

# REVIEW OF EXISTING FORMS OF ENTREPRENEURIAL INFRASTRUCTURE IN THE REPUBLIC OF SRPSKA

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**Abstract:** The paper presents the characteristics of entrepreneurial infrastructure. One of the modern ways to support small newly established enterprises, which are in a developmental life phase, and entrepreneurs is the system of technological infrastructure comprising: entrepreneurial incubators, technology centres, science parks and business zones. Those are the different organizations that help entrepreneurs to develop their business ideas and to overcome more easily the initial problems in business, for which, in a wider context, the term business incubators is used, and also the clusters related to entrepreneurs who are in an advanced phase of entrepreneurship. The paper presents the general characteristics of entrepreneurial infrastructure - clusters. In this paper, we present in the tables existing organizational forms of business infrastructure (clusters and entrepreneurs – business centers: free zones, industrial and business zones, science and technology parks, business incubators), their activities, and numerical strength in the territory of the Republic of Srpska.

**Keywords:** SMEs, Entrepreneurial infrastructure, Clusters, Entrepreneurship

## INTRODUCTION

Infrastructure is important for entrepreneurial activities [4] and may have various forms and functions. As first, the development of trade and industrial growth require physical infrastructure, road and railway traffic and transportation etc.

In all developed Western countries and in many developing countries, entrepreneurship and small enterprises as a whole are supported by the state, state institutions and nongovernmental organizations in many ways [7,9,10].

Orientation of a market-developed countries has deep roots, regarding the fact that the capitalism has tried many development models as opposed to one-dimensional models of economic flows control which have been practiced more-less for decades in the countries of socialist and similar socio-economic systems.

The support to the development of small and medium-sized enterprises in the Republic of Srpska had gained in importance in 2002, with the adoption of the Program of Small Business Development, and after that the Law on Stimulating the Development of Small and Medium-sized Companies was adopted. The adopting of the Law has created the basis for legislative, institutional and financial help to this area.

On the basis of the Law, during 2004, there were formed: Department for SMEs and Production Craftmanship at the Ministry of Economy, Energy and Development of the Republic of Srpska and the Republic Agency for the Development of Small and Medium-sized Enterprises. At the same time, on a local level, local agencies for the development of SMEs were being established. The support to the development of SMEs at a local level is also given by municipal development departments which, together with the above mentioned institutions, make support network for the development of SMEs.

Similarly to the leading countries of the West, many small countries which started with the implementation of market-

capitalistic principles in the development of economy three to five decades ago, have reached an enviable level of development today[7] exactly due to the development of small enterprises.

The determinations of Bosnia and Herzegovina [2] related to the SMEs development sector rely on the recommendations of the European Charter and the Act on Small Business. The Law on Ministries and Other Control Bodies of Bosnia and Herzegovina has also defined the institutional framework in the field of issues in the sector of SMEs whose difficulties reflect, above all, in: approaches in defining policies, development strategies and goals in the sector of SMEs, competences, way of work a harmonized monitoring of the results in this area, mutual cooperation and profitability and excessive administration.

At the level of the Republic of Srpska, within the Ministry of Economy, Energy and Development, there is a department for small and medium-sized enterprises, the head of which is an assistant minister with the responsibilities in the work fields: development of entrepreneurship and craftsmanship, making of medium-term and long-term development plans and making of the development strategies of SMEs and entrepreneurial activity.

Pursuant to the [12], an enterprise is a legal person which performs the activity to gain profit, and an entrepreneur is a physical person who performs the activity to get profit and the activity of free profession, while an individual agriculturist is not an entrepreneur. The Law does not know the notion of small and medium-sized enterprise, and because of that the same provisions apply to them as to the other enterprises.

The new [13] is a modern regulation, greatly harmonizes with the directives of the European Union company law and as such should contribute to the creation of a legal framework complementary the internal market of the EU.

The Law on Business Companies of the Republic of Srpska is based on the best solutions of modern national law of the

surrounding countries, and also of some countries from Europe and the USA (Illinois), the Statute of the European Company from 2001, OECD Principles of Corporate Governance from 1998 etc. Entrepreneurship, in the sense of the [14], is an innovative process of creation and development of business ventures or activities and of creation of business success at market. Entrepreneurial infrastructure presents spatial-technical forms for toe support of entrepreneurship development, with a special emphasis on establishing and development of SMEs.

Entrepreneurship, in the sense of The Law on Development of SMEs of the RS, is an innovative process of creation and development of business ventures or activities and of creation of business success in the market. Entrepreneurial infrastructure presents spatial-technical forms to support entrepreneurship development, with a special emphasis on establishing and developing SMEs.

In recent time [3], there is a greater emphasis in the commercialization of university research, especially through the creation of spin-off enterprises. They emphasize inhomogeneity of the concept of university spin-off enterprises and point out their heterogeneous properties.

