



ENHANCEMENT OF THE BUSINESS ENVIRONMENT IN THE SOUTHERN MEDITERRANEAN





Promoting Clusters

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AMMAN – 26 November 2014





Introduction to clusters



- Competition in today's economy is far more dynamic. Companies can mitigate input-cost disadvantages through global sourcing; however In both developed and developing countries there is mounting evidence that competitive advantage rests on making a productive use of inputs, which requires continuous innovation.
- The competitiveness of nations and regions is nowadays not determined by single companies, but more and more by the innovative activities of entire industries and sectors



Main topics



- An introduction to clusters.
- Added value to SMEs.
- Role of government.
- Improving Sustainability.
- Exploiting the EU-Med collaboration.
- Best practices for cluster excellence- cluster initiative programs.
- Example of Brief case study on a MED –IT Cluster



Clusters



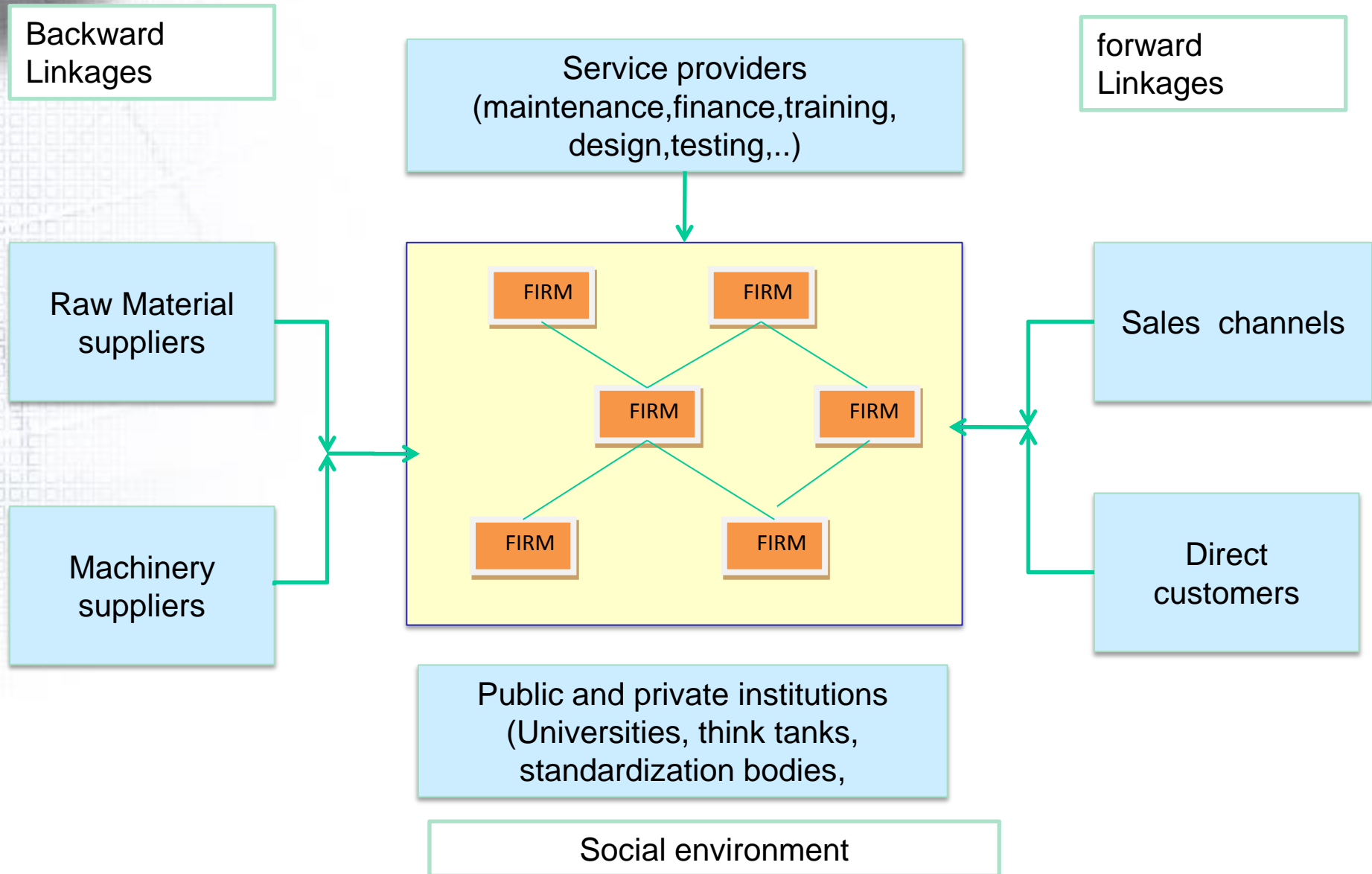
“ Clusters are a geographic concentration of interconnected (interlinked) companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition”.

