



International Collaboration between Cluster Initiatives

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Perspectives on Firm Success



Internal

- ⊙ Competitive advantage resides solely **inside** a company or in its industry
- ⊙ Competitive success depends primarily on **company choices**



External

- ⊙ Competitive advantage (or disadvantage) resides partly in the **locations** at which a company's business units are based
- ⊙ **Cluster participation** is an important contributor to competitiveness

The Cluster Paradox



- The cluster approach has focused on local partnerships and business environment conditions

HOWEVER

- Clusters only exist because of international economic integration; they attract companies from abroad and serve markets beyond their own region

The Competitive Environment



The context for competition between locations has changed

- Many **barriers to trade and investment** have been removed
- More locations have become attractive **markets** to serve
- More locations meet the minimum conditions to become potential **production sites**

And thus the relationship between locations

- More **rivalry**
- More **specialization** and regional **concentration**
- More **linkages**

Cluster are an **increasingly important** feature of the global economy

Clusters and Globalization



④ Changing fate of regional clusters

- ④ Incumbent clusters with strong inherent position **grow** as they can serve a larger market
- ④ Incumbent clusters that were the result of remaining trade barriers (directly or indirectly) are **shrinking**
- ④ New clusters can **emerge** when the impact of underlying competitiveness on clusters is less inhibited by trade barriers

④ Changing profile of clusters

- ④ More **functional specialization** of existing clusters; higher potential for 'unbundling' enables value chain activities to be distributed across locations
- ④ More **integration of clusters into global value chains**; higher need to accompany internal capabilities with complimentary capabilities of other clusters in related parts of the value chain

Companies and Globalization



Innovation

- Increasing importance of innovation to create and capture value
- Changing nature of the innovation process:
Open innovation

Efficiency

- Increasing pressure for efficiency to sustain profitability
- Changing company structures: Focus on **core competencies**

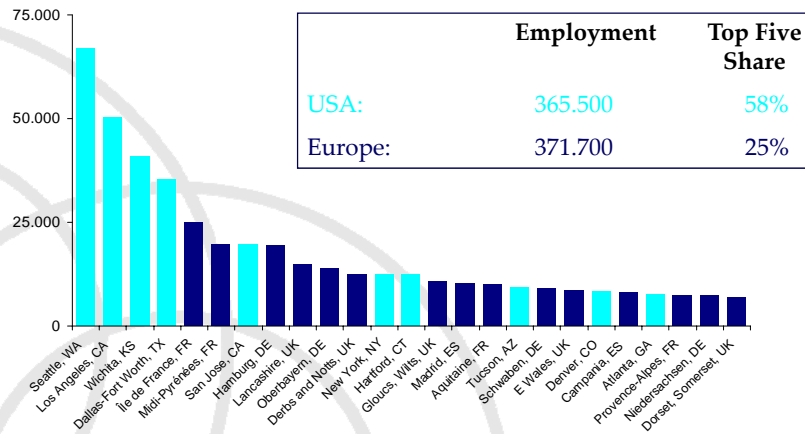
Competition

- Increasing rivalry with companies located in significantly **different business environments**



- ④ Increasing reliance on local (**regional clusters**) and global (**international linkages**) partners
- ④ Only the presence in local clusters can create **sustainable competitive advantages**

The Competitive Environment: Aerospace Employment in Europe and the US



Source: European Cluster Observatory. ISC/CSC cluster codes 1.0, dataset 20070510

The Competitive Environment: European Aerospace Clusters

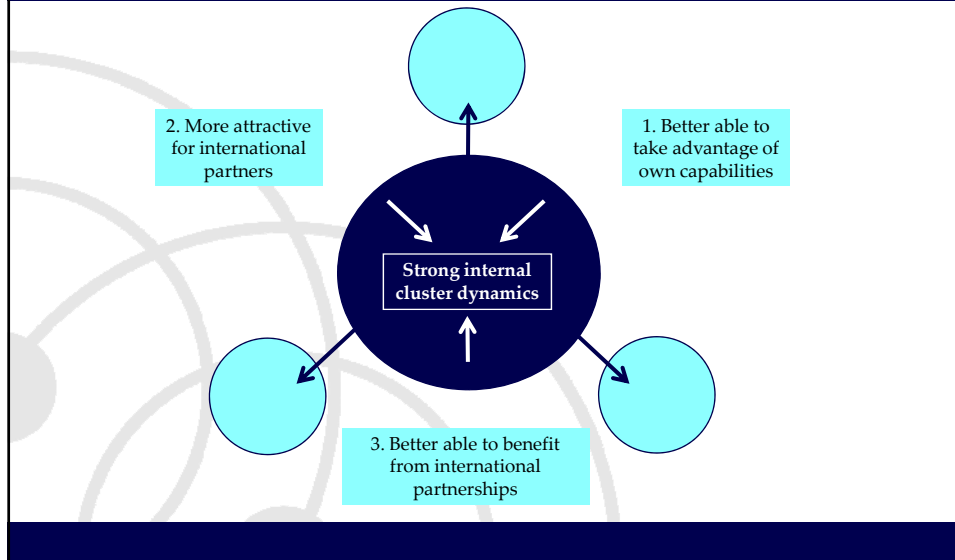


- ⊗ The **dispersion** of aerospace activity across many separate locations in Europe has long been brandished as a key competitive disadvantage
- ⊗ **Consolidation** remains critical and will be driven by the cost saving programs of aircraft manufacturers
- ⊗ However, the larger amount of **natural barriers** to cluster concentration in Europe will result in more dispersion than elsewhere



