

GUIDELINES FOR CLUSTERS

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1. Business cluster and its characteristics

1.1. Cluster notion and relevance

Upon studying causes of competition differences, Harvard professor and Nobel Prize winner Michael Porter, a well-known author in the field of business and competition strategies, observed in 1980 that industrial clusters or *geographic (area) concentrations of enterprises, specialized distributors, universities and research institutions which are closely interconnected, can significantly promote the competitiveness of the enterprises, regions and national economies where they operate.*

The process of formal or informal grouping of enterprises and other institutions in clusters is called clustering. Successful association in clusters results in a network of mutually beneficial links for exchanging information, ideas, support for new technologies, studies and development, skills acquisition, markets, new business models and other areas of common interest.

Relevance and genuine skills are developed within clusters, which are difficult to copy! Companies, regions and countries where clusters operate gain a long-term advantage and develop despite the negative effects of increasing globalization!

Clusters enable companies to be more productive and more innovative than if they worked independently. The clusters develop genuine knowledge and skills not easily copied. Clusters enable companies, regions and countries to gain long-lasting competitive advantage, take advantage of the opportunities that globalization brings and successfully tackle its challenges.

1.2 Characteristics of clusters

Geographic concentration of enterprises is important, albeit insufficient for the existence of the cluster. Interconnection with science is another important feature of clusters. Information and knowledge are easily and very informally exchanged within the cluster, whereas cooperation with scientific institutions is more flexible. Therefore, clusters are often defined as a special type of business community, specialized in efficient creation and transfer of applied knowledge.

Many theoreticians and practitioners outline trust and collaboration in a cluster as greater values of it: *trust is the connecting tissue of a cluster!* Others point out the climate for innovation and experiment. Clusters promote valuable connection with buyers and thus generate new ideas and pressure on further innovations, because the costs and risks of new business start-up tend to be lower in the cluster.

Financial institutions also prefer to invest in cluster-based enterprises, believing that they have greater chances for growth and development. Some empirical studies point out that companies that operate in isolation actually have up to *40% lower business outcomes than those who are members of a cluster.*

Clusters are especially attractive for small and medium enterprises. They are flexible enough and able to provide quick response to market demands. Small and medium-sized enterprises are very good partners of large businesses in a cluster.

1.3. Principles and conditions of association and cooperation

Clusters are one of many forms of enterprise association, such as corporate contracts, strategic alliances, various types of business networks, and similar. Regardless of their form, the following conditions should be met to ensure successful shaping of relationships between enterprises:

Continuity - vast majority of successful relations last for a longer time, averaging 10 to 12 years, requiring a relevant horizon of all participants.

Complexity – the association involves many parties, which creates various organizational and sociological problems that need to be managed appropriately,

Trust – often there are no formal contracts, therefore very often comes into play the trust and conviction to common goals, to avoid possible behaviors of lack of harmony and divergent intentions,

Symmetry in resources and initiatives – All partners must invest in relevant resources and actively cooperate in joint projects.

Appropriateness – Each and every one must fit (adapt) to the entirety, in order to operate better. Adaptation is done both at the level of personal relations and of business processes in the physical regard (logistics and administration),

Conflict resolution potential – Once established relationships are not able to avoid conflicts forever. Conflicts can be very dysfunctional and disrupt the whole concept of association. On the other hand, they are in most cases constructive and provide new ideas because their solution drives associated enterprises to common goals.

1.4. Trust as foundation of cooperation

Trust is defined as confidence in the **ability** of partners to carry out their work, such as **transparency** in sharing information, as an opportunity for **support** and **fairness** in the sharing of results in accordance with the investments of associated individual participants.

Partner trust, though not ideal, is based on information sharing, including those related to the occurrence of eventual misuse of trust. Thus, the partnership itself promotes trust and protects against misuse, making it more transparent for any non-ethical behaviour and violation of business rules.

Partner control costs can amount to 50% of overall control costs and their reduction through greater trust among partners is a prerequisite for long-term sustainability of collaboration!

Building trust relies on formal and informal processes. Formal processes have to do with the ways of contracting, shaping and achieving trust. The formal processes of trust building follow a range of informal processes, such as: the subtle understanding of the needs of the others and of the eternity and the expression of a sense of belonging. Informal processes are present at all stages of trust building, but require more time to mature by formal processes.

The negotiating stage creates the opportunity for association-based gains. Then the entrepreneur asks why to trust the partners. At this stage it is necessary to study the work of the business partner enterprise, the knowledge it possesses and the psychological relevance of partners. It is necessary to establish an information sharing process between the partners, while the intensity of information sharing will depend on the extent of mutual trust.

In the partnership shaping stage, it is necessary to determine the conditions of operation of the established associations. Firstly, a contract between the partners is needed for the modality of defining and preparing obligations, ideas, norms, but also sanctions; formal legal forms (agreements, charter, and contracts) and tools for establishing the necessary trust.

Each cluster should choose the form and the contract detail and extent that their members will consider as more relevant to their reality and business habits in the branch and the region!

Classic contracting relationships between partners will only increase trust. Therefore, at this stage, various types of intention letters, cards and the like are commonly used. Nevertheless, these forms, on the other hand, sometime are too general and not to include the necessary details of association, and thus generate conditions for trust breaking. A particular challenge of contemporary association between enterprises is posed by intercultural differences.

The final stage of trust building is the stage of implementation, which itself covers the implementation of contracted activities. At this stage, partners in achieving the goals set are intensifying cooperation within and outside the cluster. Fundamental conditions for a successful implementation of joint activities are:

- All participants shall agree on each activity,
- Observance of all remarks and proposals of the participants,
- There is no incomppliance in timeframe for the implementation of activities,
- There is no misuse of energy of the talks for domination,
- There is a security mechanisms for prevention from opportunistic behavior,
- Informing all members on potential rejection of the contract,
- Response from the perpetrator of any inadequate action.

Each partner assesses the likelihood, i.e., the risk that partners will respect or not respect the assumed obligation. If trust is great enough, then renouncing what is contracted cannot even happen. However, sometimes there is a need for renewed talks and setting a new contract, and sometimes conflicts contribute to termination of cooperation.

Mutual understanding is established quicker among partners in any other way (members of the same chamber of commerce, business community, association, and the like) than within partners who do not have such mutual experiences. Here are some tips for greater trust:

- Get to know your partner!
- Seek from the partner relevant business culture!
- Seek for same size partner!
- Socialize with your partner beyond business contacts!
- Collaborate with the people you trust!

Mutuality plays an important role in relationships between partners, both in social and economic relations. The investments of each partner should be roughly the same. If a partner invests more than others, he/she, in some way, imposes on others, which can be used for a greater unequal benefit or may have the opportune behavior against weaker partners who thus they try to even their position.

1.5. Motives of association

The underlying motive for clustering is gaining and retaining competitive advantage in relation to the enterprise that operates independently on the market. The cluster rightly assures:

- **Flexibility** – quick adaptation to new market conditions,
- **Efficiency** – as a result of the specialization between the enterprise and the mainstreaming of processes that an individual enterprise cannot achieve,
- **Synergy** – in transport, communications and general logistics,
- **Learning** – Due to simultaneous cooperation and competition between enterprises that produce the same product is taught by the experience of others,
- **Regional development** – relation between the enterprises requires a relevant support circle, but they themselves should have a positive impact on local and regional development,
- **Trust** – Enterprises cooperate on the basis of mutual trust and policy of equal benefit for all,
- **Interest links** – Enterprise agglomeration also represents a powerful interest community with a certain counterweight to individual intrinsic interests.

1.6. Learning in clusters

Association between enterprises, joint market share or joint development of new product contribute to the development of standards for work and production, i.e., learning that in the long run will increase the competitive advantage of enterprises in such an association.

Cluster enterprises increase their competitive advantage by harmonizing and learning from others, thus, increasing their degree of innovation. There are four learning areas in a cluster:

- **Learning of partners** that enters the relationship coming from different environments and needs mutual recognition,

- **Learning of processes** implemented. Enterprises distinct from each other in the processes and routine of implementation. For a successful co-operation, these distinctions must be recognized and observed,
- **Learning of skills** of other enterprises must be done in both ways, so as not to diminish trust.

Clustering of enterprises in a cluster means learning the long-term goals of the cluster. Their long-term goals need to be constantly adapted, which means they must be in accordance with the goals of clustered enterprises.

One shall also be attentive on hidden goals that some of the enterprises want to reach with their association, which can significantly compromise the partnership itself.

1.7. Factors for successful clusters

Researches indicate that for a successful cluster development there are five fundamental factors:

1. Mission and clear vision of the association,
2. Clear perception of association values,
3. Powerful leadership devoted to cluster development,
4. Realistic goals and clear action plans,
5. Supporting all interested and concerned parties.

If the mission and the cluster vision are unclear, there is a realistic possibility not to look at the potential of achieving the newly created membership value in the cluster. In such conditions, enthusiasm falls drastically upon the occurrence of first difficulties, which are inevitable in all clusters. If there is no inspirational and motivating leader among cluster's first people and their dedication, their enthusiasm will soon be vanished, even in spontaneous clusters. Leaders should know how to plan and be able to cope with all interested and concerned parties as well as to manage conflicts.

If the initiative is not supported by all interested and concerned parties in the community, first of all by the authorities at all levels, it can easily be vanished. Clusters are key drivers of innovation and prosperity where they operate. Although spontaneously developed, the cluster policy makes their appearance and success much safer.

Active involvement of the local community is an important condition for ensuring the continuity of cluster initiatives!

2. Stages of cluster formation

2.1 Initiation stages

Before starting the cooperation, basic planning and preparation is needed. Therefore, at the stage of the initial cluster, it is necessary to conduct many joint meetings with the interested and concerned parties and to ask for genuine people, who can further be used as a promoter and as the right hand at the stages of implementing the concept. Questionnaires, debates, focus groups and conversations with key persons can be used as useful forms for gathering the necessary information for those interested. At this stage, initiators ask the following questions to all interested:

- What shall be achieved through cooperation?
- Can the goal also be achieved by other means?
- What partners are needed to meet the goals?
- Do partners have sufficient economic, organizational and innovative capacities?
- What will the cluster benefit from individuals and partners?
- On what successful and stable cooperation can the cluster be based?
- Are the partners on the same "frequency wave"?
- What measures should be taken to build trust?
- Are the intentions and duties of cooperation of all relevant stakeholders clear?

