International research

The evidence on clusters is clear

Firms located in clusters are more competitive than similar firms located outside clusters.
UK’s most significant clusters

31 clusters, 8% UK firms, 20% output

Source: Centre for Cities/McKinsey report
International buyers are travelling to fewer places …
Places with a known reputation in a specific field …
Regional specialisations…regional clusters

<table>
<thead>
<tr>
<th>Buying a F1 racing car?</th>
<th>Go to Motorsport Valley, UK</th>
<th>Home for 8 of 11 F1 manufacturers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buying fashion knitwear?</td>
<td>Go to Carpi, Italy</td>
<td>Select from 1,500 knitwear firms</td>
</tr>
<tr>
<td>Buying carpets?</td>
<td>Go to Dalton, Georgia, USA</td>
<td>178 mills, 45% of world production</td>
</tr>
<tr>
<td>Buying radish seeds?</td>
<td>Go to Mid-Canterbury, NZ</td>
<td>50% of world production</td>
</tr>
<tr>
<td>Buying cigarette lighters?</td>
<td>Go to Wenzhou, China</td>
<td>95% of world production</td>
</tr>
</tbody>
</table>
“Teamwork … bringing together entrepreneurs, private sector organisations, government and academia.”

“A challenge is building cooperation, collaboration and co-opetition.”

Paula Norris, PNG ICT Cluster Team Leader
Cluster Development
Centre Stage

An integrated framework for:
- Export development
- Investment attraction
- R&D, Technology transfer
- SME development; Start-ups
- Incubators: Technology Parks
- Skills, training; workforce development
The Composition of Regional Economies

- Serve almost exclusively the local market
- Little exposure to international or cross-regional competition for employment

Local Clusters

- Serve national and global markets
- Exposed to competition from other regions

Traded Clusters

Higher growth firms, Higher paying jobs

Note: Cluster data includes all private, non-agricultural employment.
Clusters and smart specialisation

Old approach:
- Identifying growth or lead markets (Bio, nano, eco, etc.)
- Concentrating public support/aid on these sectors

High error rate in competitive markets
Clusters and smart specialisation

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High error rate in competitive markets

New approach:
- Identifying existing strengths, incl. cluster positions
- Concentrating public support/aid on higher value added/more innovation within existing clusters and at the interface of related clusters

Better success rate
Development of long-term competitive advantage
European intercluster cooperations:
Building a European network
Why cluster development?

“The evidence is clear: Regions that are home to dynamic clusters, and companies that are rooted in such clusters, do better.”

Dr Christian Ketels
President,
The Competitiveness Institute
Cluster Development in a nutshell

- Building on an existing strength
  - Not inventing something new
- For a firm: profitable growth
- For an economy: job creation
- Takes time; Takes teamwork
- Needs careful facilitation
  - Bringing people together
  - Establishing common agendas
- Cluster-wide projects and Business networks
10 functions of Cluster Initiatives

1. Understand the industry
2. Networking
3. Business development
4. Innovation support
5. Productivity programmes
6. Marketing and promotion
7. Skills and training
8. Debottlenecking
9. Support institutions
10. Transformation

“SPVs provide the framework to deliver targeted programmes to firms within an industry sector”
Cluster development handbooks