- ⊗ More **effective collaboration** between European aerospace clusters is and remains crucial
- ⊗ The challenge is to turn cluster collaboration from a **second-best remedy** to a **first-best source of competitive advantage**, integrating the complementary strengths of different European locations

Local Buzz and Global Pipelines



Consequences for Cluster Initiatives



- Internationalization is becoming a **critical part** of cluster initiatives' action agenda
- The international arena for cluster collaboration is **highly competitive**
- Successful internationalization starts with **a strong and differentiated cluster strategy at home**

Internationalization: The Case for Joint Action



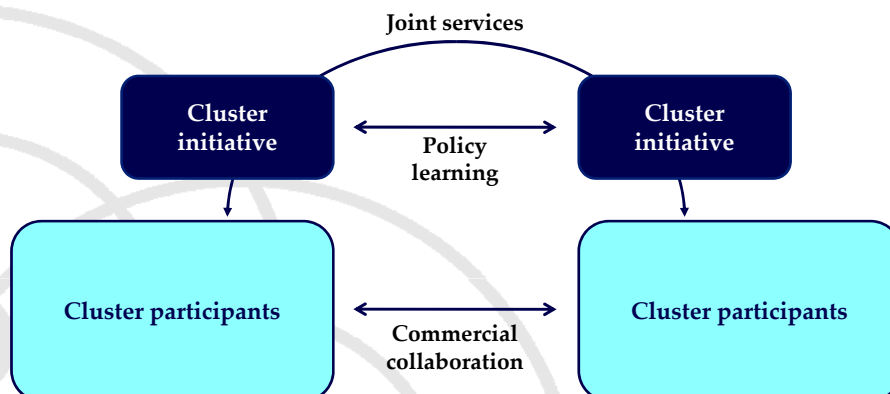
Barriers for internationalization

- ⊗ Natural barriers through language and distance
- ⊗ Knowledge barriers through lack of information
- ⊗ Behavioral barriers through legacy effects and culture
- ⊗ Policy-induced barriers through funding rules and market differences
- ⊗ Barriers through differences between private and public benefits

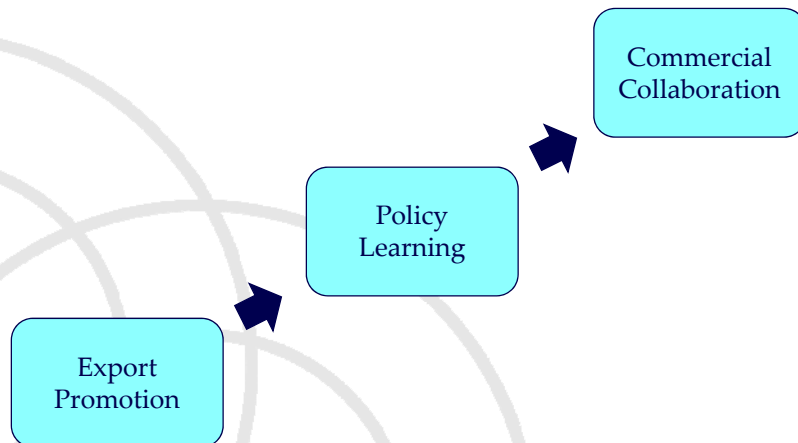


- ⊗ **Smaller companies** suffer the most because they lack the resources and size to make the necessary investments to overcome these barriers
- ⊗ Cluster initiatives can provide **platforms** that reduce these barriers

