

NOTES SESSION 13

IMPLEMENTATION

13.1 Introduction

Implementation refers to the *range of activities* that lead to the realisation of the long-term objectives enshrined in the “vision statement” of a cluster. For the CDA, implementation includes not only the organization (directly or indirectly through local intermediaries) of each activity in the annual action plan. Implementation is first and foremost an opportunity to enhance the social capital of a cluster, leading to the establishment of an efficient and lasting governance mechanism, thereby empowering the cluster stakeholders to draw up their plans for “targeted joint action” without the CDA. The steps required to attain this objective include:

- a Implementation of annual action plans;
- b Up-scaling (expansion) of activities with the help of professionals;
- c Creation of a "governance mechanism";
- d Preparation and execution of an exit strategy for the CDA.

13.2 Short and long-term objectives of implementation

The implementation of any action plan requires listing a number of activities to be completed within a given time frame, subject to resource constraints. Each activity of an action plan needs to have a clear short-term objective. Improving sales or the creation of linkages with buyers, for example, are the immediate objectives of organizing a fair.

The peculiarity of a cluster action plan is that, over and above the achievement of the stated short-term objectives, each activity should lead to the creation of an efficient and lasting governance mechanism: the cluster stakeholders must eventually be able to initiate and manage further development themselves. The CDA should keep this long-term objective clearly in view, especially because the cluster stakeholders often lose sight of it. The intermediaries that are required to build governance capacities must therefore be involved at the earliest possible stage, and stakeholder empowerment must be a continuous process, through delegation of responsibilities, creation of governance support mechanisms wherever needed, appropriate sequencing of activities, and transparency in implementation.

13.3 Implementing an annual action plan

The CDA should adhere to the following broad guidelines during implementation:

Select the best intermediaries

Each intermediary has particular characteristics and advantages, as Table 13.1 shows. In the preparation of the annual action plan the CDA should bring these into the discussion with the beneficiaries of each activity so that they can jointly choose an appropriate intermediary.

Table 13.1 Intermediaries and their particular strengths

Intermediary	Area(s) of comparative advantage
SME association	Ensuring that firms understand the nature and purpose of an activity and are motivated for it, creating momentum for an activity and coordinating its implementation
SME network	Implementation of a business development activity
BDS provider	Creating awareness about unrealised needs, provision of support services in a wide variety of areas
Technical institution	Supporting technical upgrading
Financial institution	Financial support

Resource mobilisation by stakeholders

For each demand-driven activity, there should be a substantial resource contribution from the stakeholders. Otherwise, their involvement remains patchy and their determination may falter. If a demand-driven activity fails to generate enough resources from the stakeholders, the CDA should question its basic premises.

Resources include:

- a Time, knowledge and financial contributions from the principal beneficiaries: time required to formulate and implement activities; identification of needs and solutions; locating intermediaries; knowledge related to cluster dynamics; participation fees.
- b Expertise and financial support from technical institutions: advice on training, technical upgrading, project preparation, etc.; in-kind contributions may come in the form of premises, equipment and staff for training courses. Rationale: these contributions increase prospects for increased demand for their services.
- c Time, expertise and financial contribution from associations/networks: secretarial support; identification of operational partners, sharing of responsibilities; access to infrastructure owned by the association/network and seed money for further fund mobilisation. Rationale: prospects for increased demand for their services.
- d Contributions by the donor agency: mobilization of finance on a cost-sharing basis.
- e Time, knowledge and financial contribution from the implementing agency: e CDA is its key contribution. Further knowledge contributions may come in the form of expert technical support. Financial contributions may come in the form of seed money.

Whatever the source of support, the cluster stakeholders should be constantly reminded that:

- a The involvement of the implementing agency will not continue after the cluster development programme is over;
- b Preference is usually given to innovative initiatives rather than known and tested ones;
- c The greater the contribution of the cluster stakeholders, the greater their freedom to set objectives and implementation procedures.

