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# Cluster Policies and Networks: Outcomes of the European Expert Group on Clusters

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# A, not so, perspective on competitiveness

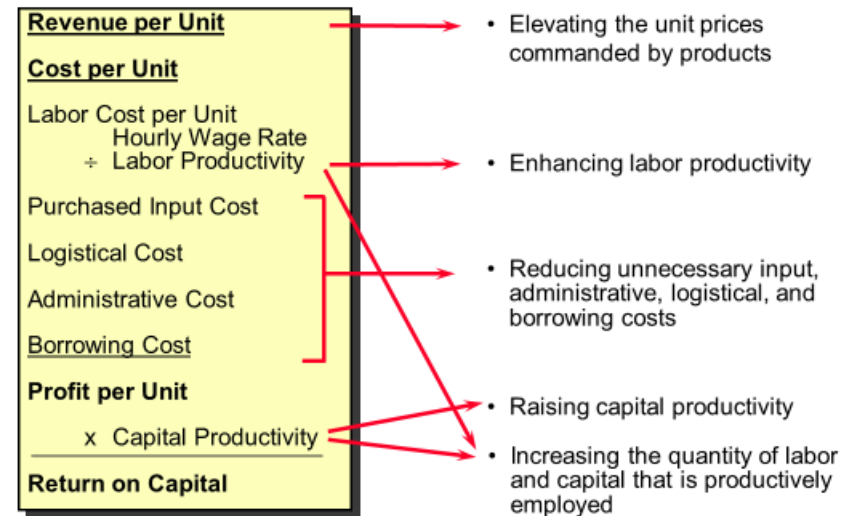
## Microeconomic Foundations of Competitiveness: New Learning

Professor Michael E. Porter  
Harvard Business School  
*The Competitiveness Institute*  
Barcelona, Spain  
November 5, 1998

This presentation draws on ideas from Professor Porter's articles and books, in particular, "The Microeconomic Foundations of Economic Development," in *The Global Competitiveness Report 1998* (World Economic Forum, 1998), *The Competitive Advantage of Nations* (The Free Press, 1990), "Clusters and the New Competitive Agenda for Companies and Governments" in *On Competition* (Harvard Business School Press, 1998), and *Competing for Prosperity: The Microeconomic Foundations of Development*, 1998. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means - electronic, mechanical, photocopying, recording, or otherwise - without the permission of Michael E. Porter.

## The National Business Income Statement

### Improving National Prosperity



Barcelona 11-98.ppt

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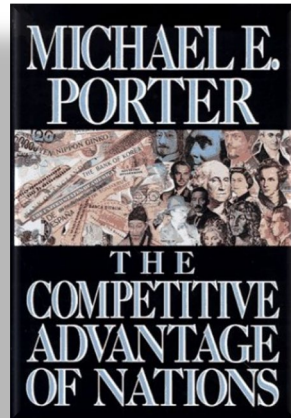
Copyright © 1998 Professor Michael E. Porter

Source: Michael E. Porter, presentation at TCI inaugural conference, 5<sup>th</sup> November 1998