2.2 Planning stages

2.2.1 Mission, vision and strategy of the future cluster

Determining the involvement of future cluster action in terms of the list of activities and services as well as the territory of action is in fact the definition of the cluster mission. This activity starts the process of strategic planning of the future cluster.

The Cluster will operate and provide conditions for maintaining of joint supplies and representations in markets and for cooperating with relevant institutes

Determining long-term goals is the quantification of what needs to be done to achieve the vision of joining the cluster.

With the formation of the relevant cluster we want you to become the largest producer in Kosovo

At this stage, one should also consider some formal but practical requirements, such as the use of state funds to promote clusters. A cluster should be registered as a legal entity. Then, to be legitimized as a cluster, the association itself must have different actors as it has been emphasized in the general model, and especially they are required relations/collaboration with the scientific-research institutes.

*Prepare yourself to regularly review and complete the statements of mission, vision and purpose of the union. But this should not pose a burden on you and cause you to lose confidence in your leadership skills and planning ideas, but contrary!
Ask for everything that has changed in the meantime, what you know now, and you have not known so far!*

2.2.2 Environmental analysis

The environmental analysis is the second step in the cluster's strategic planning or cluster initiative. For the purpose of circular analysis, it is possible to use some common patterns, such as PEST and SWOT analysis.

The analysis of the circle factors with the help of the PEST model groups the environmental factors according to their field in the policy field (laws, political situation in the country and in the world, integration, globalization and the like), economic (purchasing power of the population, inflation rate, funds available for spending and the like), socio-cultural factors (population structure by age, religion,

changes in the dominant cultural matrix, cultural aspects of globalization and the like) and the technological factors of the circle (internet, communications, computerization design and processing, sales and the like).

PEST environment of a cluster

Most of the factors, defined by a standard PEST analysis, operate and are more relevant to all industries, but their impact is not necessarily the same. Identified and systematized external environmental factors do not operate at the same intensity and at the same presentation speeds. The most important and most critical factors, however, are those in the environment that are expected to be more influenced by the change they will make in the industry. Those factors that do not have a strong influence on the action are important, but their presentation is expected to take place soon. Useful and confirmed environmental factors are placed spatially. It is seen that greater attention should be paid to the changes, which will act immediately with a great intensity:

SWOT analysis¹ is the next useful tool that can be used both for the environmental factors and the classification of whether they are positive (negative) or negative (carry threats), and the assessment of strengths and weaknesses of an enterprise or cluster. Opportunities and threats are external factors and enterprises are not able to influence them, but only adapt to them. Environmental factors are analyzed in terms of whether they mean challenges or opportunities, strategies for their use are developed for the strengths, and strategies for their limitation and gradual elimination are developed for the weak.

Areas where the strengths and weaknesses of the enterprise are sought are:

¹ SWOT or S.W.O.T. It is an acronym for strengths, weaknesses, opportunities and threats.

- Supplies
- Processes and equipment
- Organizational Structure
- Study and development (if any)
- The situation with the staff and their use
- Marketing
- Sales
- Post-sale service

In each of these areas, existing strengths and weaknesses, opportunities and threats should be highlighted and assessed as objectively as possible. The specificity of strategic planning of cluster initiatives requires the preparation of a special SWOT analysis, which will show what are the strengths and weaknesses, opportunities and challenges of the enterprise before joining the cluster and then, under cluster operating conditions. In this way, the gains from clustering will be seen as well as certain inevitable negativities, for example reduced speed of decision making due to the need for greater contracting, difficulties in managing with all concerned parties and similar. Overall profits will be greater than overall effort, investment and inevitable additional problems with group dynamics, because the cluster will bring many new trading opportunities and enable protection from the actions of the challenges.

Realistic, objective approach will also convince the biggest skeptics that cluster initiators are far from idealists and very realistically consider all the circumstances, including those that are undesirable!

2.2. Definition of the Strategy

The findings of environmental analysis serve as the introduction to the strategy definition process. In many cases, the environment determines, through pressures and limitations, the strategic approach of enterprises in an effort to maintain their competitive position. A rational strategy tries to utilize the identified opportunities, which will

enable them to face the challenges, although it is possible to turn them into opportunities (looking for opportunities in the new scenario). The definitive strategic choice is limited to the need to recombine robust resources so that the enterprise can use its strengths and minimize the effects of the identified weaknesses.

The contract on the mode of action, i.e., regarding the main goals and directions of action in order to accomplish the mission and to achieve the vision is actually the cluster strategy contract. It defines how the resources will be combined and utilized in order to benefit from opportunities and to avoid risks, how to combine and utilize strengths and how to eliminate and minimize cluster weaknesses through decisions related to definition of the future cluster strategy.

In cooperation with the relevant institute (depending on the sector) we will build contemporary capacities for collecting and processing the rich raw material base and at the request of the partners in other regions, we will work on the development of the production with a certain geographic origin!

2.3 Cluster initiative promotion stage

It is important not to lose the initial enthusiasm. It is not realistic to expect that all (interested and concerned parties) will immediately and very easily agree on all issues related to the mission, vision, goals and strategy of the future association. Sometimes more planning meetings will be held, a similar cluster will be visited, and examples of successful cluster initiatives will be studied. The promotion and motivation stages contain the most important promotional activities. The purpose of the promotion stage is to identify enthusiasts who will act as promoters of the idea.

Promotional activities are led by the initiators and coordinators of the cluster initiative and are often funded by their own funds. However, they can also engage other interested entities from the local cluster environment and beyond. Promotional activities imply a range of meetings in the business community, meetings with other cluster stakeholders, local authorities and all relevant stakeholders. These meetings need to be carefully prepared and the opportunity should be

given to all interested entrepreneurs to express common problems and to identify common opportunities created by the cluster.

It is very important to undertake the promotion and motivation stage after the initial stage of strategic planning. Though only initial in nature, clear statements about mission, vision, and long-term goals will help you in the process of gathering the critical mass of support and membership! Thus you will also have the support of the media, which prefer events and initiatives with clear motives and goals!

The experience from these meetings should help the promoters of the initiative to promote it in the community and to future members. For this purpose you can also participate in local fairs and media. All of these activities will serve to promote the profile of the initiative and to affirm idea promoters as future leaders of the cluster. The initiative promoter should be committed to utilizing all that will remain open after the proposal and to try to convince the skeptics. If this fails, it is best to come to an understanding with them to ensure they do not hinder the activities if they do not want to get involved for the moment, as well as to leave an open door for them to join if and when they are convinced about the benefit of the initiative.

2.4 Cluster formalization stage

Formalization of the cluster initiative and its functionalization in the form of a certain membership structure is important. Membership and regular meetings are not necessary, however, practice has shown that it may be useful for coordination and assistance, and may contribute to the success of the cluster and its rapid establishment. Sometimes, a formal structure is a condition for using financial support.

Formalization activities imply cluster modeling (several actors and the links between them are presented in schematic form) and the signing of a formal contract for the organization of the cluster and the establishment of reciprocal relations, membership and management bodies.

The degree of formalization varies between clusters, but rules on reciprocal relationships must always be clear and acceptable for all members.

The signing of the cluster association's founding act and the establishment of a joint office represent a good finalization of the awareness-raising campaign about the future cluster. The first task of the new cluster leadership is to ensure a smooth transition from the initiative to the cluster development stage. The momentum (initiative) should be preserved and members of the cluster's first activities engaged. It is also necessary to formalize the system for planning and tracking activities, as well as to assign individuals, whereas in larger clusters also assign committees for the development of certain key cluster action areas

The initial business plan is also prepared at this stage. It will be based on the analysis of the problems and opportunities identified by the environment and will clarify the strengths and weaknesses of the cluster. Furthermore, it will specify the mission (selection of joint activities), complement or modify the cluster vision (qualitative goals) and adopt a clear presentation and action strategy. Some detailed quantitative goals, the achievement of which will help the cluster accomplish its vision, will be defined to the necessary detail for the initiation of joint action plans and cluster projects. The business plan also sets the criteria for the objective evaluation of the achievement of results from the cooperation between the enterprises. It provides an objective comparison of what has been achieved (economic and financial effects of action) with planning.

The business plan should be adopted with the active participation of all, and it must definitely be an expression of clear consensus among cluster members.

The role of the external coordinator is also formalized at this stage. From initiator of activities, he/she gradually becomes the leader's mentor of the leader.

2.5 Pilot projects

Experience supports the assertion that it is very useful if the cluster, even before the formal presentation of the business plan, successfully accomplishes at least one pilot project. The pilot project should be solved in such a way as to ensure that with less resources and risk quick and clear benefits are obvious to all. This will improve the perception of the benefits from joining activities, both for potential cluster members and important actors, such as the Ministries, local governments and similar entities.

Joint pilot projects encourage optimism, mutual trust and readiness for further cooperation. Projects are simply related to the field of trade (joint supply) or promotion (joint presentations in fairs, development of joint catalogs).

The pilot project will help to affirm the cluster and convince its members of the benefits of association. It will even change the opinion of sceptics outside the cluster!

2.6 Regular activity stage

Successful implementation of the pilot project opens the way to the regular activity stage for joint projects implemented by the cluster enterprises for increased profit and long-term goals.

Strategic projects are mainly implemented in the enterprises' area of expertise (research, development, processing equipment, production enhancement through investment in joint infrastructure and

similar activities), joint production capacities, establishment of new enterprises, presentation of new products and joint trademarking.

Common portfolios of cluster services and activities list and group supplies, training and staff education, study trips, allocation of expenses for expert guests, organization of so-called important contracting for buyers, organized visits to fairs and similar activities.