The ground rules for supporting an activity by an implementing agency are as follows:

- a The greater the likelihood of short-term commercial gain for beneficiaries, the lower the support to be provided. On the other hand, the greater the risk and developmental content in an activity, the greater should be the support;
- b If an activity is carried out for the second or third time, support should be considerably reduced, as the risk of that activity is reduced;
- c Within the same cluster, support should be greater for stakeholders with limited financial means;
- d Activities generating benefits to a single beneficiary or having no cluster-wide indirect effect should not be supported. However, a firm may be helped to introduce a new technology for demonstration purposes if this benefits the process of learning and possible replication.

In the artisan cluster of hand-block printed textiles at Jaipur (India), the contribution of the implementing agency (UNIDO) decreased for activities repeated over time and the proportion of support varied depending on the type of activity, as Table 13.2 shows.

Table 13.2: Jaipur cluster – UNIDO's contribution in total expenditure for selected events (%)

		1998			1999			2000		
		U	SI	CL	U	SI	CL	U	SI	CL
C	1 st fair of printers at Jaipur	51	14	35						
M	Workshop of exporters	75	0	25						
D	1 st cluster level developmental workshop	33	67	0						
C	1 st fair of printers at Delhi				15	31	54			
M	Exporters' training (visual merchandising)				35	48	17			
D	2 nd cluster level developmental workshop				21	79	0			
C	1 st fair of printers at Delhi with an NGO							16	0	84
M	Training of exporters & printers (washing)							0	33	67
D	3 rd cluster level developmental workshop							5	95	0

Key: U: UNIDO, SI: support institution, CL: cluster. Activities: commercial (C), developmental (D), mixed (M - commercial and developmental).

Regular information dissemination

It is essential to keep the intermediaries fully informed about the implementation of the activity plan. This should lead to useful feedback in the form of suggestions that are crucial for continuous effectiveness of the programme. This practice also encourages mutual trust and understanding. Keeping people informed finally gives a sense of ownership and pride and creates eagerness among cluster stakeholders to achieve success in the concerned activity.

Activity sequencing

In order to maximize the trust-building impact of the action plan, it is advisable to proceed according to the following step-by-step process:

- 1) Activities should concentrate on the creation of trust among stakeholders, which is to be achieved through formal and informal interactions.
- 2) Priority should be given to workshops, training courses, mini-marketing events and networking. These activities, apart from transferring practical know-how and serving as instruments to strengthen business performance, increase interaction and help create the confidence needed by stakeholders to depend on each other for business activities.
- 3) With the greater trust thus attained, more focused and complex joint business-oriented activities can be introduced, such as linkage to new market/marketing channels, quality upgrading, cost reduction, raising finance, etc.
- 4) Once the stakeholders start enjoying substantial benefits from these complex joint business activities, longer-term activities can be introduced, such as technological changes, infrastructure development, pollution control, etc.

13.4 Up-scaling through professional implementers

A successful activity that leads to business gains often involves support from ‘professional implementers’. At this stage, as demand for similar activities increase, the demand for the enabling ‘professional implementers’ also increase. But availability of such professional agents (BDS providers, NDAs) who can help upscale activities can be a major bottleneck: often there is no critical minimum mass of stakeholders interested in bearing the full cost of such support. Therefore a CDA must look ahead, identify potential BDS providers and NDAs, and create a good relationship between them and the stakeholders to raise the latter’s motivation to commit themselves financially to these services which may be essential for future growth. If possible, the CDA should find other appropriate stakeholders who can handle this issue.

13.5 Creating governance capacity

Realization of cluster vision requires a cluster-wide governance mechanism. The stakeholders must eventually be capable to identify joint activities, carry out implementation and subsequently up-scale them without a CDA. Sound governance:

- Is pro-active;
- Has effective mechanisms for including all stakeholders in decision-making;
- Has a long-term agenda;
- Has a sound financial basis;
- Is supported by effective and efficient institutions for various special activities.

It must be stressed that capacity building in governance should eventually encompass the entire cluster; therefore the CDA must transfer governance expertise at all levels. Much of this can be done without formal teaching, through exposure to successful cases and through the direct involvement of stakeholders at all activity stages. Governance capacity building can be part of the following activities:

- Awareness-raising seminars of cluster entrepreneurs;
- Creation of networks;
- Establishment of linkages among local institutions;
- Dialogues between producers' and workers' associations;
- Introductory seminars on project financing for local policy makers;
- Workshops on the cluster vision;
- Presentations of best practice drawn from the experience of other clusters;
- Study tours to successful clusters;
- The dialogue among all cluster stakeholders.

