



*STRONGER TOGETHER-PRODUCT DEVELOPMENT AND INTERNATIONALIZATION*

STRONGER

# ANALYSIS

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## CLUSTER AND QUESTIONNAIRE

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Lead partner: **Centre for Development of Brod - Posavina County (CRO)**

Project partner 2: Business Women Association of Montenegro (MNE)

Project partner 3: Association of Business Women in B&H (BIH)

Project partner 4: Institution for development of competence, innovation and specialization of Zadar County (CRO)

Project partner 5: University of Zadar (CRO)

*The project will address identified challenges by education programmes with advisory services to BSOs and SMEs engaging into a cross-border cluster with dedicated e-platform.*

*The awareness will be raised through communication activities and all 5 partners from 3 counties will work together with joint development, implementation, financing and staffing principle to maximize impact of the project throughout the programme area.*

**The main objective:** *To empower business supporting organisations and research institutions to provide support and advisory services for SMEs access to market and promote cross-border cluster activities in herbs collecting & processing industry supported by innovative cluster e-platform in all 3 countries. The project will mobilise stakeholders in all 3 countries and initiate cross border cooperation that will be communicated publicly. SMEs will receive education and advisory services and engaged in a cluster. BSOs will be trained for future advisory services to SMEs. Research laboratories will be equipped.*

**Outputs of the project are:** *1 implemented cross-border cluster, 4 BSOs trained, 22 SMEs educated, 2 research laboratories implemented.*

*Beside the beneficiary BSOs, NGOs and research institution, **main target groups** are SMEs involved in herbs collecting and processing industry.*

*Involved beneficiaries and SMEs are mobilised for future cross-border cooperations. E-portal and cluster are a role model for transferability.*

***The main Project results are as follows:***

*- Capacity-building programmes for 4 BSOs in 3 countries, including equipment procurement and education programme with set of workshops enabling them for future business support and advisory services to SMEs*

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### STRONGER

- *Education and advisory services to 22 SMEs on branding, export, standardisation, marketing&promotion, business development, clustering and value-add processing/products based on herbs, plants, spices, essential oils and engage them for cross-border cluster membership*
- *Established a regional cross-border cluster/network with members from 3 countries: collectors, processors and traders of herbs in the Programme area + BSO + educational institutions*
- *Study tour for beneficiaries to induce knowledge transfer and best practice exchange*
- *Established laboratories for research (HR, BH) and referential educational centre (ME)*
- *Established cooperation of SMEs, BSOs and NGOs with laboratories*
- *Developed of innovative cross-border cluster e-platform - web based cluster platform, referential B2B and e-learning center, as central point for business related contacts, knowledge, experience exchange and cross-border cooperation*

### Programme Priority Axis

Enhancing competitiveness and developing business environment in the programme area

### Programme Priority Specific Objective

To enhance institutional infrastructure and services in order to accelerate the competitiveness and development of business environment in the programme area

**Total project budget:** 979.309,91 EUR

**EU co-financing amount:** 831.434,09 EUR

### Duration of the project:

1.11.2017. – 31.01.2020.

### Interreg IPA CBC Croatia-Bosnia and Herzegovina – Montenegro

<https://www.interreg-hr-ba-me2014-2020.eu/>

### Project web page

<https://www.stronger-project.eu/>

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# 1. Cluster Association

## 1.1. Cluster analysis

Cluster analysis represents statistical technique for determining relatively homogeneous groups of objects.

The aim of the cluster analysis is to identify homogeneous groups or clusters. The term cluster comes from English cluster word (group of "same things", cluster, gather in a pile).

Clustering is strategic goal in strengthening the economy and is one of the easier ways to fight the competition.

The analysis shows cluster status in the Programme area of the partner countries for the implementation of the Interreg IPA HR-BA-ME STRONGER.

## 1.2. Clusters

This connection links the interests of the three sides:

- Economy is facing difficulty in obtaining investment in research and development, it is providing product innovation, development of new technology and added value,
- Provides room for scientists in commercialization and actualization of their research,
- Enables local units to shape future development and increased standards in the Programme area.

## Problem analysis

Enterprises in the Programme area have quality brands and it is necessary to develop larger quantity of products in order to place their position in more demanding markets. One of the strategies created to resolve this issue is to encourage clusters to unite in order to facilitate demanding markets.

