

Creating Clusters and Competitiveness in Business: Kosovo Case

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Abstract

Providing basic theoretical concepts and an explanation of creation and organisation of clusters in business, I believe that I come closer to the aim of judging about when and how to use the most suitable and necessary manners for practical application of clusters for increase of competitiveness. Presentation of basic concepts below shall cover problems which are related to various situations irrespective to the level of enterprises.

In concordance with the aims and theme, this work presents creative thinking and scientific concepts, studies, projects and programs related to the subject of competitiveness development and clustering in business. My aim at this work has been to make a theoretical-practical review of the project of competitiveness and clustering as competitive advantage in nowadays' businesses in Kosovo, in countries of the region and in the world. Theories and concepts of promotion of clusters have up to date been based mainly on the experience of industrialised countries which may not find application in the countries in transition as Kosovo is. But, for this reason a thorough review is needed in order to determine if the levels of cooperation between enterprises in the countries in transition are sufficient in order to enable cluster development, or if a change is required in a country in transition in defining clusters, and as a result any change into the strategy of the

assistance with the purpose of improvement of economic condition and the business situation in these countries, and in particular in Kosovo.

Many of the enterprises have similar problems with each other which are related to competitiveness of their products, finding markets, costs of sources, quality and standards as per market demand etc. If we say that businesses have common problems, then, it may be that there is room for them to cooperate with each other into solving similar problems through cluster creation.

Keywords: New Forms of Development, Authentic Competition, Increase Awareness amongst Kosovar Businesses, Experiences of Industrialised Countries.

1. Theoretical concepts on competitiveness and cluster development in business

Nowadays a lot of discussion is made as regards to finding new ways and forms of economic development adjusting to the liberalising and global tendencies of world economy. The best world experience recommends new forms of development in regional level in a type of cluster. My ambition is linked to the aim of going beyond the values of this work, beyond the targets of knowing character and drawing opinions of economy experts who are readers of this topic. I would also like to increase the awareness of the business community of Kosovo, in particular those segments which face difficulty of realisation of efficiency in the conditions of market economy, for the necessity of finding ways and forms of cooperation and dialogue focusing on cluster creation.

1.1. What is a cluster?

Cluster is nothing else but a company, institution grouping, and any kind of organisation that is related to producing a product or service which have created such connection between each other in order to increase their innovation and productivity. Cluster is a group of interrelated industries, which supply increase of each one.¹ For example, factories of clothes function better when they are surrounded by producers of textile, floss,

¹ Porter, Michael. *Competitive Strategy: Techniques for analyzing industries and competitors*. 1980, page 23

buttons, zips, sewing machines and surrounded by companies dealing with marketing, packaging, transportation, export, promotion and design. "Sri Lanka, Salvador and other countries have grown their economies through creation of clusters of linked industries, creation of internal markets and war against corruption - Porter says".² Cluster allows business to operate in more productive manner. Businesses may adjust more easily to changes into needs of customers, technology, competitive environment or cost of inputs, if their partners are close to each other and united with each other in a form of associations and advised by the expertise of academic research institutions.

Probably the internal environment of the company is an important element, but also the surrounding environment of an enterprise has an undeniable role. Cluster impacts on competitiveness within the country and beyond national borders too. So, it impacts into determining new directions for the business directors and not only for those competing in global manner. Saying simpler, a cluster represents a new manner of thinking about the whereabouts and facing challenges as to how companies can be configured, as institutions (such as universities) may contribute and how governments may promote economic development and prosperity. Creating a cluster means to cooperate in order to be competitive and successful. Cluster creates an environment, which enables local specialised companies to develop their competitive skills, to serve broader markets, frequently to the global ones and globally expands many industries. New practices of business development are cooperation based on trust, dialogue and engagement. Creation of cluster is a special manner or form of cooperation. It creates an environment, which enables other types of cooperation, in particular creation of networks between the companies and development of routes of offer. A cluster in many countries, regardless the level and circumstances of economic development has become a promoter of economic development.

1.2. Why creation of links in Cluster of Businesses is important?

In the current stage of global development of economy and of growth of competition, Kosovar enterprises should adjust and be more flexible as far as it concerns the markets, products, technologies and organisation. In individual manner, SME-s are often unable to "catch" the opportunities the

² Ibid, page 25

market offers, because they require larger quantities of production, homogenous standards and regular supply. They face the difficulties for use of economies of the grade for purchase of inputs (such as equipment, raw materials) and in use of financial and consultancy services.