(Porter)

Industries can be specialized suppliers, service providers, firms in related industries, and associated institutions in particular fields that compete but also cooperate.



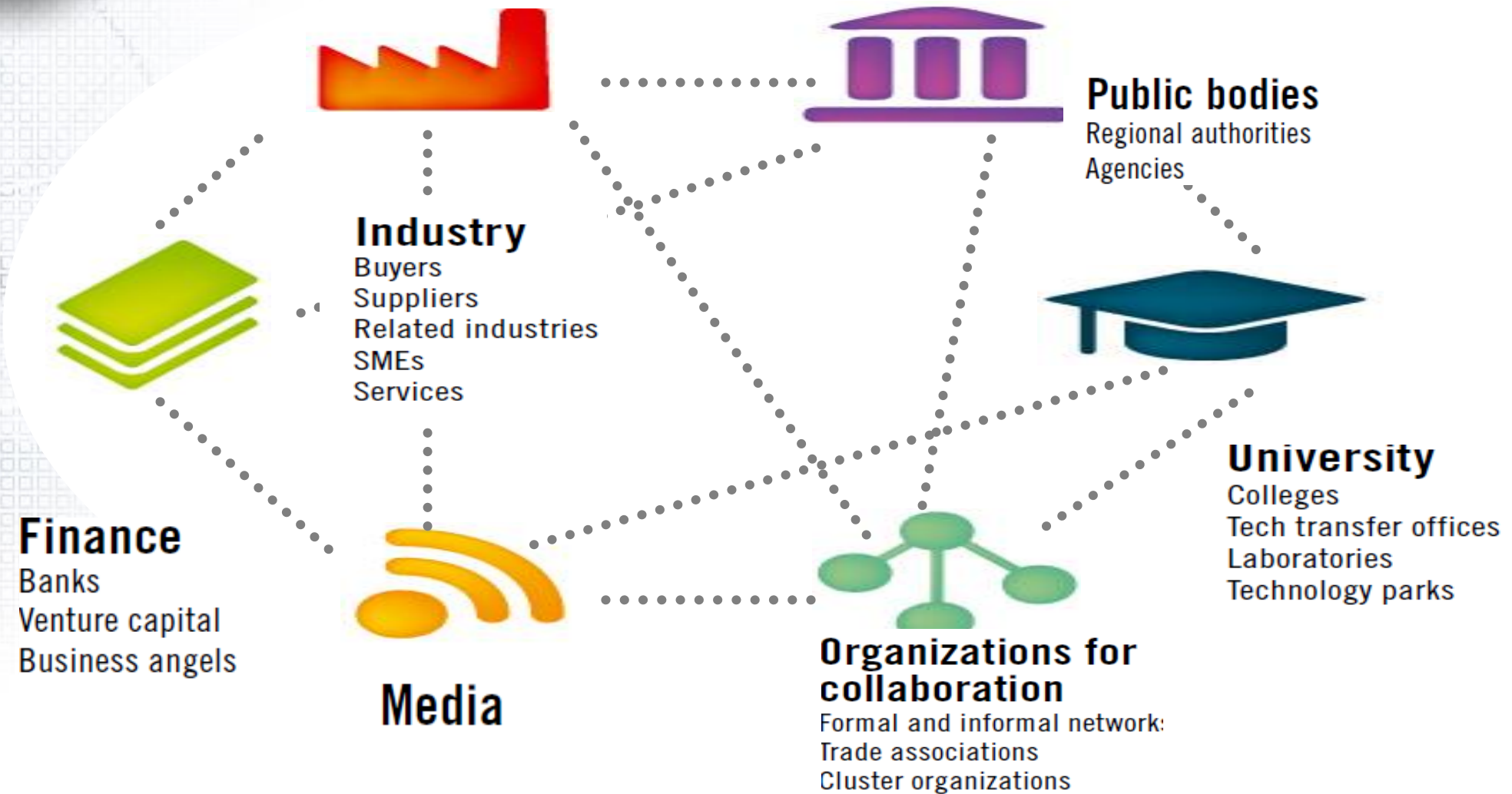
Cluster Model (Porter)





Main Actors

(extracted from “clusters balancing evolutionary and constructive forces”)





Clustering concept



- *Clusters are dynamic bodies* made up not only of physical flows of inputs and outputs, but also include the intense exchange of business information, know-how, and technological expertise, both in traded and un-traded forms.
- The success of a cluster may depend on the degree of cluster dynamics.

