

Clusterpedia on Cluster Development

In the Clusterpedia you find questions often asked by participants in training courses or cluster initiatives. The answers are based on experiences both globally and from Africa. The purpose with the Clusterpedia is to give a short introduction to cluster development and to give a tool to Cluster Facilitators.

1. What is a Cluster?

A Cluster consists of specialized firms or farms co-located within a geographical area with linkages to suppliers, supporting organizations and knowledge institutions. Firms in a Cluster can benefit from common assets as natural resources, good infrastructures and access to specialized and qualified workforce. Innovative clusters have capacity for renewal and innovation that spur competitiveness and growth. Triple Helix based collaboration creates a policy framework that stimulates joint vision and joint action. Trust among cluster firms and other cluster actors create a social capital, which is an important cluster asset. See Cluster Initiative.

2. What is a Cluster Initiative?

A Cluster Initiative (CI) may be initiated by government or academia or a private sector development agency. Innovation-driven actors from different sectors aim to support renewal and competitiveness in a traditional industry. A decisive factor for the development of the Cluster Initiative is cluster facilitation supporting the decision making and collective action among the stakeholders in the Cluster Initiative. The Cluster Initiative is not the Cluster itself. The Cluster Initiative consists of all the companies and organizations that are linked together – in collaboration or competition – in value creation. The Cluster Initiative is the conscious attempt to mobilize and organize these actors and resources to make individual companies/firms in the cluster initiative more innovative and competitive.

3. What is an Innovative Cluster?

The deliberate action of embracing innovation, knowledge application and sharing transform a cluster into an innovative cluster. Innovation becomes the key driver for

achieving competitiveness of the cluster. A cluster Initiative, that embraces innovation, is an innovative cluster. An important condition for an innovative cluster is the conscious attempt to organize key actors in a cluster by engaging Government, Academia and the Private Sector in what is commonly referred to as the Triple Helix configuration for collective action.

4. Why Cluster Development?

Clusters commonly nucleate and thrive in a specific geographical location through some basic competencies, complementarities and economic relationships, which sustain the firms in those relationships in the specific geographical location. Usually, the actors in such a situation hardly realize their significance and impact to the economies of the local areas. On the other hand, projects imposing development to certain regions sometimes overlook the importance of these self-primed and self-sustained economic entities and such efforts may even frustrate the growth of clusters. The joint involvement of key development stakeholders is, in most times, lacking. Cluster-based approaches to development take cognizance of the existence of these economic activities and promote the engagement of all the stakeholders while underscoring the need for wealth-generation for the economic development at the relevant location, the utilization of knowledge and innovation and basically the application of resources to enhance the competitiveness of the specific region. Integrating and aggregating the development of Clusters in a specific region does not only accelerate the development of the region but contributes to national development and competitiveness.

5. What is competitiveness?

Competitiveness is a buzz word for business and political leaders and experts. If you Google the word “competitiveness” you are likely to hit 10 million articles of all sorts. So, what is competitiveness? Within the business world and cluster initiative in particular, competitiveness means ability of a business or a cluster to produce goods and services in demanded quality, affordable price and consistently. Competitiveness is not something, it is not a situation. It is an after effect of sets of factors and conditions, and the results are seen at the market in a growing demand. Therefore, a cluster initiative is one of those conditions that will make the products or services competitive.

6. What is Triple Helix?

Triple Helix is the conscious attempt to organize key actors in a cluster initiative by engaging Government, Academia and the Private Sector. The Triple Helix configuration for collective action in the development of Clusters could be seen as an innovation in development dynamics. Note that sometimes the government may include both national (federal) and local (provincial/state) but most important is the local government (LGA). Likewise, the academia may be a national or local research or training or vocational or extension service institution.

7. Why is innovation important for Cluster Development?

One important factor to sharpen the competitive edge of cluster firms is innovation. A successful cluster initiative promotes environments and functions for innovation. Openness and trust among cluster firms, innovators and entrepreneurs create a flow of knowhow, experience and teamwork, which benefits the development of new products, services and processes of cluster firms as well as continuous improvements.

8. What makes Cluster Initiatives succeed?

A Cluster Initiative is an intervention that deliberately attempts to infuse organization into a cluster. This organized effort involves cluster stakeholders and incorporates Government (Local, Central, Federal), Academia (Knowledge and Research Institutions) and Private sector operators. These actors are aligned to realize a common vision for the Cluster Initiative. To achieve the objectives derived from the common vision will be an action plan that details out what is to be done and when. The overarching objective for the Cluster Initiative is to enhance its competitiveness. The success of a Cluster initiative then will be determined by the extent to which they have implemented their action plan as well as the rate at which innovation, institutional collaboration and enterprise proactivity contributes to the prosperity of the Cluster, the region and the Nation and raises the competitiveness of the cluster generally.