Small dimensions also constitute a difficulty for realisation of functions such as training, market intelligence, logistics and technological inventions and it also impedes achievement of a specialised and effective division of work amongst companies - things which make up the main indicators of dynamics of activities of a company.

Organisation into clusters is seen as a powerful opportunity to overtake obstacles deriving from the size of companies and to have success in a more competitive market. Through creation of links, the individual SME-s may cope with the problems related to their size and to improve their competitive position. Also through organisation in Clusters, the businesses lobby and this way they can realise their demands in an easier way.³

1.3. Which industries may be focused in a form of cluster in Kosovo?

Given the structure of enterprises, and the contemporary methodology of Cluster evidencing, the main categories, but not solely, where Clusters can be developed in our country could be the following: food industry, agro-industry (viticulture, vinery etc.), construction, orchards, textile, wood processing and furniture, hoteliers and tourism. This is based on the importance that these sectors have for development of internal production and production for export. All stakeholders: government, business, civil society and academic and research institutions should be made aware of the importance of economic development through cluster and for the role that they must play in this complex process.⁴

Competitiveness means that individual enterprises, enterprises of a sector, of a region or of a country to successfully position themselves in the internal and external market. Competitiveness grows through suitable structural policies, functional policies of competition, suitable infrastructure, factors of high quality production, enterprises (competitive and complementary ones) with efficiency and competent management.

³ United States Agency for International Development (USAID) and International Management Systems. *The project of cluster and business support in Kosovo*. 2007/2008

⁴ Ibid

Thus clusters can be so successful as to allow efficient cooperation of enterprises, institutions and governmental structures.⁵

2. Importance of cluster development as a regional and world practice

When speaking of clusters, we see that the practice of clusters is present in many developed and developing countries around the world starting from Argentina, Australia, Belgium, Canada, Chile, Columbia, Costa Rica, Denmark, El Salvador, England, France, Finland, Germany, Georgia, Guatemala, India, Ireland, Italy, Jordan, Mexico, Morocco, Mauritania, Netherlands, Nicaragua, Norway, Scotland, Slovenia, Singapore, Spain, Sweden, South Africa, Trinidad, Sri Lanka, Wales, USA etc.

In many of these countries, clusters cooperate not only inside their geographical region, but they are seeking to expand as inter-border clusters through setting up international links.

Practices of clusters are also found in many countries of the region. Within the increase of competitiveness, many clusters are being developed in Slovenia, Croatia, Greece, Bulgaria, Albania, Serbia, Montenegro, Macedonia and Kosovo, which are creating more chances to the businesses of these countries to be more competitive in international markets.

Accordingly, creation and support of practices of clusters in Kosovo is not simply a more economic concept, but it is a necessary practice to be comparable and competitive in the world and regional markets. Now, it is not only one enterprise that competes in global markets with other companies, but with the whole chain of added value of other countries.

This is especially typical for the field of livestock (milk, meat, animal food and eggs), fruits and vegetables and construction materials. There are such chances in Kosovo, e.g: construction material - the stones in Malisheva, Klina or Kaçanik, which can be seen also as cooperation with competitors in neighbouring countries.

If one may be even slightly excited by these examples of success of organisation in clusters and wishes to undertake such an initiative, steps

⁵ Porter, Michael. *Competitive advantage: Creation and Support of superior performance*. 1985, page 72

suggested by experience for the format of creating a cluster have been given below.⁶

In order to better understand the format of creating a cluster, we may see the background of cluster of wool products in Biella in Italy, which we are presented below.

2.1. Cluster of wool products in Biella in Italy

Initially I would like to note that the competitiveness of the cluster in industry of clothes is determined by:

1. Searching and development for a new product of high quality. (investments in laboratories, fibre study, technological innovations from producers of textile machineries)
2. Creativity and design of product (price has not been a competitiveness levy)
3. Clear determination of the market and competition along the whole chain of value - products for industry of clothes - meanwhile, as the factories of washing, combing have a higher competition in international level
4. Higher cooperation with enterprises in lower stages of production and cooperation with producers of textile processing machines.

Biella represents one of most typical and successful clusters in Italy (world leaders of high quality woollen products). In addition to production of these products, it is specialised also in production of industrial machinery for textile. Biella is an extraordinary concentration of SME-s specialised for production with the most valuable flax in the world, such as paisley, camel, alpaca (the best races of sheep in Australia and New Zealand).