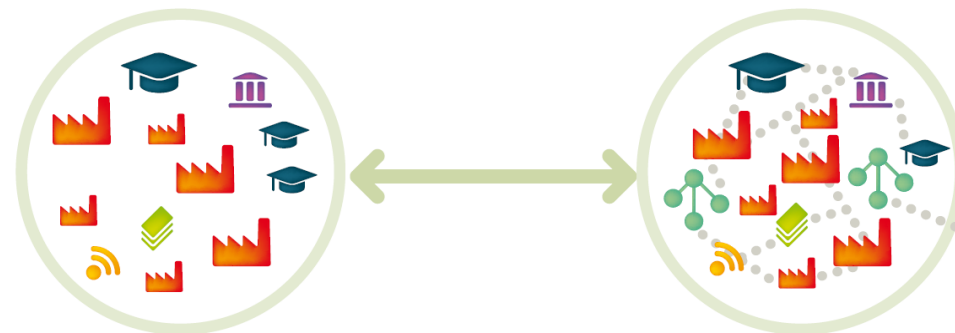


Figure 5. Degree of Cluster Dynamics



Types of clusters



Whether clusters are natural or planned they are mainly distinguished by their :

- Geographical scope (National, regional, and a consortium of industries) and
- The type of technology or specialization (Traditional, high tech, research, and so on)
- Other parameters play an important role such as the cluster dimension: (Size of the cluster in terms of critical mass, the mix of small and core industries, the age or maturity, funding, and last but not least its dynamic inter-linkages and activity base as well as backward and forward linkages).



Cluster added value to SMEs



How can SMEs Benefit from clusters?

- Increase productivity through economies of scale.
- Reduce costs of R&D, access to markets and new technology; as well as the cost of failure.
- Specialize and Leverage on another's specialties due to knowledge spill over.
- Increase rates of innovation
- Pursue joint solutions to common problems
- Build common labour pool, technology and infrastructure
- Learn collectively what it takes to be competitive by competing while collaborating.



Role of Government



- Government intervention can be more effective, if it is tempered by a clear understanding of how policy and intervention would add value to the cluster members.
- Intervening in rendering geographic region more attractive to SMEs through incentives and free infrastructure such as creating technological poles? (Usually a top-down approach) Or
- Intervene at the level of already existing industries with supporting collaboration among stakeholders, provide funding, export promotion agencies, innovation hubs and other cluster development programs? (Usually a bottom-up approach)



