



smath

**Smart atmospheres of social and financial innovation
for innovative clustering of creative industries in MED area**

Deliverable no 3.7.1

Setting up a MED Creative Cluster



Project co-financed by the European
Regional Development Fund

Project information

Acronym		smath	
Title		Smart atmospheres of social and financial innovation for innovative clustering of creative industries in MED area	
Name of the Lead Partner organisation		Veneto region	
Project Nb		3225	
Duration of the project	Starting date	2018-02-01	Number of months
	Ending date	2020-07-31	30
Programme priority axis		Priority Axis 1: Promoting Mediterranean innovation capacities to develop smart and sustainable growth	
Programme specific objective		1.1 To increase transnational activity of innovative clusters and networks of key sectors of the MED area	
Call for projects		3rd call	
Type of project		Testing	
Internal ref number		3MED17_1.1_M2_084	
Partner responsible for the deliverable		Technopolis City of Athens SA, KiNNO Consultants Ltd.	

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1. Introduction

The Methodology will support the clustering of the Regional/National Nests to strengthen the impact of CIs in the MED Area. The MED CIs Cluster's mission is to create smart atmosphere of social and financial innovation for innovative clustering focusing on social cohesion, urban regeneration and sustainable tourism. The MED cluster will include a crowdsourcing platform able to set-up transnational cooperations and joint venture.

The present document is a methodology intended for the partners of SMATH project suggesting how to set-up a MED Creative Cluster on CIs sector in a proper, successful and coordinated way. The document proposes that the set-up process of the MED Creative Cluster may be broken down into four broad phases, containing ten steps starting from the Establishment of the Cluster, to its Building and Service delivery and finally to its Evaluation and Sustainability.

The Methodology contains:

Section 1 sets the scene for a MED Creative Cluster defining Clusters and their typical composition and presenting the potential of CCIs, the current technologies, the key players of the CCIs value chain and the key challenges and opportunities of CCIs sector highlighting the importance and critical factors for setting a Cluster on CCIs to address those challenges.

Section 2 outlines specific particularities and limitations for setting up the MED Creative Cluster, in terms of key characteristics of the SMATH project, the anticipated added value of the Cluster, the anticipated Role of the SMATH partners and the key actors to be involved. Considering the above, a common MED Creative Cluster development process is proposed and presented under this section outlining the phases and specific steps to be done both on Cluster and regional/national Creative nests level in order to set up the MED Creative Cluster. According to this, this section provides guidance and suggestions on what needs to be done and considered while: Establishing the MED Creative Cluster Governance scheme, defining Cluster's Legal Form, Defining its internal communication and information concept, defining its strategic positioning and defining its anticipated results, setting by this way the base for the implementation of the local activities by the regional/national creative nests.

Section 3 provides guidance on what needs to be done and considered by each regional/national nest Coordinator. Furthermore, it provides an overview of the members that participate in the regional/national nests as well as the services and the benefits that the members are enjoying.

Section 4 provides guidance on what to be considered for the Evaluation of the MED Creative Cluster and its Sustainability after the end of the project.

2. Glossary of key Terms

Small enterprise: is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.

Medium-sized enterprise is defined as an enterprise which employs fewer than 250 persons and whose annual turnover does not exceed EUR 50 million or whose annual balance-sheet total does not exceed EUR 43 million.

Large enterprise: is defined as an enterprise which employs equal or more than 250 persons and whose annual turnover is greater than or equal to £22.8m/\$22.8m.

TRL: Technology Readiness Level. TRL 0: Idea. Unproven concept, no testing has been performed.

TRL 1: Basic research. Principles postulated and observed but no experimental proof available. TRL 2:

Technology formulation. Concept and application have been formulated. TRL 3: Applied research.

First laboratory tests completed; proof of concept. TRL 4: Small scale prototype built in a laboratory

environment ("ugly" prototype). TRL 5: Large scale prototype tested in intended environment. TRL 6:

Prototype system tested in intended environment close to expected performance. TRL 7:

Demonstration system operating in operational environment at pre-commercial scale. TRL 8: First of

a kind commercial system. Manufacturing issues solved. TRL 9: Full commercial application,

technology available for consumers.

Quadruple Helix: Innovation model that involves institutional bodies, research sphere, business sector and citizens in the process (industry - research bodies - public authorities - civil society). This new generation of open innovation leads to stronger economic impact and better user experience in Europe.

Cultural and Creative Industries: The cultural and creative industries refer to those parts of economy where culture is produced and distributed through industrial means, applying the creativity of individuals and groups to the generation of original cultural product, which may have commercial value either through direct sale to consumers or as intellectual property.

MED Creative Cluster: A group of interconnected companies (SMEs, startups, spinoffs) and associated institutions of the Quadruple Helix, geographically proximate in the Mediterranean area, in the field of Cultural and Creative Industries, linked by commonalities and complementarities. They are suppliers, technology providers, service providers, firms in CIs and in related industries, and associated institutions (Universities, Public Authorities/Agencies and Business Support Organizations, Trade Associations, Large firms, NGOs, Technology Transfer Offices & Innovation Poles), in particular fields, that compete and also cooperate in order to increase innovation.

Regional/National Creative Nests: A group of regional companies (SMEs, startups, spinoffs) and associated institutions of the Quadruple Helix in the field of CCIs. Seven regional/national Creative Nests are established and will implement the Cluster activities on regional/national level: Spain, Italy(x2), Slovenia, Greece, Croatia, France.

CLUSTER of SMEs: Groups of specialized enterprises – often SMEs – and other related supporting actors that cooperate closely together in a particular location.

NETWORK of SMEs: An organizational form of economic activities that may allow SMEs to cope with market failures that they cannot face alone. The rise of an innovation-driven growth model seems to have enhanced the value of networking and the complexity of interdependent production processes of an increasingly uncertain business environment.

3. Methodological Framework of Creative Cluster

MED Creative Cluster: SETTING THE SCENE

Innovation activities tend to be concentrated in individual companies and certain regions that offer the right competences, skills and favorable conditions. At the same time, innovation and excellence are rarely achieved in isolation, as competences are spread across different sectors, value chains and geographical borders. These characteristics call for collaboration between, and integration of, different innovation actors across different sectors and regions. This includes SMEs and large enterprises as well as supportive organizations such as universities, research and development institutions, other knowledge and skills providers, financial actors, etc. While large enterprises mostly have the resources to organize and manage open innovation processes, SMEs often need help to effectively link with, and integrate into, new industrial value chains.