By ensuring that greatest possible number of people (in the partner networks as well as in any other institution) are (co-)responsible for activities at some point, direct exposure to the "technicalities" of cluster development will be maximized, and a pool of potential cluster leaders and managers may be created.

In addition, building governance may requires capable intermediaries, which come in two categories: pro-active support institutions and BDS providers which are sensitive to the business needs of the firms in the cluster; and brokerage institutions with full knowledge of cluster development and long-term coordination capacities.

The transformation of a cluster's governance framework can be visualized through current and future cluster maps, as discussed in Session 7. Cluster maps for Ludhiana Hosiery Cluster (in India) - before and after cluster transformation appear as Annex 1 and 2 respectively. The improved governance structure of the cluster can be seen in the form of creation of new institutions and enhanced role of existing institutions in the cluster map after intervention.

With regard to governance, it should show:

- Cooperation among firms in the form of networks, joint ventures, consortia, and associations;
- Cluster management/administration units that may have been created and thriving;
- New support institutions/bodies that have joined the cluster, or have been created in it
- Emergence of specialized support service providers and their active involvement in the development process (if missing before the intervention)

Presence of these intermediaries in sufficient numbers and their capacity will vary over the period of intervention. Even at the conclusion of a programme by an implementing agency, these intermediaries might not mature fully. To assess the preparedness of these intermediaries who will ensure self-governance in the cluster one can use a tool called the *sustainability index*. The sustainability index measures the degree of sustainability of operations by the cluster itself at any point of time. The sustainability index can be constructed at regular intervals during implementation.

As mentioned above, the intermediaries can be grouped into (a) networks/associations, (b) support institutions and service providers and (c) brokering institutions. In a demand driven methodology, the importance of networks/associations will be the maximum, as demand from their side will make the other intermediaries move. The support institutions and the service providers will have to address those needs promptly to keep the momentum of business cooperation going. The brokering institutions will need to coordinate these mechanisms and create an atmosphere of smooth operations.

We can thus provide highest weightage to networks/associations – 60 per cent, followed by support institutions and service providers – 30 per cent and brokering institutions – 10 per cent to demonstrate their importance in the sustainability index. In each group one can divide a total weightage of 100 for that group among various group members as per their importance with respect to criticality and cluster coverage. A weighted value of each member of a group can be derived by assigning a weightage pattern as given in annex 3. The sum total of weighted index of each group can then be further weighted by 60 per cent for the group of networks/associations, 30 per cent for the group of support institutions and service providers and 10 per cent for the group of brokering institutions. The gross value of the sustainability index will indicate the preparedness of the cluster with respect to self-governance.

13.6 Stages of implementation

The process of implementation involves three broad stages.

Stage one. The CDA has most of the responsibility for implementation and the contributions of the implementing agency are larger than those of the cluster stakeholders. The CDA assists in

formulating the cluster vision and drafting action plans, identifies cluster partners, enlists local support institutions, and undertakes capacity building.

Stage two. The cluster stakeholders gain greater trust in their capacities, are more willing to commit their own resources and increasingly learn to find co-funders and other support. The CDA begins to hand over responsibilities, especially at the activity level.

Stage three. The cluster intervention is effectively approaching its conclusion and the cluster is characterized by a stronger bonding among the cluster stakeholders. The cluster stakeholders contribute significantly to the funding of activities, and start expanding the cluster vision and selecting strategic objectives autonomously. At the end, the process has become largely self-sustainable.

