



UNITE AND INNOVATE! EUROPEAN CLUSTERS FOR RECOVERY

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WHY DOES BUSINESS CARE?

The European business community is convinced that cluster development is an important opportunity to accompany the necessary economic transformation in the years ahead and should be a source of increasing attention by local, national and EU policy-makers.

The crisis must be a catalyst for change, an opportunity to leap forward in a more entrepreneurial and innovative society. Otherwise we must accept that Europe's prosperity, cohesion and position in the world will gradually wane over time.

Defining an ambitious European cluster strategy, which lives up to the challenges of global competition, supports the emergence of world-class clusters and helps regenerate European territories will provide an essential stimulus to growth and job creation in Europe.

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WHAT IS A CLUSTER?

Professor Michael E. Porter, a leading authority on competitive strategy, defined clusters as a “geographical concentration of interconnected companies, specialised suppliers, services providers, firms in related industries, and associated institutions (for instance universities, standards agencies, and trade associations) in particular fields that compete but also cooperate.”

This definition was proposed more than a decade ago. Whereas the underlying principles remain valid, clusters have since been changing in nature, increasingly taking the form of virtual networks and knowledge communities where geographical boundaries are blurring.

While a common framework for cluster development remains indispensable, the challenges faced by diverse clusters vary. The tools employed by different cluster development strategies should therefore be tailored to address specific needs.

Europe is still today strongly characterised by manufacturing basins and industrial clusters. The traditional model must nonetheless be re-discussed and oriented towards the adoption of modern techniques and technologies with a strong innovative component. A re-industrialisation of European territories is hence crucial.

Today, the most knowledge-intensive clusters are concentrated in some European regions where specific conditions are met, such as high level of education and adequate infrastructures. Efforts to intensify connections between research and business in Europe are needed and the integrated Knowledge and Innovation Communities (KICs), launched by the European Institute of Innovation and Technology (EIT), are a positive step in this direction. Efforts need to be improved in the creation of platforms for knowledge-sharing across the EU.

Andrea Moltrasio, Vice-President of CONFINDUSTRIA and Managing Director of Icro Coatings

“In the current economic crisis, it is essential to put enterprises at the centre of EU recovery strategies, emphasising the importance of the industrial base that characterises European regions. Paying attention to the needs of the manufacturing sector, future EU industrial policies should aim to strengthen EU production structures and to promote entrepreneurship and innovation by creating the appropriate framework conditions. Clusters are at the core of this strategy since they can create a powerful stimulus for growth and competitiveness by generating synergies between businesses, universities and research institutes. In this context, the European Cluster Policy Group set up by the Commission aims at actively helping to enhance EU cluster policies and initiatives.”

WHAT ARE THE BENEFITS?

- Recent evidence has shown that clusters are significantly related to prosperity, being an engine for innovation, entrepreneurship and regional development. Clusters are also a source of employment creation, with 38% of all European employees working in enterprises that are part of a cluster.
- Clusters stimulate innovation by enabling information-sharing across the different actors and creating strong synergies across complementary sectors along the value chain. In fact, firms embedded in clusters are more innovative and more likely to patent and trademark their innovation; and more inclined to outsource research to other firms, universities or public labs.
- Clusters are a key tool to foster entrepreneurship, helping companies to find resources, knowledge and technology, and facilitating ideas to be turned into business opportunities. Clusters can also reduce market entry barriers and foster the creation of new companies and business models. This is underlined by successful experiences such as the biotechnology centre in Wallonia and the Solar Valley in East Germany where these clusters emerged following the closure of mines and steel mills.
- Clusters are part of strategies to boost regional competitiveness and regional development. In fact, regions with high cluster specialisation benefit from higher levels of innovation and productivity, and are generally more prosperous.

WHAT ARE THE CHALLENGES?

- Europe is characterised by a large number of small-scale clusters. The European Clusters Observatory has identified more than 2,000 regional clusters in Europe. While world-class clusters are fundamental to compete internationally, existing clusters have great potential to respond to the needs of the market, help develop European regions and promote sustainable development on a local scale. Strategies to develop the two types of cluster are not mutually exclusive but they may involve important trade-offs that must be analysed.
- The lack of a clear picture on the European cluster landscape is a constraint for taking informed policy decisions. The European Cluster Observatory is attempting to provide such picture but it suffers from important shortcomings including the very definition of clusters based on employment density, the lack historical data and lack of sufficient information to analyse the underlying factors that render clusters competitive.