2.7 Sustainability stage

Through implementation of strategic projects, cluster entrepreneurs and enterprises gain the necessary self-esteem, which in the long run will enable their independent operation as a cluster, without assistance by the external coordinator or financial support from the local and central government or donors. Indeed, a good coordinator must, from the outset of the cluster formation, orient it towards independence. The business plan must definitely provide a clear time frame for cooperation with the coordinator, while the enterprises are led by, and respect, him/her. Also, the salary received by the coordinator should initially be lower and increase gradually over time, in order to motivate the cluster towards quicker independence.

How to ensure a sustainable cluster?

In smaller clusters, the leader can be from the ranks of entrepreneurs. In larger clusters, due to the volume of tasks, leadership can be divided into the chairmanship and the executive directorate. The chairman is then elected from the ranks of entrepreneurs, whereas the executive director is hired. Larger clusters may also have more professional services and larger administrative offices, as logistical support for the executive director and other cluster bodies.

The cluster office should not be identified with the cluster itself. The cluster is made of its members!

2.7.1 Operational planning and cluster budgeting

The cluster's operational planning is of equal importance, and perhaps even more important than the strategic one. Defining the mission, goals (vision) and strategy is a very important activity and the task of cluster leadership. But, transforming them into a system of cluster operational plans is critical to achieving self-sustainability. The ultimate success of a cluster initiative and its leadership is much more dependent on planning skills and realization of activities at the operational level, whereby mission, vision and strategy are thought out of skill. There is a belief that strategic plans are completely concrete, whereas the operational plans themselves and their realization are the points of the obstacle.

Operational planning in clusters means the planning and division of activities foreseen for cluster detail for a given period. These activities have two dimensions: providing cluster income and covering the expenditures necessary to implement the foreseen activities of the cluster.

Cluster is not a profit organization, but this does not mean it will however be able to operate if its expenditures are greater than its income.

Although it is not a productive enterprise, it is sufficient for the cluster to have a sound financial plan - a budget, as one of the most important instruments for the management (planning and control) of cluster activities.

Confirmation of the income structure (most likely planned) is the starting point for financial planning of cluster activities. It is important to evaluate in details the income and their types the cluster will have in the coming year. Then, we switch to expenditure planning (cluster expenditures).

What kind of expenditures will be made, and what will be their amount? Typical types of expenditures on clusters are: staff expenditures, office expenditures, expenditures for basic equipment (computers and the like), utility expenditures (electricity, water, cleaning), traffic expenditures, street expenditures and the like. It is obvious that at the beginning of the cluster establishment there are

often additional expenditures, and it is recommended to plan a general item - about 10% as a reserve of future expenditures.

The financial plan is prepared in such a way to calculate, in foreseen periods (year, semester, quarter ...), the cluster foreseen income and expected expenditures and to calculate the respective difference. Calculation results are presented in a form of cluster income and expenditure report. The cluster leadership task is to find the appropriate sources of funding and to provide the necessary financial means through membership, taxation, collection of part or all services, activities and the like.

Planning of general income and expenditures is important but it is not sufficient activity in the financial planning process because it only confirms the need for cluster financial resources. However, income dynamics and expenditure dynamics will never be harmonized. Another financial task of equal importance is to ensure the financial resources available to the cluster to increase at any time or at least be sufficient to settle the due obligations. Even if the cluster is expected to generate more income than expenditures, this does not yet mean that there will be no financial problems because expenditures can be allocated before the period of implementing its income.

Ensuring harmonization between expenditure dynamics and income dynamics is the task of ensuring liquidity of the cluster. The task of management is, if there is a substantial disagreement between income and cash expenditures, to provide any loan, credit from the planned cluster activities to be programmed and realized during the periods when the planned income will be realized. More than this, a good cluster leader will provide funds on his own account for unhindered operation of office at least two months ago as a respective reserve for cluster liquidation. The need for liquidity has been specifically expressed at the initial stage of cluster development. Later, cluster leadership will have a certain experience of the income and expenditure dynamics which will enable to reduce the reserve one, but it is not recommended to lower it below the level of expenditures for the next month.

The liquidity plan (cash flow) is prepared on the basis of an initial cash level assessment plus income according to all reduced stages of the expected expenditure, in accordance with the planned and reduced activities according to the minimum planned balance of cash dynamically for each month.

Solid funding is probably the main precondition for normal cluster performance and sustainability. Also, solid and harmonized flow is one of the most important data for the success of cluster management. It can be used as a good indicator of the financial strength (capacity) of the cluster for self-financing and long-term sustainability. Even when the cash flow dynamics will be greater than expenditures, it can be concluded that the cluster has achieved self-sustainability. By then, even if it works with a positive difference between cluster income and expenditure, it will need external support in the form of taxes or loans.

To achieve the common goals and strategies set out, the cluster needs to have solid and sustainable funding!

2.7.2 Ensuring cluster income

Ensuring adequate and regular financial resources is one of the key issues for cluster leadership. Basically, financial resources can be divided into two groups:

Public funds for incentives, such as those of the relevant ministry cluster support Program, subsidies for regional and local institution, and incentive tools within the European Union programs.

Sources of own source financing such as membership, cluster services income, provisions of mediating works (for example, bonding of cluster companies and promotional exporting services), income from organizing various gatherings and fairs, income from public projects (national tenders, EU, World Bank), participation in income from joint patents and licenses (especially for clusters which intensively deal with research activities), sponsorships by large enterprises and individuals.

Despite that sustainability is a long-term goal of the cluster, at the initial stage; clusters have highlighted the need for public funds for incentives about how investments in cluster infrastructure and cluster development can be implemented.

In the process of collecting financial means from public sources, cluster leadership should thoroughly investigate and study financial means' allocation procedures, thoroughly study the broader

context and the situation that needs to be changed with the concrete project, submit a project which corresponds to the mission of the donor, strictly adhere to the guidelines for application, take advantage of the opportunity to receive advice, strictly adhere to the terms of the call and the contracts he will take on the questions asked and disclose all other means, from all other sources, which the cluster has used or will use. Depending on the cluster structure and goals, in the first years it is recommended to have the combined funding with public funds for incentives and sources of the income from the economy, whereby the proportion of public funds for incentives should gradually decrease.

The cluster financing model should be based on resourceful and stable income, rather than taxation. Public funds for incentives should only fill the budget and in no case should be the main pillar of funding. In general, after the third year, the cluster should have been able to self-finance. Sustainability and market orientation are of a special importance to our clusters since public funding means are limited. Therefore, it is good to timely develop a range of conditions, collection of which would provide the sources of cluster funding as soon as possible.

Unfortunately, many clusters, due to poor planning of their finances have experienced failure. In the absence of the necessary financial means, cluster members cannot be provided with the expected conditions important to them. Therefore, they quickly lose interest and the initiative fades away.

As cluster financial management is a complex issue and is involved in a variety of social, legal and tax aspects, it is useful to engage one or more external experts such as: tax, business or legal advisers.

Some frequent mistakes in cluster financing that need to be avoided are listed below:

- The need for start-up capital is underestimated
- Non-binding promises related to funding are considered secure
- Incorrect planning of the dynamics of need for tools and finding them
- Incentive instruments are the main pillars of funding
- No reserves are planned as insurance against liquidity
- The cluster initial stage in which there is no income is estimated as very short

- Low office expenses are planned
- A very low membership is set
- Encouragement means have not been requested on time
- Functional accounting and related control systems have not been applied
- The period of collection of claims from outside customers was assessed incorrectly

3. Governance of relationships and processes

3.1 Types of relationships in the cluster

The complexity of cluster members begins to be established on the first exchange of ideas for the cluster and extends further through practical implementation. It consists of relationships related to organization, relationships related to work and to administration, therefore there are organizational, operational and administrative links between the cluster members. **Organizational relationships** are established among cluster members in terms of scope and vision implementation. Critical factors for successful leadership with this section of cluster relationships are the good leader and the role of the coordinator, the rules of action, the code of conduct, the way of choosing the members, the way of eventual abandonment. This also includes regulation of the manner of collection of the necessary financial means (membership, payment of some services, donations, assistance).

Operational relationships are established in terms of standard working procedures, such as the need for exchanging and providing information, for mutual communication, and for implementing various joint activities. Critical success factors are: teamwork, trust, responsibility of members for taking over obligations.

Administrative relationships are established in order to support organizational and operational activities. These reports include technical preparation and implementation of cluster's administrative and related services, creation of conditions and feasibility for their performance, such as space, communication and information equipment that are necessary for cluster management.

3.2 Principles of association

Respecting the basic principles of good cluster association can give a significant boost to the process. Thus, according to the principle of neutrality, no enterprise should and may take advantage when using common resources. The only criterion should be the absorption ability of the enterprise.

Under the **principle of reciprocity**, cluster enterprises assume roles and duties in accordance with their commitment and participation.

The **principle of transparency** requires that cluster activities, implemented through projects involving only a certain number of enterprises, should be transparent for all clusters, and the results and experiences should be transferred to other cluster members.

3.3 Types of membership

Cluster collaboration relies on business and personal relations. People who have already gained a good experience of mutual cooperation and have built up a mutual trust, constitute the core of collaboration. The gaining of confidence develops gradually. Therefore, in the first stage of the cluster there should also be a chance to test partnerships, where partners must make statements if they want to participate in collaboration. Proven partners are only obliged to provide certain information about the enterprise, namely the institution. Even after the expiration of the certain deadline, they undertake other obligations set forth in the cooperation contract, such as membership fee, information and skills, eventual liability and similar. Powerful members, cluster partners, immediately receive exclusive services and information and special conditions. However, there are six main conditions for successful membership:

- The cluster should unite all important members and not miss some important partners;
- Partners should bring resources in line with the potentials;
- There should be a balance in terms of obligations by the partners to the clusters and profits that the cluster provide;
- The different member groups should be clearly defined and divided;
- The cluster should be sufficiently familiar and be attractive to new members;
- Continuous promotion for attracting new members.