# A, not so, new perspective on competitiveness



1987



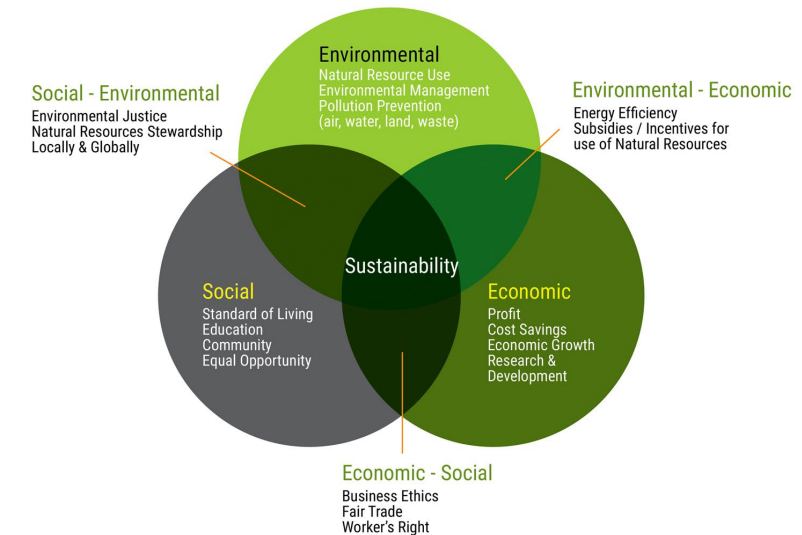
1990

## A, not so, new perspective on competitiveness

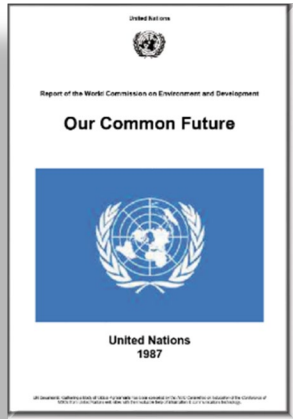
Sustainable development can be defined as **a development that meets the needs of the present without compromising the ability of future generations to meet their own needs**

World Commission on Environment and Development's 1987 Brundtland report "Our Common Future"

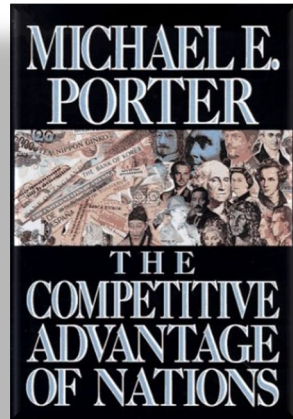
### THE THREE SPHERES OF SUSTAINABILITY



# A, not so, new perspective on competitiveness



1987



1990



2010



2015



2020

## Why using clusters to design and implement sustainable competitiveness policies

*(wild) cluster concept goes well beyond economic sphere..*



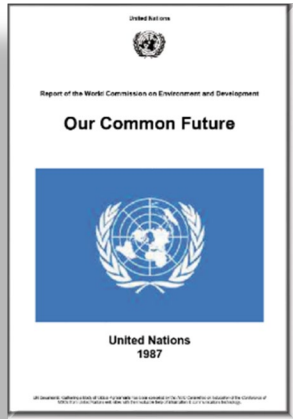
***INDUSTRIAL DISTRICT DEFINITION by Prof. G. Becattini – University of Florence***

*“A socio-economic entity which is characterised by the **active presence of both a community of people and a population of firms** in one naturally and historically bounded area”*

Prof. Giacomo Becattini (1927-2017)



# A, not so, new perspective on competitiveness



1987



1990

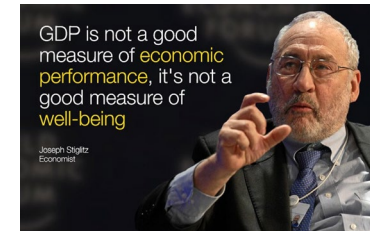
2000



2010



2015



2020



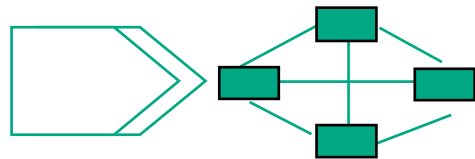
# Why using clusters to design and implement sustainable competitiveness policies

## CLUSTERS

- Presence of different stakeholders with common strategic challenges



- Potential improvements from business environment and firm strategy



- Increasing opportunities from inter-cluster / sectorial cooperation

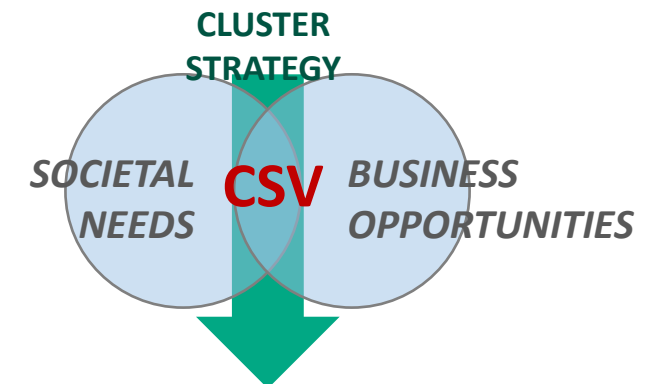


## SHARED VALUE

- Possible source of CSV mainly from:

- Value chain optimization
- Definition of new business model
- Specific horizontal projects addressing societal challenges

