

“Clusters as an integrated approach to developing SMEs”

Inés Sagrario

Tunisia

13th December 2006

Agenda

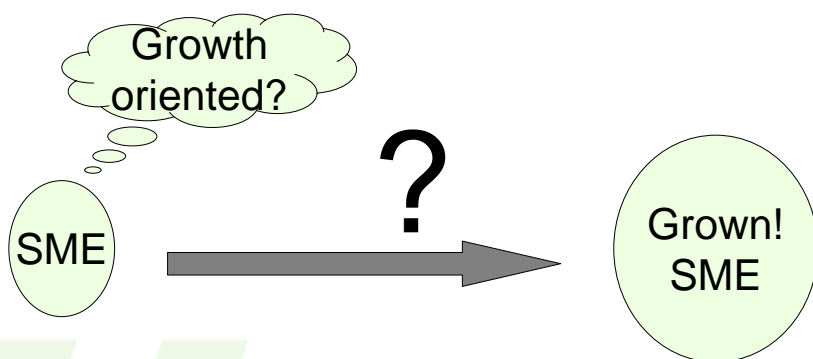
- Introduction
- What is a cluster?
- How can we work with a cluster?
 - A cluster initiative
- What can it be used for?
- Cluster-based regional development programmes

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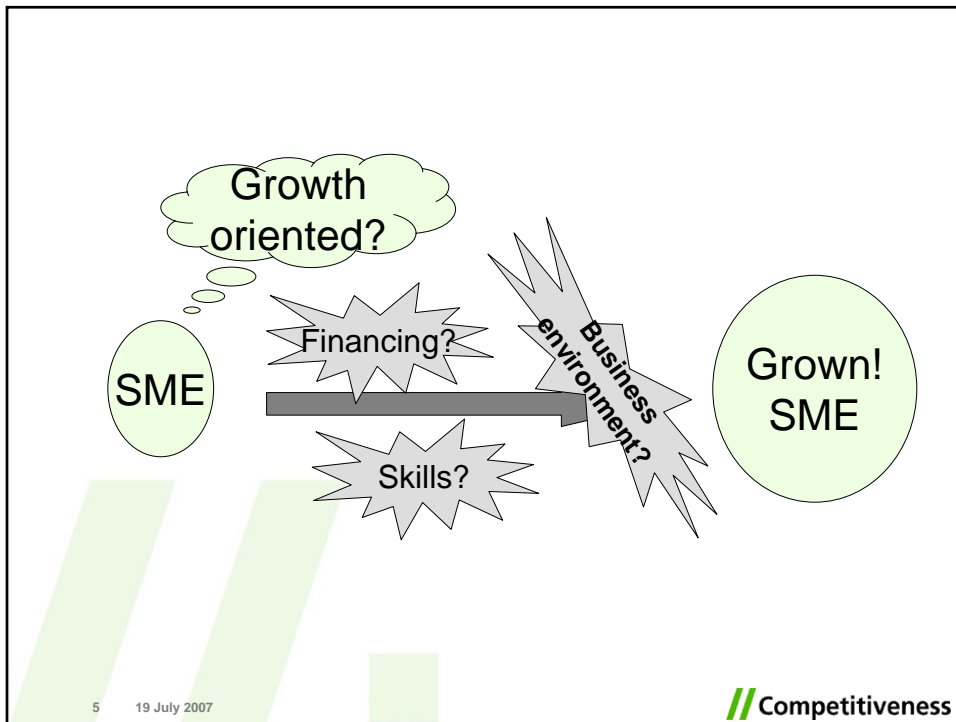
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Introduction

- Why do SMEs (anywhere) find it difficult to grow?

<p>Lack of finance</p> <ul style="list-style-type: none"> - Poor quality of projects presented to banks - Limited understanding of SMEs needs by bank officers - ... 	<p>Lack of skills</p> <ul style="list-style-type: none"> - Management - Financial - Marketing - ...
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Introduction

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Lack of skills

- Management
- Financial
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- ...

Strategy: which business will I be making money in in the longer term?

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- Financial
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Strategy: which business will I be making money in in the longer term?

