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Clusters and policy development in Northern Ireland

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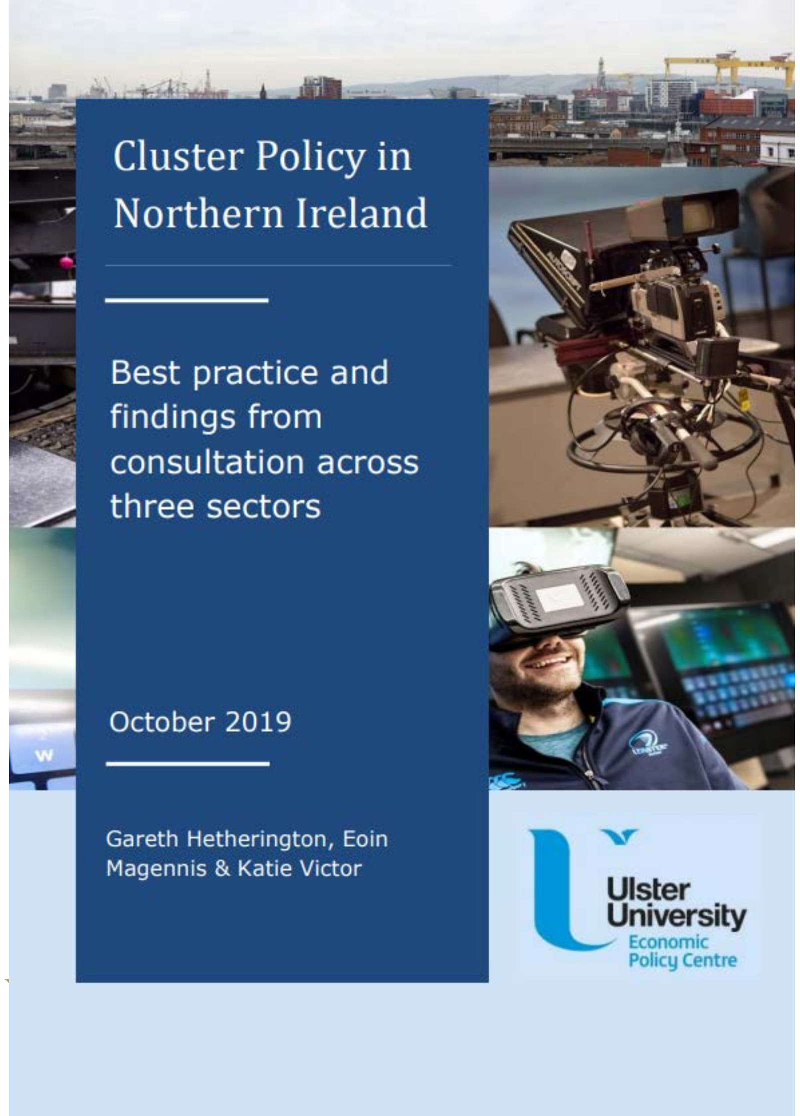
Cluster research in Northern Ireland (NI)

Agreeing a common understanding of coming from a distance behind



- UUEPC research undertaken for the Department for the Economy in 2019
- Desire to develop a policy based on recognition of coming to this late – industrial policy focus on FDI???
- Assumption of policy makers that firms lacked the capacity, trust and appetite to collaborate – need to understand why this is the case
- Consulted with over 100 local firms in three sectors, to understand:
  - The extent and nature of ongoing clustering activity
  - Barriers to clustering and broader collaboration
  - Differences across transport machinery, creative industries and immersive technologies sectors

What we found from consultations (1)

Some confusion and differences across sectors – life cycles?

- ‘Collaboration’ and ‘Clustering’ often **used inter-changeably** by consultees but a spectrum emerges.
- **‘Clusters’ also confused with a ‘Sectoral Concentrations**’.
- No hard and fast rules BUT:
    - Mature competitive sectors – less likely to collaborate, one company’s win is another’s loss. (EXCEPTION: Aerospace – seeking to grow market share in a growing international market.)
        - Where clustering/ collaboration occurs – the firm is bigger than the project
    - Emerging industries – more scope for collaboration, less competitive and more complementary. Tech has a culture of collaboration.
        - Where clustering/ collaboration occurs – the project ***can be*** bigger than the firm

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What we found from consultations (2)

Collaboration yes, but clusters need more than that

- Most firms are collaborating – but tends to be with customers/ suppliers (vertical collaboration). **Limited horizontal collaboration with competitors and even more so on a cross-border basis**
- FE and HE – collaboration tends to focus on skills development and placement opportunities, rather than technology, R&D and knowledge transfer – **hubs without spokes**
- Typical barriers – lack of trust (e.g. losing IP), lack of critical mass (in emerging sectors), benefits are not obvious, absence of strategic vision, significant resource requirements (too busy).
- Successful clusters tend to have: strategic vision; buy-in from sector participants; dedicated sector-led resource; transparency; and trust.
- **Catalyst is driven by a ‘common cause’** typically either market driven or technology driven.

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The collaboration-clustering spectrum

A long way to clustering – willingness to collaboration may not be the barrier

Collaboration

- Customer-Supplier collaboration (i.e. vertical)
- Limited competitor collaboration (i.e. horizontal)
- Limited engagement with other organisations (FE, HE, other sectors)
- Company level focused rather than sectorally focused
- Time-bounded/ discrete projects, usually small number of collaborators

“Deep” clustering

- Vertical & horizontal collaboration
- Embedded engagement with other organisations (FE, HE, other sectors)
- Collaboration across a wide range of sector-focussed activities
- Agreed sector strategy outlining future direction, formal support arrangements in place
- Not time-bounded, multiple partners within which multiple collaborative projects are ongoing

Vast majority of firms interviewed are located somewhere on this spectrum

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What we took from policy and practice elsewhere

Long term thinking, CMOs and evolution are key

- Need to understand the stages in cluster development and the long term time horizons
- Strong emphasis on the complementarity of any cluster policy – co-design with other stakeholders, quadruple helix basis – but also its centrality within development policy
- On selection of sectors/clusters: need to avoid ‘lock-in’, to be inclusive of mature sectors but also scanning for emerging technologies
- Cluster Management Organisations (CMOs) are crucial – but so too is the process by which they can mature into specialists in innovation & cluster management
- Evaluation will only work impactfully (on policy makers) if the effects of clusters can be clearly disentangled

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What next in NI?

Competitive calls for clusters, supports for CMOs, policy alignment

- Support for emerging and established clusters on a transparent, competitive bid basis with the support depending on maturity and extent of trust in place
- Government should encourage the establishment of a CMO, particularly where a lack of sectoral/cluster strategic focus exists and firms are predominantly micro-enterprises with limited resources for coordination
- Consideration to be given for the need (over time) for a CMO to develop both sectoral expertise and expertise in the management of clusters and support services – and to be recognized as a policy resource
- Decision to be taken whether a ‘cluster policy’ or ‘policy aligned around collaboration and clustering’ is the ultimate goal – still not clear
- Decisions to be taken on the ‘natural geography’ of clusters to be supported – regional, national and/or cross-border

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