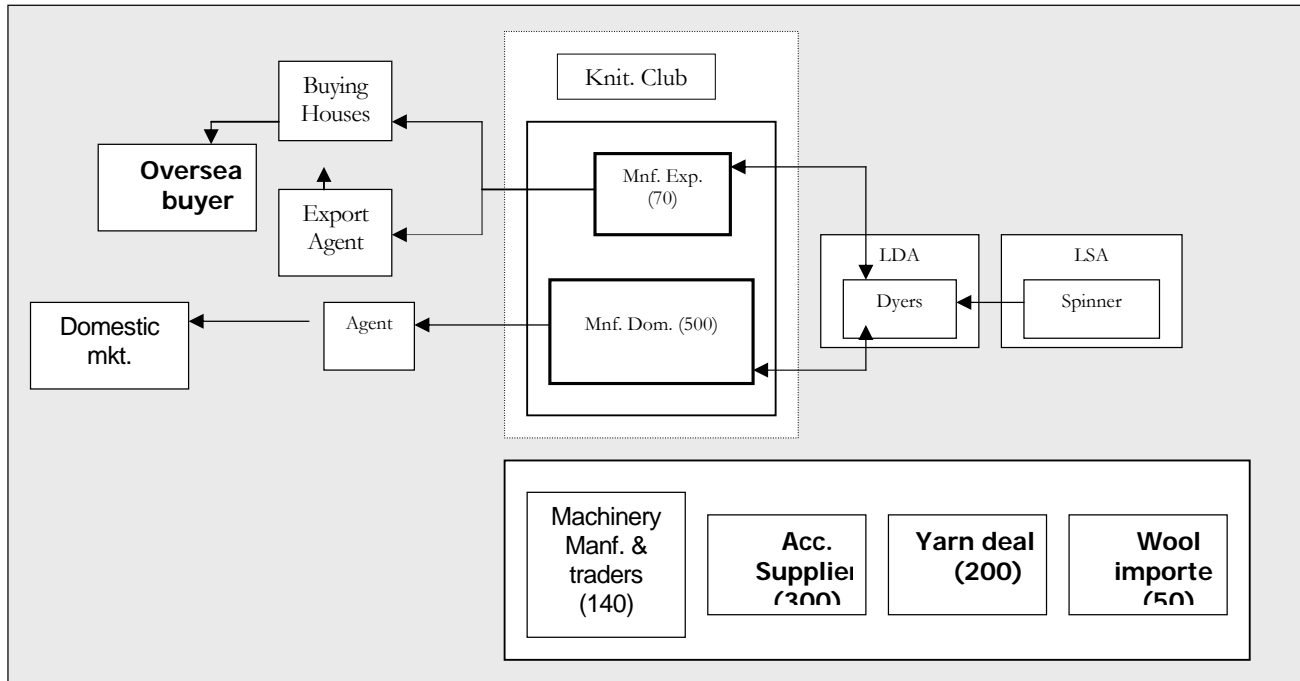
13.6 The CDA's exit strategy

The CDA's exit strategy must be drawn up at the latest a few months before completion of the cluster development initiative. Ideally it should be ready by the beginning of implementation stage three. The importance of a formal exit strategy is that it stimulates a conscious effort by the CDA to leave the 'activity trap' (implementing the annual action plan and up-scaling of activities that have shown results) and to think in terms of filling critical gaps in the governance mechanism of the cluster: strengthening linkages among stakeholders, identification and training of future leaders and implementers, identification of future activities by different stakeholders, identification of resources for future activities, etc. The exit strategy ensures a smooth transition of responsibility to the stakeholders.