9. What is the difference between a CI and other past projects?

A Cluster Initiative as its name refers is “an initiative” not a project. It does not rely on a certain project to start, run and be sustainable but rather relies on the efforts, skills, and commitment of its firms and involved stakeholders. In contrast, projects that have been run in the past, have relied on a certain project started by either donors, governments, NGOs etc and have relied on these sources of funding for their

development and growth. In most cases they are not sustainable because, when the project funding period ends, then the project stop. Cluster Initiatives on the other hand consist of trained facilitators and their Cluster Initiative members, who use the opportunity of the start of the Cluster Initiative to mobilize resources to sustain their activities. From the start of a Cluster Initiative, its members are trained (or train themselves) in the due course to feel that what they have is theirs following an initial participatory phase. The development and sustainability of their activity will depend entirely on their own efforts.

10 . What is Innovation?

The process of bringing INTO USE a product, process, system or service that is novel, or with quality of being striking especially in conception or style, or in the state of being and not resembling something formerly known or used, or with the quality or state of being original. There is a distinction between Invention and Innovation. Invention is the creation of something new. Innovation happens only when an invention is successfully introduced to the market, or to any other useful application. Main types of innovation include:

1. Product Innovation (marketing of new or improved products)
2. Process Innovation (introduction of new or improved methods of production)
3. Organizational Innovation (changes in organizational structure and/or administrative process)
4. Market Innovation (opening up of new markets or new marketing strategies)
5. Business Model Innovation

11. Is Cluster Initiative a project?

A project is an undertaking that is planned with clear starting dates, activities and end dates. A project has defined outputs and defined resources both financial and human in order to achieve intended results. A project is a conscious effort. In contrast, a Cluster Initiative is not a project. It has some features similar to a project including being a conscious effort with starting moments and intended results. A Cluster Initiative does not have a fixed closing date or defined resources like a project. Cluster Initiative activities (meetings, planning, collaborative activities) depend on situational analysis of a particular cluster. Cluster Initiative activities will change as the business competitiveness environment changes. Members of a cluster initiative must reflect on the prevailing situation and define collective activities to overcome the challenges of the time continuously. Thus, a Cluster Initiative is not a project where after a year or two comes to an end. It is a continuous conscious effort to organize resources to make businesses more competitive.

12. What makes Cluster Initiatives sustainable?

The sustainability of a Cluster Initiative depends on the efforts of the facilitator, which will spill over to the Cluster firms. The style, at which the facilitator starts to approach the people, is a vital tool in formation, running and sustainability of a Cluster Initiative. When an initiative has started, it is the responsibility of the firms to continue with their activities without having to wait for funding from the one who started the initiative. If they already know that the funds provided are only for starting and for few activities (depending on the approach of the facilitator) the firms are to look for funding and continue with business. Starting things like revolving fund makes a Cluster Initiative sustainable through such source of fund. Cluster Initiatives can be sustainable only if they are innovative, learning and producing (new) innovative products and/or processes continuously. Being able to market their products and learning everyday what the market needs is a way of sustaining a business and thus a Cluster Initiative. Integrating the Cluster Initiative in the Local and National economic development agenda ensures government support and resource allocation to the initiative. This involves also the mainstreaming of the cluster development agenda into policies and plans of the Academia and the local Private Sector. Entrenching Cluster Initiatives into policy and operational plans at the local, national and regional level ensures the long term sustainability of Cluster Initiatives.

13. Why should I as businessperson get involved in a Cluster Initiative?

To attract businessmen and women to get involved in a Cluster Initiative depends on the benefits. It is a tradeoff between time and resources spent and gained benefits. A businessperson will have access to partners, qualified knowledge and qualified experts in a Cluster Initiative. To create value the businessperson has to link up with partners in the initiative and be able to use knowledge and experience to improve productivity and profit within his/her firm. Participation in a Cluster Initiative expands the business opportunities.

14. Why involve Universities/research institutions?

Universities are one of the three Triple Helix-actors that are important for the development of innovative clusters. The University plays an important part for the development of innovative clusters offering both supplies of educated and trained persons as well as structures for the development and commercialization of knowledge-based innovations. The Universities also often are important for the

development of Cluster Initiatives as they can offer neutral arenas for development process, where stakeholders can meet and cooperate in development processes for renewal and competitiveness. This is especially so in situations with weak or conflicting regional leadership.