Clusters & Networks

In a knowledge-based economy competitiveness is becoming more dependent upon the ability to apply new knowledge and technology in products and production processes and thus, innovate. However, with growing competition and globalization and the rapid advancement of knowledge, new technologies and innovative concepts, most of businesses especially SMEs, have not yet developed a culture of innovation and those that do invest in innovation may still face obstacles in pursuing this effort. Inter-firm collaboration within networks is now by far the most important channel of knowledge sharing and exchange. Interactions are also intensifying between firms and a number of other institutions involved in the innovation process: universities and other institutions of higher education, private and public research labs, providers of consultancy and technical services, regulatory bodies, etc. In the last couple of decades, a lot of research has been done on the emergence of clusters. Clusters foster linkages among firms, knowledge-producing institutions (universities, research institutes, technology-providing firms), bridging institutions (e.g. technology extension services) and customers of a value-adding production chain, which co-operate in developing and using sector-specific goods based on common physical and knowledge infrastructures. The prevalence of clusters reveals important insights about the microeconomics of competition and competitive advantage and innovation. More specifically, from a firm perspective, evidence explains the benefits of the cluster including among others:

- Increased and sustainable competitiveness to those firms that are based in Clusters instead of similar not belonging in the Cluster by integrating core competencies and capacities
- Utilization of complementarities in the input of resources, which may create scale economies in production and chances to reach critical mass of demand necessary for the production of a particular goods or service
- Better access to skilled labor
- Sharing of knowledge and information, and learning through networking, interaction and collaboration
- Development of leader firms
- Reduction of transaction costs
- Deal with common problems and opportunities that cannot be addressed individually

Thus, the concept of Clusters and networks acquires central importance in the modern economic and business development.

As defined by Michael E. Porter, a **Cluster**¹ is a geographically proximate group of *interconnected* companies and associated institutions, in a particular field, linked by *commonalities* and *complementarities*. They are suppliers, service providers, firms in related industries, and associated institutions (for example, universities, standard agencies, and trade associations), in particular fields, that *compete* and also *cooperate*.

Based on the above definition, the Cluster Navigators² Model describes the operating environment of companies and organizations and the formation of competitiveness in a particular industry sector within the Cluster. According to this Model, the earnings of the Core Companies come mainly from outside the cluster. The operations of the support businesses support the core member companies directly or indirectly. The knowledge-based organizations, such as educational and research institutions, support the core companies, and the material infrastructure, such as transport and telecommunication links, support also the core companies³.

Typical Structure of a Cluster

Core Companies: The members that are the lead participants in the Cluster, often earning most of their income from customers who are beyond the cluster's boundary.

Support Businesses: The businesses that are directly and indirectly supporting the companies at the core of the Cluster. These may include suppliers of specialized machinery, components, raw materials; and service firms including finance/venture capital, lawyers, design, marketing and PR. Often these firms are highly specialized, and are physically located close to the core companies.

Soft Support Infrastructure: In a high-performance Cluster, the businesses at the core and the support business do not work in isolation. Successful Clusters have community wide involvement. Local schools, universities, polytechnics, local trade and professional associations, economic development agencies and others support their activities and are key ingredients in a high-performance Cluster. The quality of this soft infrastructure, and the extent of teamwork within it, are very important keys to the development of any Cluster.

Hard Support Infrastructure: This is the supporting physical infrastructure: roads, ports, waste treatment, communication links etc. The quality of this infrastructure needs to at least match competitive destinations, be they local or further afield.

¹ PORTER, M. 1998. Clusters and competition: new agenda for companies, governments and institutions. On Competition, Harvard Business Review Book, Boston, USA: Harvard Business School Press

² Cluster Navigators Ltd, "Cluster Building: A Toolkit A Manual for starting and developing local clusters in New Zealand", 2001

³ Haverinen, K. (2011) Edellytyksiä Kajaanin datakeskus-klusterille, MS thesis, University of Oulu, Oulu, Finland (in Finnish).

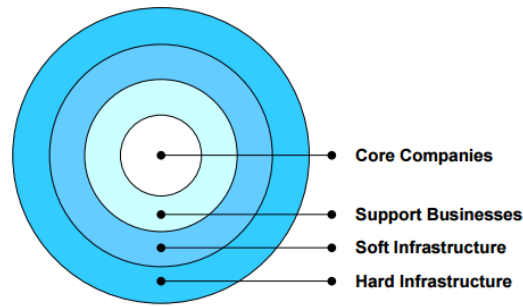


Figure 1: Typical structure of a Cluster (© Cluster Navigators Ltd, 2001)

Developing the Vision

Clusters offer a favorable eco-system, which encourages both competition and cooperation among firms with different industrial backgrounds, technological and business expertise. Evidence shows that companies in Clusters are more innovative, conduct more market research and register more international trademarks and patents than businesses operating outside Clusters. The Mission of a MED Creative Cluster is to be an appropriate vehicle that will foster cooperation and linkages between its members from academia, business, government and other stakeholders from different sectors and activities whose functional area of final demand is the Mediterranean Europe.

THE VISION OF THIS CLUSTER IS TO:

- Encourage and facilitate collaborative projects/ joint activities between its members.
- Create a favorable environment for open innovation in SMEs facilitating cross-country and cross-sectoral connection, collaboration and acceleration of CCI's Innovation.
- Support SMEs and startups in the CCI's value chain through an integrated innovation support system and impact financing to build their innovation potential and scale up their growth potential by linking-up to knowledge, technologies, market and expertise; facilitating uptake of new technologies and use of new business models.
- Develop and capitalize emerging CCI's industry by fostering interactions and linkages between value chains and other industries; bridging enterprises, start-ups and SMEs with other industries' players, researchers and public authorities to generate, improve, co-create and put forward innovative ideas.
- Help the MED companies to select the innovative axes, based on their true expertise to cope with the main challenges of future sector.
- Encourage the SMEs orientation to new markets (such as the MED ones or other EU and non-EU countries)
- Encourage SMEs to offer new products adjusted to the needs of emerging countries
- Create a favorable environment for SMEs facilitating cross-sectoral connection, collaboration and acceleration of Innovation.
- Encourage and facilitate collaborative projects/ joint activities between its members and other companies
- Support SMEs and startups of the value chain to build their innovation potential and scale up their growth potential integrating innovation and new technologies
- Access to good practices and new technologies covering the whole product cycle

- Growth of the local economy
- Training in new, innovative methodologies that lead to sustainable processing and production of high-quality products

4. Critical Success Factors

Each Cluster evolves in its own way. However, there are a number of key factors within strong Clusters that we need to consider when designing the MED Creative Cluster.

CRITICAL FACTORS FOR SUCCESSFUL CLUSTERS

- **SMEs are an important factor** for renewal within the industry as they often end up in smaller niche markets where they can assess new ideas and product concepts. SMEs play an important role as suppliers to large companies and need to be at the core of the Cluster activities.
- **Positive environment for all players:** Clusters provide a positive environment for new firms, enabling access to customers, supply chains, to skilled labor and to information. Large firms benefit from specialist suppliers enabling them to focus on their core competencies and benefit from SMEs that are experimenting at the Cluster's periphery. Clusters enable SMEs to tackle issues that would be difficult to address in isolation. Large firms act as important partners and customers for SMEs.
- **Foster co-opetition:** The geographic and social proximity facilitates collaboration alongside competition a culture of co-opetition. Strong Clusters do not have clumps of isolated firms but networks of interlinked firms with well-developed communications. As isolated solo players become more integrated into a system, a co-opetition culture is developed, with firms better understanding where collaboration can be a win-win.
- **Foster innovation:** Within a strong Cluster there is rivalry and intense competition. This is central to fostering innovation. Close interaction and exchanges amongst co-located firms underpins competition and stimulates innovation. Moreover, cooperation and linkages among competitive core firms and new firms, often exploring new markets, new processes, new technologies, support firms and service providers, government departments and other foster innovation.
- **Focus in internationalization:** In particular in small countries, internationalization should be at the center of the Cluster development approach. Developing the Cluster's brand can be an element of export development and added value for small actors.
- **Fosters cross-sectoral cooperation:** Successful Clusters provide an important bottom-up input to the establishment of region's economic strategy also involving players from other sectors that may have positive impact on the target sector.
- **Focus on results and impact and adopts continuous evaluation processes:** A continuous evaluation processes should be established and adopted from the Cluster including indicators on the activities performed, indicators on impacts, satisfaction questionnaires, assessment and benchmarking with other similar Clusters etc. The Cluster is engaging on

activities that have noticeable impact on the Cluster's firms and other members and the local economic impact as well.