3.4 Formal structure

Clusters, at the initial stage, are informal groups of enterprises, with a small or large support of the local environment and institutions for supporting entrepreneurship. In the long term period, it is necessary to formalize the organization, because after the initial enthusiasm, reports and activities are increasingly complicated and require certain formalization. In some clusters, formal organization takes place for several months, but the formalization process can last from one to two or more years. Transition from the informal functioning to the formal one, should be done without interruption of co-financing by the state or local community. When the structure is consolidated and when the benefits (first results) of the business cluster are achieved and become visible, this is the right time to revise and complete the strategic plan and to set long-term goals that require greater investment and effort. The following activities are:

- *Comparison with a reference cluster in foreign countries,*
- *Identification and comparison of skills, weaknesses, opportunities and challenges and proposal of a corresponding action,*
- *Establishment of relationships with the education and development research institutions, in order to prepare the relevant framework, new and advanced products,*
- *Development of a joint trade mark,*
- *Joint actions with similar clusters or close business clusters.*

At this stage, the circle of enterprises and institutions is opened and expanded, while the cluster is open to connect with other clusters in the region and beyond.

As main challenges that our clusters face the Ministry of Economy notes the need for forms of public-private partnerships while implementing cluster initiatives, the stability and long-term commitment of clusters, professionalization to manage with them, the development of innovative integrated projects, recognition and forecasting of new strategic opportunities and challenges, as well as the development of original and sustainable competition strategies. Whereas, in order to be able to apply for funds dedicated to the development of clusters, the respective Ministry recommends to establish a minimum legal framework in the form of a non-governmental organization, an association of citizens-entrepreneurs, foundation, chambers of commerce or any other form of formalized association of enterprises or entrepreneurs. If the future cluster group is not established as an association, then it is required to count at least ten members ready for cooperation expressed on the basis of an agreement and participation of at least two scientific institutions, specialized sectors of research institutes. And finally, the established association should propose creation of new relations and actively develop original projects.

Encouraged collaboration forms consist of projects for generation of common profits from industrial development or overcoming the barriers to enter into some markets, the need to utilize new commercial opportunities and similar. Regarding the type of cluster collaboration, it is proposed to be in line with the three-spiral model, the initiative and proposals for innovation come equally from all three main actors: universities, enterprises and the state, whereby the support and side initiatives are neutral and do not prefer any region or enterprise.

The Cluster office is proposed to have a management team of at least one executive director and several non-executive directors, as well as an external coordinator. Members of the Cluster Leadership Team should have a global focus (point of view) and not preoccupied with details at the operational level of the work execution, and they should express a desire for growth and development and a desire to internationalize the cluster.

In terms of funding, it is recommended that membership finances all activities in accordance with the objective financial strength, but are also foreseen budget means for cluster support. For the use of these tools, priority is given to study and development programs and projects, with a powerful innovation component.

Regarding the territory of organization and action, it is recommended to start from the local and regional level, to gradually encourage joining of more initiatives at the national level and to gradually expand into neighboring countries and regions through various cross border cooperation programs.

*Mutual linkage to the cluster is not as a result of the formal way of collaboration.
For the cluster existence and integration, informal processes are more important than formalities!*

Enterprise profiling and assessment of their overall capacity is performed by analyzing public information about the work, as well as by member analysis, gathered by more parties preoccupied in a formal and informal way. Enterprise assessment is based on enterprise competition analysis or in some other type of partnership, assessing its strengths and weaknesses, opportunities and challenges it faces. Analysis continues with financial results, investment and equipment condition, situation with the workforce and similar, as well as the place and importance of the given enterprise in the value chain. During the analysis and selection of the enterprise, it is necessary to study the development potential. Enterprises with a nearly equal development potential rightly build the most successful partnerships.

3.5 Development planning

Cluster development planning and achievement of the vision planning through day-to-day implementation of the cluster mission is perhaps the most difficult part of running an operational cluster. Any organization that intends further development, when achieving the

vision, must respond to the following two questions: where we are now and how did we get here, and where we want to go next? The difference between these principles is also called strategic gap. It needs to be supplemented with appropriate strategies: how will we act and how will we use the resources of the empty strategy and how we can slowly close them down?

Initial analysis of the state and short-term achievements are merely the beginning of the construction of a cluster vision (the desired future). When defining the vision, the consent of all involved organizations must be achieved, as this is the only way to ensure its long-term implementation. At first the vision takes its general shape, while with the development of the cluster it is permanently materialized and made clear for all members.

The strategy defines the way and conditions that enable the achievement of the long-term goal (the vision). The strategic plan should contain concrete steps to proceed further with the accomplishment of the defined vision. The concept of the strategic plan is elaborated through various workshops that generate ideas about the mission, vision, and how to act. These workshops are prepared and guided by the stakeholders, along with the coordinator, if he is assigned with the participation of the whole group as well as of the entrepreneurs and beyond, representatives of all involved and interested parties. Such way of preparation of the strategic plan increases the participation of cluster members. By developing the strategic plan cluster members consider it as to be their own, which increases the possibility of achieving the projected goals. The joint vision and the long-term goals, harmonized between them, and the establishment of criteria for assessment of the achieved results, are key factors for the successful work of the cluster. There are actually three main types of cluster strategy:

- **Strategy defined based on the relationship with buyers.** The basic logic of this strategy is to meet the requirements based on the main segments of the buyer.
- **Strategy defined based on the enterprise cluster requirements.** This approach and appropriate strategy express the exploitation and development of specific features, as well

as the advantages and capacities of the enterprise, which together mean they are even more satisfied with the requirements of the buyers.

- **Competition strategy**, based on the needs of achieving dominance against competitive enterprises, with lower costs or with a better distribution system, with better sales services and other appropriate services.

3.6 Information in clusters

The success of cluster initiatives also depends on the information system and on public relations. Clusters, as an open network based on learning and new knowledge, often involve hundreds of different partners. All of them need complete and clear information, with the fact that clusters also include a range of institutions and a large number of different interest groups where communication should also take care of their different habits and achievements. Thus, employees want and expect clear and complete information, which clearly shows their interest. According to a rule, politicians seek information that clearly shows their achievements and contributions. Bodies and institutions for implementing the incentive measures need information that shows their achievements and outcomes. The mayor, regional development bodies and working groups require information which shows the development and potentials of the region as an attractive place for action. Journalists seek brief information, concentrated information and important examples. Experts want to have access to data which they turn them into a form of knowledge. Evaluators require information on results in the form of success indicators and of meeting the project goal.

Only a rich information system, appropriate for all target groups, can meet these diverse requirements. The cluster should have a communication plan, where main providers are the information partners, and public relations should be professional. In case of limited budget and other resources, the information priorities for each target group and the regular control of the level of information of the main stakeholders and interest groups should be clearly defined.

Clusters should access information in organized and professional manner. It should always be appropriate for the concrete goal of the group. The quality of information contributes to the cluster development (branding).

In the information process, adequate combination of media also has an important role. The results and the habits of the concrete goals of the group, to which the given statement belongs, must be taken into account. It is also important to have adequate balance between media, leaflets and the internet and personal contact, because it contributes significantly in building trust. The problem of the quality and design of information should be understood very seriously. Communication is one of the most important tools for setting and building the cluster identity (of its brand). For example, the public should easily identify the cluster just by seeing its brand.

3.7 External coordinators

In many cluster initiatives, especially those led by the top-down principle, the cluster management role is greater among cluster and one or more external coordinator advisors. Although the external coordinator's duty in the enterprise analysis stage is to try to find the right cluster leader among directors of the enterprises, and beyond this circle, the development of clusters depends on the content of the continuous support of the external coordinator or of person with proven managerial, facilitative and consultative skills. The coordinator should have proven leadership and coordination skills among enterprise connections. The coordinator is a person who has the skills and qualities to recognize the connecting potentials of people and with his/her influence to be able to assist in the development of those connections. The coordinator initiates and facilitates the potential of connections and creates new connections. In the beginning he spends more time on the establishment of those connections, on the preparation of the strategic plan and on the preparation of formal documents, and later he devotes more time to coordination, planning implementation of what was achieved, stage implementation and the initiation and making changes.

Coordinators of business groups, while performing their activities, face a significant number of challenges, as a result of different business interests and profiles of business members. In fact, the partners are independent enterprises that enter into relations (in business) not always with the same goals; rather, they have different goals. Often the relations are ambiguous between parties. Confusion causes contacts and cooperation with different persons from the same enterprises, because they often have opposite views regarding current situation in their enterprise. The coordinator should also deal with the need to establish cooperation with partners, with whom they usually are in competition. Connection of business enterprises usually has competition. Connected business enterprises in most cases are competitive in the same market or in the same business. For a successful cooperation it is necessary to reach a complete trust between them and to provide them the source of information, where in most cases appears to be in conflict with the requirements of the classic competitive war.

The coordinator should know how he drew the attention of business members from the competition on how to split the small share of profit for joint efforts, on how that share of the profit will be as big as possible, although he does not rule out possibility of the fight for competition, although it turns out to be very healthy!

The external coordinator should be much focused on association details as well. Dealing with details is not considered a leader's duty, unless it leads to neglecting of the overall focus. For successful businesses, it is not enough just the support the connections; instead, only permanent cooperation and timely resolution of details that may lead to unnecessary conflicts, results as successful in business. The advisory coordinator with the leader works on the following tasks:

- *Development of ways for greater achievement (specialization, innovation),*
- *Organizational development and from the partner-compatible cultural aspects,*

- *Setting out of the mutual learning connections and of knowledge transfer,*
- *Quality performance of the common accounts,*
- *Equal efforts from all partners and the same benefit as compared to the investment, and*
- *Common benefits pertaining to mutual trust.*

The coordinator is a neutral person who promotes business development and takes care for the implementation of the agreed activities. A successful coordinator has the ability to monitor and establish long-term relationships. He possesses organizational skills in the field of programming, project and strategic management, and recognizes the business processes and resources that are available to him. He has credibility and personal integrity, a high level of flexibility; he is communicative, persistent, convenient, dialogue skills and intelligence for problem solving. Good dialogue skills are of particular importance for the start, before establishing mutual referral relationships between the enterprises and later in the presentation of sustainability challenges. He should use the cooperative solution of potential conflicts, where all sides reach their original goals, but a little modified. The coordinator has the responsibility to follow up and facilitate the implementation of the activities that have been agreed upon, to evaluate the achieved results and proposes adapting towards new challenges. He should be able to understand the relationships within the enterprise and to make the connection of all levels easier, to lead by their requirements and with what the managers and entrepreneurs of all levels and parts of enterprises have foreseen.