Biella province (with 190 000 inhabitants) is a territory of 930 km² located in north-east of Piedmont, a region in north-west of Italy. The city of this province is Biella with 50 000 inhabitants. 1 500 floss production factories operate in this province, producing clothes and textile machinery. Whereas 28 000 inhabitants are employed. Income per capita is 30% higher than the average in national rank. Annual production of textile products is 8 billion dollars. There are two company categories in textile industry: very small companies and on the other hand medium and large companies.

⁶ Canadian International Development Agency (CIDA) and Development of Macedonian Enterprises. *A project for creation of an agro-industrial cluster in the region of Gevgelia - Macedonia.*

Chain value of this industry goes as below: Unwashed wool – washing – combing – spinning – convolution – weaving – dying – finishing – textile products for further processing.⁷

Practice has shown that there are clusters operating better than some others, exactly because of the values and their originality. New clusters are beating in competition the traditional ones or the clusters which have a much richer environment of suppliers, technological training institutions, associations, etc. This has occurred because the new clusters have reacted more speedily towards the changes in respective industry e.g.: liberalisation, concentration at clientele, etc. Such a case is that of Faenza and Nova, two clusters in Italy for decorative tile production. In this relation, through a concrete example we are presenting the new cluster competing to a traditional cluster.

Table 1. A new cluster competing a cluster with tradition

	Faenza	Nove
SITUATION		
Strategy	Traditional product Local aim	Copy Aiming many markets
Product average life	10 years	1-2 years
Production process	Integrated	Contracted
Training specialised centre	1 technical school 1 art school 1 university	1 technical school
Technology centre	2 (CNR and ENEA)	None
Clients	Retail and wholesale sellers	Large wholesalers and distributors
Development agency	Polo Ceramico	None
RESULTS		
Gyro (in Euro)	6 million	65 million
Average gross margin	10%	18-20%
Percentage of exports	5%	75%

Source: ACIT (Albanian Centre for International Trade)

⁷ Tanaku Anila, Begaj Neritane, E.Skreli & A. Civici. *How to build and preserve competitiveness of companies: presentation of successful cases of clusters*. ACIT 2003, page 123.

Faenza is a cluster of long tradition and with consolidated institutions, whereas Nove is a new cluster and not well equipped by all elements. But to surprise, Nove is speedily growing and is competing Faenza in the world market. And this is exactly for reasons of following an original strategy which makes cooperation in a cluster effective. Thus, through an aggressive marketing strategy, Nove has known to wittily use introducing the renewable products into a massive market, to which it arrives through marketing channels such as: large wholesaler and distributors. Production is done through contracting businesses in the lower part of the chain (cooperation between businesses for production of products with standards required in the final market of export), in a difference from Faenza which is characterised by vertically integrated companies (companies covering many production phases).

3. Factors determining the success of a cluster and Stages of the life cycle of a cluster development

Success and effectiveness of a cluster is dedicated to a considerable level of formation of qualitative human links and creation of a network for action. These are informal connections which function better in a level of community where participants of the local industry have already formed a relation, and when a dialogues and trust level exists. The process of creating a cluster requires:

- Contacts of type human to human,
- Consensus for main issues,
- Cooperation in various levels,
- Broad inclusion of community,
- Creation of a business network,
- More than lobbying,
- Creation of a work group.

A range of factors contributes in the low level of cooperation or increase of creating a network of businesses. As a references, for determining factors of success of a cluster, can be taken those of the cluster of Sinos valley in Brazil.

- The lower links which the shoe producers have had with the local suppliers of raw materials, machineries and services of production; the Sinos valley is distinguished for a broad range of providers of raw

materials, new and old machines, specialised machines for various processes for processing and production of parts of shoes and managerial, financial, technical and information services important for this industry. 25 million is the number of livestock heads supplying the industry with leather. Within this valley all components of shoes are produced: surfaces of shoes, heeltap, heels, gluing material, nails, connection pieces and rings, internal layer etc. – all these produced with various technical specifications. This way, all machineries used for joining these parts and gaining the final shoe, are produced in this valley. In other words, each work in shoe production corresponds to a work in supply industry of raw materials. In this valley also are found necessary services for production as model designer, technical and financial consultants and specialised transport services. Moreover, the information circulates more facilitated by 2 weekly magazines and 4 monthly technical magazines specialised in shoe industry.