- Change of mindset as a key element for CSV
- Initiatives often promoted by leaders with a civic entrepreneurial approach
- Long term vision



# Why using clusters to design and implement sustainable competitiveness policies

## SHARED views

Policy & Strategy 5



### Clusters creating shared value with localised approach

James Wilson, Research Director at Orkestra, the Basque Institute of Competitiveness, says there is a big opportunity for sharing value with a more localised approach involving smaller firms

There is an opportunity for cluster policy to evolve to take on more of a social foundation, in line with the widening of the focus of economic development policy from purely economic considerations (productivity, GDP growth) to include social and environmental considerations ('beyond GDP').

Indeed, being based on territorially-rooted collaborative relationships, clusters are well positioned to contribute to developing responses to 'grand social challenges'. However, most practised approaches to

cluster development leave little explicit space for working on the broader social impacts of clusters in their territories. The notion of 'creating shared value', introduced by Michael Porter and Mark Kramer a few years ago, offers an exciting opportunity. It goes beyond approaches to corporate social responsibility by arguing that the strategy of the firm can become entwined with that of the territory where it operates, generating value that is shared by both. Until now, this concept has been applied mainly in the context of large multinationals, but there is growing interest among policy-makers and cluster

practitioners to explore its relevance in more localised cluster dynamics among groups of smaller firms. Initiatives to explore the shared value of clusters are already underway in Catalonia and the Basque Country, and at Orkestra we are working on conceptual and empirical research to support these experiments.

The key question we seek to respond to is 'how creating shared value can be leveraged as a cluster strategy, capable of bridging across SMEs and helping to root the socioeconomic impacts of clusters in their territories?'

TCI Network's 20th anniversary publication win 2017 looked to the future of clusters and cluster policies. One of the central arguments was that cluster policy is likely to be increasingly seen as an inclusive tool that is capable of serving a wider policy agenda, beyond economic competitiveness.

### Applying shared value to clusters

Alberto Pezzi, Treasurer & Member of the TCI Network Board of Directors, gives a taste of the theme he will be developing at the congress in Sofia

The notion of Shared Value was introduced by Michael Porter and Mark Kramer in 2011 at the edge of the last economic crisis and in the middle of a strong debate towards the future of capitalism. According to the authors, shared value refers to

*'policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress'.*

However, while the concept of shared value has already been applied to a number of projects led by multinational companies, its diffusion among smaller ones has been very limited.

Business clusters' ecosystems represent an ideal ground for identifying and implementing shared value initiatives that involves different actors of the cluster value chain. In fact, collaborative projects that increase company efficiency and, at the same time, have a positive outcome in society or for the environment are not uncommon.

Catalonia has 25 years of experience in using clusters as

a key tool for reinforcing the competitiveness of companies, especially by fostering strategic change projects and, lately, by promoting cross-sectoral collaboration. A number of projects with a relevant component of shared value have already been carried out. An example is the creation of a water treatment plant in a leather-tanning cluster that, at the same time, cuts water consumption and improves competitiveness.

The challenge is therefore how to conceive and make more systematic the identification and implementation of those initiatives and to how encourage it from the public sector.

The conference presentation will also showcase a pilot initiative currently in progress in Catalonia.



### Transition towards sustainable competitiveness: leveraging shared value in Catalonia

ALBERTO PEZZI  
EDURNE MAGRO  
HENAR ALCALDE  
LAIA CASTANY  
MARTA MARSÉ  
JAMES WILSON

Generalitat de Catalunya  
Departament d'Empreses  
i Treball

## The European Expert Group on Clusters: rationale and main outcomes

- The **competitive paradigm has changed** substantially in recent years
- There is a rising awareness that that **companies outputs should be measured not only at economic level**, but also with a social and environmental dimension
- **Companies are looking for new ways to compete and new business models** that include these aspects