Achieving confidence between entrepreneurs which are competitors to each other is key moment in which clustering of the economy can be developed. Experts in this area point to lack of notice of the fact that entrepreneurship in the transition countries has confidence problem, and the Cluster Development Strategy must be based on resolving this issue, as this is a problem that needs to be eliminated. One of the problems for cluster growth is the cluster manager's deficit.

Clusters are still in process of development that greatly hinder disadvantages of legal and subordinate acts. Also, there is a lack of more open and concrete support from regional institutions, without whose support, a stronger momentum for clustering is not possible.

## ***Benefits***

Clusters are being established to connect manufacturing entities with traders, producers of raw materials and other components, making the system more open to the environment, providing faster flow of information and faster adaptation to changes, more efficient management of such a system, in which human resources and equipment are being used more efficiently.

With joint efforts enterprises have opportunity to procure favorable new technologies, and to acquire faster new knowledge and skills. Shared work reduces the costs of introducing new products to the market and manufacturing the products. There is a chance to take over larger and more expensive orders, leading to greater profitability for everyone involved in the Cluster.

## 2. SWOT analysis

| STRENGTHS   | WEAKNESSES   |
|---|--|
| <ul style="list-style-type: none"> <li>- More than 500 companies in the Republic of Croatia employ over 25,000 employees who participate in clusters</li> <li>- International co-operation</li> <li>- Flexibility in Work - Rapid response to customer requirements</li> <li>- Superior product quality</li> <li>- Professional, trained and certified workforce</li> <li>- High level of technological knowledge and the ability to quickly adapt to market trends</li> <li>- Possibility of product specialization</li> </ul> | <ul style="list-style-type: none"> <li>- Weak involvement in R &amp; D activities</li> <li>- Low interest of enterprises for investing in research and innovation development</li> <li>- Low competitiveness of the economy</li> <li>- High unemployment</li> <li>- Gap between the education system and the economic needs</li> <li>- Insufficient infrastructure and lack of economic and public services</li> <li>- Regional inequalities caused by geographical and economic factors</li> <li>- Poor quality of living in the regions</li> <li>- Outdated equipment for research and innovation development</li> <li>- Underdeveloped infrastructure in the public and private research sector</li> <li>- Low representation of agricultural clusters</li> </ul> |

| OPPORTUNITIES   | THREATS  |
|---|--|
| <ul style="list-style-type: none"> <li>- Networking and creating clusters creates advantage for SMEs</li> <li>- Strengthening SMEs' value chains and manufacturing chains</li> <li>- Secured funds for co-financing through ESI Funds for Research and Innovation</li> <li>- Developing Cluster of Competitiveness</li> <li>- Reduction of costs, resulting in increased profits</li> <li>- Creation of new working places</li> <li>- Increase of investment</li> </ul> | <ul style="list-style-type: none"> <li>- Insufficiently developed research infrastructure</li> <li>- Lack of resources for research</li> <li>- Inadequate transfer of knowledge of technology</li> <li>- Inadequate legal framework</li> <li>- Lack of understanding of Cluster concept</li> </ul> |

### STRENGTHS

As major strengths for Clusters and clustering in the territory of the Republic of Croatia, Bosnia and Herzegovina and Montenegro we can distinguish quality cooperation between these countries. Republic of Croatia has access to ESI funds, through which innovation and research is being funded. All three countries have access to IPA program through which they have the opportunity for international cooperation in the development of small and medium-sized enterprises, and also in sharing of knowledge and skills.

The development of clusters promotes a continuous process of entrepreneurial discovery, contributes to the development of competitive cluster initiatives and the promotion of joint collaboration between the business sector and science and research institutions to establish an innovation network between Croatia, Bosnia and Herzegovina and Montenegro.

### WEAKNESSES

Croatia, Bosnia and Herzegovina and Montenegro have low involvement in research and development activities.

The weaknesses these countries face are low competitiveness of the economy, high unemployment, gap between education system and economic needs, insufficient infrastructure and lack of economic and public services.

There are also regional inequalities, caused by geographic and various socio-economic factors, as well as insufficiently developed research infrastructure, lack of research resources and inadequate knowledge transfer.

Outdated research and development equipment limits the quality of scientific research outcomes, results and impacts.