4. Business project management

4.1 Principles of business project management

According to the general framework, accepted by the US Project Management Institute (PMI), *project is a temporary endeavor undertaken to create a unique product, service or result*. In addition, the prefix 'temporary' does not mean that it is short-term, whereby the project results are not temporary. The unique character of the product, service or result is a key feature of the project and the presence of certain elements designed to meet certain characteristic elements does not mean that the result is not unique.

Some projects are very similar in the content of the activities and results, but they differ by the size of the duties they have.

Another key project feature is the principle of progressive elaboration, respectively the opportunity to develop the project gradually, but in that case care should be taken not to distort the original scope.

The purpose of organizing the project of the center for research and development of new products is to define first the general aspect, which later on, when the business team understands better the purposes and results required by the project, will be specified in detail.

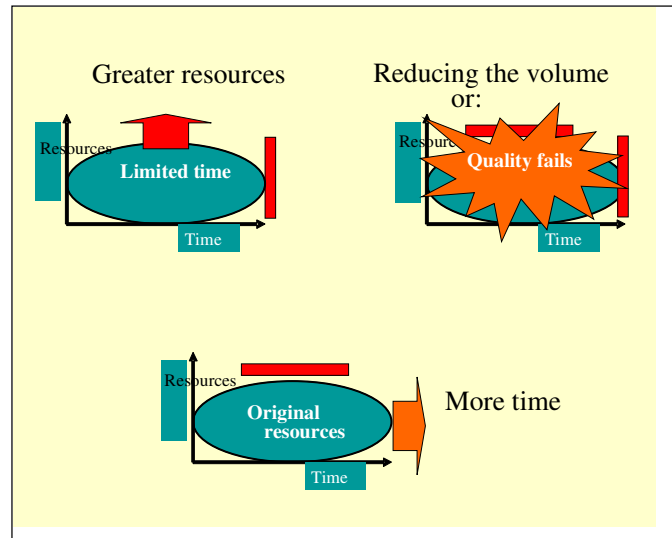
Any project implemented within a business, except maybe the pilot-project, the cluster, should be consistent with the business strategic plan, as a tool that manages the portfolio of all projects, by which the business will be closer to the common goals (vision) of the same. Each individual project is part of that portfolio, regardless of whether it is related or independent to other group projects. The program is a specific portfolio of specific projects, a program where all the same projects have a common and fixed purpose. Parts of a project that can be planned and managed as separate small units are called programming modules. Groups with shared tasks and activities

form work packages, while the same ones consist of individual activities (tasks) as smaller parts of the project that can be identified as a whole.

4.2 The concept behind project management

Project management is a process of applying knowledge, skills, tools and techniques in order to meet project requirements. Certain people think that good project management is a true art to guide and coordinate people and material resources throughout the project process and is aimed at achieving the purposes of the objectives required, the quality of the result, the timing of implementation, costs, leading to the satisfactory and required achievements. Project management includes the application and integration of several project management processes: inception, planning, execution, control and completion of the project (project delivery).

The person responsible for the delivery of the project objectives is called project manager. Project management means to programmatically identifying requirements, defining project objectives, defining outcomes (scope), and adequately balancing the triangle limit, i.e. time, costs, and scope: if not delivered timely, resources must be added, and if not requested or expected, the expected scope or should be reduced otherwise the quality of the project will drop.



Triangular organization of projects

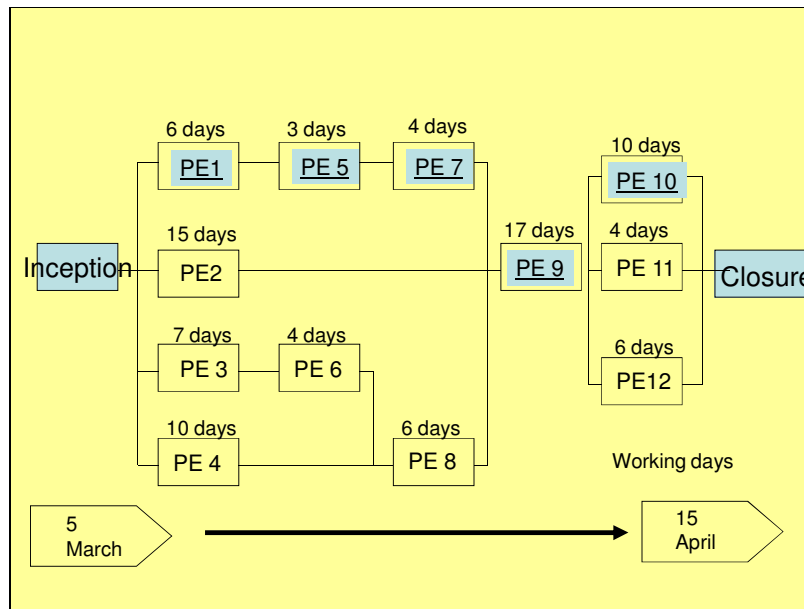
Project management has eight functional areas such as: scope management, quality management, time management, cost management, human resources management, communication management, risk and procurement management, and one general field- integration management.

Scope management means ensuring that the project will only include those activities that are needed and that the project requirements can be delivered, respectively the assurance that the valuable resources of the project and the implementation timing are also to be used for other activities that are not envisaged with the Agreement or with the Project Charter.

Quality management means the process of ensuring that the project will satisfy both the expected quality requirements of results and the planning, namely quality assurance and control in the form of evidence of activities but also of activities that hinder adequate quality.

Time management implies the process regarding project time prediction, such as definition of activities, duration assessment, logical agreement, scheduling of the activities, and control of the delivery or completion of the time set by the project implementation schedule.

Costs management means planning, forecasting, and controlling costs in order for the project to be completed or to be delivered within the budget forecast.



Project schedule

Human resources management means the project team organization and management process such as team planning, team composition, team training, and workflow management with project team dynamics.

Risk Management means managing planning and control process of potential events that would hamper the completion of the project's dynamics or results and contains identifying possible risks, qualitative and quantitative analysis of the latter, preventive plan and handling occurrence of any contingencies.

Communication management means running or managing processes and adequate collection, notification and archiving of project information.

Project procurement management means planning, organizing and controlling procurement processes of equipment and services necessary for project implementation, and means formalizing

processes of business related pricing, tendering procedures and the like.

Integration management of project activity means that as the above-mentioned eight project management units integrate into a well-thought-out entity. It contains the development of the main planning document - the project charter, the development of the document for defining the scope, the development of the project management plan, the follow-up and control of execution, the integral control of the changes and the closing processes of the project. Investment management is thought to be a more complex task of project management.

4.3 Fields requiring expertise

To be a successful project manager, the entire complex of knowledge needs, tools and techniques that are specific to project management needs to be recognized. However, this knowledge will not be quite enough. Successful project management requires knowledge and skills from four other areas such as knowledge, standards and regulation of the concrete scope of the project, to have sufficient prior knowledge about the project (for example, government programs, EU programs and similar), general managerial knowledge and skills and considerable interpersonal skills.

When selecting a manager for concrete projects, one should pick from the skills and experiences of the people. For this, there is no need for the project leader to be a member of the directors or advisers group. In fact, the engagement of any of the latter may be counterproductive to the project as those people may be extremely occupied with their personal business and thus may neglect the project!

4.4 Project cycle

In order to have a better control, as well as a better management, the projects are divided into stages that altogether integrate the whole cycle of the project. The project cycle stages make the connection of the project inception with the project closure and ensure a smooth transition and formal transfer from one stage to another. In fact, before going to the next stage, the results achieved so far are evaluated in terms of their complexity (scope) and the adequate side (results). Although there are also situations where the next stage may begin

even before the previous stage is completed, but this is expected to happen only in exceptional cases and in certain circumstances.

The Project Cycle determines which activities should be carried out for each stage of the project when the outcomes are to be delivered in stages and how the results will be assessed, evaluated and verified. The problem of managing more complex or bigger projects complicates even more the implementation stages, so other members of the team are also involved by the users, and sometimes also by the donors (funders) of the project.

The project cycle according to the Water Supply Model flows sequentially from the research analysis of the problem through the design of intervention either through implementation or delivering outcomes, evaluation and closes with the completion of the project.

The advantage of the classic model lies in the clarity and formalization of the procedure. But formalization in most cases may be even with defaults in this approach. Projects gradually go from one stage to another and can often be faced with serious problems. This approach is mandatory for projects funded by the state or other donor.

There are other models of project cycles. They range from dividing large project into smaller projects or in an interval development of program choices until optimal forms are achieved. These approaches include a greater speed of project implementation but also of persons involved in the use of project development, but in this case there are numerous compromises with the operation and the postponing of any problems for later. Three large, expensive and complicated projects are used, especially considering that the final outcome is not very clear even for project owners themselves.

4.5 Management with stakeholders and interested parties

The identification of all relevant and interested parties and stakeholders is the most critical prerequisite for successful management of a project. As most important stakeholders and involved entities are: final beneficiaries of results, all involved parties (individuals and groups), influential individuals or groups in the society, local government, the state (the ministry of domain it covers),

the donor (if any) and of course the team itself and you and the project manager.

Your project will not be affected at all if you fail to identify and manage adequately any affected stakeholder!

Do not forget that the involved parties are not the institutions but the people managing it!

In the event that the funding of a project group is supported by the state as well as by the people authorized by it to monitor the dynamics of the implementation of the plan, it is important for the normal process of allocating donor funds and it should never be expected that they will understand any delay in the foreseen activities and outcomes or for unplanned expenses of their donation.