15. What is the role of the Government?

For a Cluster Initiative to be successful it needs to effectively use its Triple Helix leadership. The government as one angle of the Triple Helix leadership triangle should be active in co-steering the initiatives. Cluster Initiatives need to be recognized as legal entities and to do so the government should support the existence of Cluster Initiatives. Likewise, when initiatives reach a stage when they can acquire facilities such as land (e.g. working premises, offices etc), government cooperation is highly needed. In addition, Cluster Initiatives mainly operate at local levels, where the local government i.e. district/ward/village leadership operate. Without the support of these local government leaders, the Cluster Initiatives could have hard time conducting their activities.

16. What do Cluster Initiatives do?

Cluster Initiatives identify and engage all Triple Helix stakeholders while underscoring the need for wealth generation for the socio-economic development. Cluster Initiatives change the way the involved stakeholders relate to each other. Cooperation is promoted at the same time as competition is encouraged (co-opetition). The facilitator introduces the Cluster Initiative also to cluster actors that may have been disinterested observers or even hostile to the operations of cluster. Innovation is promoted and is key to sustainability and growth of the cluster. Building and maintaining sustainable relationships between the involved stakeholders is key to the continued existence and prosperity of the Cluster Initiative. Attracting resources and investments to the cluster firms is also another important aspect that Cluster Initiatives do to ensuring the sustainability of the initiatives.

17. How do cluster firms source their funding?

Cluster firms source their funds from their own means. A business starts operating with savings made by the owners. In some cases, firms start also using contributions or loans from friends and family members or by using personal loans based on salary. As business grow and expand it will need additional funds to finance its operations. A

Cluster firm at this stage may look for funds from lending institutions such as banks, micro finance, investment funds, venture capital or a combination of all. Some smart firms may get funds in the form of goods on credit from its suppliers. These are almost all possible sources from where cluster firms can get funds. A Cluster Initiative is not one of the sources of funds for cluster firms. By reason of being in the same initiative, some cluster firms may agree to do business on credit to each other. Cluster firms may also decide to start small credit systems like the [savings and credit cooperative societies](#) (SACCOS) commonly practiced in Tanzania, from which members can access funds at a later stage.

18. How to create a communication plan

Communication is a crucial issue in cluster development and a critical factor for success. The Cluster Initiative has to be visible and attract external interest but also to be able to mobilize the internal actors. In both cases it is about how to communicate the message and the vision of the cluster. Communication is an ongoing activity from day one and it must be planned. In order to build up the identity and the brand of the cluster you have to start with a communication plan.

Examples of items in a communication plan:

- What are you doing and why (Background)
- The purpose of the communication activities
- The target group (to who are you going to communicate)
- The message (What do you want to communicate)
- How should you reach the target groups.

Different tools for communications (examples):

- Media: Using traditional media and social media to communicate.
- Publishing: Written material, booklets, newsletters etc and homepage, material in local language
- Storytelling: Training in telling the CI story in a consistent way but adapted to different target groups. Community theatre as one example.

19. Why does a Cluster Initiative fail?

A Cluster Initiative is an intervention in a cluster with the aim to spur competitiveness and innovativeness among cluster firms and supporting actors. Clustering is mainly “a people thing”. The success and failure of a Cluster Initiative are depending on the support from champions, individuals at different levels and networks within government, business and academia. Lack of trust in the local society, among the

actors and cluster participants is a major source of failure. To get caught into a top down and analytical approach is another source of failure. If the Cluster Initiative doesn't promote immediate results and doesn't produce a strategic agenda the cluster member will lose interest and the initiative will lose support.

20. What is Cluster Facilitation?

Cluster Initiatives are not traditional organizations. They consist of equal partners from different parts of society – industry, government, university as well as NGO's where no single actor or stakeholder can take decisions and decide over the other partners in the cluster. Still the Cluster Initiatives to be successful and competitive need to make decisions and take common action. For this there is a need for Cluster Facilitation, a process where the stakeholders in the Cluster Initiatives identify a common vision and action plan, take common decisions and support collective action among the stakeholders. In the course of the development of the Cluster Initiative there will also be a need for a continuous development of the Cluster Facilitation. As the trust and collaborative culture in the Cluster Initiative develops and the Cluster becomes more successful in utilizing the resources and building platforms for innovation and entrepreneurship for the cluster firms there will also be a need for a more management oriented cluster facilitation.