Types of Linkages between Clusters



Evolution of Cluster Initiatives' Internationalization Activities



Evidence on International Cluster Collaboration

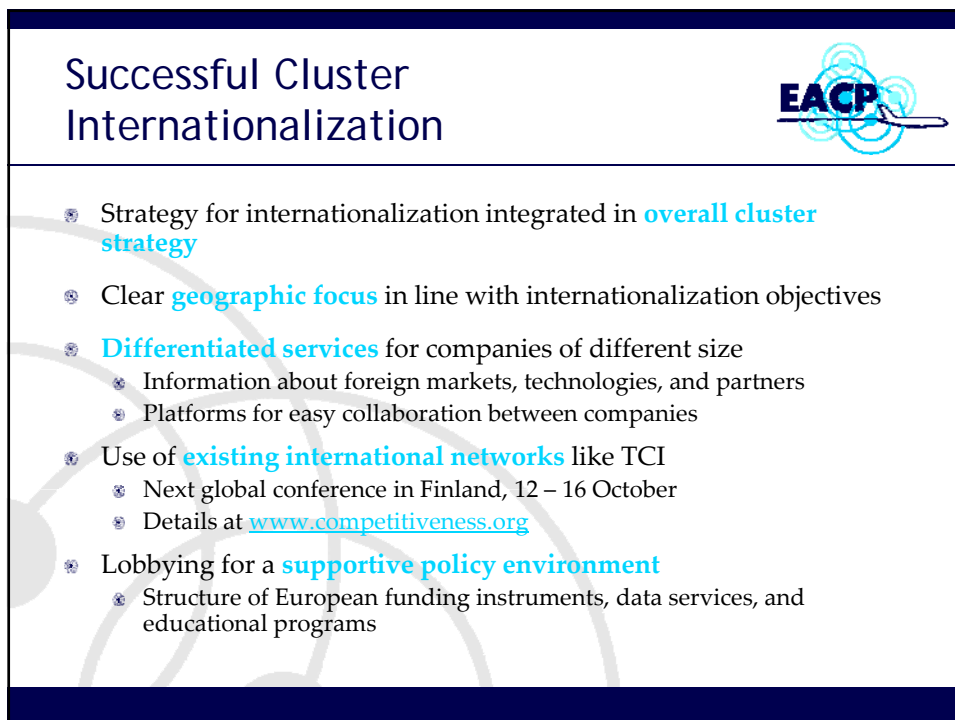
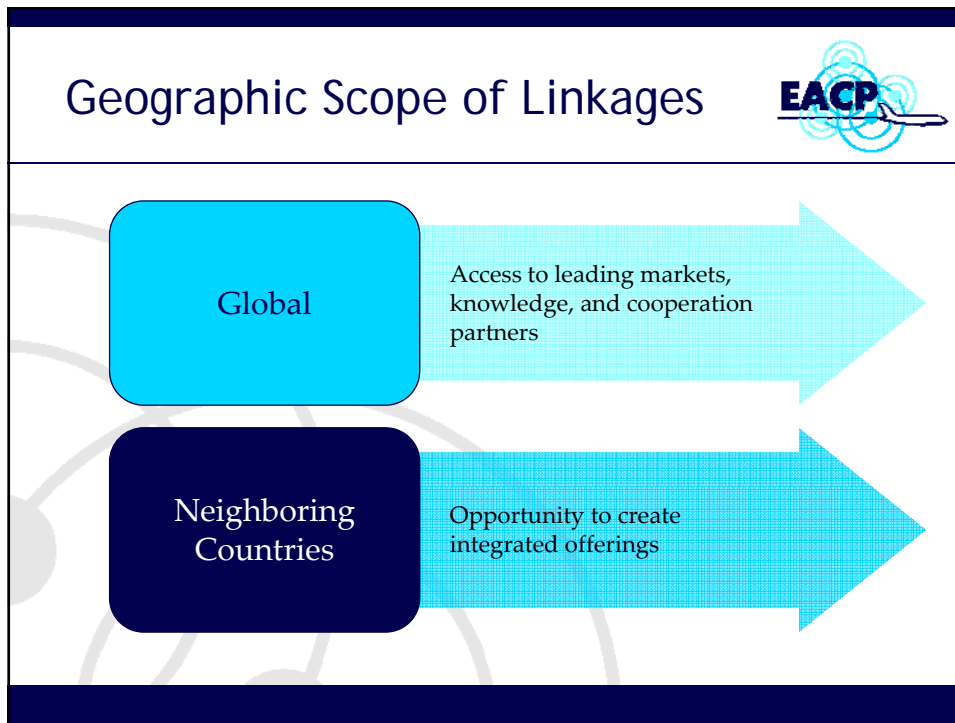


Leading goals for international collaboration

1. Strengthen global market position
2. Easier market access
3. Access to technology and ideas
4. Exchange of information/experience

BUT

- Only 10% of all surveyed cluster initiatives have a **concrete strategy** for their internationalization efforts



And what to avoid ...



- ⊗ Becoming a **lobbying instrument** to shut the European market against foreign competition
- ⊗ Become a **negotiation mechanism** to distribute activities across locations and manage competition



- ⊗ The strong **role of governments** in the aerospace industries raises the challenges to focus cluster collaboration on competitiveness

Clusters in a Time of Economic Crisis



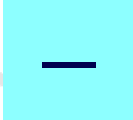

1. Clusters are often more **robust** in a time of crisis, redirecting their capabilities towards new markets
2. Closer relations within clusters can ease the **flow of credit**
3. Clusters provide productivity advantages that enable companies to **gain market shares** during or after the crisis

BUT

- ⊗ Clusters are not a substitute for **missing demand**

The Current Environment for Cluster Policy



- 
 - * Financial pressure, especially on companies
 - * Focus on short-term demand conditions, not medium-term supply
- 
 - * Increasing demand for new growth concepts

Economic Policy to Overcome the Crisis: The Role of Clusters



Revive
financial
markets

Re-regulate
financial
markets

Create demand

- * Success of **stimulus packages** depends on the reaction of consumers, companies, and financial markets
- * Investments in **competitiveness** are more likely to generate a positive response
- * Clusters are an important **discussion platform** to design effective spending programs; and they can be a good investment as well