4.6 Management with implementation team

The project team is made up of renowned people and with great responsibility for completing the project. Their management implies the process and running of their work, especially planning the team (training) and managing the dynamics, conflict and teamwork for implementation. Project's Human Resources Planning means the identification of the needed staff as needed, defining responsibilities, authority reports and information. Team management also means culture management that is built within members is done according to preliminary analysis and experience that were interviewed for preliminary or similar project work. Then, in discussion with their managers in certain companies of the group, it is made sure to dismiss them from their daily engagement from their jobs while they are engaged in the project. That commitment can be either paid or unpaid, but only when it has been determined what contribution that person has given to the project of the group. Moreover the right to use certain services without compensation etc. will be defined. When there are no experts in the group companies they are to be hired through an external public call, but not to make any expert improvisation as a low optimal solution.

A good project manager has his/her own style and is more a leader and a trainer (example) than a manager!

Team trainings should consistently be planned in order to build their skills and competencies, but also to achieve the desired interactions. Without training we cannot respond to the objectives of providing specific expertise, the appropriate sense of cohesion, and teamwork.

Managing the team requires tracking members' performance, giving feedback, resolving conflicts, and coordinating rules. This is done by observing the 360 degree assessment and solving the problems that are open.

Delegation of authority, responsibility and authorizations between the project manager and the team members results in high motivation and the ability to perform more work, results at the same time and concentrate efforts on critical issues. The project manager can focus on the duties and responsibilities of the leader, while team members will develop their managerial skills and will have the opportunity to receive individual acknowledgment of the results they have shown.

There are benefits of delegation and the leadership style to the group (cluster) as well, efficiency improvement, increased interest, greater motivation of members, preparation of future managerial projects and based on knowledge the organizational cluster is more fragile.

4.7 Goal-oriented project planning

Goal-oriented project planning is a technique developed by the German Association - GIZ for technical assistance and for providing a systematic approach to identifying, planning and managing the project in the process of analyzing some of the problems that arise in identifying key problems and its subordinates. Exiting the process is presented in a graphical overview of problem-solving problems in the shape of the problem tree by showing which of them is the reason and what is the outcome of the other problem. The technique enables the identification of key problems that hinder the implementation process and enables a greater understanding and a broader context of problem-

solving as well as potential benefits (actions) from project implementation and planning responding to specific cluster situations. In most cases, the scheduled meetings are organized. Participants are allocated cards in which they will present a problem.

Problem tree

*By making efforts to identify projects from the supply field, the workshop has identified many problems and has concluded that the main problems with supply are that: **individual supplies of the same materials by cluster members due to small classic quantities are implemented at greater realistic prices.***

Also, during multiple interactions, the main problem is identified, and with the help of sorting the identified problems by looking at the significant consequences among them. The process is not so simple and requires engagement and active approach of all planning participants. It is very difficult to determine the main problem, the problem that is the source of all the other problems in a certain area of the cluster respectively.

The problem tree should be the result of the collective commitments of all participants in the planned meetings! The objective tree is developed from problem tree. Problems are converted by making statements that sound like specific goals, while the chart shows the relationship between the goal and management forms to complete the intervention objectives.

Objective tree

*If the problem lies in the high individual supply prices, then the problem would be fully identified - **grouping procurement in the cluster**, while low purchase prices and increased competition would be the project outcomes!*

4.8 Logical framework method

According to the goal-oriented project planning, the objective tree and problem tree are just an introduction to the logical development process within the project. The log frame is a tool for

planning, tracking and evaluating a complex project, and it is meant to make the process of competition, implementation and evaluation of the project easier. They got the names according to the logical connections that the project planners have with the goal, the expected benefits, and the projected results of the project activities. Apart from its strengths, the log frame requires an effort to understand its logic of strategic goals, objectives and outcomes with the activities that should be taken for its implementation. The method contains the presentation of the results of problem analysis and objectives, so the project goals are presented in a systematic and logical way. This implies the presentation of the effects of the results, the development of the indicator to confirm that the goals have been met but also the identification of assumptions that are beyond the control of the project management and that may affect the fulfillment of the project goals.² The log frame is a four columns and four rows table.

Logical frame

The first column presents the "intervention logic" and it explains the overall purpose of the project, the specific objectives (project goal), the expected achievements (explanatory results) as well as all other planned activities to be undertaken for the implementation of the project.

In the first column are the real measuring indicators, the quantitative and qualitative indicators with which it is assessed whether the goals of the project have been met or not. The indicators should specify the quantity, quality and timing of the expected implementation during the implementation of the project. Indicators can be proven by the practice, while the sources of information needed for that purpose are presented in the third column under "verification tools". The fourth column is dedicated to the critical assumptions of the planned process, i.e. all the factors that may affect the implementation of the project. The activities are presented in the second column of the horizontal level, while the resources and budget

² European Commission, Europe Aid Co-operation Office, General Affairs Manual
Evaluation Project Cycle Management

signs (funds or costs) that are needed for the implementation of the project are given in the third and fourth columns.

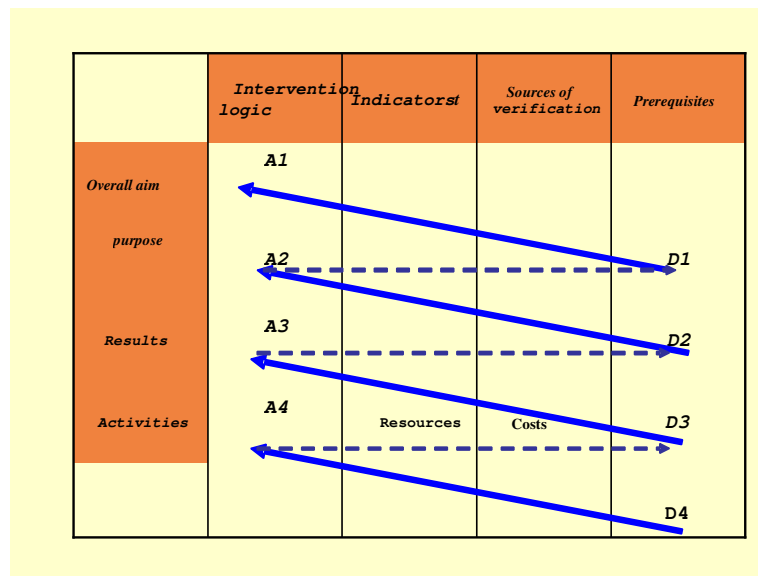
The logical scheme is designed from top-down the first goal is the strategic goal, followed by the purpose, the project results, respectively the benefits that will be achieved with the implementation of the overall goal of the project and the definitions needed to achieve the necessary results are provided. It is recommended that there should be only one general goal in the project, namely the strategic one. However, it is very natural to plan many activities and highlighted results that is one of the facts that should reflect the logical framework.

When reading the log-frame, one should go from the bottom up although relevant assumptions are presented in field D4 where the activities are also successfully implemented in the A4 field and then the project achieves the expected results in A3. If the expected assumptions of D3 are confirmed the results as implemented in A3 then the project will be capable of achieving the purpose as given in A2.

*The strategic goal is unattainable with one single project.
Your project can only contribute to the fulfilling its completion!*

If D2 assumptions are attained then the strategic goal that is given in A1 will also be achieved. Columns B and C show how the result obtained from Column A should be measured. However, if the resources, planned activities, results, purpose are not clear and if significant information is missing then the logical framework of the project will not be successful. The log-frame is also useful for tracking the implementation of the project. During the evaluation process, the most critical cells of the logical framework are analyzed, as well as various impacts on the logic and overall project outcomes as well as the analysis of new assumptions that have been used due to changes in project activities, outcomes and goals. Here, too, there is the potential of multiple information and it is easy to present the possibility of discrepancies between the resources and the expected results at the very beginning of the project. The most important feature of the logical framework is that it helps the project to maintain its

centerpiece during conception and planning, but also later in its implementation and eventually during project evaluation.



Follow up of the logical framework

The log-frame is one of the most important forms of connection between the macro and micro functions of a project, namely between its strategic goal and specific tasks. It helps in the interpretation and communication of easy strategic goals for the purpose of the project during the implementation and management of activities, providing information on achieving the necessary consensus of all parties involved.

The log-frame is used standardly for project coordination, because if the project goal is not changed during the implementation stages, the resources, type of activity, and attainable results can be changed to show and respond to real changes. Also, indicators and new verification tools can be developed during implementation.

The log-frame enables flexibility and changes to certain project components while maintaining the main logic of project interpretation.

5. Teamwork in clusters

5. 1. Groups and teams

Team means a group of people who have a certain common purpose. It is believed that teams appropriately impact on efficiency and may result in high competitive advantage due to performance promotion with the use of positive energy and better data. Team members bring many ideas, they even complement each other and improve one's mistakes. Team members must have sufficient qualifications and skills.

With the help of the team, the duties with responsibility are much more easily fulfilled and accomplished towards customers. In-house teams, realize a wide spectrum of required qualities, by which all problems related to production, process, customer and security problems are equally reviewed.

It is believed that teamwork results in greater innovations, since in most cases certain individuals are in possession of extensive and necessary preparations for achieving new innovations. In this case, teams, much easier develop new ideas and more easily develop the existing ones.

In principle, people want to act more as a team and are more motivated and satisfied at work. Thus, working in groups is more fun and it is the most preferable way of working especially when they are motivated and if their priority is to contribute to the project.

Group (cluster) leaders should promote the formation of more types of teams, while more unique may be the research and development of new products team, vision development and the group (cluster) mission teams, the working group for achieving certain tasks, the

existence of councils as permanent working groups and self-governing teams in which members are authorized to complete any task.

5.2 Team dynamics

The success and function of the team depends on the dynamics determined by team composition, team tasks and roles, and the stage in which the team is. In principle, small groups act best and are more motivated, but larger groups have more resources and greater opportunities in task assignment. With this being said, the work of a member of the group influences the work of the other and consists of:

- Aggregated interdependence is when the members make individual contribution and the group completion is an aggregation of individual completion
- Sequential interdependence is when the members perform their tasks prior to the scheduled time and the individual fulfillment depends on other members of the team
- Mutual interdependence is when the performance of the duties of each member depends on the accomplishment of duties of all other members of the group.