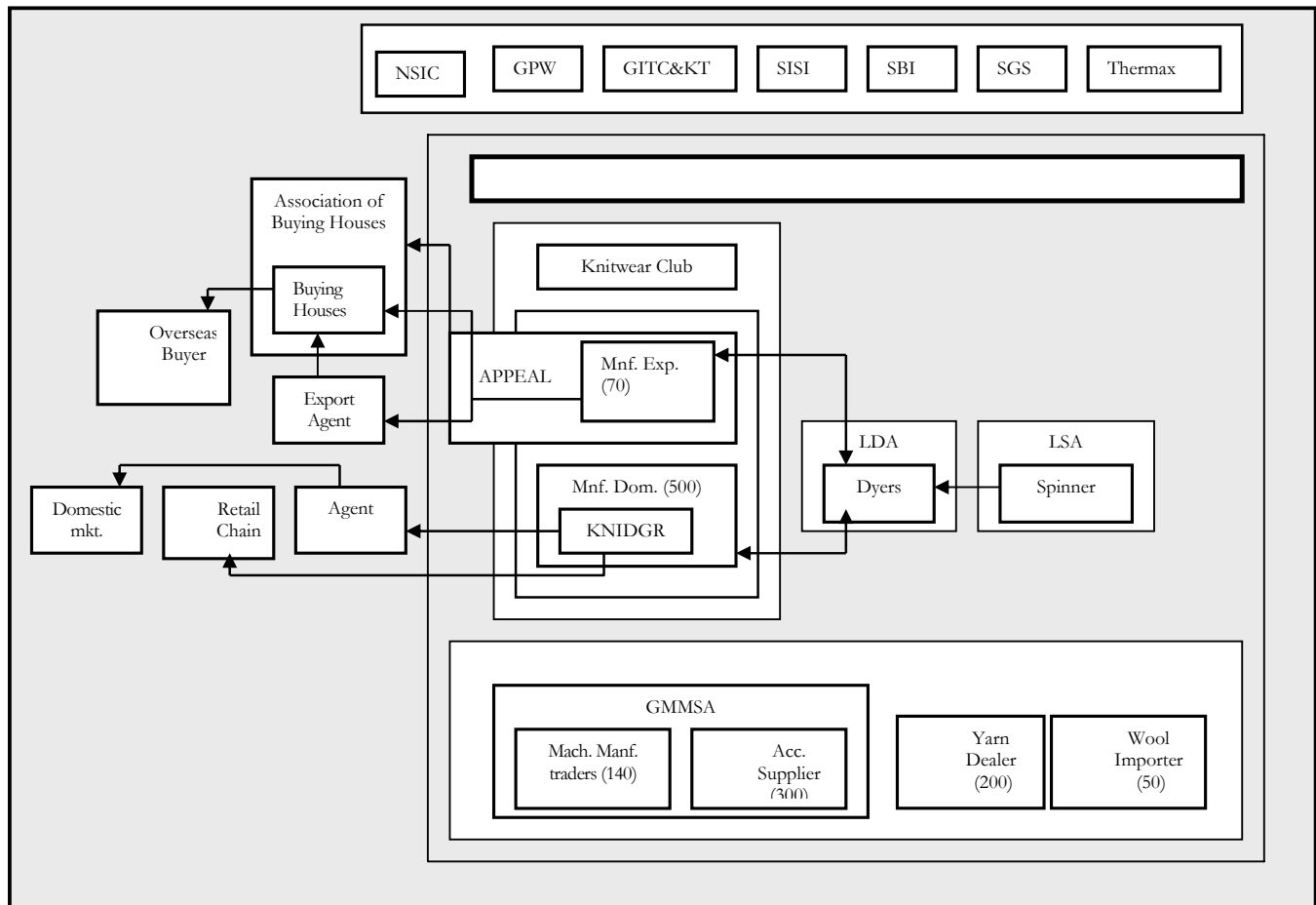
Box 13.2: Exit strategy for the Bangalore machine tool cluster

In the machine tool cluster of Bangalore 10 new networks were formed in a three-year programme. Each of these networks was given substantial exposure to marketing. Many of them had NDAs. An association of these networks of small firms – the Association of Bangalore Machine Tools Consortium (ABMTC) was set up. The association of large firms – the Indian machine Tool Manufacturers Association (IMTMA), was also strengthened with an NDA, who was prepared by the CDA for cluster development activities rather than routine association activities. This NDA became the focal point for the newly created cluster cell of IMTMA. At the end of the third year, all the networks were very active in marketing and quality upgrading. The exit strategy of the CDA at the beginning of the fourth year involved (a) strengthening of the cluster cell of IMTMA, (b) strengthening of ABMTC, (c) strengthening of the NDAs, (d) continuous networking of networks/associations with support institutions and (e) drawing up an agreed vision of the cluster

Annex 1



Annex 2



List of Acronyms for Annex 1 and Annex 2

Annex 3

Sustainability Index**Allocation of weightage among groups**

1. Enterprises: 60%, to be sub-divided according to importance (criticality/coverage) among, e.g. consortia, self-help groups, associations, etc.
2. Support institutions/service provider: 30%, to be sub-divided according to importance (criticality/coverage) among, e.g. technical/financial institutions, BDS providers, etc
3. Brokering Units: 10%, to be sub-divided according to importance (criticality/coverage) among, e.g. coordination body, umbrella organization, etc.