- **Provides added-value:** In order to effectively engage all the key players, the Cluster should provide an added-value to them and a win-win process targeted to their needs.
- **Sector-specific methodology:** No one-size fits all. Design according to sector and region-specific needs.
- **Emphasis on all the Different Phases:** Covering Establishment, Building the Base, Service delivery, Evaluation and Sustainability.
- **The Human factor:** Cluster is about personal relationships and trust building. Selection of appropriate people for Governance Scheme.

5. MED Creative Cluster Development

SMATH FRAMEWORK

In order for the MED SMEs to embrace all challenges it is imperative to adopt and develop innovation and create joint-projects that will exploit the significant heritage of the region. The role of clusters and cross-border collaborations is more than ever important.

SMATH objective is to improve the quality and quantity of connections between the domain of culture and the creative firms.

SMATH will do this through establishing & operating "Smart Atmospheres" that provide a mix of value enhancing services to the local SMEs including working labs, workshops, study visits, Awareness seminars, intensive coaching, assistance for business plan development. Additionally, the project offers access to information on market and technology intelligence, networking and marketplace event fostering linkages among SMEs and other actors of the 4-Helix Model. The project offers international services and access to funding opportunities, too.

MED CREATIVE CLUSTER WITHIN SMATH FRAMEWORK

The SMATH project foresees that the MED Creative Cluster delivers a consolidated mix of innovative services by promoting joint-cooperation, bridging push and pull innovation activities and securing social acceptance that will increase SMEs' innovation capacities, support research and innovation in CCIs sector, foster linkages and collaborations among all the stakeholders of the Quadruple Helix Innovation Model (business-academia-public-citizens). Those stakeholders will jointly identify opportunities in CCI sector and of the exploitation of new projects in key market sectors in order to generate the critical mass that is essential for the deployment of this sector.

The partnership of the SMATH project covers six countries of the Mediterranean area: Italy, Spain, Slovenia, Greece, France and Croatia and is composed of Regional Authorities, Business Support Centers, Universities, Cultural Institutes, Development Agencies and Innovation Centers. Thus, the SMATH project brings all the necessary building blocks of designing and running a Cluster which will

offer services to beneficiaries along the MED CCIs value chain in a robust way considering the Project-specific characteristics.

KEY CHARACTERISTICS OF SMATH

- o Specific resources
- o Pilot Project
- o Interregional Cluster (Cluster of Regional/National Nests (Clusters))
- o Traditional Sector / Industry with high innovation potential
- o Focus on sectors such as TV, Radio, Music, Publishing, Tourism, Arts, Advertisement, Photography, Video etc.

SMATH CLUSTER ADDED VALUE

The SMATH MED Creative Cluster will enhance cooperation, linkages and internationalization through the implementation of **pilot activities at both National and Transnational levels**. More specifically, the Cluster will support SMEs to identify opportunities for diversification of their products, identify new markets and trends, cooperate with companies that operate on cultural sector and work under joint R&D activities. Furthermore, the Cluster will assist them to enhance networking with large enterprises and connect with potential investors. Since more specific skills are required for the development of new projects, seminars and coaching for new skills will be provided. These are some indicative of the full spectrum of services which target mainly SMEs and start-ups and other relevant actors at regional and transnational level.

SMATH CLUSTER ADDED VALUE	
Co-operation and Innovation	The Cluster provides free-of-charge services to its SME members including a) Working labs, workshops and study visits for project development, b) Seminars and coaching for skills development, c) support for business plan development
Networking and Internationalization	The Cluster supports networking of its members with key players through the Transnational Event, which aims to strengthen transnational cooperation, as well as through the platform of SMATH.
Information & Communication	The Cluster offers the opportunity to its members to attend and present their technology/project to market players through the pitching event, Marketplace event, transnational event as well as be informed and exchange ideas on CCIs sector.
Access to funding opportunities	The cluster provides access to funding opportunities through a) offering crowdfunding experience to beneficiary members, b) pitching event to investors c) crowdsourcing experience in SMATH Platform

KEY ACTORS INVOLVED

The actors that could be involved in the MED Creative Cluster should include both actors that are already active in the Cultural and Creative Value Chain as well as actors that can potentially become members of the value chain in the future. More specifically, in terms of Private Entities, the project foresees **SMEs, startups, spinoffs and Large Firms** offering technologies, products or services in the following components of the CIs value chain:

CIS SECTORS TARGETED BY SMATH



Figure 2 Creative sectors targeted by SMATH

INDUSTRY

- Creative Firms: Film, Video, Radio & TV, Museums, Galleries and Libraries, Literature, Music, Performing Arts, Visual Arts, Advertising, Architecture, Design, Fashion, ICT Development

Furthermore, the non-private actors are envisaged from the following categories:

RESEARCH BODIES

- Research Institutions
- Research and Technology Centers
- Universities
- Individual researchers

supporting the economic growth through the Research and development of novel technologies related to CCI processes.

PUBLIC AUTHORITIES

- Local and Regional Authorities such as Municipalities, Prefectures etc.
- National governments such as Ministries
- Regulatory agencies such as General secretaries

possessing the power to administer and implement Laws and Government policies related to CCIs

MED CREATIVE CLUSTER PHASES

The set-up process of a cluster initiative varies substantially according to the purpose it is to fulfil and the circumstances under which the involved members are supposed to cooperate. Nevertheless, within the SMATH project, we consider that the MED Creative Cluster development process may be broken down into four broad phases, containing nine steps:

PHASE 1: CLUSTER ESTABLISHMENT

Step 1: Establishment of MED Creative Cluster Governance (Cluster Coordinator, Cluster Management Team, Cluster Advisory Board)

Step 2: Definition of clear objectives for the Cluster

Step 3: Establishment of Regional/National Nests' Teams (Coordinators)

PHASE 2: BUILDING THE BASE

Step 4: Monitoring of regional/national creative nests

Step 5: Identification of key actors and potential members of regional/national creative nests

PHASE 3: SERVICES' DELIVERY

Step 6: Provision of Regional/National Nests' services

Step 7: Provision of Cluster services

PHASE 4: EVALUATION AND SUSTAINABILITY

Step 8: Evaluation

Step 9: Sustainability

SMATH CLUSTER GOVERNANCE SCHEME

In this respect the objective of this study is to propose a scheme into how and by whom knowledge processes and Cluster initiatives are organized and governed within the MED Creative Cluster also in relation to how the Cluster aims at specializing itself within the European knowledge dynamics of the sector. The **Cluster governance structure** should be in position to answer to the following questions:

- What will be the position of the MED Creative Cluster in the sector and which key challenges are significant for its operation and future development?
- How are cluster activities governed and organized in response to current challenges?
- What is the local role and response of key players and leaders within the local and international cluster governance network in view of the project objectives?