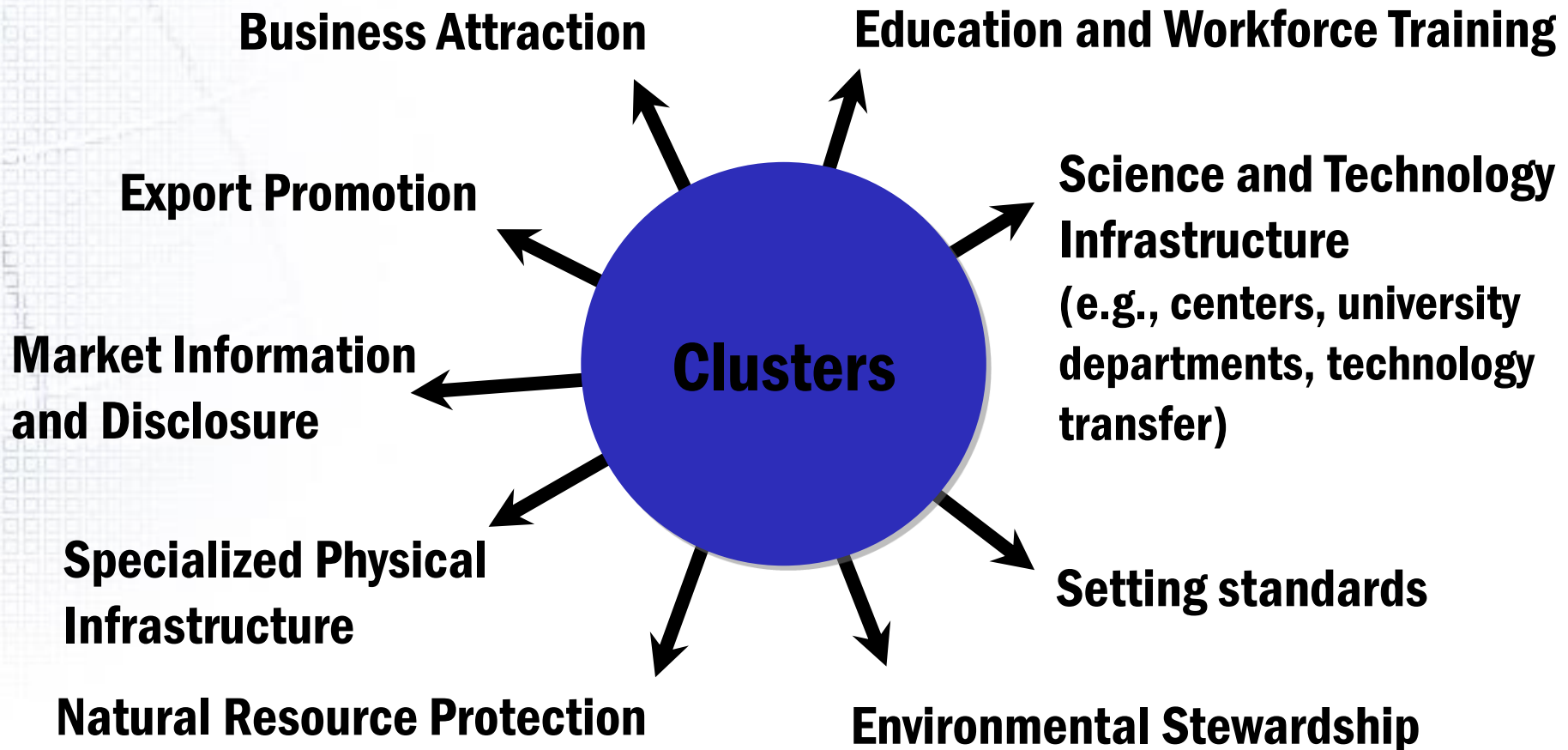
Role of Government



- Facilitate collaboration with other geographic entities through bilateral and cooperation agreements.
- Supporting cluster initiatives that include in addition to the public sector, Universities and the industrial SMEs.



Target Public Policy at Clusters





Improving Sustainability of clusters



- An important part of the cluster development shall depend on (Voluntary) constructive factors as a result of entrepreneurship, innovation strategies and business model and the entry of new firms; hence the distinction between dynamic and survival clusters.
- Sustainability requires growth which can only be achieved through innovation and a dynamic cluster management; clusters have to regularly adapt to emerging changes and challenges in the prevailing competitive micro-economic environment.