21. Who is a Cluster Facilitator?

When a Cluster Initiative is about to be formed, there is need for a person who will call upon firms or people with the same aim or with similar activities in a certain geographical location to come together, share what they have in common and work together. This person has to undergo training on how to go about "collecting" or bringing together the firms and stakeholders. A Cluster facilitator is not the funder of the initiative or a boss but rather a "noise maker" or a "pusher" for success of the Cluster Initiative. He/she has a responsibility of ensuring that the initiative starts at the right moment of the firms' activities not his/her own right moment, that the firms and people are linked and working together and that the leadership team is bound and working together. This is a person who makes sure that the activities of the Cluster Initiative are continuous and hates stagnancy of some firm's activities. Without a good facilitator a Cluster Initiative will not be successful!

22. Can a Cluster Facilitator be a member of the Cluster Leadership?

Cluster facilitation plays a significant role in cluster development. The function is assuming professional status and attracting titles such as ‘cluster manager’. While a cluster facilitator is not an elected member of the leadership team, she/he is an ex-officio member of the team. The major task of the facilitator is to guide the leadership in the cluster to develop a vision and to strategize the vision for the cluster to be realized. The facilitator offers an objective perspective of the operational environment and provides inputs to the cluster, which should assist the leadership in informed and transparent decision making. The facilitator crosses boundaries and should as far as possible not be fogged in perspective by group dynamics in the cluster. The attributes detailed above are the hallmarks of leadership. There is a lot of merit in having the facilitator in the cluster leadership but above that the facilitator needs to maintain a sense of objectivity that ensures that the cluster is always moving in the right direction in implementing its strategic agenda.

23. What is a low hanging fruit activity?

Low hanging fruit refers to activities or projects that a Cluster Initiative may undertake to get quick results among members. These do not require a lot of effort or financial resources but serve to strengthen the trust and collaboration among Cluster Initiative members. Some of the low hanging fruit could be a training session, joint buying of inputs, joint marketing and advocacy. Different initiatives will find different low hanging fruits depending on the nature of cluster firms, business environment and market conditions. It is important for a new Cluster Initiative to look for these fruits and pick them quickly to demonstrate cooperation among firms.

24. How do I deal with un-cooperative firm?

There are firms that can be really bad when it comes to honesty, trust, commitment or even the pace, at which a certain firm does its activities. As a facilitator, you can reach a point when you ask yourself whether you should continue nagging the firm or just stop working with it. The best thing to do is not to abandon the firm but to invite members or leaders of the firm for a face-to-face talk. A facilitator can also try to bring in competition. An example of a Cluster Initiative can be the following. When the facilitator saw that one firm was not doing anything, even when it was given some funds from the initiative, the facilitator looked for funding somewhere else to support another firm conducting similar activities to the difficult one. Having seen the success of this other firm, the difficult firm promptly conducted its activities and started to compete with the aided firm. Likewise, if e.g. a person “steals” and imitates a product of a certain firm without prior permission of the firm, the facilitator should invite this

person for talks and publicize to other people about the wrongly made product. As a facilitator you need to be patient and act slowly but tactically.

25. What is a Business Plan?

A Business Plan for a cluster is a toolbox for cluster development. It contains analytic tools as baseline analysis, market analysis as well as collaborative based tools as one-to-one meetings, action plan and strategic agendas. A Business Plan is used to communicate inwards to cluster participants and outwards to communicate to important actors and stakeholders. It is a management tool for the cluster leadership group and the facilitator. In the follow up work the Business Plan is a tool to assess cluster performance.

26. Is media important for the Cluster Initiatives?

Cluster Initiatives need to get funds other than that provided externally. Although there are ways of letting a Cluster Initiative be known in the country and abroad e.g. by person-to-person meetings or attending conference, meeting, and trade fairs, initiatives need to advertise on media outlets such as television, radio, social media etc. When people around the world or even in the country see or read on media outlets about a Cluster Initiative, they can easily understand what is being broadcast and some of them might even come in to assist the Cluster Initiatives either financially or in kind.

27. How to engage the media in a Cluster Initiative?

As noted above, the media is key in informing the world on the Cluster Initiative activities. The coverage provides the initiative with publicity that promotes the objectives of the Cluster Initiatives and the enterprises in the Cluster Initiatives. Acknowledging the need for information sharing and knowledge exchange within the initiative and with other institutions generally, the media then should be a key stakeholder in the Cluster Initiative. The media should be involved in all major events of the Cluster Initiative. Invite the media to initial mobilization workshops, vision workshops, launching of the initiative, and presentation etc. Write articles and provide presentations made at various workshops and presentations. Explain the concepts to journalists, who find the ideas presented foreign to them etc.