#### CHARACTERISTICS OF CLUSTERS

A cluster is a network organization or a group of enterprises coordinated by market mechanisms [7,9] rather than by chains of commands. A cluster consists of enterprises that are mutually connected, vertically (buyer – supplier) or horizontally (same buyers, technologies, distribution etc.). Competitive branches are grouped into clusters most often. A cluster [14] is a form of entrepreneurial infrastructure consisting, in a geographical area, of mutually related business entities that do their business in the same, similar and various activities and, related to them, specializes suppliers, service providers, educational and scientific-research institutions, agencies and other.

In the practice of small-enterprise development, the cluster model deserves special attention. It has proven to be practical, especially in countries that have a tradition of supporting the development of small enterprises. The immediate predecessor to the development of clusters was incubators and, actually, clusters developed quickly in the areas that have had experiences with incubators. The connecting of entrepreneurs, their cooperation, sharing of services and equipment, or their networking into the most common clusters is also, as stated by [1], the influence of the work of most incubators. The connecting of business incubators with the academic and research community is also of great significance.

Clusters are presented by [11] as the basis of the new competitive economy, emphasizing their importance in increasing the competitiveness of enterprises on local and international markets. He defined them as geographic concentrations of mutually related enterprises, specialised suppliers, service providers, enterprises with similar activities and relevant institutions related to them (universities, agencies for standardisation and vocational associations), which mutually compete in some areas but also earn money. A cluster, as a concentration with critical

mass [11] and extraordinary competitive success in a certain activity, represents a significant characteristic of every country, regional and local economy, especially in economically developed countries.

In countries in transition, clusters have their real future perspectives. It must be kept in mind that the experiences gained in the development of clusters in the European Union can be transferred to local practice without modifications, which would be unavoidable in an uncontrolled development.

The system of clusters [6] is a global model for the development of small enterprises. They prosper where the development of small business has already reached a significant level and where systematic measures of the country contribute to it. They assist enterprises to develop quickly, to apply modern methods of work and gain the maximum from their market environment under modern management; at the same time, the regional economy achieves competitive advantages in relation to others. Thus clusters connect technologies, industries and, generally, the economies of two regions or even a few regions from a few countries.

It can occur within branches (metal, wood, textile, food etc.) in which SMEs develop by using communications, technologies and foreign investments from other regions.

The aim of clusters is to achieve a competitive advantage. One of the relevant factors promoting competitiveness is also the geographic concentration. Finally, besides the geographic (local) factors, legislation, organization and development of financial market have great significance for the development of clusters. The use of knowledge [8] about sound strategies for the development of clusters in the world and on the overall results from their realization contributes so that, in all new cases (either specific or not), good solutions for their creation and development are established. However, besides the similarities, there are also differences in the development of clusters. They mostly occur due to different degrees of development of regions, levels of governmental inclusion in this model of small enterprises development, strengths of the industrial basis, critical masses of people with entrepreneurial spirit and the general interest of environment factor carriers in general. In developed countries, local and regional government initiate the development of clusters and have had success in that, because of good knowledge of economic processes and of exactly where they are in control, consistent with finding productive measures of support for the realization of the goals[10]. In underdeveloped countries and in small countries, ventures of this type are taken at the national level, especially when it is known that local and regional authorities are not ready to support the development of clusters.

#### REVIEW OF EXISTING FORMS OF ENTREPRENEURIAL INFRASTRUCTURE IN THE REPUBLIC OF SRPSKA

At the beginning of the 1990s, characterized by the breakdown of the former state, the outbreak of civil war, especially in the territory of B&H (The Republic of Srpska),

events stopped not only the development of entrepreneurship but also fundamental economic activities. The support for development of small and medium-sized enterprises in the Republic of Srpska gained in importance in 2002, with the adoption of the Program of Small Business Development, and, after that, the Law on Stimulating the Development of Small and Medium-sized Companies was adopted. The adopting of the law created the basis for legislative, institutional and financial help in this area. On the basis of the law, during 2004, there were formed two key agencies: the Department for SMEs and Production Craftsmanship at the Ministry of Economy, Energy and Development of the Republic of Srpska and the Republic Agency for the Development of Small and Medium-sized Enterprises. At the same time, on for local level, local agencies for the development of SMEs were being established. The support the development of SMEs at the local level is also now given by municipal development departments which, together with the above mentioned institutions, maintain support network for the development of SMEs.

Besides the state institutions, the institutes for small business at universities and colleges have a significant role in the support of the SME sector in the USA [7]. In the European Union, state institutions also support the work of SMEs, creating a favourable setting for their business. The development of SMEs in the EU occurs at various levels, although the measures are not harmonised and the same for all members, which implies that a successful practice cannot be copied because of the existence of differences in cultures, economic structures and economic potentials.

Every local community or a set of local communities that are connected geographically engages in various activities to improve the conditions of work for SMEs so as to attract a larger number of enterprises to their territory or their region [7]. Local communities plays a very significant role, while the task of the country, or the government, is to activate the internal resources, as additional developmental sparks.