The organization set up to manage Cluster projects, although unique to the context in which they operate, generally share the same basic structures. We propose that the project shall select a **Cluster Coordinator** and establish local teams to manage the day-to-day co-ordination of the project – the

Cluster Management Team or unit. For the good functioning of the project, this management team should be permanent, experienced and work full-time for the whole life of the Cluster. Cluster projects are normally overseen by an **Advisory Board (or steering committee)** that comprises of key stakeholders in the region. We also support the establishment of **Working Groups** to support the Cluster Management Team and to assist in the formation of strategies and proposal actions. These working groups are not mandatory, but they often can be an adequate means to secure regional participation. In order to secure that all stakeholders share the Cluster objectives, governance schemes should allow for '*collaborative leadership*', meaning that hierarchies in decision-making should be flexible enough in order to let each actor to have a role and eventually take the lead in specific phases of project design, according to actors' characteristics, background, and capacities. When actors are many and different, it might be very difficult for them to find their own way to collaborate and manage potential conflicts. In order to tackle this potential problem, the governance scheme should include '*boundary spanners*', that is to say, people with interdisciplinary knowledge or proven experience in interaction with different actors, and who can hence help moderate the process.

Cluster Coordinator

The Cluster Coordinator will be responsible for the establishment, coordination and implementation of the MED Creative Cluster under the framework of the project. Among other tasks, its responsibilities include the overall management and monitoring of the Cluster, the coordination, support and evaluation of the performance of the regional/national creative nests and the building of a network of contacts with strategic counterparts. The **Cluster Coordinator** should be an individual with a deep understanding of the sector and the cluster development process. The Cluster Coordinator has the responsibility for ensuring, over the long term, that the Cluster continues to be effective and sustainable, ideally after the end of the SMATH project. The Cluster Coordinator is suggested to be a staff member of the Cluster Coordinator Organization, such as the Head/Project Manager of the Cluster Coordinator Organization or any other senior staff of the organization.

CLUSTER COORDINATOR TASKS

- Identify and set project priorities at any given project time
- Support the capacity of the members of the Management Team
- Enable the members of the Cluster Management Team to work together effectively and try to maximize the anticipated benefit for Cluster members
- Ensure coordination with and among regional Coordinators in all countries involved
- Lead and work on behalf of the Cluster as a whole, facilitating all Cluster activities and maintaining a strategic vision
- Define tailored internationalization strategies
- Ensure that needs, risks and capacities and opportunities are assessed and understood by all the members of the Management team and that information is well managed and shared (content and flow)
- Monitor strategy implementation and Cluster performance, evaluation and sustainability

SKILLS SUGGESTED BY THE CLUSTER COORDINATOR

- Strategic thinking
- Broad understanding of the CCI sector; Good knowledge of Clusters and understanding of SME needs
- Familiarity with and knowledge of the Med area context
- Management, planning and organization skills
- Experience from both research and Industry environments
- Communication skills (written and spoken)
- Relational skills (networking, integration, motivation, moderation)

Cluster Management Team

The Cluster Management team is responsible for achieving the results expected of the project. The development and management of Cluster activities require establishing a Cluster Management Team or Cluster Leadership Group which is not only in charge of managing operations but moreover advises the Cluster and its regional/national nests on issues of strategic positioning, controlling and monitoring of activities and evaluating the already completed activities. It is suggested that the **Cluster Management Team** is composed of people, more specifically staff of the SMATH project partners including the Cluster Coordinator. The members of the Management team should have sector-specific knowledge, be familiar with local/regional environment and have management skills, etc.

CLUSTER MANAGEMENT TEAM TASKS

- Support the overall goals of the MED Creative Cluster approach at both regional and international level
- Infuse international practices and know-how to local environments
- Share experiences for Cluster activities including assessing needs, developing plans and guidelines, communicating information and agreed messages and organizing joint activities; and
- Respect and adhere to agreed principles, policies and standards, and implement activities in line with agreed priorities and objective
- Be proactive in exchanging information, highlighting needs and gaps and reporting process

Cluster Working Groups

Working groups are a useful mechanism to help build consensus, they may **be sector orientated or thematic**, depending upon the approach adopted. They should be given specific terms of reference or timetable for delivery of results. It is useful to include a member of the Advisory board in each working group together with a member of the management team. The conclusions of the different working groups coordinated by the Cluster Coordinator, should be the basis of strategic discussions in the steering group.

Working groups can be a valuable channel to raise awareness amongst the target audience. Given that a requirement for the SMATH project was to ensure a **bottom up approach**, inviting companies to become members of working groups is a direct way of achieving this. The groups can reveal the crucial factors that should be considered when developing the project operations. The more successful projects use them not only as an instrument for anchoring the project in the community but also to deliver pilot actions and implement strategies. **Involving industry in the implementation phase will enable stakeholders to perceive the direct industrial relevance and benefits more clearly.** This in turn will lead to stronger engagement and commitment from business sectors.

CLUSTER WORKING GROUPS TASKS

- Information and diffusion of results
- Validation and discussion, deepening of these results
- Gathering of ideas for Cluster activities and results
- Gathering of ideas for project and measures development

FORMALIZATION

Legal Form

Clusters may obtain a legal status in a country. This may prove advantageous if the Cluster wishes to attract funds from corporate sponsors or wishes to bid for National, EU or international contracts. Since sometimes such a process may take a long time and be costly due to domestic legal frameworks, the formula that is currently being used in other clusters is to involve the offices of members who have expertise in bidding for EU funding. The offices sign the contract and then distributes the grant among the Cluster members. As far as the legal framework for the Clusters development is concerned, the European law governing the Clusters area, which would ultimately require the harmonization of national legislation of any member state or a country in the EU accession process, does not exist. In the context of aforementioned, every EU member state adopts the legislation that governs the Clusters issue in a slightly different manner. In general, there is no consensus in the EU on the most appropriate and beneficial legal identity for a Cluster. Decision regarding the most suitable legal form of cluster is being usually based on the following:

MOST SUITABLE LEGAL FORM BASED UPON FACTORS

- Defined strategy for Cluster (the role and functions of the Cluster and the type of services to be provided for Cluster members)
- Access to financial resources in order to achieve objectives of the overall strategy and to provide defined services to members
- National corporate law and EU funding possibilities

Choosing an appropriate legal form for MED Creative Cluster is of vital importance as it consists of a number of business members and partners whose input, communication, rules of engagement and rules for cooperation should be formally organized and structured to ensure transparency, fair play to all members and members' accountability. After the vision, mission, goals and strategy of a

Cluster are identified and agreed, legal advice should be sought on the issue of legal formation. Some possible legal forms for MED Creative Cluster are⁴:

ALTERNATIVE CLUSTER LEGAL FORMS	
Association (non-profit or for-profit)	This form is used when the focus of Cluster organization is to provide “soft” services to its members, such as support to networking and specialization, training or up-grading Cluster members’ skills and capabilities, presentation of a Cluster at international conferences, organization of international conferences to make Cluster known to the international community, lobbying, market intelligence or other not for profit activities. As a non-profit organization, Cluster and Cluster members are eligible to receive national and/or EU grants.
Private limited company	Cluster organization takes this legal form if Cluster members are or would like to be engaged in commercial activities. It is subject to value added tax and taxation. It can access national grants (differs according to the countries’ rules) and EU grants in some cases.
Economic interest group	Cluster organization takes this legal form when its activities concentrate on providing “soft” services to Cluster members. Cluster companies remain independent business entities. Economic interest group is registered at a court, activities and operations of Cluster organization and Cluster members are regulated by the founding contract/statute. It is a legal form which provides easy entry of new members into a Cluster and excellent environment for open innovation. Cluster activities can be funded by national and/or EU grants. This form is quite similar with association form.
Cooperative	The focus of this legal form is on the promotion of individual and joint economic interest of all members. Membership is voluntary and open to everyone. It can undertake commercial activities for itself but also for the members. It cannot receive the EU grants when cooperative makes profit. It is VAT liable and subject to corporate taxation.
Partnership	Formally it is not a legal entity but a set of entities.
Hybrid forms	Mix of association and public or private limited company.