- The above links between producers and buyers, especially export agents; except the depth of below links, there are also 70 export agents found in the local area. Some of them represent American retail sellers, while many other agents (Brazilian and foreign) link the local producers with the European buyers and in Brazil too. Their importance is essential especially for the nature of this market, because Sinos valley produces leather shoes for women for highly competitive markets oriented to demand. Therefore, a high stress has been given to quality and designs, which preserves the rhythm of fashion in this field. Consequently, export agents play a strengthening role and promoter in mediation between Brazilian producers and buyers.⁸

But clusters vary from country to country. Thus, in Japan they expand horizontally (which explains the success of banks and financial institutions), whereas the Scottish ones were born mainly from the policies of government development. Thus, we may say that clusters vary from country to country depending on the culture of the region, initiative of business and support of government. In Kosovo clusters also have and must have their originality, which is seen in the characteristics and values which will make it differ, e.g. entrepreneurship skills (internal diversity).

3.1. Stages of cluster creation

In the course of cluster development, probably a thorough analysis is required in order to determine the level of cooperation between various countries whether they are sufficient to enable cluster development, or if any change is required in determining clusters in these countries, and as a result any change in the strategies of assistance with the purpose of improvement of economic condition and situation of businesses in these countries of economic development.

Having these issues in consideration, it is important to know the stages of cluster creation, in order to subsequently conclude about the levels in which networks within the groups or clusters exist, where such stages would be as follows:

Stages of creation: creation of initial enterprises, which are often born by local candidates (existence of raw material, specific knowledge etc.), followed by geographical concentration of enterprises with approximate products or production processes.

Stage of increase: creation of specialised services and supply enterprises. Appearance of a new specialised labour market and use of joint factors of production leads to lowering of production costs and increase of competitiveness within clusters. New enterprises are formed which provide cooperation services (training, advice, research, development etc.) and contribute in increase of cooperation and in fast transfer of information and knowledge. Because of increase of attractiveness and image of clusters, qualified employees and new enterprises seek to enter into this network.

Maturity stage: some other advantages begin to appear, which are not related to the market and which encourage exchange of information and knowledge based on routine agreement.

Stage of falling or reorganisation: decrease of importance of clusters as a result of lowering of flexibility of enterprises within cluster and changes in business practice which often make the required innovations more difficult.

Clusters in many countries have been exchanged into essential generators of economic development for the regions. Therefore, seeing the development perspective of various countries and the presence of clusters in many developed and developing countries, clusters are showing success and are cooperating not only within their region, but they are seeking to expand as inter-border clusters by setting up international links.

4. Forms of cooperation of clusters

These examples of projects are much easier to be gained if applicants are business groups and have drafted a joint development strategy. At the same time the program of competitiveness in many developing countries aims exactly at technical support and provision of expertise of business groups cooperating and which have a common development strategy, than the individual businesses separately.⁸

Cluster is not commanded by the government or any other institution. It is rather an expression of initiative and interest of businesses themselves to jointly work and to gain from cooperation. The above steps seek their time and in the end they aim at resulting into creation of trust and realisation of joint projects, in increasing the cluster interests for the cluster to engage all stakeholders (4 elements of the cluster), and in drafting a reliable strategy for donors or government for technical support.

In one cluster several forms of necessary cooperation for success of cluster stakeholders in the market:

- Cooperation between companies;
- Cooperation of companies with support institutions;
- Public-private cooperation;
- Cooperation between various clusters.

In view of the forthcoming, we can explain that the cluster is nothing else but a group of companies, institutions and any kind of organisation which is related to production of a product or service which have created such links with each other in order to increase their innovation and productivity.

Such forms of cooperation are developed in many countries such as: Ireland, Slovenia, Argentina, Italy, Croatia, USA etc. In the recent years clusters have been developed in three levels:

1. **Cluster in national level:** they are groups of companies and organisations addressing cooperatively the problems of development for Clusters. They in general are related to policies, infrastructure and matters of grade economies of development.

⁸ Tanaku Anila, Begaj Neritane, E.Skreli & A.Civici. *How to build and preserve competitiveness of companies: presentation of successful cases of clusters*. ACIT 2003.

2. **Cluster in regional level:** they are a classical type of Porter's Cluster, based on the assertion that an industry may progress significantly in a specialised environment linked in network. Focus is creating a supportive environment for participants in a cluster and expansion of links between the participating companies, their suppliers and linked or supportive organisations. These are not created on membership basis.
3. **Commercial cluster:** they are consortium of companies, which have chosen the way of cooperation in a number of fields. They are created based on a membership.⁹

Cooperation amongst the companies gives possibility to creation of a joint area of learning, exchange of ideas and development of knowledge related to improvements in product quality, in technology and movement towards profitable segments of markets. Except these, the links between enterprises, service providers (training institutions, technological centres) and local policy makers, can help in creating a development vision and to open way to joint actions for increase of competitiveness of SME-s.