CLIMATE EMERGENCY

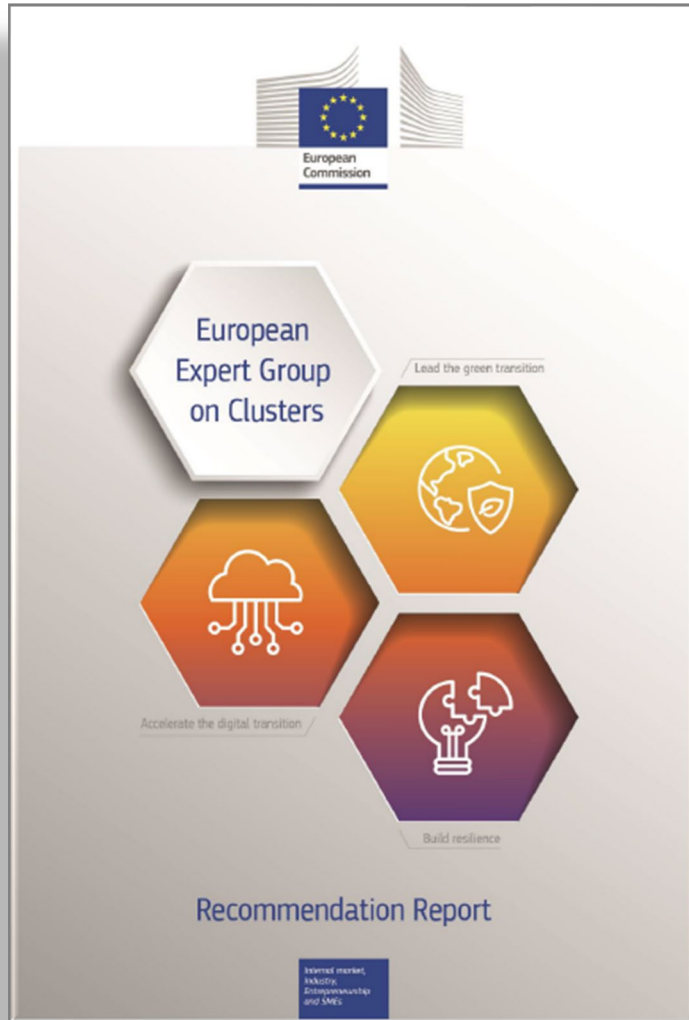
DIGITAL CHALLENGES

PANDEMIC DISRUPTION

WAR IN EUROPE

...

# The European Expert Group on Clusters: rationale and main outcomes



- Foreseen before pandemic outbreak, but then strongly influenced by it
- Formed by representatives of the 27 member states and by 10 individual experts (2019-2022)
- **Main tasks:**
  - to provide input and guidance for regional, national and European cluster policy on the better use of **clusters as a strategic tool** for industrial policy
  - to identify and share **best practices of modern cluster policy**
  - to provide input and guidance for the **preparation and implementation of the next generation of EU cluster initiatives**
- **Structured in 15 recommendations aligned with EU three main industrial policy drivers:**
  - **Lead the GREEN transition**
  - **Accelerate the DIGITAL transition**
  - **Build RESILIENCE**

# The European Expert Group on Clusters: rationale and main outcome

## LEAD THE GREEN TRANSITION

- 1. Use clusters as drivers of change, accelerators and enablers of the green transition** through mobilising and facilitating cooperation among stakeholders in industrial ecosystems.
- 2. Use clusters to develop and implement circular economy strategies and action plans**, detect opportunities for circular solutions and bring circularity in the business processes.
- 3. Recognise clusters as essential contributors to European alliances and missions** relevant for the green economy mobilising their members and engaging in sustainable development.
- 4. Develop capacity-building programmes to help clusters provide sustainable advisory services** and convince business about the importance of the green transition.
- 5. Use clusters as intermediaries to support the green transition and channel expertise and financing**

# The European Expert Group on Clusters: rationale and main outcomes

## ACCELERATE THE DIGITAL TRANSITION

6. **Mobilise clusters to participate in digital and green skills initiatives** like the EU Pact for Skills and embedding them to local education and training structures while promoting STEM.
7. **Increase cluster capacity to provide advanced business services** shifting from knowledge-based intelligent manufacturing to data-driven/knowledge-enabled smart manufacturing.
8. **Make clusters an integral part of Digital Innovation Hubs** through incorporating clusters into their governance and operations in a continuous collaboration on the digital transition.
9. **Use clusters to initiate new and to reinforce existing Public-Private Partnerships (PPPs)** for boosting digital and advanced technologies value chains and technological platforms.
10. **Use clusters as strategic agents for the implementation of European digital policies** and development of initiatives reaching out to SMEs and other users of digital solutions.