Sustainability of clusters

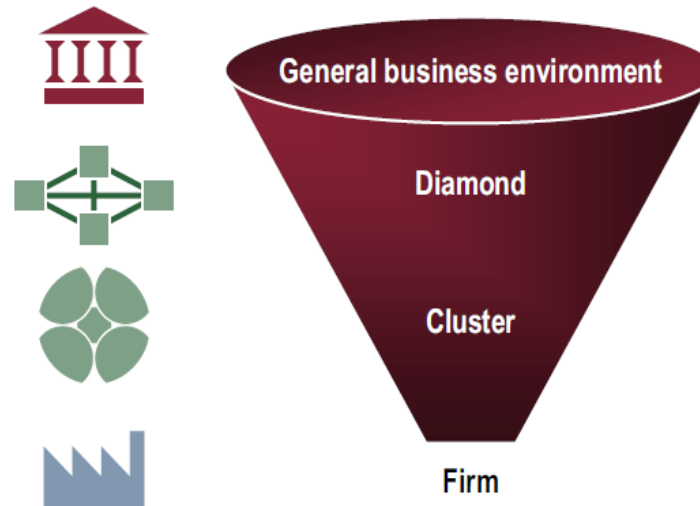


Figure 12
The firm and its environment –
the Funnel Model

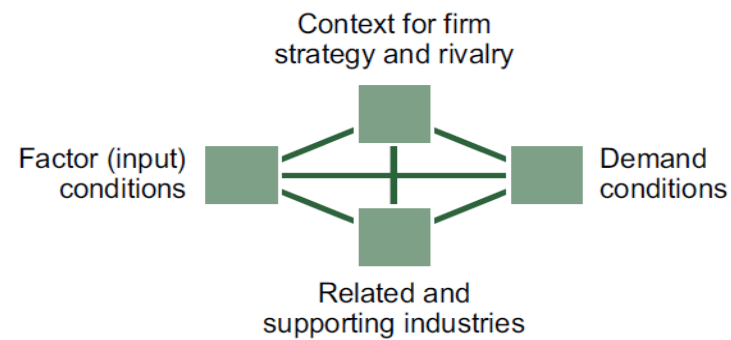


Figure 11
The microeconomic business
environment – the diamond
Source: Porter (1990)

Extracted from the cluster initiative green book



Sustainability of clusters



Static and dynamic clusters

Within a nation, the microeconomic “engines” vary in terms of their strength and dynamism. The stronger ones tend to lead to internationally competitive firms whereas the weaker ones – with less horsepower – tend to produce only locally competitive firms.

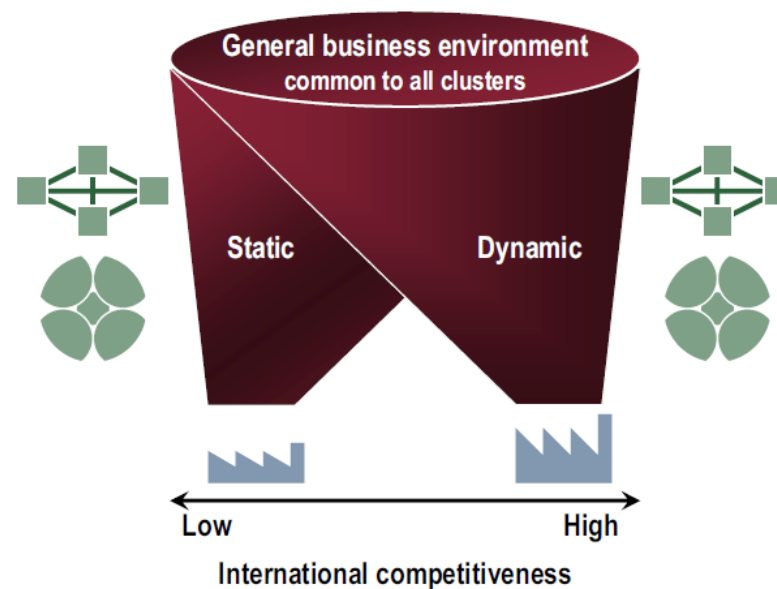


Figure 13
Static and dynamic clusters

Extracted from the cluster initiative green book



Exploiting the EU-MED partnership



- Due to advanced information and communication technologies, clusters can share tacit knowledge without the need for spatial proximity; especially that their growth and internationalization depend more and more on their networking ability to access global markets, global knowledge and eventually global competitiveness.
- EU and Med Clusters have the opportunity to link through business networks or prevailing cluster support instruments.



Exploiting the EU-MED partnership



- It is possible for MED countries within the actual EU-Med partnership to benefit from several aspects:
 - 1- the improvement of cluster management through the support of relevant EU organizations such as cluster management excellence or other . similar to the MOU signed between the Moroccan ministry of industry commerce & new technologies from one side and the **Foundation Clusters and Competitiveness**; European Cluster Collaboration Platform ;med change project; and the European academy for management and innovation.)
 - 2- Cluster Networking which joins firms from the cluster with other cluster firms or business networks for specific tasks and sectors in various fields such as Energy, Agro-food, automotive, ICT, Metal works..and which has become quite developed among EU clusters.(ECORYS for the DG Enterprise & Industry Feb 2014)



Exploiting the EU-MED partnership



- At the level of EURO-MED –South /North several cooperation's already took place between clusters in **MOROCCO** (such as the EMC (Energy Efficiency construction materials) and the Construction 21 network.) an several MOU s with Tunisia on textile ,Jordan and Lebanon on creative industries and so on.
- 3- Organization/Attendance of cluster matchmaking events; similar events have been organized between EU countries and Japan in 2012** (Led to the creation of the EU-JAPAN Center for ind. cooperation);**China in 2014;India 2013;Italy and Brussels 2014.** (The event in Brussels gathered **over 80 clusters** represented by more than 100 cluster managers, coming from 18 EU countries and from Turkey and Serbia. 170 cluster-to-cluster (C2C) meetings were organized.)

www.clustercollaboraion.com.