Cooperation of clusters is carried out in various ways depending on their impacts in their vertical and horizontal expansion leading to increase of their work productivity.

Several forms of necessary cooperation are carried out in a cluster for success of participants of a cluster in the market: (i) cooperation between the companies; (ii) cooperation of companies with supportive institutions; (iii) public-private cooperation; (iv) cooperation between various clusters.

5. Benefits from cooperation in clusters

Clusters have several benefits which the companies have known to utilise well by standing by each other and cooperating for solution of common problems. But what are the benefits of cooperation in a cluster?

1. Economic benefits standing by the need for creation and cooperation in one cluster,
2. Managerial benefits justifying functioning of a cluster,
3. Political benefit justifying functioning of a cluster.

5.1. Economic benefits standing behind the need for creation and cooperation in a cluster are as follows:

1. Grade economies and increase of power in the market (investment in equipment which are highly expensive for a sole company to buy, share of patterns, increase of income from large contracts for raw materials, study trips and trainings, business English learning, access to capital/credit, marketing strategies (brochures, newspapers, fairs), and audits and counselling and expertise.
2. They constitute the source of innovation and efficiency (the lifecycle of growth of an economy is similar to that of an enterprise: the first stage of the enterprise, then the fast increase, followed by slow increase, maturity and fall. This cycle needs novelty to continue and to be repeated;
3. Specialisation in production of certain products for which the natural sources exist. Natural sources are the causes of birth of clusters, novelty and creativity are causes of its' surviving. Exchange into a commercial "magnet" of the region for investments, customers, human skills, etc. also constitutes a reason to work in cluster.

5.2. Managerial benefits justifying functioning of a cluster are as follows:

1. Cluster is a chain of added value; in nowadays' global economy a product of a company does not compete with that of another company, but a chain of a value with another value. In this sense, cluster undertakes to manage the whole logistics of the chain;
2. Dissemination and circulation of information; an individual enterprise has the tendency to keep information confidential, whereas logics of a cluster is exactly information of participants for every sales component for a product with the aim of increasing productivity and increase of benefits.
3. Creation of a climate of trust and connection of companies, a thing that increases specialisation and creation of a large mass of companies. An "amicable" environment of work is created.

5.3. Political benefit that justifies functioning of a cluster is:

A cluster shall be able to lobby easier with the government than with a sole company, therefore government-business cooperation is easier established when on the business side there is a cluster rather than an

individual company. Thus, the cluster strategy that is presented to the government is easier acceptable by the government than the strategies of some companies competing to each other (e.g.: government receives the strategy of a company which competes in low cost and in a massive trade) It requests support from the government for importing equipment and machinery in favourable cost. On the other hand, another company presents to the government its strategy as a company of high value; it requires support from the government for enabling foreign experts to enter in order to make more researches-developments for the product and models of its patterns. These two cases can put the government into a favourable position, which can be avoided if the companies participate in a cluster, they set a cluster strategy and they are presented to the government with a single strategy. Hence, the support and governmental policies shall be orientated and developed in regional clusters. Clusters are included in the national development plans (of the government or donors) and they have the ability to influence the government as regards to drafting and approval of laws and rules.⁹

In Kosovo reality as well, initial forms of showing cooperation are found, thus witnessing the existence of the need for cooperation and for the benefits from cooperation. An example which we have encountered recently is the company for food production Meka in Prizren. Lately it has had exporting activities in Greece and in Macedonia. In addition to its main activity being food product processing, it also carries out the marketing of its products, a thing that really costs. As it resulted also from the discussion with the owners of this company, the efficiency of production would increase if this process would be carried out by a specialised marketing company.¹⁰

Also another fact still more interesting for this company is its connection with the Department of Chemistry in the Faculty of Nature Sciences in Prishtina. This is because in the course of its activity, this company faces difficulties in finding specialised technologists for processing special products such as salami. From the cooperation with the respective department in FNS, this company has contributed to improvement of

⁹ Tanaku Anila, Begaj Neritane, E.Skreli & A.Civici. *How to build and preserve competitiveness of companies: presentation of successful cases of clusters*. ACIT 2003, page 123.

¹⁰ United States Agency for International Development (USAID) and International Management Systems. *Project of cluster and business support in Kosovo*. 2007/2008

learning program, in accordance with the labour market demands and production process.