An association (a non-profit organization) is the most common used legal form of Clusters within the EU member states. It has been followed by limited liability company (organized with the purpose of undertaking commercial i.e. profit oriented activities) as another quite common legal form. Hybrid form is form in which some or exceptionally all Cluster (association) members have been involved and own (owners as members not as association as legal entity) a limited liability company. In majority of the cases hybrid form refers to both: (i) Clusters registered as association for conducting non-profit activities and (ii) business organizations primarily LLC for conduction profit oriented

⁴ Source: UNDP manual

activities.⁵ Moreover, the experience has shown that a **hybrid form of registering the Cluster is also the most cost – effective** one, because it allows for a combination of commercial and non - commercial activities.

ADVANTAGES OF HYBRID TYPE

- A Cluster with the identity of an Association has no difficulties in registering new members and it is open to everyone willing to work for the benefit of that sector in the region. This is not the case with a limited company, as it is too complicated and too expensive to introduce new company members after the limited company has been established
- The Association is eligible to attract and bid for EU grants, while a limited company is not in all cases
- The Association can integrate in its management team seconded staff from its members
- The operational costs for both legal identities are divided between the Association and limited company
- The new sources of finance available through the commercial activities of the limited company opens the possibility to employ one or more professionals to assist the Cluster manager so as to provide additional services and to coordinate the activities of the Cluster, and also provide the opportunity to undertake more sophisticated activities;
- Through a limited company and its commercial activities, the Cluster as an Association becomes more attractive for new members to join
- New (Association) members can cooperate (without difficulty) with the limited company on commercial projects if there is joint or common interest. Cooperation can be administered through a cooperation contract.
- The Hybrid legal form enables the combination of commercial and non-commercial activities.

THE EXPERT'S PROPOSAL

- The most appropriate forms within existing framework are: (i) association; (ii) limited liability company and (iii) potentially cooperatives
- The association is the most appropriate form during the initial phases of Cluster development and in compliance with the potential start up strategies
- The limited liability company is the most appropriate form for the growth phases of Cluster development when growth and profit making represents the key objectives of the Clusters
- The decision should be made at regional level according to the conditions and strategy

INTERNAL INFORMATION & COMMUNICATION

Information and communication management system

⁵ Legal framework for clusters development in Montenegro

The MED Creative Cluster information and communication management system includes the:

- Definition of the person, this may be the regional/national creative nest's Coordinator Representative or other staff of the regional nest Coordinator responsible for the communication activities and providing information and expertise from the regional operation to the Cluster Coordinator.
- Establishment of specific norms, standards and principles that should be followed for effective information management.
- Establishment of systems and processes to effectively identify and communicate with members of the Cluster Management Team including contact list, meeting schedules, who does what where information etc.
- Establishment of information sharing mechanisms to ensure availability of, and access to, up-to-date Cluster specific information (e.g. meeting minutes, standard forms, policy or technical guidelines, datasets etc.).
- Definition of the person, this may be the Cluster Manager or other staff of the Cluster Coordinator that will ensure coherence and coordination between the members of the Cluster Management Team and the regional Coordinators.

Efficient internal information and communication

Efficient internal information and communication is essential to the success of a Cluster. Indeed, ideally an internal communication and dissemination method and strategy should be defined at the outset and prior to the main Cluster launch, to decide which tools would be used, and how. The Cluster Coordinator should also take on the responsibility of coordinating internal dissemination. Following we present some of those tools:

- **Regular Cluster Management Team meetings**, through rare face-to-face meetings and regular web based or skype conferences are recommended to reaffirm regional/national creative nests' commitment, common strategy, share the results of common activities and discuss future activities. The Cluster Coordinator role during these meetings takes on a particular importance in reminding every member of the importance of attending, leading the meeting and providing everyone with a short report after the meeting.
- **Regular internal reports** related to activities and results are also recommended, especially from each regional Coordinator to all members of the Cluster Management team after an activity has been reached.
- **Internal dissemination tools** are also important for gathering information, reports and deliverables of the regional/national creative nests.
- **Managing and communicating** the decision timeline process is an important skill required to ensure the Cluster progresses as planned. Given the duration and the nature of the main tasks (events, services etc.) regional Coordinators need to be aware of the impacts of delays on other outputs/activities and communicate them.

INFORMATION THAT MAY NEED TO BE COLLECTED AND STORED/FILED FOR EFFECTIVE INFORMATION AND COMMUNICATION FLOW WITHIN THE CLUSTER

- List of members of the regional/national creative nests and other stakeholders identified with contact details
- Evaluation reports

- Minutes
- Action Plans on National level
- Periodic reports, reviews and evaluations of regional activities
- Press releases and other formal regional/national nests communications
- Photos of significant events

Managing external communication

- The external communication system should be implemented under a common framework including (indicative):
- Regular production of a Cluster newsletter and dissemination of the newsletter by the regional nests
- Post and regularly up-date information on an appropriate website (possibly the SMATH platform).
- Contacts with local and international journalists and news-media representatives.
- Thematic sector-based events.
- Conferences on CCIs and Forums.
- Photo-library: systematically collect and catalogue photos of the situation and significant events.
- Sufficient, good translation of materials produced, where necessary, so that the information promptly reaches all relevant actors.

ANTICIPATED RESULTS

SMATH CLUSTER: ANTICIPATED RESULTS

- **Focus on SMEs:** SMEs normally employ a large proportion of the total work force in the region and provide an important risk diversion to the labour market. A vivid and innovative SME-culture strengthens the entrepreneurial spirit of the population which is important when the regional economy is weak and the unemployment is increasing, as well as when it is good and spin-offs and economic growth in small businesses should be stimulated.
- **Renewal within the industry:** SMEs are an important factor for renewal within the industry as they often end up in smaller niche markets where they can assess new ideas and product concepts and play an important role as suppliers to large companies.
- **Improve the business environment** of the supported SMEs by establishing open collaboration spaces that can involve innovation actors from different sectors and countries. This will lead to the creation of new ideas for innovation and new collaboration partnerships, which will be subject of further development and with the potential for further impact on business turnover.
- **Facilitate the Engagement of active members.**
- **Strengthen industrial leadership** in Med area by reinforcing value chains that integrate innovative solutions in SMEs.
- **Further leverage and complement support** for innovation in SMEs and other funding, which may be provided by national or regional authorities (including under the European

- Structural and Investment Funds) and/or by private investors (upfront or as follow-up investments).
- **Contribute to regional smart specialization strategies** by capitalizing upon concentrated and complementary competences for the development of new activities and emerging industries with a clear EU added value.
- **Disseminate the anticipated results** and “sell” the right message to research, industry and society.