Clusters can be a tool to address these difficulties... with economies of scale

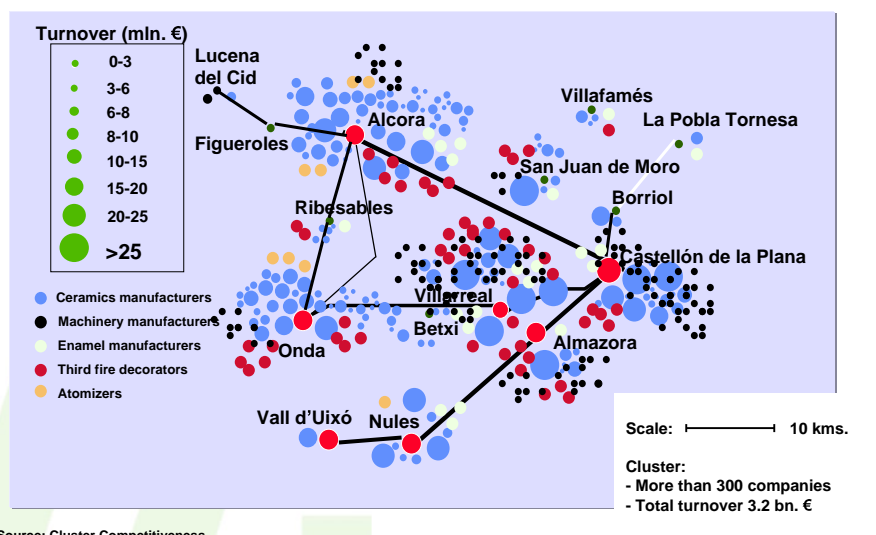
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What is a cluster? e.g. Ceramics cluster in CASTELLON (Spain)

