also export.

LK: Why did you choose to establish the firm in the Business Park Drenas?

KS: It is a good strategy to be placed in the business park, since it is in the middle of Kosovo, close to large cities and it is easy to transport to all the parts in Kosovo, so, it's a perfect location to be placed in.... A time ago, it wasn't decided if the park was going to be a free economic zone, but when many companies, both from Kosovo and from other countries wanted to move their production to the park, it changed. Now, the park functions perfectly and we are happy that we placed the company here.

LK: What factors were considered when choosing partners as opposed to other firms?

KS: I think quality is the number one consideration, because it is a way to compete with both small and large firms...but also reputation because if we can create a strong relationship to a reputable firm, we can expand our network because it is a way to market the firm. In contrast, if the company has a bad reputation, we will be associated with them, which will affect our performance.

Company: Dani Plast

LK: Are factors, such as reputation and status important for you valuation of partners?

Ramadan Gorani (RG): Of course they are important factors, especially reputation, because for me that means trust and quality...and trust and quality are the most important factors in a partner because it shows that the firm is serious and keep their end of the contract, which in turn creates a will for me to keep that partner.

LK: Do you think that factors, such as reputation and status increases the power of a firm?

RD: Yes of course I think, there are firms that show their power, especially bigger firms towards smaller, because the smaller are dependent on the bigger. But still I have never had any conflict or what so ever related to the power in a relationship.

Company: Enggroup

LK: How easy is it for your firm to switch partners?

Kreshnik Shehu (KS): Well...we need to have more than one partner for one product, so we can see different offers and prices to compare with. I have two or three, so I'm able to change based on the price and quality. You can turn to many firms with low prices for example in Macedonia, to increase the profit of the company.

LK: How is your bargaining power against a partner that has more/less resources to offer?

KS: A larger firm has automatically more power, but both can win on the relationship, if for example the smaller company has good ideas and able to be more innovative. When I work with a larger company...I immediately explain what I have to offer, you inform them directly. If for example, you are a small company that can't do more than 500 windows. But the customer needs more, you have to explain that, so as long as you do that the company will know what you are doing.