# The European Expert Group on Clusters: rationale and main outcomes

## BUILD RESILIENCE

- 11. Use the collective intelligence of EU clusters to make value/supply chains more resilient**, creating synergies and cooperation with SME and employer organisations to anticipate risks and prepare for new opportunities and challenges.
- 12. Develop an active role of clusters in local labour markets** through building their capacities for reskilling and upskilling and participating in the implementation of the Pact for Skills.
- 13. Use clusters to identify and implement shared value initiatives** to address societal challenges at the community level.
- 14. Reinforce activities to develop a strategic approach to international cluster collaboration** and build a critical mass of SMEs, businesses and researchers to enter global markets.
- 15. Initiate cross-sectoral, interdisciplinary and transnational cluster collaboration** to develop new products/services, which guarantee EU companies critical inputs and technology.

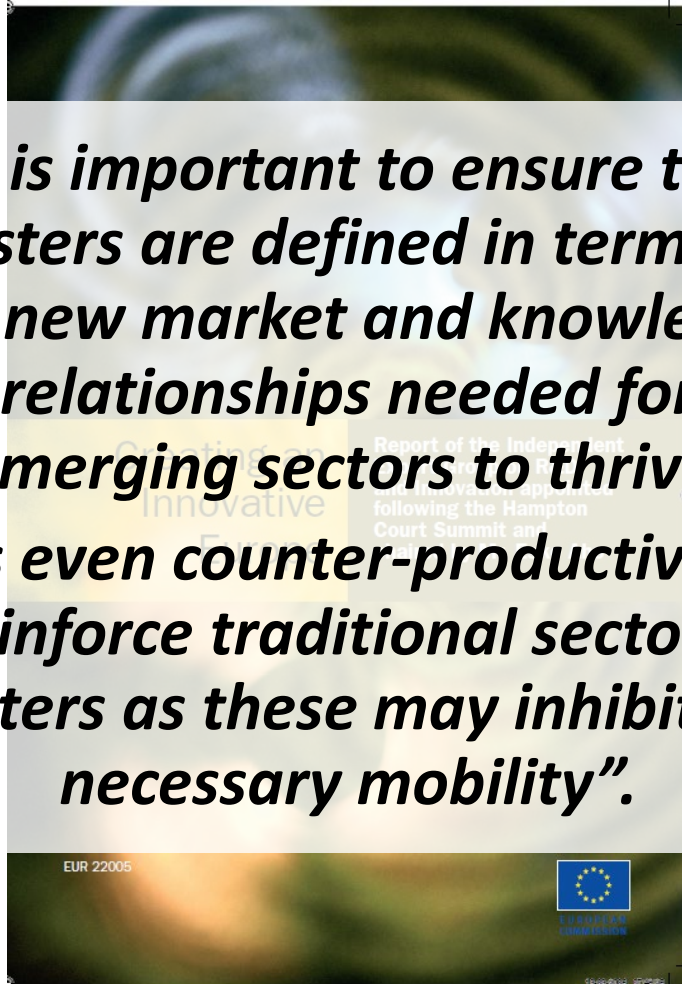
## Some conclusions and the way forward *(my personal view)*

- **Clusters should be seen always as a policy tool** to achieve something and not a value “per se”
- **Clusters have key competitive advantages in competing in a turbulent environment:** flexibility in adapting its business models, presence of different stakeholders, rapid circulation of tacit knowledge but ... its governance model should be open to change
- **Market is always a step forward policies and organizations:** use clusters to better understand the transformations and to accelerate change, not very much to force it in a specific direction
- Clusters organizations could represent a strong partner in the definition and implementation of industrial policy, but **sustainable competitiveness should be always the main goal**



## Some conclusions and the way forward

***“It is important to ensure that clusters are defined in terms of the new market and knowledge relationships needed for emerging sectors to thrive. It is even counter-productive to reinforce traditional sectoral clusters as these may inhibit the necessary mobility”.***



**Creating an Innovative Europe, 2006.** Report of the Independent Expert Group on R&D and Innovation appointed following the Hampton Court Summit and chaired by Mr. Esko Aho, Former prime minister of Finland (1991-1995).

# Thank you!



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