A good leader knows how to level out and equalize the composition of the team with the type and character of the task and observes the work of some team members, .i.e., all this depends on the work and the results of others work during the determination and performance evaluation of each team member.

5.3 Team development stages

Group dynamics analysts have found that all teams, regardless of their composition and task, pass through the same stages of its development:

- **Formation:** the members are acquainted with each other and with their purpose and role in the realization of the same knowledge that otherwise appear as unclear.

- **Aggravation:** the members have not yet learned about the directions, objectives, duties and common leadership!
- **Ratings:** agreement is reached on the objectives, roles and norms of conduct and development of close ties between the members
- **Completion:** the team makes the whole required work
- **Dissolution,** project members after the completion return to their jobs

A good leader adjusts the approach depending on the stage in which the team is. At the formation stage of team's group (cluster) everyone is polite and correct, so there are no conflicts even when someone expects such to happen, that cannot happen in the group. At the stage of different opinions, a good leader should not be frightened of the conflicts, but the same should try to solve the same and find alternative directions of acting where he would manage the team during the rating and realization stages.

A good leader makes efforts to maintain cohesion, interest and loyalty at a high level of team members. Therefore, the participation level of members will be greater. A factor of the team great cohesion is the great composition of the team, because in the normal composition of the group there is greater cohesion. Cohesion within group grows even when within the group there are attempts to develop their own identity and to be engaged within sound competition.

Increased coherence increases with cohesion, and as cohesion increases, the achievements of team objectives increase as well. But, be careful! The more bargain may fail performance while the team focuses more on oneself than on its targets.

And ultimately the team's success is encouraged by their cohesion. Therefore, it is recommended that in the early stages of the cluster development to start the design of all types of signs for branding the new cluster and the same should always be included in all cluster materials and presentations in order to grow and develop the sense of belonging while the successful realization of one or more smaller or larger pilot projects will significantly promote cluster cohesion.

5.4 Team decision making

One of the simplest management beliefs is that it is a constitutive process of bringing different decisions regarding the enterprise or any other activity of the enterprise which is in leadership. Since no one is error-free, manager's success is more fairly measured by his reports of right and wrong decisions. The decision making is a difficult process due to the fact that in everyday practice you will never have complete information. The available information will be incomplete and ambiguous, and even if you have the opportunity and money to provide that absolute information, you will not have enough time to wait for it.

In addition to these objective problems, there are numerous subjective problems that burden the decision-making of the manager as an individual, inclined to keep multiple sides. During decision-making, managers have certain beliefs and have predispositions to put the same convictions in front of objective information.

Managers which have the conviction that clusters are ineffective, simply put a filter dam before the objective data for the number of active clusters in Europe or America.

People are prone to generalize and make conclusions based on events or incidental cases. If those incidental events have been positive for them, they will develop positive forces for certain concepts and the opposite, but it will only be a reflection on limited experience to have an objective value.

Managers with positive pre-experience with clusters can be treated as excessive optimists.

Managers who have negative experience, in any association will be skeptical even with regard to your cluster initiative.

Both sides, in fact, make decisions based on numerous incidental limited experiences that should not be generalized.

From the list of managers, having many types, we will also mention the illusion of control and excessive engagement. Excessive decisions are characteristic of many leaders, because success counts and gives false insight that there is absolute control over the events.

Reality, on the other hand, is the opposite, as the leader of the cluster must always be alert and careful with regard to decision making. Eventually, leaders are keen to emotionally relate to certain concepts and be willing to invest money and additional time in the same despite that the objective information indicates that those concepts should not be used while efforts and resources are reoriented.

Impact of group work

The decision as a team is always more accurate and more creative, and the admissibility of decisions is greater. But, be careful for these two harmful phenomena that could sway the group decision. In group there may be great oppression for the acceptance and rejection of those who think differently.

No one wants to be a bad news teller due to the fear of being declared as a black sheep.

But if everyone is silent as the team goes into the wrong direction, the team will end up just there.

The awareness and confidence is probably in contradiction with some individuals, but they are not ready to confront the group because of the conformation pressure. In order to reduce the negative side of group decision-making, several techniques have been developed to improve the process. They can be used both in the idea-generating stage, at the same time as in the processing stage of cluster concept.

The first technique, the flow of ideas, serves to generate ideas without any comment. Every member of the group must be creative and radical to gather as many ideas as possible. Blocking the process is a potential problem of this technique. The team revolves around a similar topic rather than the expanding the process.

The group's nominal technique is the modification of **Brainstorming** where the proposals are given in writing by all members and independently from each other thus avoiding the blocking of the process but the possibility of building ideas is lost. Improvement techniques of group setting will help in structuring your meetings with stakeholders on cluster association. The guests will have the impression that they were not just decor of the collection but active participants, while you will impress the manager, the organizational and professional leader, confident in yourself and what you are doing and able to cope with the challenges of intimidation!

Prerequisites for a successful team

5.5 Management of changes

The American Association of managers has investigated the reasons why good leadership today is counted as very important work, whenever. To exist and remain in competition, the manager of the organization definitely needs to act as a leader of change. All organizations, regardless of their type, are obliged to make changes. Therefore, the management of the processes that initiate and implement the structural changes, equipment and ultimately production, which has long been an important management work.

The wisdom to face the challenges of change is the main feature of the leader who is devoted to transforming the organization he leads, despite the classic manager whose experience has led to transactions.

Encouraging changes and innovations comes from the outside with market changes, government policy changes, changes in the direction of major integration such as the European Union, technological changes and global changes in the composition and the structure of the workforce. Encouragement can come from within, from changes in the organization's strategy and the power of work, structure, and equipment.

The three modes of change are: changes in structure, technology, and people, while the most difficult change is the change of people. Changes of their behaviors, their perceptions and behavior are one of the biggest problems that many scientists and practitioners deal with without giving any complete solution. As practical methods for improving and accepting changes but also innovations, numerous

techniques have been developed that you can use within the team as well as cluster members. First of all, we can mention here the workflow of the team's activities, then the activities of the changes to convince (stereotypes), the perceptions and the results among the groups, the analysis of the activities and the activities of the existing analysis of the experiences gathered in order to analyse the perception situation and the report of team members to resolve changes and innovations.

Why people are against change? There are some logical and emotional reasons: uncertain future, habits, care for team work, uncertainty of organizational change values.

Every change brings with it sudden surprises. The existing cluster behavior structure as such however exists. On the other hand, there is the conviction of the leaders that after the changes the cluster will work better!

There are several types of techniques to reduce resistance to change as well: Education and communication, participation (inclusion), promotion and support, negotiation and policies, involvement of young people, openness to change and penalties. People under a rule are afraid of the unknown. If education and communication reduce your insecurity, support for change will be greater.

If you believe that older members of the team want to contain the previous habits, you too will be sacrificing a kind of obedience (stereotype). If you stick to some habits, a rule of thumb, exists the fear that you will lose your positions and personal interests, but that does not have to do with age!

If people engage timely in change activities, their commitment to the same will be greater. Outspoken support and active involvement by the leader would of course help greatly. Negotiations imply the agreement of any offer of any benefit as a condition for the support of any difficult but important subject. But this should be done with great

care. If this turns out and other parties understand, the same concessions should be given to others, which means that the value of the concession will fall even though it will cost a lot. The same and deliberate manipulation of the only emphasis on the good things and the negative effects of change is legitimate, but care and access to them must be changed because people themselves can discover it! And finally, if any of these techniques does not work, the leader can also use direct threats: *point out the changes or leave!* But this technique can be used as the least measure when there is no way out.

It is very easy as far as changes are technical, problems arise with cultural changes. Good leadership with change requires people to rank in four types of groups:

Opponents – have a negative generating ratio to change and are prone to concrete changes. They must necessarily be controlled with the management of perception and reliability to change their position, but if they disagree with it, then it is legitimate for them to use force.

Promoters - have a generative relationship to change and a positive attitude towards concrete changes and know how to use their benefit for profit and strongly support it. They should be used!

Hidden opponents – have a negative generating ratio to the changes although it seems like they support concrete changes at least in a declarative way (opportunistic).

Potential changes – have a positive generating ratio to the changes even though they have not explicitly expressed the same. For these two leading groups of force and with the implementation of relevant policies and negotiations there will be results. According to Kriger, the leader has permanent tasks and challenges to push the changes, while the essence of any serious change resembles in their culture, respectively in their interpersonal relationships with the formal and non-formal division of influence of the individual and group into the organization.

Talking to people instead of about them! Focus on the problem and not the person (individual)! Solve problems and do not avoid them! Focus on the future! Integrate and know the people with the priority to change!

5.6 Management of innovation and encouragement of creativity

The innovation management processes and team-driven promotion activities are important to the success of the cluster. The creativity of people in cluster should give results for new and fresh ideas, while the process of innovation management should guarantee systematic work in the conduct of the procedure. Innovative direction implies a range of activities and actions addressed to challenges of existing convictions, as well as reformulating the current situation, increasing the collection of quantitative ideas and discovering entirely new and prospective ideas. Challenges of existing convictions should always and consistently promote the existing cluster model to find the best opportunity. Sometimes it is sufficient to emphasize the proposal for the reformulation of any process. It is not to be expected in radical proposals and small changes where step by step result in a whole new state! This is the essence of the success of the Japanese concept known as KAIZEN.

As a form of collecting systematic and new ideas we can use the classic form or sophisticated forum of your web site. The form does not matter as far as it is active! It is necessary to choose the evaluation council and give a definition of the form of evaluation of the ideas collected and to define the form of implementation.

Regardless of whether or not the proposal of novelties for realization is given green signal, the proposer must be adequately rewarded and compensated for the work he has done. These evaluations and rewards vary from level to level. The reward shall not necessarily be money, but let it be in other forms as gratitude or any other form of reward for the work done.