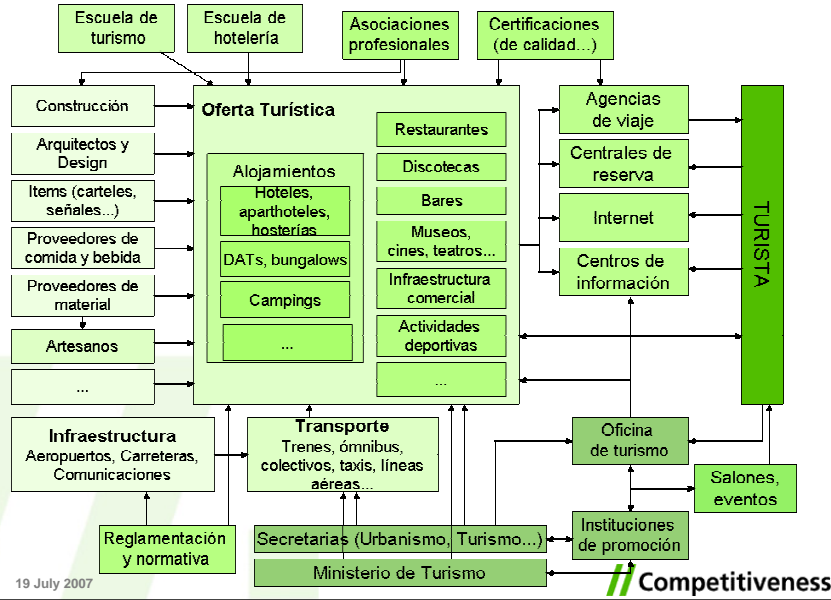


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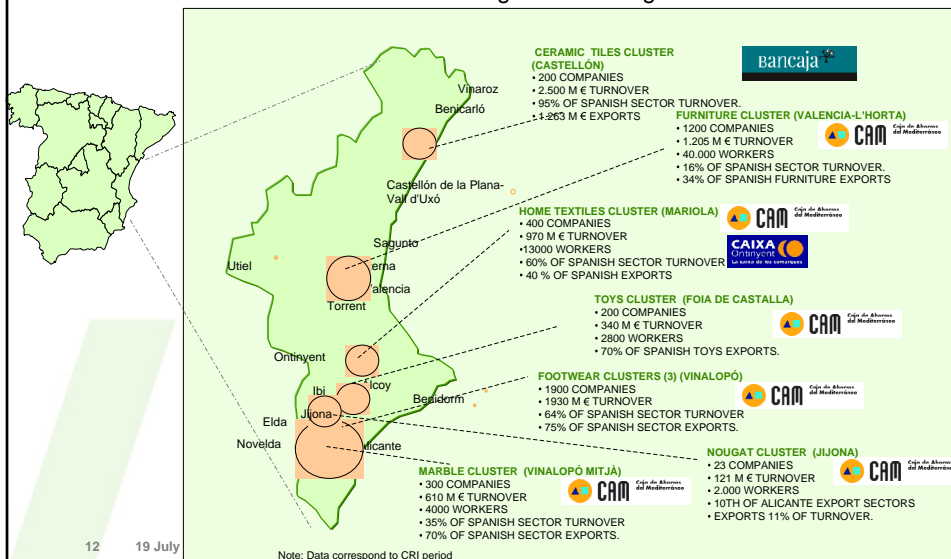
What is a cluster?

e.g. Tourism in Rio Negro, Argentina



Clusterisation in the economy: Valencian Community Example

- Initiatives launched by the Regional Government, and co-financed together with regional financial institutions



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Clusters?

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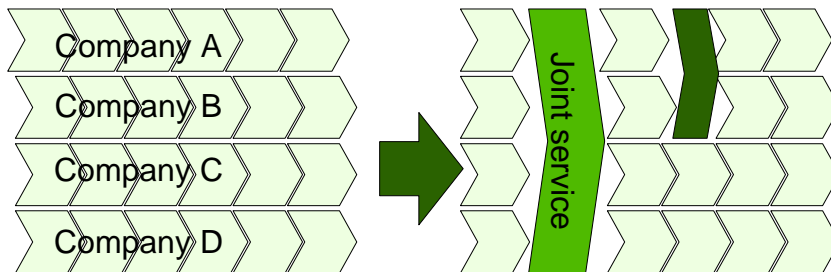
- **To provide strategic direction to companies (with economies of scale)**

Clusters?

Clusters are just tools:

- **To provide strategic direction to companies (with economies of scale)**
- **To help governments design more accurate microeconomic development policies (training, technology,...)**

Cluster competitiveness before



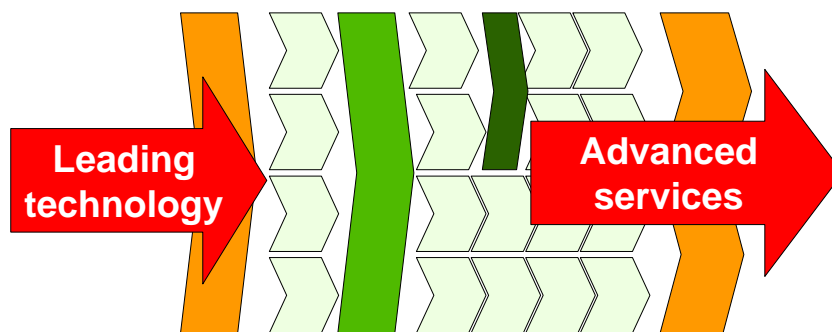
In the past companies reacted to increased global competition with collaborative initiatives:

- sharing parts of their value chains (research, logistics,...)
- developing common support services (training,...)

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Cluster competitiveness now



Developed economies have to respond redefining their businesses where they compete:

- Incorporating leading technological innovation
- Adding advanced services that require local delivery