Staffan Bjurulf, Regional Adviser of Värmland Region

“A new method is being tested in Värmland, Sweden: Care of Measuring Cluster Effects. The method has been spread to two other regions in Sweden, involving 600 companies with 60,000 employees. Information on effects and results creates input for setting policy priorities, as well as improvements regarding cooperation and knowledge transfer between clusters.”

WHAT IS THE ROLE OF PUBLIC AUTHORITIES?

Cluster development is a market-driven phenomenon, following a bottom-up approach where an entrepreneurial mindset is a key ingredient.

However, public authorities can play a role in supporting cluster development. A survey demonstrates that 68% of company managers working in a cluster-like environment acknowledge the need for public intervention in order to create propitious support conditions for cluster development. Cutting down administrative hurdles, promoting national platforms for information-sharing and incentivising innovative programmes which are part of a cluster initiative are some of the identified areas.

Yet, the role of the public authorities must not be confused with “governance” of clusters. The latter should be left to the business actors alone. Companies should be left with the task of developing collaboration agreements and partnerships as well as identifying business opportunities.

WHAT CAN EUROPE DO ABOUT IT?

EU-level intervention is justified by:

- large cross-border spillovers in knowledge transfer;
- the need to develop globally competitive and interconnected clusters;
- the need to align cluster support with strategic priorities of the EU.

COMMUNITY POLICIES already impact cluster development quite significantly. Internal Market, EU budget, state aid and intellectual property rights (IPR) policies have important indirect influence on clusters. Despite some positive progress, further steps are needed:

- Internal Market barriers should be further reduced to facilitate business development, and foster mobility.
- While 63% of cluster programmes in Europe are still financed by national budgets, there is scope for a stronger role of the EU budget. A substantial reallocation of financial resources towards innovation and more ambitious and consistent financial instruments would make an important contribution to clusters in Europe.
- Member states should step up their uptake of state aid possibilities to support cluster development.
- Whereas different practices of IPR are still evident, harmonisation and simplification of systems is crucial to foster trans-national clustering and the emergence of globally competitive clusters.

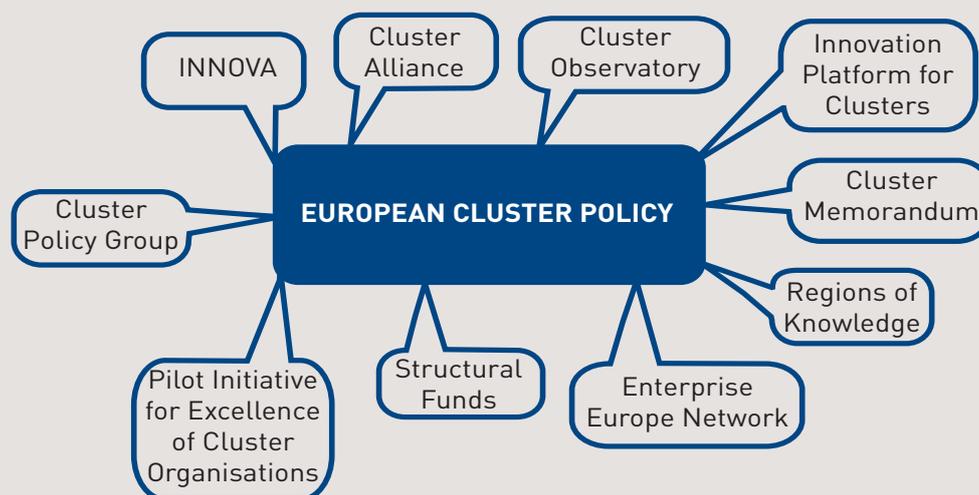
Dirk Ahner, Director-General of DG REGIO, European Commission

“Clusters have become one of the principal ways of thinking about how modern industrial and service companies generate competitive advantage linked to their interactions with similar companies and to the regional environment in which they are located. Although clusters are predominantly a market-driven phenomenon, forward-looking public policies include them in their innovation strategies funded by cohesion policy.