The above results should be clearly demonstrated in activities at both and regional/national level. Monitoring of results' achievement should be based on a set of both Quantitative and Qualitative indicators. These indicators could include, for example, the number of SMEs that receive innovation support as well as key innovation performance indicators of the supported SMEs, especially third party SMEs, – such as number of new or significantly improved products (goods and/or services) and criteria used to assess the changes made by the Cluster activities to the situation (baseline conditions) at the start of the Cluster. These indicators should provide transferable evidence in terms of qualitative information about the effectiveness of the Cluster, such as on the contribution to regional smart specialization strategies and the leverage effect through public and private investors.

6. Regional / National Creative Nests' Coordinators

THE ROLE OF THE COORDINATOR

The design of the MED Creative cluster will include 7 regional/national creative nests and for each there is a main organization responsible for its operation, namely:

- Greek Creative Nest – TECHNOLIS
- Spanish Creative Nest – BA / ICUB
- French Creative nest – POLE ICP
- Italian Creative Nest - UNIVE
- Italian Creative Nest - ARFVG
- Slovenian Creative Nest - ATM
- Croatian Creative Nest - ZICER

The **regional/national creative nests Coordinator** is responsible for the implementation of the activities and for implementing the foreseen processes for the regional nest's life cycle, from its initial launch until the phasing out of its operation. Apart from an administrative role the coordinator will make strategic decisions under his/her jurisdiction, and in alignment with MED Creative Cluster policies & guidelines, whilst also providing feedback on the effectiveness of the cluster at a regional level.

For the more efficient operation of the regional/national nests, each **Coordinator** has appointed a **Coordinator Representative** who will act as the main point of contact.

What was expected by the Coordinator?

REGIONAL/NATIONAL CREATIVE NESTS COORDINATOR TASKS

- Effectively coordinate all the activities and processes of the regional/national nest
- Identify the stakeholders that are involved in the regional/national nest
- Decide the legal form of the regional/national nest
- Identify and approach the members of the regional/national nest
- Encourage information sharing and networking among the members of the regional/national nest
- Encourage co-operation and networking among the members of the regional/national nest
- Report on a regular basis to the Lead Partners about the progress of the regional/national nest development and implementation
- Monitor the regional/national nest's performance in alignment with the SMATH objectives and guidelines on National and International level
- Serve as the contact point of the regional/national nest and provide one voice to communicate the multiple concerns and challenges of the members

MEMBERS OF THE CLUSTER

The Concept

Before implementing the regional/national nest activities, key actors operating in CCI related sectors located was initially identified, approached and further engaged to participate in the activities and become members of the regional/national nests.

How many members per regional/national nest? Evidence⁶ shows that effective clusters consist of around 20 to 30 entities

Depending on the region/ country, a large set of stakeholders located in the regional/national nest area should be initially identified. For example, this 1st set could consist of around 100 potential members. As the second step, 30-50 of them will be initially approached to learn more about the offering of the regional/national creative nest and finally become **the main target group** of the activities of the regional/national nests.

The identification of the members on regional level was done and coordinated by the regional nest Coordinator representative under the respected deliverables of SMATH Project. Each Coordinator representative was responsible to select such bodies at a regional level in order to create a critical mass of participants in the regional/national nests.

The identified members and stakeholders should be part of the MED Creative Cluster and moreover new members should be added.

The list of the members of the Hub should be continually be updated and include:

- The existing list of SMATH members, stakeholders, partners, external expertise on CCIs and Scientific Committee partners
- Participants of important EU projects in the thematic of CCI

⁶ Source: European Cluster Observatory

- List of previous successful collaboration with the project partners in CCI related projects.

PROVISION OF REGIONAL SERVICES

Services per Target Beneficiaries

The services of the SMATH Cluster (International level) and its regional nests (on Regional level) target mainly SMEs and startups in the CCI sector but also other relevant actors at both regional and transnational level are involved.

SERVICE CATEGORY	SMATH CREATIVE NESTS SERVICES	TARGET BENEFICIARIES			
		INDUSTRY	PUBLIC	RESEARCH	SOCIETY
Strengthening Cls' networking and cooperation attitude	Cultural heritage site event	*	*	*	*
	Working labs	*	*	*	*
	Study visits	*	*	*	*
	Transnational seminars	*	*	*	*
Enhancing managerial capabilities	Awareness seminars	*			
	Coaching Assistance	*			
	Market place events	*	*	*	*
	Support to business plan and investment plan implementation	*			
Support in Financial and Funding Opportunities	Pitching Event	*	*	*	*
	Crowdfunding Experience	*			
	Knowledge about EU funding opportunities	*	*	*	*
Promotion of Cooperation to enhance Internationalization	Crowdsourcing Experience	*			
Knowledge, promotion, dissemination	SMATH platform	*	*	*	*

Provision of Services: Communicating the Message

All key actors (SMEs/start-ups members, Large firms, Public Authorities, Research bodies, civil society) in order to be active and engaged in regional/national nest activities should be convinced that will have something to gain from participating in regional/national creative nests activities.

BENEFITS FOR SMES/START-UPS MEMBERS (PER CREATIVE NEST)

- Find complementary skills and expertise among the participating actors of the regional/national nests and the Cluster to excel their organization, and thus be able to access opportunities to speed-up their innovation's time to market; paths to new sources of funding and access to new markets, exploiting the synergies and the network effect.
- Increase skills & competences and develop capabilities to face entrepreneurial challenges, innovate in products, services or strategies, access international markets, train their staff and develop partnerships through participating in seminars and coaching.
- Being able to innovate through strategic cooperations exploiting the opportunity to establish contacts with key players of the sector in an open and flexible context within the nests and the Cluster and take part in individual and collaborative Open Innovation projects.
- Promote their technologies and offerings to potential recipients, co-developers and investors in the Med area through the events in the regional/national nests and Cluster participating actors' networks.
- Take advantage of dedicated & targeted active technology and knowledge transfer activities, aiming to promote selected technologies to meet actual needs of the Cultural and Creative Industries, through working labs, study visits and presentations and actively seek for creation of partnerships, development of business matches, licensing in/out, and creation of spin-offs.
- Opportunities to actively participate in Marketplace Events in regional and international level aiming to bring together the actors of CCIs and the members of the nest in an attempt to create new collaborations.
- Have access to advanced expertise for the enhancement of the innovation and exploitation potential and get support to implement a business and investment plan in order to complete their idea.
- Benefit from a marketing and quality image through the platform that increases the visibility and exposure of their ideas.

BENEFITS FOR LARGE FIRMS (PER CREATIVE NEST)

Involvement of large firms in Cluster projects. Large companies should be involved in the project for several reasons:

- They are important players in the infrastructure and important local actors
- They are important in promoting innovation among SMEs.
- They can sometimes function as technology suppliers.
- They generally have a good overview of the business community in the region.

SMATH offering:

- Put roots in a creative nest where there is a significant knowledge base opening new

opportunities for open innovation and strategic cooperations, to get supplemented by the power of small, innovative growth companies and thus creating growth and getting access to emerging markets.