28. What are Incubators and how do they relate with Clusters?

Business Incubators refer to planned programs by government and its agencies, that provide focused support to new businesses for usually two to three years. There are two types of Incubator programs. Incubators with walls and those without walls commonly referred to as 'virtual' incubators. Incubators with walls are also known as full-service incubators, whereby incubatees are provided with workspace, office space and business support services. The aim of Incubators is to assist incubatees to learn how to develop and manage their businesses. One of the key components of incubators is common facilities such as meeting places, storage, consultancy and the like. This aspect is similar to the shared and common resource provision within Cluster Initiatives. In addition, incubators can be a good factor, if you are deciding where to initiate Triple Helix based Cluster Initiatives.

29. How do you define Cluster Initiatives in local language?

The moment a facilitator has been trained and is ready to start a Cluster Initiative, it is important to look for a way to define what a Cluster Initiative is for the people that you are mobilizing and make them understand the meaning of a Cluster Initiative. Defining a Cluster Initiative in local (official) language can be done by explaining what an initiative is as you understand it and then ask the participants at the discussion/workshop to say what they think this can be termed in the local language. Sometimes it can help to ask people how they can define it in their vernacular way. This can make them more active and thoughtful. A discussion followed by a consensus should be able to give the definition of a Cluster Initiative in a local (official) language.

30. Is gender balance important for the development of Cluster Initiatives?

A Cluster Initiative, which uses a gender balance as a basic organizational principle, has advantages compared with gender unbalanced initiatives. Women are an underutilized pool of competence both as cluster participants, cluster facilitator and in leadership groups. It is confirmed from successful Cluster Initiatives that mixed groups are more productive. In emerging economies woman entrepreneurship is more common compared to industrial developed economies. These female entrepreneurs are a unique factor for success in Africa. Women constitute a large part of market for products, equipment and tools and are a source of market development.

31. What do we need to start a Cluster Initiative?

Cluster development is about developing, integrating and renewing the resources that are at hand in a region. A Cluster Initiative is seldom built on “nothing”, starting with a totally new industry or specialization. An important part of preparing for a Cluster Initiative is to identify and analyze the assets that are at hand for developing a competitive and sustainable cluster. The assets have to do with the economic structure and specialization, traditions when it comes to entrepreneurship and innovation as well as “soft assets” such as social capital, the ability and willingness to collaborate between different stakeholders and between companies that are competitors and with a common mindset among the key stakeholders supporting the idea of collaboration as a decisive force for the development of innovation and competitiveness. Often there is also a need for an intervention (often initially public based and funded) where key actors for the Cluster from the Triple Helix sectors initiate a process to establish a Cluster Initiative to support the transformation and value added of the assets at hand.

32. What are the challenges one would face at the start of Cluster Initiative?

The start of a Cluster Initiative is the most difficult phase of cluster development, when the facilitator is like “lost” when it comes to know the how and what of starting a initiative. A Facilitator will face questions like: who should I call upon to join the Cluster Initiative? Who is likely to respond positively? The main challenge here would be who will make the Cluster Initiative a success without much difficulty. The facilitator would think: how do I make myself acceptable to the potential members of the Cluster Initiative? In this case there is a challenge of building trust between the facilitator and the members/firms. During the process there is also the question of how do I make the members/firms trust each other? Suppose the formation process of the Cluster Initiative fails, what do I do? The other challenge is how to capitalize on the “projects” within the same location and dealing with the same stakeholders without creating conflict and struggle for supremacy. Getting government and other institutional stakeholders is also another challenge. These are the main initial challenges. A facilitator has to be firm and persistent in trying to solve such challenges.

33. How to handle local politicians?

Politicians, local, district or national ones are very delicate persons to deal with. Politicians of one type would want to use anything that is designed to bring good results for their own advantage. In order to effectively handle local politicians, you need to understand your national and local policies with regard to business environment and competitiveness. You also need to know that politicians are supposed to work with the

interest of people in their area including businesspersons. Therefore, try as much as possible to put competitiveness issues at the forefront of your dealings with them and explain to them how important for them and their people the Cluster Initiative is. Always ask for their support during meetings, activities and advocacy issues. Do not promise anything or take sides.

34. Why Cluster Initiative and not Association?

An association is formed by a group of individuals, who agree to pursue certain activities to achieve specific objectives. In most cases the scope of the objectives is narrow and limited to the particular interests of the association. The association usually is a legal entity and is regulated by protocols and instruments governing the operations of the association. A Cluster Initiative on the other hand is an economic development platform that involves various stakeholders and aims at promoting enterprise growth, prosperity and competitiveness through innovation and other knowledge-based interactions. The initiative involves firms/farms, government, academia, support institutions, associations and other actors in the economic platform. The scope of the Cluster Initiative is wider than that of an association and in most cases involves more than one association. The legal form is diffuse and interaction is most of the time based on trust.