Constructing clusters

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Agenda

• To be part of a global value chain vs cluster

• 6 Lessons from constructing clusters

• The devil is in the details
Why be part of an organized cluster?

Impact on Member Firms

% of companies in clusters reporting an effect due to cluster membership

- Increased Sustainability
- Increased Integration
- Increased Equality
- New or Better Products and Services
- Employment Increase
- Sales Increase
- New Investments
- Cost Efficiency
Clusters – Local Nodes in Global Markets
Corporate Units in Global Markets and Value Chains
1. as a “cog” in global value chains

- Sales/service
- Manufacturing/assembly/packaging (local sales or export)
- R&D (core research or local adaptation)
- Headquarter functions (regional/global)

Within a multinational firm or connected through international markets
or... 2. as part of a cluster
Where is the future?
Demands on efficiency
Sensitive to exchange rates
Sensitive to labor cost

Potential of innovation
Costly (land, labor)
Need to engage in cluster
200 year old cluster in the region
Over 200 large and small firms in the regional cluster
Some larger firms were acquired by Finnish firms
tending to specialize corporate units
Little interest from politicians and the public sphere
Difficult to attract the younger generation
Cuts in long-term investments
Limited cooperation across cluster actors

The whole cluster at risk!
6 Lessons
The key task is to build bridges
Cluster Gaps

Firms
Barriers to collaboration

- Poor knowledge
- Sparse networks and no collaboration
- Different “languages”
- Different norms and attitudes
- Different visions
- Low trust
- Negative incentives
## Bridge Builders

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<tr>
<th>Sector</th>
<th>Few gaps</th>
<th>Many gaps</th>
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| **General** | Tech park  
Holding company  
Innovation office | Public venture capital fund |
| **Specific** | Incubator  
Research institute | Cluster organization |
Among firms in the cluster
Firms and research institutions
Firms and educational institutions
Firms and public organisations
With other cluster organisations
With global markets
Firms and financial institutions

Communication intensity
incoming emails to a cluster organization

Build from strength
Dynamism

Maturity: Economies of scale

Hero phase: Entrepreneurship

Renaissance

Decline

"Museum"

Time
Bringing people together is easier if you are neutral
Mixed funding – 60/40 sources of revenues

- National public
- Regional / local public
- International public
- Other
- Membership fees
- Sales of services

Mixed governance
board composition

Long-term public commitment helps
You need a cluster facilitator who can build and walk bridges
Cluster manager’s background

Previous work experience

Experience:
- 0-1 yrs
- 5-9 yrs
- 10+ yrs

Begin with the low-hanging fruits
Look for win-win projects
Cluster Organizations – Three Pillars

"Building the Cluster Commons"
Identity and trust
Change norms and attitudes
Vision and strategic agenda
Region and cluster branding

Innovation and R&D collaboration
Joint business development
Overall Objectives

- Identity and brand
- Strategy and vision
- Innovation and R&D
- Business environment
- Growth and investment
- HR upprading
- Export promotion
- Value chain development
- HR supply
- Joint purchasing

But, the Devil is in the Details

Cluster Actors

Bridge Building

Individuals
Firm to Firm Cooperation
Open innovation
Firm to Research

Gate keeper
Firm to Research
Firm – Education
Karlstads Teknikcenter

Lot of talk but no resources
Firm – Education
Karlstads Teknikcenter
Innova
Energy Square
Board
Framtidsfabriken
Innova
Papermaker’s Night
Energy Square
Cooperation with Fiber Cluster
Cooperation with Chinese industry
VIPP PhD program
Technical college
Paper Province 10 years (MSEK)

Companies 12
Region and municipality 12
EU structural funds 13
Total 37

Evaluation:

81% of member firms new products/services
60% says it has made it significantly easier to find needed human resources
40% have increased sales
Much more networking
Innovation projects
e.g. "Framtidsfabriken" = 42 projects
Cluster Facilitation

“A different kind of leadership”
Quote by Mats Williams
Thank you!