

Clusters and Competitiveness: The Basque Country Approach

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Stockholm, 23rd January 2008

A little history (I)

- **We are a small country:**
 - ❑ 2.1 M. inhabitants
 - ❑ 7,234 Km²
- **With a good performance:**
 - ❑ GDP 2005 (PPS): 125.6 (EU 25 average=100) (EU 15 average = 108,3)
 - ❑ GDP 2005 per capita: 27.247 €
 - ❑ Unemployment rate 2007: 3,1 %
- **But it has not been plain sailing:**
 - ❑ Deep crisis in the 80's and early 90's
 - ❑ Decline of traditional industry
 - ❑ Unemployment rate: 25 % (early 90's)
- **The situation called for a deep rethink of Basque industrial policy: Launching the Competitiveness Program in 1990**

A little history (II)

- A “revolutionary” and visionary idea (for those years):
Can the cluster approach contribute to the taking off of the basque economy? Yes! Mr. Porter’s findings present an academic corpus very valuable and adequate to the structure, skills and capabilities of the Basque Country
- Mr. Porter visits the Basque Country
- Minister of Industry very keen on the implementation: leadership, design, persuasion
- Initial mapping of the basque clusters

Clusters: A new way of thinking about economy and economic development

- A very significant Mr. Porter's finding: In the microeconomics of competitiveness, everything matters, everything is important.
- Deep comprehension of the nature of competition and the origin of competitive advantages
- Understanding of the complex inter-relationships between agents
- Reshaping of the functions of private sector, government, associations and institutions
- And for policy makers: A very useful tool for the industrial policy!!
- But... Cluster Policy is only one policy that must be integrated and embedded within the whole competitiveness and innovation system. It has an enormous potential and multiplicative effect, but it is only a part of a bigger framework

Clusters: Two definitions

Clusters are groups of organizations that work in a defined economic sector and a geographically limited environment. This permits the generation of a series of operative synergies that constitute sources from which to extract competitive advantages

Clusters are geographically-centered groups of related firms and industries operating in an environment characterized by a high degree of specialization, intense competition and a critical mass of highly educated employees

World Economic Forum

Cluster Initiatives and institutions for Collaboration

- Clusters are “natural” entities, but from a pragmatic point of view we need to put a practical action plan on the table: **Cluster Initiatives**
- A **Cluster Initiative** is an organised effort to increase the growth and competitiveness of clusters within a region, involving companies, Government and/or the research community
- **Mature cluster initiatives usually result in stable structures, called Institutions for Collaboration (Cluster Associations in our case)**
- **Our Cluster Associations are key agents of the competitiveness policies in the Basque Country: Innovation and Technology, Internationalization, Excellence in Management, etc. with a huge mobilizing capacity, creation of social capital and generation of expertise**

Managing the Clusters: A practical approach

- Basque approach was based from the beginning on the idea of “priority Clusters”, that is to say, only a part of the natural clusters were considered to put forward Cluster Initiatives.
- After the initial mapping in the early 90’s, the group of priority clusters in the Basque Country was decided on, and in the following years the different Cluster Associations were created.
- Currently we have 12 priority clusters, that approximately span half of the Basque industry, as follows (in brackets, year of creation of the Cluster Association):

The 12 Priority Clusters in the Basque Country

- ✓ Automotive (1993)
- ✓ Household Appliances (1992)
- ✓ Environmental Industries (1995)
- ✓ IT and Telecommunications (1994)
- ✓ Machine Tools (1992)
- ✓ Aeronautics (1997)
- ✓ Paper (1998)
- ✓ Ship Building Industry (1997)
- ✓ Port of Bilbao (1994)
- ✓ Energy (1996)
- ✓ Knowledge in Management (1996) (Recently integrated in the new Basque Innovation Agency)
- ✓ Audiovisual (2004, the newest)

Summary of the main characteristics of our priority clusters

	Home appl. (ACEDE)	Machine tool (AFM)	Automot. (ACICAE)	Port of Bilbao	ICT (GAIA)	Environ. (ACLIMA)	Knowl.	Energy	Aeronautics and Space (HEGAN)	Maritime Ind. FMV	Paper
Creation	1992	1992	1993	1994	1994	1995	1996	1996	1997	1997	1998
Nº Members	13	92	57	138	165	64	182	83	34	150	19
Employment	13.522	4.602	14.452	4.300	9.108	2.888	-	25.000	4.732	7.996	2.059
Turnover M€	1.882	612	4.860	839	2.123	695	-	10.000	674	1.350	636
Exports: M€ %/sales	45%	64%	60%	n.d.	34%	19%	-	22%	n.d.	78%	46%

Mission (simple, yet very difficult to achieve!)