A prudent activity of a local community aiming to develop its own infrastructure and entrepreneurial potential and to attract investments can be to adopt a concept for regional development. Local communities must develop attractive environments for capital and enterprises. The establishment of business zones accelerates and simplifies the placement of spatial resources in the function of economic development, investments, growth and employment. Everywhere in the world, business zones present a significant instrument for the stimulation and development of entrepreneurship and general economic growth of an area. They are established on the basis of a clearly expressed interest among the businessman and bodies of local and regional government, with the support of higher levels of government and research-educational organizations, universities and institutes.

Regarding the business incubators, their location is also important, and it is recommended that an incubator serve as an entrepreneurial environment, so it is desirable that they be networked with the university or science sector.

Incubators accept [7] primarily firms based on new technologies (hi-tech firms) or production firms based on tested technologies.

The emphasis should be put on human factor as the generator of success. Business incubators, as well as business zones, can have a significant, positive impact on the development of the national and local or regional economy.

The entrepreneurial infrastructure [14] can be organized in the form of business zones, technology parks, entrepreneurial incubators and clusters. Exceptionally, they can be organized and other forms of infrastructure for the development, promotion and research in this area in accordance with the regulations and requirements of the economy.

Table 1 provides an overview of the entrepreneurial infrastructure in the Republic of Srpska. This overview contains the forms of organization of entrepreneurial infrastructure clusters and entrepreneurs-business centers: free zones, industrial and business zones, science and technology Parks, and business incubators, as well as their activities and the number of existing forms of entrepreneurship infrastructure.

As regards cooperation with scientific institutions and universities in the Republic of Serbian, there exists several business incubators and one cluster; they are:

1. Business Incubators—Innovation Centre Banja Luka operates as a foundation, which has the following stakeholder's structure: Ministry of Science and Technology of the Republic of Srpska, Atene Prosjekledlse on behalf of Ministry of Foreign Affairs of Government of Norway, City of Banja Luka, University of Banja Luka, University of East Sarajevo and RARS—Republic Agency for the Development of Small and Medium Enterprises. The Innovation Centre Banja Luka contains enterprises: Business Incubator, Training and Conferences.
2. Business incubator NGO “Krajina” Banja Luka, located on an area of ten hectares of land planted with perennial medicinal herbs (seedlings garden formed in partnership with the city). The business incubators are agriculture and forestry activities, and owned by City of Banjaluka. Project leaders: NGO Krajina”—Business Incubator, City of Banjaluka, City of East Sarajevo, RS municipalities, RS Government, RS Institute of Agriculture and Banjaluka and Centre for Rural Development and Improvements. A business incubator has been implementing a programme of organized support for the development of agriculture—production of organic food, fattening of breeding cattle and initiation of small farms (interviews conducted with 1734 households in the city territory, education, advisory groups and establishment of agro-exchange – electronic supply and demand bids for agricultural products).
3. Business Incubators university business incubator—in creation phase. It will be cited in the municipality East Ilidža.
4. Existing clusters, Solar Energy Cluster, whose is activities Energy, gas and water production and supply.

Leader cluster is Faculty of Mechanical Engineering Banja Luka with members “Topling Factory” Prnjavor, “Energomont-Bemind” Banja Luka and “Koming pro” Gradiska.

Table 1. Review of existing forms of entrepreneurship infrastructure in the Republic of Srpska

Entrepreneurial infrastructure		Activities	Numerical strength
Cluster	Existing clusters	Agriculture and forestry	5
		Processing and products of wood and cork, cellulose paper and paper products	6
		Energy, gas and water production and supply	1
		Food and beverage industry	1
		Other	2
	Planned	Food and beverage industry	1
		Agriculture and forestry, food and beverage industry	1
	Cooperatives	Food and beverage industry	4
		Agriculture and forestry, food and beverage industry	6
		Cooperatives	Food and beverage industry
		Agriculture and forestry, food and beverage industry	6
Entrepreneurs-business centers	Free zones		3
	Industrial and business zones		96
	Science and technology parks		1
	Business incubators	Agriculture and forestry	1
		Construction, furniture production, production of metal products, excluding machinery, production of rubber and plastic products	1
		Other, processing and products of wood and cork, cellulose paper and paper products, production of leather and leather products	1
	Other	6	

## CONCLUSION

Every local community or a set of local communities which are connected geographically, to attract a larger number of enterprises to their territory, the territory of the Region, takes various activities to improve the conditions of work of SMEs.

Local community plays a very significant role, while the task of the country, or the government, is to activate the inner resources, as additional development impulses. A prudent activity of local communities with the aim of developing own infrastructure and entrepreneurial potential and attracting of investments can be a concept of regional development. Local community must develop an attractive environment for capital and enterprises.

The current determination are to harmonize the legal framework, which is being built with the EU and the Act on Small Business, providing the conditions for the SMEs sector to be at the top of economic development priorities.

It is very important to make efforts in understanding particular notions of different forms of entrepreneurial infrastructure. There are no precise and unified definitions, so the matching is not compulsory among the notions in the various countries.

General characteristics of entrepreneurial infrastructure (clusters) are presented, as well as their role and importance

in terms of providing conditions for the creation and development of small and medium enterprises.

The paper presents the existing state of entrepreneurial infrastructure in the Republic of Srpska, with the numerical strength, as well as their activities.

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