Allocation of score for an intermediary in each group*1. Enterprises' Representatives*

Score	Features
0	Not existing
1-2	Just established and/or dormant
3-4	Regular meetings being held; discussions on provisional agenda; limited commitment of funds by participants; office bearer selected
5 - 6	Short-term agenda endorsed by members; some activities started under near complete support of implementing agency (financial and/or technical); positive feedback form members that increasingly contribute financially; growing membership
7 - 8	Medium-term agenda endorsed by members; overall activities partially sustainable financially; capacity to network with support institutions/BDS providers without implementing agency support; target membership achieved
9 - 10	Full financial sustainability; complete endorsement of cluster development approach; long-term agenda endorsed by members; full networking capacities; participation in coordinated cluster-wide activities

2. Support/Service Providers

Score	Features
0	Not existing locally; totally detached from potential consumers
1 – 3	Provider created locally; preliminary discussions with potential customers coordinated by UNIDO
4 - 6	Pilot services along new format launched; significant funding support from implementing agency; feedback form users acknowledged as guide for further customisation of services
7 - 9	Pilot services turned into routine and increasingly sustainable commercially; autonomous networking for funds/expertise; new services launched on a regular basis
10	Fully endorses cluster development approach; high demand among customers, fully pro-active with other local support institutions; investment of own funds for cluster development, open to introduction of new services

3. Brokering Institution

Score	Features
0	Not existing
1 - 3	Preliminary interactions with CDA; limited interactions with cluster actors
4 - 6	Coordination of pilot activities under CDA guidance; linkage with sponsors through implementing agency; linkages with policy makers established
7 - 9	Autonomous dialogue with policy-makers and support institutions; legitimised with majority of cluster actors
10	Fully acknowledged as coordinating agent by most cluster actors; economically sustainable and own contribution to cluster development; long-term coordination capacities created; fully competent on cluster development methodology.

HANDOUT 1**1. Case Study on Short Run Activity****Learning objective**

Issues that a CDA should take care to achieve the short run and long run objectives of a Short Run Activity.

Case Study

The weavers of Jodhpur, a small city in Rajasthan, had no link with the high-end domestic market of major Indian metropolis like Mumbai, Delhi, etc. They were instead trying unsuccessfully to find a place in the age-old low-priced local market. This led to cost-cutting and constant reduction in price and quality of the products. The weavers knew the importance of high-end markets, especially the Mumbai market, about which they sometimes come to know from a couple of 'lucky' weavers who got occasional orders from high-end boutiques in Mumbai and Delhi.

Since the weavers are all micro household units, there only consolidated opinion maker was the local Weavers Association. The current President of the Weavers Association was a very elderly person and was not hopeful for any joint developmental activity by the weavers. He had stopped taking any interest in the association affairs. The Association was totally inactive.

After discussion with many weavers, an election of the association was held and the Weavers Association was restarted with a New President. Meanwhile the weavers were very keen to explore high-end markets, but at the same time hesitant to do such high cost business activity jointly, as they had no such previous experience and their mutual level of trust was low.

Initially the CDA organised an exposure visit through the Association to help the weavers understand the Mumbai market. The CDA helped organise the event and accompanied the weavers during the visit. The participating weavers paid around 40 per cent of the cost. The visit was smooth and the preliminary discussion regarding the Mumbai Fair (to explore the Mumbai market) was also held. Visits to possible exhibition sites in Mumbai were also carried out.

On his return to Jodhpur the CDA worked out a detailed plan including resource mobilisation for the first exclusive fair at Mumbai. In this exercise, CDA involved the New President and also a young weaver Sudhir, who had showed excellent management capacity both in fund handling and event handling during the Mumbai visit. Another weaver Kumar was also involved, since he was good in communicating. Since the President was not articulate, Kumar single handedly explained the purpose of the weavers' delegation, when they met a senior Government official during the Mumbai visit.

A few days later, the CDA found that the weavers were hesitant to try out the Mumbai Market. "There is a lot of unknowns involved", said the New President. The CDA found that the weavers were not fully convinced regarding the prospects of a joint effort with competitors, in a business

venture. Moreover in the absence of any such previous direct high-end marketing experience, this activity needed information related to appropriate location, time, duration, product, target clientele, etc. In the absence of authentic information on these issues, the decision to launch a joint programme by investing own resource was not forthcoming from the weavers.