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Cluster competitiveness now

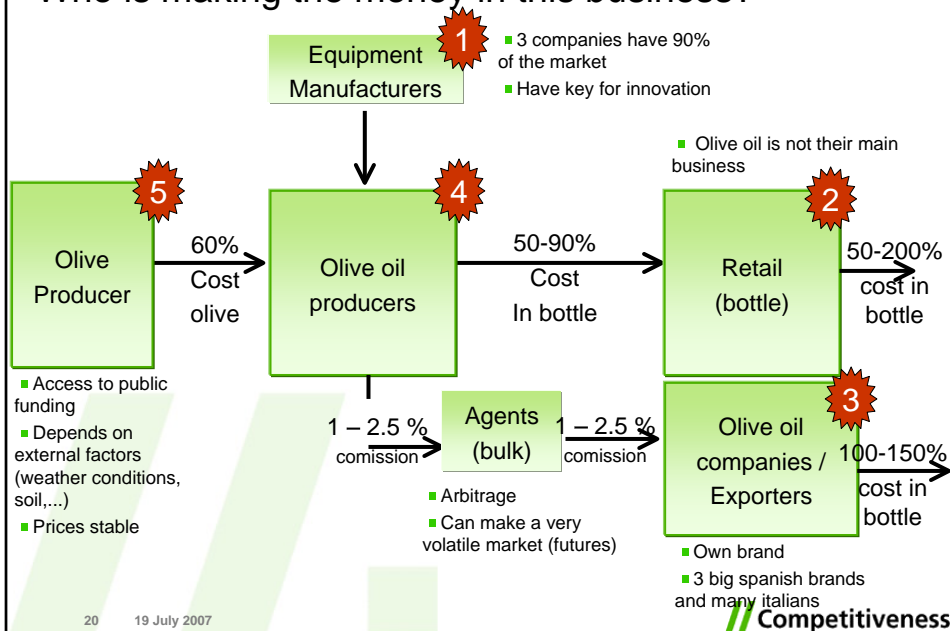
Not enough with operational improvements or lobbying and defensive actions

Through a “Cluster Initiative” we can move the cluster companies to more attractive and sustainable business models

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e.g. Olive Oil cluster in Lower Aragón (Spain) Who is making the money in this business?





How does a “cluster initiative” work?

COMPANY LEVEL STRATEGY



- Analyse future strategies for companies
- Companies initiate actions that are in line with the results of the strategic analysis

+

IMPROVING THE BUSINESS ENVIRONMENT



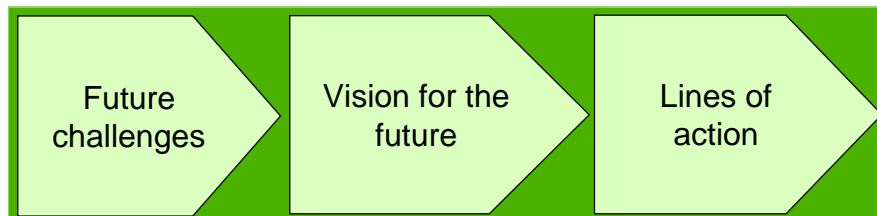
- Bring about improvements for all the companies in the cluster
- Strengthen the cluster vis-a-vis competing clusters
- Allows for the definition of detailed actions (by the public administration or associations)

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The three phases of a cluster CRI® (Competitiveness Reinforcement Initiative)

5 - 6 months



First public meeting

Second public meeting

Third public meeting

Interviews with companies and institutions

Benchmarking trip
Interviews
Strategy workgroup

Actions workgroups

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e.g. Humber Seafood cluster, UK

In order to preserve a competitive edge developed clusters are changing the value chains where they used to compete:

- **From selling fish protein (frozen) to servicing daily fresh fish ready meals**

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Service innovation in seafood

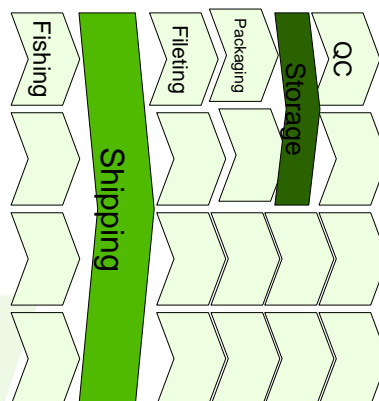


Seafood service innovation from
Houston (Texas)

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Innovation in cluster examples