For clusters to reach a global dimension European regions need to work together to create the critical mass that enables them to overcome barriers and grow at global level.”

EU PROGRAMMES in the field of EU cohesion and innovation policies are of particular relevance for cluster support. Indeed, cohesion policy allocates 25% of its funds to R&D and Innovation and supports 19% of national cluster programmes in Europe. Specific initiatives at the EU level have been targeted at improving information flow, increasing cooperation across clusters and creating framework conditions to support cluster development.

Still, there is much room for improvement. Most initiatives are generally part of broader strategies for innovation and/or regional development. Consequently, they might fail to meet the needs of a truly integrated cluster strategy. We therefore call for existing initiatives to be better coordinated, avoiding the continuous emergence of new programmes.



Martin Schuurmans, Chairman of the EIT

“Europe without world-class clusters will lose its business leadership role in the world soon. The European Institute of Innovation and Technology (EIT) has the clear mission to boost Europe’s competitiveness through promoting innovation with world class impact. A precondition for achieving a world-class level is a strengthening and better integration of all elements of the knowledge triangle (education, research and business/innovation), which the EIT is fostering through the build up of Knowledge and Innovation Communities (KICs). Essential and integral parts of the KICs are the co-location centres. These are transnational innovation centres encompassing a large part if not all of the innovation chain/web. Entrepreneurship is seen as the ‘glue’ for such innovation co-location centres.”

INTER-CLUSTERING AND INTERNATIONALISATION are areas where the EU has a fundamental role to play. European clusters are generally small and do not reach the necessary critical mass to compete in a market that goes beyond the region where they are located. In today’s world with increased specialisation, networking and inter-clustering is inevitable.

Linking companies, centres of research and universities between regions can avoid inefficient duplication of infrastructures and permit economies of scale.

Between Member States, different policies often prevent spontaneous cooperation from emerging. Indeed, transaction costs between partners from different European countries are high. It is therefore fundamental to create an adequate framework to support close cooperation and interaction among clusters within the same field of activity as well as a greater investment on Information and Communication Technologies (ICTs).

Whereas clusters have traditionally been embedded in a regional context, firms today seek to find partners and build collaboration across geographical boundaries. At the global level, a robust stance needs to be taken regarding IPR as its enforcement is key for the EU to compete at the international level. Moreover, market access barriers need to be reduced both in terms of trade and investment. Opaque and discriminatory procurement procedures and practices that significantly distort trade and investment need to be abolished to provide a fair playing field for EU suppliers.

Danuta Hübner, Chairwoman of REGI Committee, European Parliament

“In today’s globalised economy national clusters, regardless of how successful they may be, do not suffice to ensure, let alone strengthen, Europe’s competitiveness. In my view, if Europe manages to link its existing clusters – and we have top performers in many fields – we would finally get what we all, policy-makers and European businesses, have been striving for: a strong competitive edge.”

KEY RECOMMENDATIONS

For EU institutions

- Increase the consistency and coordination of EU initiatives to create an adequate framework support for clusters;
- Promote inter-clustering as part of a broad strategy to achieve world-class clusters in Europe;
- Upgrade the European Clusters Observatory to develop stronger empirical evidence to support policy analysis and recommendations.

For national and local authorities

- Involve regional authorities throughout the development of national cluster strategies and facilitate the interaction and cooperation of different regional initiatives;
- Keep in mind that clusters are a market-driven phenomenon and should hence follow a bottom-up approach and not be imposed from the top;
- Develop a business environment conducive to cluster development.

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 Germany	 Greece	 Hungary	 Iceland	 Iceland	 Ireland
 Italy	 Latvia	 Lithuania	 Luxembourg	 Malta	 Montenegro
 Norway	 Poland	 Portugal	 Portugal	 Rep. of San Marino	 Romania
 Slovak Republic	 Slovenia	 Spain	 Sweden	 Switzerland	 Switzerland
 The Netherlands	 Turkey	 Turkey	 United Kingdom		