- Get advantage of the opportunities for increased talent attraction and development in regional, national and cross border level as well as between businesses located nearby.
- Benefit from a quality image of being among the stakeholders of the MED Creative Cluster and, through this image, increase the visibility and exposure of their business as CCI business innovation and economic growth boosters

BENEFITS FOR PUBLIC AUTHORITIES (PER CREATIVE NEST)

- Get the state of the art on the technology and deployment status, solutions, experiences from other countries and challenges anticipated.
- Understand the CCI, innovation and business landscape with its strengths and weaknesses, thus better understand the local, regional and national potential and better design their policies on economic development.
- Understand the potential for international competitiveness of the Med Creative Cluster and the regional nest and identify, prioritize and justify related policy efforts to accelerate economic growth and the region's attractiveness.
- Increase their capacity to operate efficiently in a Cluster environment - both in a regional level, as well as across borders - taking advantage of growth opportunities as a result of joint activities.
- Raising local, regional and national skills and encouraging links and collaboration between business, academia and society as well as facilitating the development of Clusters.

BENEFITS FOR RESEARCH BODIES (PER CREATIVE NEST)

- Be enabled to cooperate in exchange of scientific knowledge and information and constantly share expertise about the advancements in the fields of CCIs and related sectors.
- Benefit from joint academic and business opportunities for open innovation and maximize the efficient exploitation and commercialization of relevant technologies and research results.
- Better position and facilitate new spinoffs formulation or growth of existing ones through the discovery of new submarkets of CCI innovation.

BENEFITS FOR CIVIL SOCIETY (PER CREATIVE NEST)

- Society as users and appliers of knowledge will be able to contribute with a region-specific context and experiences to the development and deployment of CCI innovations.
- Society will be enabled to propose new types of innovations to address their needs, connecting users with their stakeholders across industry, academia or policy makers.
- Society will be able to provide key feedback to business, innovation and technology development and exploitation as well as strategy formulation and decision making, resulting

in socially accountable as well as socially acceptable practices and policies.

7. Evaluation and Sustainability

This final phase reviews the progress of the MED Creative Cluster, evaluates the impact of the Cluster and identifies what is now needed to take the Cluster to the next level and keep it sustainable.

The evaluation and sustainability of a Cluster initiative is not an easy task so effective monitoring and co-operation among the regional nests Coordinators and the Cluster coordinator is needed.

EVALUATION CRITERIA & KPIS

Defining Cluster Evaluation is the systematic measurement, collection and analysis of information about a Cluster, its purpose and delivery; it derives knowledge on its impact as a basis for judgments. Cluster evaluations are used to improve effectiveness and efficiency and inform decisions about the current situation of the Cluster and its sustainability.

Cluster performance measurement needs to be tailored to the interest of the different stakeholders of a Cluster, the characteristics of a Cluster and the Cluster's life cycle stage (emerging or growing Cluster). In the case of MED Creative Cluster, the measurement process needs to consider the needs and objectives of all the different actors – members, the key characteristics of the Cluster and the CCIs sector the SMATH Cluster focuses on.

GENERAL FRAMEWORK FOR CLUSTER PERFORMANCE MEASUREMENT	
PROCESSES	Meetings, workshops, website, trade fairs etc.
OUTPUTS	Number of new products; number of trained specialists; website contacts; improved communications with cluster stakeholders; media coverage etc.
RESULTS	Recognized globally as a 'Centre-of-Excellence'; attractive environment for new business start-ups etc.
IMPACTS	Higher productivity; Increased competitiveness; Business growth; Employment growth etc.

In order to carry out the evaluation of the MED Creative Cluster, **measurable key performance indicators (KPIs)** (both qualitative and quantitative) should be determined in advance. These indicators secure the evaluation quality.

Based on the records, the indicators should be monitored regularly. At **least once a year** and preferably by the end of each year the regional/national creative nests and thus, the MED Creative Cluster as a whole, should be monitored.

The monitoring and data collection of indicators may be carried out with a *Questionnaire to be filled out by the regional nests Coordinator* and sent back to the Cluster Coordinator as well as a *Questionnaire to be filled out by the members of the regional nests* and sent back to regional/national creative nests Coordinator that will further forward it to the Cluster Coordinator. In broad terms, collecting the data for the indicators presented above requires data collection from two main sources:

- *Regional/national nests Coordinators*: reporting on activities, results and impact on the regional nest they are responsible for. It will be used to better understand how regional/national creative nests are perceived by the Coordinators, and how they have had a direct or indirect impact on SMEs, startups, spinoffs. Their feedback will be important for the future design and evaluation of the MED Creative Cluster.
- *The members (SMEs, spinoffs, startups)*: it will be necessary to implement targeted data collection (questionnaire surveys) among the participating companies of the regional/national creative nest in order to collect detailed data on the impact of regional activities.

The data collection process and the evaluation process could use the methodologies and the input created used under Task 3.8 - Evaluation of Pilot Activities of SMATH project.

After the finalization of the data collection process, the Cluster Coordinator will be the responsible for the collection of all the data from the regional nests Coordinators in order to conduct the evaluation of the MED Creative Cluster analyzing the data collected. The Cluster evaluation process should be documented and forwarded to the regional/national nests Coordinators.

THE CLUSTER EVALUATION AIMSTO ANSWER TO THE FOLLOWING QUESTIONS:

- What progress has been made in terms of anticipated activities?
- At what rate are resources being used and how does usage compare with progress [efficiency]?
- Does the Cluster coordinator have enough information and data to measure and evaluate the cluster's performance?
- Has the Cluster reached its goals in terms of desired results and deadlines? [effectiveness] What has gone well and what not well?
- To what extent members of the Cluster are satisfied with Cluster's results?
- Do the original assumptions hold true?
- Have response activities been sufficiently refined and adapted? [responsiveness]
- How has the Cluster itself functioned? What has been the quality of the internal relationships?
- How effective has been the work and co-operation among the regional/national creative nests?
- How effective has been the co-operation among the regional/creative nests Coordinators under the framework of international Cluster level activities?

SUSTAINABILITY

Sustainability within the current document can be defined as the ability of the MED Creative Cluster to maintain its operations, services and benefits after the end of the SMATH project.

Sustainability answers to the following questions:

- Are the positive effects of the MED Creative Cluster sustainable?
- How is the sustainability or the continuity of Cluster's effects assessed?
- To what extent will activities, results and effects of the MED Creative Cluster be expected to continue after the end of the SMATH project?
- What risks and potentials are visible regarding the sustainability of the Cluster and how likely is their occurrence?
- To what extent are the members capable and prepared to receive the positive effects of the Cluster without Cluster support in the long term?
- To what extent are the members of the Cluster Management Team capable and prepared to maintain the positive effects of the Cluster without external support in the long term?
- To what extent does the Cluster reflect on and consider factors of the local economy that have a major influence on sustainability?
- How self-supporting is the Cluster?

Even if sustainability is the long-term goal of a Cluster, there are five major key factors that are crucial to be considered during the sustainability plan of the MED Creative Cluster:

- Long-term involvement and commitment of participants
- Cluster services
- Financing
- Innovation dynamics and innovation management
- Prioritization and expansion of sectors
- Regional development.