It is very important to initially guarantee and protect the industrial property right and the right of the proposer. Only in this way the confidence will be protected and increased within the cluster and will be built the process of innovation!

The methods of collecting innovative proposals will be based on intuitive and objective data. In the first take part: brainstorming, detailed view of the situation to reach the new ideas, which is referred to as Brainstorming and quick generation of new group ideas activity, a review of work from another angle, creative solution of problems in six stages.

Brainstorming is a technique that results in a diagram where by means of pictures, symbols or words the process expands as an idea which spontaneously brings other ideas which are organized around the central idea as the core idea. It is used both for generation and visualization of structuring and classification of ideas.

Solving problems creatively expresses the way of structuring new generation ideas to solve the problem that occurs during the six stages. At the first stage is defined the purpose of the problem, at the second stage are collected the facts, in the third the problem is defined in detail. Then it comes the stage of generating ideas as the fourth stage and it comes the third stage: Preparation for stocks where the fifth stage collects the ideas, while the sixth stage prepares the action plan.

Among the methods that are based on objective data **TRIZIN** should be emphasized. This method serves to promote ideas that can be protected by patent and are based on the redefinition of stock algorithm and relevant data. Based on this model, **40 standard principles of engineering innovations**,³ have been developed, where successfully can be used in practical search of the form for process and product innovation.

In fact, only such proposals reveal great innovations: While there are always complications of ordinary work, but the real simplifications are always more creative, says jazz musician known as Charles Mingus.

³ Karen Tejm dhe Elen Domb më 1997

6. Principles of performance monitoring and evaluation

6.1. Control as management process

The cluster leadership must carefully monitor and supervise how the planned work is accomplished and how projects are realized. In other words, leaders should regularly monitor and evaluate how efficiently funds from the cluster are being used and if they meet the requirements and purposes, namely how efficient is the work they perform. These tasks are somewhat alleviated by putting the appropriate control system. Good control system should be flexible so that managers are able to adapt so as to provide better and precise and timely information for action.

The good manager tries to get as many preventive, respectively correct works. Preventive actions prevent the need for intervention because delays of the planned implementation are prevented. Good control system should be based on three types of control: the financial one, control of the implementing policies on building the desired culture in the cluster itself.

6.2. Control system stages

The control process is based on the creation of standards and objectives which estimate realization. Standards must be consistent with the strategy. For example, if the strategy focuses on low cost, standards should also be focused closer to costs.

The second stage of the control process is indicative of the actual implementation. The cluster managers can measure the effects in financial terms, or in terms of implementing policies of the cluster and the term of accomplishment and treatment of values and norms of the cluster (culture).

The financial results of the cluster and projects are relatively easy forwarded to common indicators of accounting service and monitoring of budget execution. Problem is evaluation of non-routine tasks. The effect it is difficult to estimate and then managers must estimate decency.

Control of the representatives of the company always and on time in the cluster meetings can serve as an indicator of measurement of the devotion to cluster mission!

When designing control processes, account should be taken of whether factual fulfillment or planning failure is often a combination of many problems that arise, which together create poor success and therefore detailed analysis is needed to examine the reasons or the main causes and not the superficial ones of the realization of what is planned.

Sometimes it can be concluded that the standards were very high. This happens mostly when the leadership of the cluster behaves very enthusiastic. It should not be left aside the premise that good execution affects the training of team members and ensuring proper equipment.

The advantage of financial control and the feasibility to do it with other firms or associations is in their objectives. Financing of realism indicators is part of the profit indicators (how effective managers realize the profit resources), then investment income and other indicators of standard analysis such as liquidity ratios (they measure how well current liabilities are covered), indicators of the burden of debt (they show the use for financing operations) and activities indicators (measure of how funds are used).

The budget is the most important financial institution for measuring cluster managers how they use the resources provided for the same project.

There should be more carefulness in the definitions of short-term goals, because it may happen that implementation be postponed for too long or if they are long-term goals. This mostly happens with cuttings of spending for research and development at the expense of achieving profitable or work objectives within the budget. And if the standards are too high, the team may have even unethical behavior for their completion.

When it comes to etiquette control systems, the cluster leader tries to motivate and shape the behavior of the team to meet the objectives of the cluster. During this he uses supervision, running the cluster directly, but it can occur only as the instrument of mistrust towards the cluster members. One solution to this problem is to develop policies and standards that cluster procedures will be

exploited in practice or the development of a coherent system of goals where all members of the cluster meet their goals and the objectives of the cluster.

Organizational culture as an expression of values, norms and etiquette of the cluster members discreetly can be used to control being coordinated with the internal system of values and norms. It is bound by the norms and values cluster enables successful control behavior even when controls do not work with the budget.

7. Sources of capital for the development of cluster

7.1 Access to financial organisms of the European Union

Given the fact that a prerequisite for development is the availability of funds where within the European Union is made an effort to improve organizations and associations to improve relevant financial funds and their development. Some of these sources are present for you, while some others will of course have to wait full membership. Access to all necessary information for these financial resources is the *Portal of small and medium organizations of the EU EY*⁴ and through *the financing instrument*.⁵

Policies and examples of best practice in financing the development of small enterprises in the EU are set out in the European Commission's information with the headline: *Funding for the development of small organizations - Granting of European values*.⁶ According to this statement, the EU regularly tries for greater participation of the various funds as loan financing (including loans). In the portal set forth in the thematic objectives and goals to finances,⁷ are some forms that are appropriate for each stage of the organization's life cycle as well as tips on what work does the EU with the main actors of certain categories (banks, businesses) for the sole purpose of helping the organizations in specific stages of their development.

The EU also tries to participation of various capital of various companies investors such as funds for the provision of the initial

⁴ http://ec.europa.eu/enterprise/sme/funding_en.htm#

⁵ http://ec.europa.eu/enterprise/sme/fund_tools/fund_tools_theme_en.htm

⁶ *Financing SME Growth - Adding European Value*
ec.europa.eu/enterprise/.../financing_sme_growth_en.pdf

⁷ http://ec.europa.eu/enterprise/entrepreneurship/financing/index_en.htm

capital (for example, processing studies), investor's funds for the so-called initial capital (business startup) funds and insurance organizations for capital development (financing the development of multiple establishing ventures). This includes funds and angelic business investment with their nets.

7.2 Financial component of European programs

These include many EU programs which also contain certain financial instruments. In most cases, these resources can be used by organizations directly, but through financial intermediaries. In this group are: the framework of competition and innovation program, seventh framework program and international cooperation program. Below we will discuss the specifics of these programs, especially the actualities they contain for our organizations.

The competition and innovation framework program aims to foster entrepreneurship under new management conditions and to present a continuation of the European Charter, but now with a focus on innovation, new forms of finance and business service. The program aims to promote the use of technology and modern information techniques and renewed energy sources and energy efficiency. This program is divided into three operational programs: Enterprise and Innovation Program, Information and Communication Technology Policy Support Program and Effective Energy Promotion Program.

The Financial Instruments of the Program help enterprises to provide capital for business development through loans and equity investments. These assets are managed by the European Investment Fund through three components: the capital risk component dedicated to innovative and medium-sized enterprises, the dedicated guarantee component for banks aimed at reducing their risk and small and medium-sized enterprises To provide favorable loans especially in the micro and mezzo area under the Basel2 conditions and the Initial Capital component dedicated to the incubators and investors of enterprises.

The cross-border cooperation program is dedicated to cooperation between the member states and the candidate countries of accession or that have signed the Stabilization and Association Agreement. Municipal development projects are financed, but are also

applied by enterprise partners from cross-border regions. It is sufficient to participate with up to 25%. There are small grants of up to 50,000 Euros for citizen associations, NGOs, **industrial clusters** and similar types of economic cooperation and large grants up to 200,000 Euros for large infrastructure projects.

The seventh framework program makes the sublimation of all the EU's activities of the Trivial spiral of Knowledge, and the interaction of research, education and innovation as the main accompanying factors of the relationship that are based on the society where they develop their activity. The seventh framework program has four programs: cooperation, ideas, people and capacities.

Pre-financing of research and development projects in time should replace the current grants. Interest shall be calculated, but not paid, and with the basic grant will be transformed into investment capital in the enterprise competition. Later when it definitely "gets its feet" investment will again be transformed into loans and will return to the fund.

Joint European Resources is the initiative of the Directorate for Regional Policy, European Investment Fund and European Investment Bank. The purpose of this is to strengthen existing funds for financing of European Union member states and initiating new modification of conventional and unconventional forms of financing for the development of enterprises. With this initiative, the existing grants will be waived and a new investment of tools for the achievement of multi-application effects is foreseen.

The beneficiaries of these funds will be financial intermediaries: credit funds, micro finance institutions, guarantee funds, technology transfer institutions and banks. Financial intermediaries apply for funds in the respective holding funds Initiative. Instruments on which the initiative is based are guarantees, loans, co-guarantees, counter-guarantees, sale of credits as shares and bills of exchange, investing capital, risk capital, business angel circles etc.

The idea is to end the grant experience and to achieve the effect of multi-application, respectively the separate tools to be invested and reintroduced into the system through the same instruments and using the various possibilities of private public financing and risk support. It is expected that the Initiative will help secure one of the many financial paces available at the stage of new business development, just when they are not active for banks.

7.3 Clusters as a means of being present in the EU funds

The EU's current and programmed strategies, policies and programs to support small and medium-sized enterprises, aims at sophisticated projects in various fields such as technology transfer, applied research, alternative energy sources, etc.

Even the seventh framework program is extremely complex and demanding. In this framework, only those projects that integrate the efforts of more institutions can be included, according to a rule more than two states and more sectors. From the aspect of the potential of this Small and Medium Enterprise Program, we cannot say that they cannot count on these tools, but it should be said that there are few companies that are ready to elaborate on their innovative ideas, but also with their internal level of management and staff are not able to cope with the same requirements as foreseen by the framework.

Since clusters have great capacity for innovative ideas, innovative projects and regional cooperation, it turns out that they can all use both to advance the competitiveness of the economy and the use of European funds.