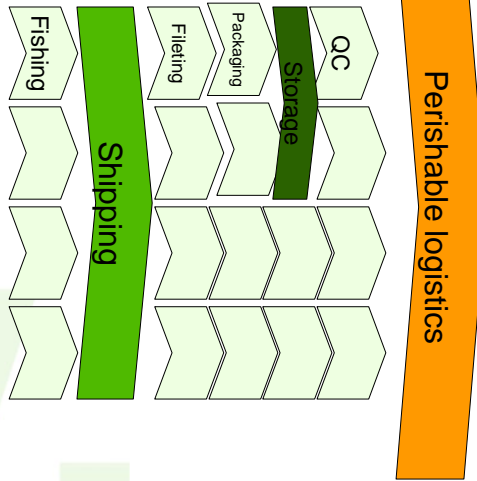


From selling fish protein (frozen) to servicing daily fresh fish ready meals (*Humber Seafood cluster, UK*)

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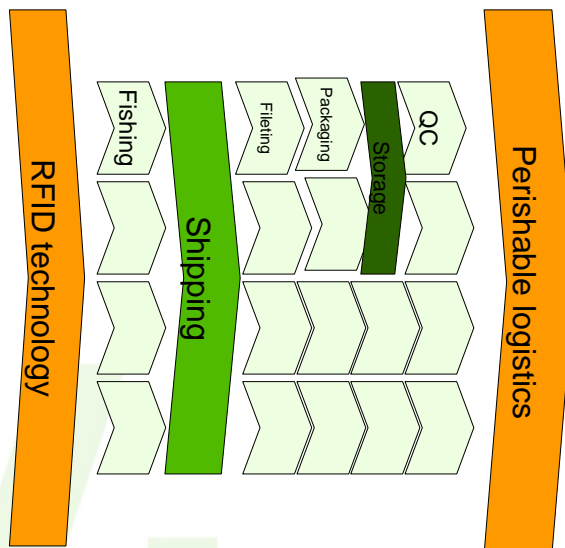
Innovation in cluster examples



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Innovation in cluster examples

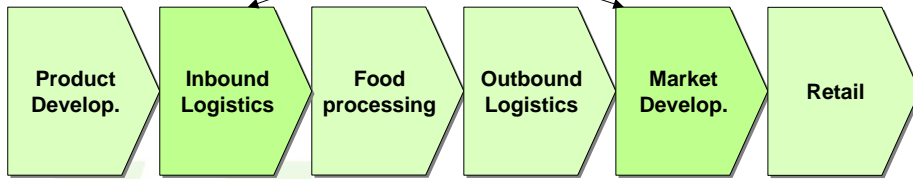


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Seafood Overview

The Seafood CRI had two main challenges:
-the shift from frozen to chilled (higher margin and less threatened by low cost competition)
-developing other European markets where retail has yet no marketing intelligence in ready meals
The focus of the initiatives has been in Inbound Logistics and Market Development



The Seafood CRI has as vision become the value added hub for Fresh Fish in Northern/Central Europe. So far the actions have been focused on creating an air highway with the Northern catchment areas and becoming the exchange hub as well as developing a foreign market for ready meals (France)

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Seafood initiatives

Timeline

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What can it be used for?

Changes the dialogue between companies (mainly SMEs) and the public sector, with a better focus on their strategic problems

Governments

- Improve dialogue and direct contact with their company base
- Focalise resources to support strategies for the future: reach economies of scale
- Generate consensus, coordination and true public-private partnerships

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What can it be used for?

Changes the dialogue between companies (mainly SMEs) and the public sector, with a better focus on their strategic problems

Companies

- Access strategic information on the evolution of the cluster and their business at a global level
- Improve their dialogue with the public sector on more concrete issues and actions
- Identification of horizontal cooperation areas with competing companies within and outside of the cluster

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What can it be used for?

But also...