- Improving the competitiveness of Basque companies through the cooperation
- Focusing on the competitive strategic challenges that cannot be addressed by individual actions carried out by the companies alone
- Clusters as Net Servers: Catalytic function, which try to intensify the number and speed of communication and interaction among members

Activity Fields

Related to strategic challenges that require cooperative actions:

- ⇒ **Internationalization**
- ⇒ **Technology/Innovation**
- ⇒ **Quality/Excellence in Management**
- ⇒ **Logistics**
- ⇒ **Training**
- ⇒ **Competitive Intelligence**
- ⇒ **Miscellaneous**

Operating Objectives: The Pyramid of Cooperation

From lesser to higher level of achievement from the point of view of the cooperation level:

- To gather and spread strategic information: Strategic Observatories
- To identify strategic challenges and potencial synergies
- To evaluate the potencial synergies identified
- To identify and promote cooperation groups with common interests in order to generate cooperation projects

Management and Governance (I)

- Based on a real Private-Public Partnership
- Government does not choke the private efforts, but at the same time is strict as regards the mission and objectives to reach
- Realizing the key success factors in Cluster Initiatives:
 - Company involvement
 - A good facilitator
 - Shared vision
 - Cluster membership open to all the organizations in the “natural” cluster
 - High level of consensus on the actions to be launched
- Annual Agreements
- 2.5 M. € per year for the whole programme (more ideas than money!)
- Daily interaction between civil servants and the heads of the Cluster Associations

Management and Governance (II)

- The civil servants of the Department of Industry and SPRI staff are very experienced senior staff
- They attend all the Boards of Directors meetings, and other Committee meetings, but they don't vote
- Their task is to accompany, to support, to give some advice, but not to be interventionist agents
- The Matrix Scheme:
 - Vertical heads: 12, one per cluster (reinforced with 12 SPRI staff more)
 - Horizontal heads: 1 per each strategic area
 - General Coordination
- As horizontal heads are at the same time heads for horizontal standard policies, in this way we link cluster policy and horizontal standard policy
- The breakdown of formal borders between sections has been instrumental to the success of the policy

Results and Measurement

- **Intangible results, although difficult to measure, are of great importance.**
 - ❑ **The trust existing among agents**
 - ❑ **The public-private collaboration as the main axis of progress**
 - ❑ **The cooperation between competitors**
 - ❑ **The strategic orientation of the clusters towards specific objectives, however complicated or long term they may be**
- **But there have also been a lot of tangible results :**
 - ❑ **Creation of various Export Consortiums**
 - ❑ **Technological projects “interclusters” (Electronics for Automotion, Automotion-Machine-Tool, Energy-Environment, ...)**
 - ❑ **Impressive results in Excellence in Management evaluated according to the EFQM model, the larger companies having a driving effect on the smaller ones**
- **There are a lot of possible qualitative and quantitative indicators for measuring purposes, but the “king of indicators” is, for us, the number and quality of the projects in cooperation launched by the clusters, with a strategic focus. In any case, we are very concerned on the measurement and evaluation issues.**

The future

- The Department of Transport has created the Transport and Logistics Cluster, according to our philosophy
- The Department of Industry, Trade and Tourism is currently:
 - ❑ consolidating a bio cluster: BIOBASK 2010
 - ❑ Analyzing the possibility of clustering some metal-mechanical associations
- In the next few years we will probably remap to analyze other possible clusters that could reach the priority status, and we will try to extend the action to smaller areas within the Basque Country. If “clustering philosophy is worth, there is no limits for the possible application, no matter the territorial level
- Very concerned with the measurement and the evaluation, training, competitive intelligence

Common elements in successful Cluster Policies: Manifesto of San Sebastián May 2007

- **Sense of reality**
- **Human factor**
- **Focused cooperation**
- **Effective governance**
- **Clear communication**
- **Long term commitment**
- **Trust**
- **Strategy is the key**

Some final hints

- **This is a hard, long term job that needs patience and cannot be rushed**
- **Trust is very important, but building trust is not done overnight**
- **No magic, no recipes**
- **Making good decisions on the “cluster people” backing the clusterizing process is instrumental for the success**
- **Every region has to make its own way, depending on its circumstances and starting points**
- **Cooperation is a difficult affair all over the world, so, don't be discouraged!**
- **And... never underestimate the importance of the “human factor”!!**

The Competitiveness Institute (TCI)

- A world network of “Cluster Practitioners”
- More than 800 members in more than 60 countries
- No profit
- To promote cluster based strategies, improve the methodologies and raise the professional level of cluster practitioners
- Capetown 2008
- Chihuahua 2008
- Leipzig 2009

www.competitiveness.org

**Thank you very much for your
attention and time!**

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