To make it clearer in the practical aspect, I am presenting below an example on potential cooperation between stakeholders of a cluster in olive oil processing, hence, what cluster participants could cooperate through.¹¹

Table 2. Presents what the cluster participants can cooperate through

Link	Benefit
Producer of olive - processor of olives	Standardisation of requests and increase of quality of raw material
Liaison with universities	Innovation: technological improvement
Liaison with a marketing company	Access to information/marketing product
Liaison with a local bank	Access to credits
Liaison with a company for technological residues	Lowering costs
Liaison with training institutions	Improvement of management and qualification of labour force
Liaisons with laboratories	Improvement of standards/quality
Liaison with "OJF"	Drafting and monitoring of strategies for regional development
Liaison with public agencies	Improvement of business environment / impact on government

Source: ACIT (Albanian Centre for International Trade).

6. Conclusions

- The biggest challenge shall be long term improvement of competitive ability, which shall result into skills for responding to the changing of conditions in business environment and in increase of competition in national, regional and international markets.

¹¹ Tanaku Anila, Begaj Neritane, E.Skreli & A.Civici. *How to build and preserve competitiveness of companies: presentation of successful cases of clusters*. ACIT 2003, page 123.

- Support provided to Kosovar industry in order to become competitive in international markets is a priority necessity for European Union (EU).
- Enterprises which develop their business must understand better the benefits into creating clustering; they must have a clear strategy of formation or creation and development of clusters in preserving the competitiveness in the market.
- Kosovo must reach its full potential as an exporter of goods of high quality and services in the fields selected by it. Thus the sector of livestock and agriculture is one of the sectors with the highest potential for development.
- A characteristic of markets of other states and which will also happen in Kosovo is the increased demand for healthy food. This will happen because of the raised awareness regarding the diets and healthy food.
- Therefore we recommend that the producers from Kosovo are concentrated in development of bio-products, balanced diets and to pay special attention to food safety and quality control. In this sense, they must begin with implementation of standards required in conformity with rules and meeting the market demands.

7. Summary

Kosovo, although it has a small number of population, gross product and processes of European integration, it may represent the best example as to how objectives of policy of competitiveness can be carried out fully, even in a small economy and in a relatively high level of informality.

Regardless the generally weak current competitive abilities, still the potential for export exists. Some companies actually export their products successfully. Future assistance can be built based on these experiences; therefore efforts shall be made for improvement and expansion of the export base.

The negative trade balance is only one of the economic problems in post war Kosovo. Kosovo institutions are aware that changing of this reality requires comprehensive approach and economic and political reforms for changing the operative environment in Kosovo in order to improve the competitive position of Kosovo in the world market. As a result they aspire to change and supplement existing economic policies and to improve institutional functionality.

Kosovo economy is quite a dynamic economy, so, it is a complex mixture between the modern industry, developed market and traditional agricultural sector which employs a limited number of employees. Kosovo economy is growing, but this growth mainly comes because the calculation base is very low. There were few changes in the GDP structure in the recent years, but the sectors of services, industry and construction have all shown a slight increase compared to agriculture.

My main aim in this article has been to present the structure and functioning of clusters and possibilities of applying the competitiveness concept and clustering of projects in their businesses, which are crucial factors for economic development of Kosovo.

Cluster is expression of an initiative and interest of businesses themselves to work together and to obtain from the cooperation.

Quick political, technological, social, economic changes, change of the state role and the legal regulatory, introduction of many businesses from the international market into the country market, the competition becoming constantly more severe have made the environment in which these businesses operate quite complex and unpredictable. For overtaking these problems of SME-s which presents an external environment but also internal too, with all its complexity and dynamics of changes, SME-s must create efficient systems in order to contravene the risks and unclear elements coming from the outer environment.

Competition between the SME-s, within the branch where they operate is constantly becoming severer. Successful managers of SME-s need a powerful weapon in order to fight such an unsuitable environment. Fast decisions are required to face with the fast and complex changes in this direction. To achieve the mission, aims and objectives of the owner of the enterprise, a vision is needed in order to have a vision to evaluate weaknesses and advantages of enterprises in the opportunity and environmental threats.

Development of strategic planning, systematic making of important decisions in creating competitive advantages and success of enterprises shall be a priority of priorities. Owners of SME-s must be creative and must possess general knowledge on development of SME-s in which manager decisions are realised. The surrounding of the enterprise, not only it sponsors creative activities and punishes failures, but at the same time it enables flexibility in creating objectives and new orientations.

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