Exploiting the EU-MED partnership



- Other International Cluster Matchmaking events will be organized in 2015, the participation will be open through a call for expression of interest to be published on the European Cluster Collaboration Platform (ECCP) in the coming months. www.clustercollaboration.eu



Best Practices/Cluster management excellence



- EU focus on the development of “world clusters” based on cluster management excellence.
- it is found that the economic impacts of clusters depend on many more factors not related to the specialization of regions through the geographical concentration of the cluster than earlier research suggests. Cluster management and the spectrum and frequency of business-related services of the cluster organization are important determinants for the impact of a cluster. (based on cluster analysis of 143 N.European clusters published in 2011 by VDI/VDE Innovation + Technik GmbH (VDI/VDE-IT) with various north European sponsors.



Best Practices/Cluster management excellence



- Findings show that there are also other determinant factors such as internationalization activities, R&D activities, age, technology areas and others.

“World cluster” is defined within three dimensions:

- Framework conditions
- Cluster actors.
- Cluster management.



Key findings of the survey



- Research and industry clusters are very similar in their structure and operation but differ in their final technical priorities.
- Clusters with low or high share of public funding can be similar in structure and governance but differ in their impact.
- The visibility and attractiveness of a cluster and the impact of the cluster management organization on SME development depend on its size, age, institutionalization and degree of industrial orientation.
- Characteristics of a cluster depends on the technology field it operates in.
- Cluster with high impact on business activity of SME features an active cluster management.



Dimensions of “world cluster”



- **Framework conditions:** Examples of such include specific infrastructures, labor force skills or institutions, but also regulatory issues such as work migration or taxation. Stability-oriented macroeconomic reforms and structural reforms are also important elements of favorable framework condition.
- **Cluster actors :** a combination of critical mass of companies in a given geographical space, individual company characteristics and behavior and the dynamics of inter actions and cooperation between companies and other relevant stakeholders such as research institutions and universities.
- **Cluster management :** The quality of cluster management is critical to support strong dynamics among companies and other relevant stakeholders of the cluster.

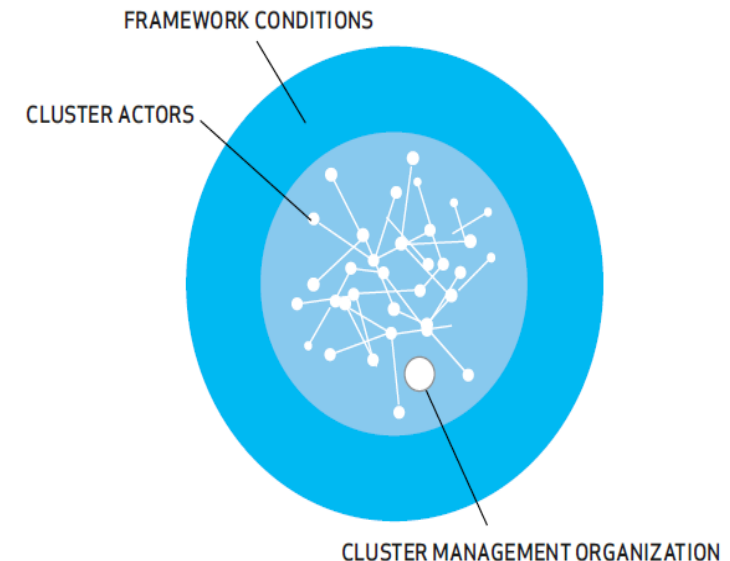


Figure 1: The nutshell model of cluster intervention (VDI/VDE-IT 2010)



Cluster Benchmarking ONE STOP SHOP



- The European Secretariat for Cluster Analysis (ESCA) www.cluster-analysis.org with its broad network of Cluster Benchmarking Experts throughout Europe , provides cluster management organizations, policy makers and program agencies with cluster related analysis and advice as a one-stop shop based on a benchmarking portfolio developed by “*Agency of Kompetenznetze Germany*”. ESCA
- For the sake of relevance we have selected one young and still small ICT cluster from Lebanon who accepted to share with us summary of the results. We have also included information on its EU partner in Croatia.