### **OPPORTUNITIES**

Networking and creating clusters in the above mentioned countries encourages the strengthening of the value and production chains of SMEs. The IPA program, financed by the European Union, provides the opportunity to develop Programme area regions by providing support to R & D projects, joint enterprise activities and encourage the establishment of clusters, developing new or improved products, goods or services, developing technologies and procedures, improved technologies and procedures, new marketing methods, new organizational methods in business practice, work organization or external relations. The emphasis is on fostering research and development to develop innovative clusters and joint research projects between the business sector and research organizations in Programme area.

### **THREATS**

Launching of new products and services on the market is prevented due to insufficient investment in innovation research. Lack of understanding of Cluster concept directly affects the potential for knowledge transfer and the international research potential.

## **3. Examples of good practice**

Cluster example in:

Republic of Croatia are:

1. EUVITA Cluster
2. Slavonian basket

In Montenegro:

## 1. Olive Oil Montenegro - Association

In Bosnia and Herzegovina:

- there are no examples of practices for plant production associations, the most common association in Bosnia and Herzegovina is in wood processing.

### **3.1. EUVITA Cluster**

- EUVITA Cluster was organized in the first phase of development as association in the field of SZH, with the aim of increasing the competitiveness and export of SMEs products / services, processing of fruits, vegetables and medicinal plants in the region (primarily northwestern Croatia).

- In the second phase of development, the main program objectives of the clusters include rural development projects and green entrepreneurship: Realization and improvement of plans and projects of the Regional and Rural Development Strategy, in particular on the Healthy Nutrition Program, Natural Medicine and Dietary Supplements, including Natural Cosmetics.

- Conventional production development programs are primarily based on the organization of optimal models of co-operation with the aim of achieving a higher degree of processing in added value of products with gradual creation of the conditions for organic production and processing in line with market trends and joint programs / development projects with EU partners.

The main activities of the EUVITA Cluster in the previous period were:

1. COMPETITIVENESS IMPROVEMENT OF THE CLUSTERS (marketing, opportunities for joint investment, joint production chain, management of quality and international standards, education, technology transfer and sustainable development system, co-operation with ino-partners ...)

a) RESEARCH AND DEVELOPMENT OF NEW PRODUCTS / SERVICES (marketing research, in particular foreign research, joint commercial marketing activities and promotion)

In the program of healthy nutrition and natural medicine, as well as rural tourism, opportunities have been explored with scientific research organizations on joint research and development projects for new markets, technology transfer, encouragement of joint product development, and EU funding.

b) PROMOTIVE activities and organization of performance in new markets (export marketing, fairs, in-partners, co-operation with supporting institutions, co-financing opportunities ... etc.)

2. RURAL DEVELOPMENT, exploring the possibilities of using EU funds from the IPA Program, in particular LEADER, and multisector cooperation with LAGs from different regions (preparation and promotion of the Development Strategy, EU Projects, Green Entrepreneurship, Social Entrepreneurship and Education).

In order to develop new products, and programs and timely and high quality preparation of individual projects for EU Funds and Programs, EUVITA has concluded or prepared special agreements on cooperation with the County Development Agencies and scientific-research organizations.

In addition, some activities are aimed on development of intercultural cooperation and agreements on co-operation and joint activities with some clusters or networks in the Republic of Croatia (cluster Slavonka, Cluster Plavac Small, Cluster of Medical Tourism), and in Austria. Also the development is expected in Hungary.

Together with the Slovenian SME network in the field of agricultural production and processing during 2012, joint project was prepared under the IPA Cross-Border Cooperation Program.

### ***3.2. Slavonian basket***

- Gathers 134 manufacturers of food, beverage and handicraft manufacturers, and tourism service providers from the region of Slavonia.
- The cluster founder is the City of Slavonski Brod, founded in 2011.
- The main goal is networking of the advanced tourism economic activities in eastern Croatia.
- Basic Cluster activities relate to the maintenance of training workshops for members; promotion and distribution of products through an interactive web portal; performing at fairs and holding specialized presentations on individual tourism markets in the country and abroad; organizing "benchmarking" trips.
- Strategic partner of clusters is Faculty of Economics in Osijek (EFOS), cluster work is supported by the relevant Ministries and the Croatian Tourist Community.