After a lot of discussions, the weavers agreed to do a joint fair at Jodhpur, involving much smaller budget. The venue was so chosen that high-end clientele and foreign tourists could visit the fair. All participating weavers were charged a fee, which was a significant change from the previous tradition of subsidizing participation. Sudhir was made in charge of fees collection. But a shortfall of USD 2,000 was imminent. The President requested the CDA that his Agency fills up the gap. But the CDA disagreed. He said that his Agency can give only USD 1,000/-, the rest the Association has to manage. “Where can we get this money?” said the New President. The CDA suggested that this money can come from private sponsors or from a development institution (D.I.). The President was aware that the CDA knows the Manager of an D.I. and requested him to arrange some money from that D.I.

The CDA had visited the D.I. a number of times for other purposes. But this time he first arranged to send a letter by the President of the Society and then visited D.I. along with Kumar. The Manager of D.I. was impressed with the enthusiasm of the weaver and agreed to support the event. He also gave a few documents, which the Association had to give to the D.I. before the Fair. “A photo of the Fair with a banner depicting the name of the D.I. is also required before full sanction”, said the Manager of the D.I.

CDA explained Sudhir and the President regarding the forms to be filled in for D.I. and also reminded them regarding the photograph of the event to be taken. But the filled in forms were not sent to D.I. within the stipulated period and the initial sanction did not come. As a result, the President was hesitant to start the programme. But then the CDA told that if the money does not come from D.I., then the association can ask the members to give some additional money. The President agreed. That evening he sent all papers to the D.I. He also sent out a circular for higher participation fees, knowing fully well that participation can drop. The CDA also advised him to do some press coverage. The Past President was invited to anchor the opening ceremony and give the Welcome Address Chief Guest. The CDA suggested to invite the Manager of the D.I. as the Chief Guest. The Managing Director of the local Handicraft Marketing Organisation inaugurated the Fair.

Again enthused by the new responsibility, Sudhir suggested that Association could get some sponsorship from the colour suppliers from whom they bought colour regularly. He spoke to a few colour suppliers and one of them agreed. The association found that if every thing goes well a profit of USD 1,000 was possible! In the executive committee meeting held next evening, the CDA gave full credit to the President for this turn around in the association. The President in turns praised Sudhir, and Kumar for their contributions and also the Past President for his support and guidance. The fair created some sales, some got orders from the local exporter/boutiques. The weavers got an idea

regarding high-end preferences and a confidence of joint participation. Some weavers suggested need for higher working capital and recommended that the association start discussing the issue with local banks. Preparation for Mumbai fair and discussion with banks started soon after. The old President was given the responsibility to link up with banks. Sudhir and Kumar took lead for the Mumbai Fair.

Question for the participants

1. Why do the CDA had to do detailed planning?
2. What are the various techniques that were being used by the CDA to operationalise the activity?
3. Do you find any typological difference in the various techniques used by the CDA?
4. What was the purpose for such difference?
5. What was the range of stakeholders who were involved in the activity?
6. Do you find any relation between a stakeholder and the type of activity carried out by him?

Solution/Analysis

The answers to the questions framed lie within the story, but the participants need to generalise them as “lessons learnt”. Marketing being a core problem area, activity was started here. There are two qualitatively different types of activities that were being implemented. These include:

(a) Activities to achieve immediate short run objective: Here the CDA was using various techniques like taking risk, moving those who matter, soiling hands to know the capabilities of various stakeholders, giving credit/absolving error of the stakeholders during implementations, supporting the stakeholders as per need, etc.

(b) Activities to achieve long run objectives: The CDA was also applying techniques like identifying willing and appropriate implementer, breaking up the job with clear responsibilities (delegation), motivating unwilling/less interested partners, waiting and watching and even allowing mistakes to happen, ensuring follow-up, picking up the right spin-offs - especially complex activities which the stakeholders are interested in, etc. Thus the stakeholders got trained both in implementation and in picking up of new activities through discussions and job allocation among themselves.