Benchmarking a Med ICT cluster



- Lebanon soft-shore ICT CLUSTER
- Lebanese IT SMEs .
- Members : 11.
- ICT Companies mainly service providers and software producers.
- Objective: to promote SMEs in export markets (North Africa and gulf).
- Services to members: Capacity building- networking.
- Own funding plus hosting at the Industrial research institute
- Dedicated (not a full time) manager.
- www.lebanonsofshore.com
- EU-Partnership: Međimurje IT Cluster (MIT Cluster) in Croatia.2007. (bronze quality seal from the cluster management excellence)





ICT cluster Benchmarking recommendations



On structure:

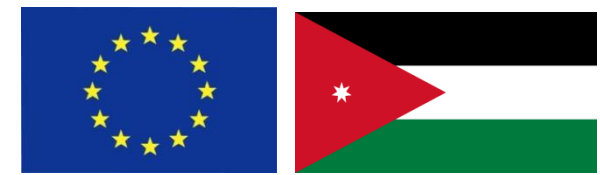
- A membership of more than 40 committed participants is considered necessary to create a critical mass.

On Typology, governance, organization.

- human resources of the cluster management should be sufficiently high, both in terms of number and experience of staff.
- Legal form of the cluster organization.
- Active General manager of the cluster organization.



ICT cluster Benchmarking recommendations



- Thematic committees composed of participants should exist; both to conduct decision making and to support the cluster management team in implementing the action plan.
- The cluster organization should maintain good cooperation contacts with other institutional innovation support and service providers, business and innovation promoters, funding authorities, etc.



ICT cluster Benchmarking recommendations



On Financing

- It is considered as excellent management if the cluster organization can generate more than 20 % of their budget for cluster management from private sources .

On strategy, Objectives ,services.

- The strategy of the cluster should be documented properly and the implementation plan with targets /budgets should exist in a written form. The degree of fulfillment of the implementation plan should be above 80% for last year of activity.
- Working groups covering specific issues within the cluster should be set up to provide cluster participants with a platform for joint projects .



Requirements to reach cluster excellence: indicators



On Recognition and achievements :

- Public relation activities could be increased, there seems to be a limited awareness of the cluster on the local/ regional level, on national/international level and/or within the industrial sector.



EU ICT cluster : MIT čakovec (Croatia)



Međimurje IT Cluster (MIT Cluster) was founded May 30th 2007th year and brings together 10 companies that are engaged in the field of ICT in Međimurje and Međimurje University for Applied Science.

- The cluster members export 50% of their products and services and employ 85 persons, of which 32 ICT specialists, 20 staff have high school education and 38 of them have a college or university degree.
- Some companies have signed a technology partnership with Microsoft and Borland.

MIT cluster covers a wide range of activities:

- development and implementation of information system (ERP systems), systems for document management and archiving, managing ISO documents, web development, web applications (CMS, web shops), multimedia presentations, graphic design, software development, planning and implementation of computer networks , business software development and hardware sales.



EU ICT cluster : MIT cakovec (Croatia)



Activities of the Association include:

- developing, promoting and coordinating professional and social activities of the members, organizing and coordinating joint promotion and appearances on the market,
- organizing the exchange of experience and knowledge in execution of projects in the field of ICT,
- design and development of new ICT products and solutions,
- collaboration with IT organizations and associations,
- developing a program for international collaboration,
- collaboration with other similar associations in the country and abroad, and all other organizations, institutions, legal entities and individuals that support the work of the Association,
- organization of seminars and lectures for members of the Association to exchange experiences and information
- **Possess Bronze quality seal from the EU cluster excellence org.**



USEFUL LINKS



EU global support instruments

- European Foundation for cluster excellence

<http://www.clusterexcellence.org>

- EU cluster observatory

<http://www.clusterobservatory.eu>

- EU Commission Enterprise and Industry.

http://ec.europa.eu/enterprise/policies/innovation/policy/regional-innovation/index_en.htm

- [EU Secretariat for cluster analysis](#)

www.clusteranalysis.org



Useful EU instruments



- **European Cluster collaboration platform**

www.clustercollaboration.eu

DG Enterprise & Industry.

sme internationalization PORTAL

<https://webgate.ec.europa.eu>

European Foundation for cluster excellence

<http://www.clustercompetitiveness.org>



Thank you for your attention

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