The aims of the Association are:

- Sustainable tourism development in the region of Slavonia;
- Establishing the strategic and operational partnerships is necessary for the implementation of the Master Plan in the tourist development of the Slavonia region, and also on an interest basis;
- Encouraging development initiatives;
- Linking the tourist development of the region of Slavonia with the aim of creating tourism products and tourist experiences;
- Identifying key stakeholders for the achievement of strategic goals;
- Continuous communication of key stakeholders of tourist development of the region of Slavonia;
- Fostering an innovative approach to tourism development;
- Creating and diversifying tourism products and experiences, especially in the private sector domain;
- Distribution and promotion of cluster products;
- Promoting the traditional and cultural values and the ambience of the region of Slavonia as a tourist destination;
- Continuous development of tourist services and products for the region of Slavonia;
- Increase the competitiveness of the tourist economy of the Slavonia region through joint planning and implementation of activities;

- Development and improvement of selective forms of tourism in the region of Slavonia;
- Informing and educating the population, entrepreneurs, public administration, tourism and cultural workers and other participants of economic and social life about the development potential and tourism development potential of the region of Slavonia.

### **3.3. Olive Oil Montenegro**

- ✓ Association of Olive Producers from Bara and Ulcinja (three in Ulcinju and one in Baru);
- ✓ Assisting more than 1700 olive growers and 12 large mills, whose business activities take place within the Olive Oil Cluster from Bara and Ulcinja in Montenegro;
- ✓ Dedicated to high standards of quality of products and services provided by their members – manufacturers;
- ✓ Have a goal to equalize the production of olive oil in Montenegro with European production and business standards, through high quality services offered to its members (training, conferences, discussions, fairs, events, etc.);
- ✓ Activities are aimed towards supporting individual producers in order to align their working methods with EU quality standards in olive oil production;
- ✓ In cooperation with the Ministry of Agriculture and Rural Development of Montenegro, they assist olive oil producers to participate in international fairs and conferences. In this way, the associations ensure constant increase in the quality of olive oil production.

To better understand the wealth that olive growers in Montenegro have been guarding for ages, science has played a very important role, helping in determining

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the age of individual trees. UNIDO helped in securing tree samples from Bara and Ulcinja – around 25 samples from every municipality - that were passed on for the analysis. Samples were analyzed in the Wood Anatomy Laboratory and Tree Research Institute, which is part of the prestigious Faculty of Forestry of the University of Istanbul. The results show that the most famous Old Olive is located in Mirovica near Bara is around 2240 years old.

## 4. Analysis

In cluster analysis we tried to include clusters from the Programme area.

**Conclusion** is that there are no real clusters in this area. Most of these are the various associations or smaller associations.

There are examples of good practice in the Republic of Croatia. By analyzing the two clusters (EUROVITA AND SLAVONSKA KOŠARICA) we gain an idea on how to establish the planned cluster.

The cluster analysis has to answer three basic questions:

1. Which are the positive side of the Cluster
2. What are the negative sides of the Cluster
3. What is the conclusion

### *Positive conclusion of the analysis*

The cluster analysis can simplify the comparison of the functioning of the independent actions of the subjects versus their associated activity.

The main goal is to compare the relationships between subjects in a particular cluster or association.

The cluster's positive effect is reflected in the following points:

- ✓ Competitiveness;
- ✓ Research and development;
- ✓ Rural development;
- ✓ Networking;
- ✓ Promotion of tourism activities.

### ***Negative conclusion of the analysis***

- underdeveloped infrastructure;
  - outdated equipment;
  - outflow of workforce;
  - enterprises are not aware of the benefits of association;
  - regional inequalities;
  - poor state support.
- ➔ Listed negativities effect establishing and cluster development of the cluster itself. All this is also the reason why Bosnia and Herzegovina and Montenegro have no cluster form for the development of plants. Namely, there are examples of associations (mostly woodworking), but clusters themselves are not sufficiently recognized and supported as an important development point.

### ***Goals:***

- Identification of relationships between subjects;
- Higher degree of processing, added value of the product;
- Creating conditions for organic production and processing harmonized with market trends;
- Compliance with development programs / projects with EU partners;
- Conducting training workshops for members;
- Promotion and distribution of products through an interactive web portal;
- Performances at fairs;

- Conducting presentations;
- Organizing "benchmarking" trips.