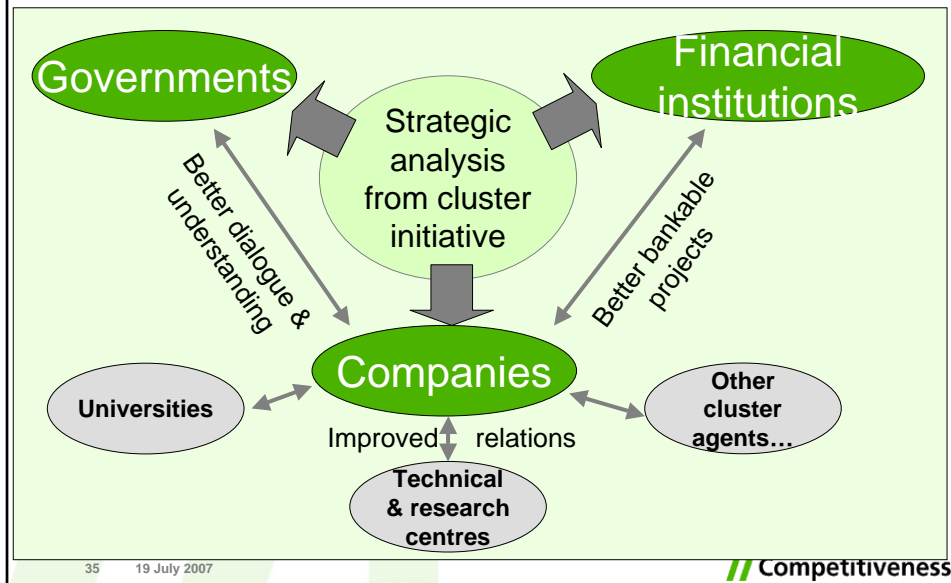
Financial institutions

- Access strategic information on the evolution of the cluster and their business at a global level
- Improve understanding of potential clients' needs for future growth
- Create new or adapted products. Examples (Valencian programmes):
 - Special product to finance store openings and Franchising projects
 - Special support for exporting to new strategic markets or segments (e.g. Market study in gourmet channel for nougat)
 - Investment in foreign countries (e.g. Shoes factories in Tunisia or Morocco)
 - Credit lines for environmental projects, R+D projects etc. (eg. Marble)

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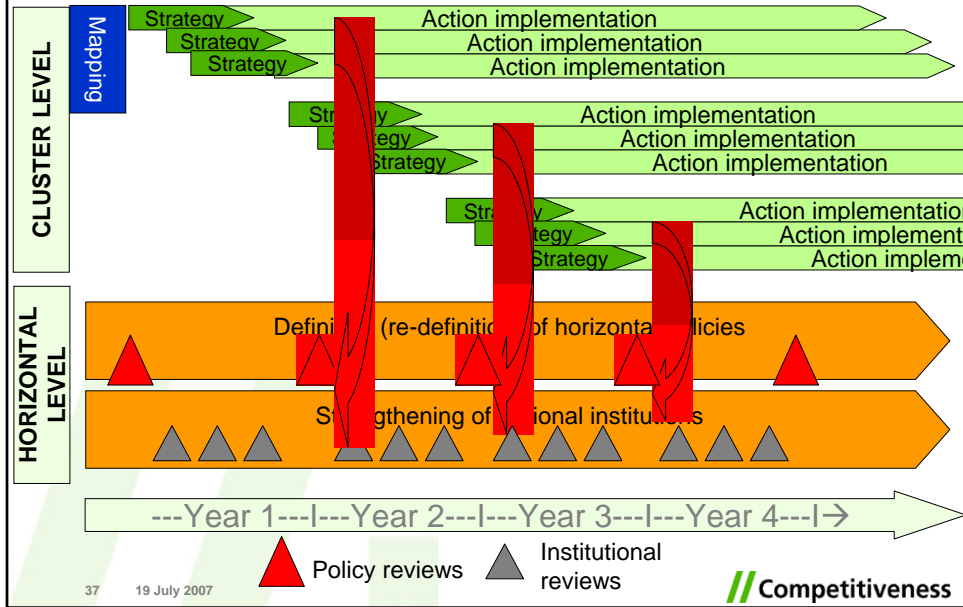
What can it be used for?



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From “clusters” to “regional competitiveness”



Horizontal policies in Catalonia

Horizontal policies	Consumer electronics	Motorcycles	Publishing	Knitwear	Furniture	...
Integration to retail			◊	◊	◊	
Supplier internationalization	◊	◊				
Quality & productivity	◊	◊	◊	◊	◊	

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From “clusters” to “regional competitiveness”



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