In particular:

LONG-TERM INVOLVEMENT AND COMMITMENT OF PARTICIPANTS

The positive effects of a Cluster are mainly based on its composition, the type of Cluster members and their involvement. This requires a mobilization of potential stakeholders from the whole value chain by continuously enlisting new stakeholders in the Cluster as well as identifying and integrating in the Cluster additional competences and added value. To ensure that more players of the CCI sector will become members of the MED Creative Cluster, the most relevant key actors in the region should show some interest in the participation in Cluster activities and should become actively involved and engaged. Moreover, involving new stakeholders in Cluster on a long-term basis should be ensured.

CLUSTER SERVICES

Cluster services are of decisive importance for the sustainability of a Cluster. A Cluster can only attract new members and retain its members in the long term if succeeds in offering services which address their needs and bottlenecks. The earlier and more concrete the benefits to members are from using Cluster services, the greater their engagement in the Cluster. Particular attention should be given to target groups of the cluster during the design and offering services in the long-term considering their changing environment and needs.

FINANCING

Financing is one of the key factors which determine the long-term sustainability and the efficiency of a Cluster. The availability of funding (private and public) decisively influences the cluster's operation, efficiency and sustainability. Therefore, a solid financing plan that ensures sustainability is particularly important for MED Creative Cluster. MED Creative Cluster management Team need to continuously secure and look for new funds in order to have a financially balanced and stabilized Cluster. This is true for both mainly privately financed networks as well as for clusters which primarily rely on public financing sources. Clusters that are publicly funded should be allocated enough funds to secure financial stability over several years. A financing model should be based on regular and variable income sources. This helps to reduce the dependency on only one source of financing, particularly if the latter is only available for a limited period of time. Examples for financing sources are:

- Membership fees, which could be flexibly adjusted e.g. to the scope of services, or fixed, depending on the kind and size of members
- Sponsorship
- Fee for specific not-free services (e.g. seminars, consulting services etc.)
- Benefit from income generated from patents, licensing, technology transfer achieved within Cluster
- Implementation of projects
- Public co-financing of some activities.

*The basic prerequisite for financial sustainability is that the legal form of the cluster must allow commercial activity and accumulation of earnings.

INNOVATION DYNAMICS AND INNOVATION MANAGEMENT

Innovative companies need reliable relations of cooperation with other partners from the economic and research community to maintain their competitive edge in the long run. Open Innovation is designed to enhance the innovation potential of companies by obtaining external and broadening internal know-how because it is based on cooperation with others. Therefore, MED Creative Cluster should keep fostering innovation, technology transfer, cooperation opportunities and sharing of know-how among CCIs. One way for achieving this kind of dynamic is the development of protocol agreements among key Cluster members (SMEs, startups, spinoffs) and other key actors not already members of the Cluster ensuring the long-term support of businesses for innovation.

PRIORITISATION AND EXPANSION OF SECTORS

Clusters do not only bundle existing sector-specific competences, however, they contribute to the development and further evolvement of other cross-sectoral interactions. This makes a quick and adequate response to economic, technological and other external changes possible. It also allows the development of new markets, also international ones, which make it necessary to intensify collaborative and interdisciplinary technology and product development. MED Creative Cluster is focused on creating cross-sectoral cooperation that would support the Ci sector. Considering this, involving stakeholders in Cluster on a long-term basis coming from cross-sectoral industries should be ensured.

REGIONAL DEVELOPMENT

Clusters have the potential to influence a region's competitiveness through the increase of the productivity of companies involved. An intensive constant interaction is crucial, apart from the presence of companies, R&D institutions and other organisations (business support organisations, public sector, NGOs etc.) of the same or other several interrelated sectors. Enhanced relations of cooperation also among companies can also lead to further structures and options for cooperation e.g. in the fields of personnel, management, marketing, sales, and profiling of location, which positively influence regional development. The successful realization of growth and employment effects (such as spin-offs, settlement of new companies and R&D institutions in the region, recruitment of qualified personnel) presupposes responsible action for the region by all regional players. In this context, joint dialogue and cooperation between the political, economic and scientific communities (4Helix) is crucial.

8. Conclusions

Considering the high CCIs potential of European areas, the continuous advancements, the challenges of CCIs as well as the important role of Clusters for addressing those challenges and creating new business opportunities for innovations, competitiveness and regional development, SMATH project foresees the development of a Transnational Med Creative Cluster in CCI sector. More specifically, this Cluster foresees to advance the industrial business of the CCI sector in the Med area to deal with the challenges and exploit the opportunities and potential of this industries, by connecting Regions and fostering linkages among all the key actors of the CCI value chain, with emphasis on SMEs and startups, that will develop a shared understanding of the challenges and collectively devise workable solutions for CCIs.

To do this, the current document starts with presenting the specific particularities and limitations to be considered before setting up a MED Creative Cluster. More specifically, the document proposes a common MED Creative Cluster development process explaining that the set-up of the SMATH Cluster on CCIs may be broken down into four broad phases, containing nine steps starting from the Establishment of the Cluster, to its Building and Service delivery and finally to its Evaluation and Sustainability.

PHASE 1: CLUSTER ESTABLISHMENT

Step 1: Establishment of MED Creative Cluster Governance (Cluster Coordinator, Cluster Management Team, Cluster Advisory Board)

Step 2: Definition of clear objectives for the Cluster

Step 3: Establishment of Regional/National Nests' Teams (Coordinators)

PHASE 2: BUILDING THE BASE

Step 4: Monitoring of regional/national creative nests

Step 5: Identification of key actors and potential members of regional/national creative nests

PHASE 3: SERVICES' DELIVERY

Step 6: Provision of Regional/National Nests' services

Step 7: Provision of Cluster services

PHASE 4: EVALUATION AND SUSTAINABILITY

Step 8: Evaluation

Step 9: Sustainability

Following the definition of MED Creative Cluster development process, the current document initially provides guidance and suggestions, targeting mainly the Cluster Coordinator, on what needs to be done and considered while: Establishing the MED Creative Cluster Governance scheme, defining Cluster's Legal Form, Defining its internal communication and information concept, Defining its strategic positioning and Defining its anticipated results.

Moreover, the current document proposes that the operation of the MED Creative Cluster is based on the Regional/National Creative nests operation meaning that the Cluster will be composed of 7 Regional/National Creative nests. According to this, the implementation of the MED Creative Cluster on regional level will be implemented by those Regional/National Creative nests. For this reason, the current document provides guidance on what needs to be done and considered, mainly by the regional nests Coordinators, running the nests, while: Establishing a SMATH regional nest Team, Monitoring the regional nest, Providing Regional services.

Considering the final phase of the MED Creative Cluster development process, the current document provides guidance on what to be considered for the Evaluation of the Cluster clearly suggesting specific key performance indicators to be measured by both the regional/national creative nests and Cluster Coordinators.

Finally, while the sustainability of the MED Creative Cluster is important for maintaining its activities, services and operation after the end of the pilot phase of the SMATH project, the current document presents five major key factors that are crucial to be considered during the sustainability plan of the MED Creative cluster including: Long-term involvement and commitment of participants, Cluster services, Financing, Innovation dynamics and innovation management, Prioritization and expansion of sectors, Regional development.

We consider that although the current Guide is mainly addressed to the MED Creative Cluster Coordinator and the Regional/National Nests Coordinators, this document may be also useful for the rest partners of the SMATH project and may be potentially also useful to other stakeholders considering the fact that includes easily adaptable guidelines and tools for setting a Cluster.