## 5. Analysis of the assesses questionnaire

### 5.1. User analysis

Conducted research within the STRONGER project encompassed a total of 113 representatives of potential project beneficiaries - small and medium-sized enterprises / entrepreneurs and potential trainers for conducting training to other staff in this area.

|   | CTR -<br>SLAVONIA,<br>CR | APZ<br>- ME | UPZ –<br>BiH | INOVIATION-<br>DALMATIA,<br>CR | TOTAL |
|---|--------------------------|-------------|--------------|--------------------------------|-------|
| NUMBER OF USERS<br>INCLUDED IN THE SERVEY | 7                        | 23          | 71           | 12                             | 113   |
| PLANNED NUMBER OF<br>TRAINING USERS - SME | 7                        | 10          | 10           | 5                              | 32    |
| PLANNED NUMBER OF<br>TRAINERS - TRAINERS  | 6                        | 6           | 6            | 1                              | 19    |

The survey found that the largest number of users in Slavonia is engaged in the processing of herbs - distillation and production of herbal teas and preparations, while in Montenegro most of them are engaged in the cultivation of medicinal herbs and the processing of plants - drying, in BiH almost half the respondents are engaged in drying, while in Dalmatia the largest number of potential users is engaged in the cultivation of medicinal herbs.

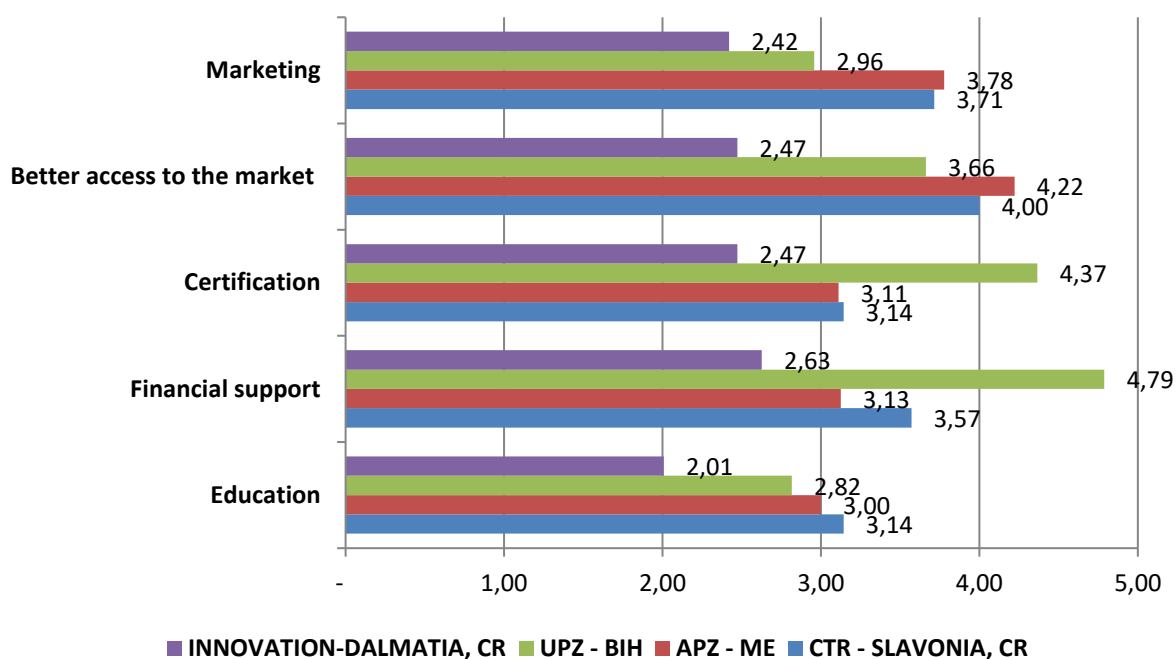
| Activities specifically dealing with breeders, processors of medicinal, aromatic and Mediterranean plants | CTR - SLAVONIA, CR | APZ - ME | UPZ - BiH | INOVATION-DALMATIA, CR |
|---|--------------------|----------|-----------|------------------------|
| Cultivation of herbs  | 29%                | 44%      | 43%       | 75%                    |
| Processing of plants - drying   | 29%                | 44%      | 47%       | 17%                    |
| Processing of plants - distillation   | 43%                | 33%      | 19%       | 58%                    |
| Production of teas and preparations based on medicinal herbs  | 43%                | 33%      | 41%       | 8%                     |
| Production of natural cosmetics   | 29%                | 33%      | 43%       | 33%                    |
| Production of berries - aronia, blackberry, raspberry, blueberry  | 43%                |          |           |                        |

Note: The respondents were given the choice of multiple answers.

## **5.2. Potential Business Beneficiaries**

Potential beneficiaries of the STRONGER project from the entire Programme area (collectively) believe that their business is largely lacking better access to the market. This is mostly the opinion from Slavonia and Montenegro respondents. Respondents from BiH believe that the financial support is most lacking, while in Dalmatia respondents believe that certification and better access to the market is most needed.

It can also be concluded that the highest ratings for all the offered disadvantages in business were awarded by potential beneficiaries from BiH, while the lowest marks were awarded from Dalmatia.



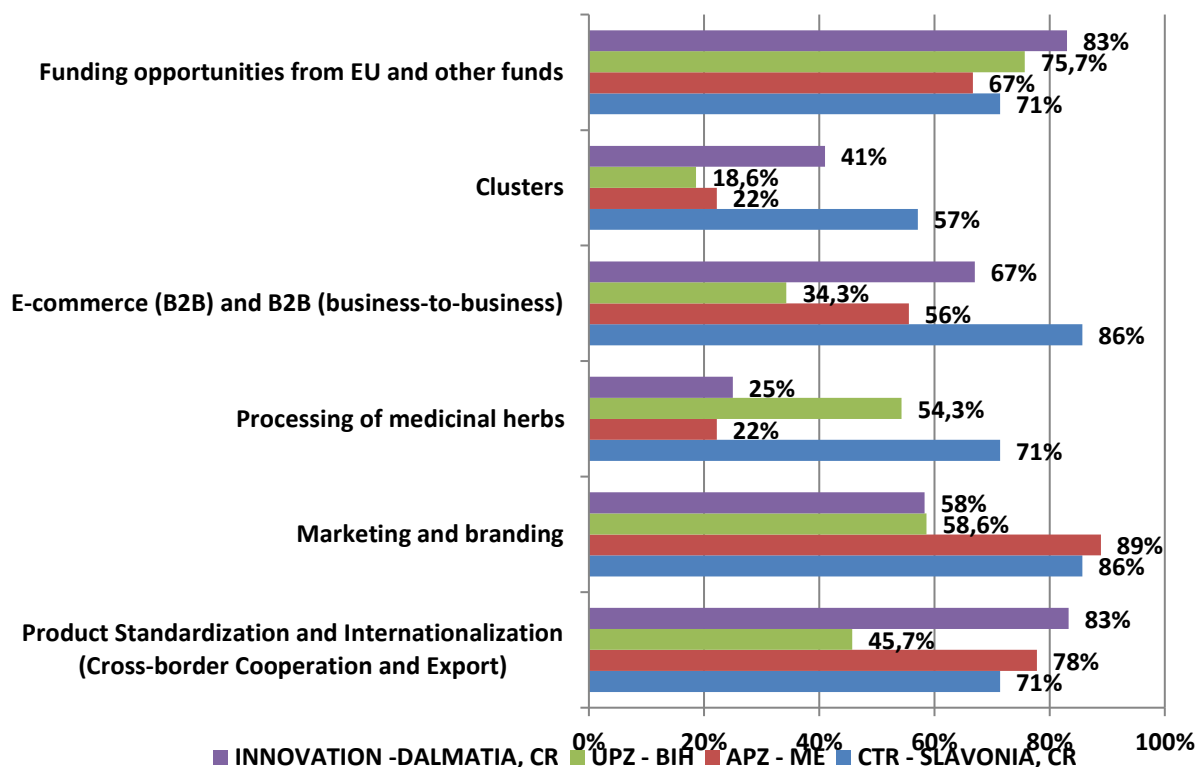
Note: The respondents were able to evaluate the answers offered on a scale from 1 to 5.

### 5.3. Educations for potential users

Potential beneficiaries from the Programme area believe that education is most needed in the area of EU and other funding opportunities, while the least needed education is about clusters.

In Slavonia they want to learn more about marketing and branding, and about e-commerce (B2B) and B2B (business-to-business). In Montenegro most of them want

marketing and branding education, while in BH and Dalmatia they want to learn more about the possibilities of financing from the EU and other funds.



Note: The respondents were given the choice of multiple answers.