

Basque Country Cluster Approach

Juan Manuel Esteban
Coordinator of Cluster Policy
Department of Industry, Trade
and Tourism
Basque Government
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A little history (I)

- We are a small country:
 - ❑ 2.1 M. inhabitants
 - ❑ 7,234 Km²
- With a good performance:
 - ❑ GDP 2005 (PPS): 125.1 (EU 25 average=100)
 - ❑ Unemployment rate: less than 5 % (2006)
- 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” idea (in those years): Can the cluster approach contribute to the taking off of the basque economy? It could be!
- Mr. Porter visits the Basque Country
- Minister of Industry very keen on the implementation
- 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!!

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)**

Managing the Clusters: A practical approach

- Clusters are out there, and we understand their dynamic complexity: Now, what do we do with them?
- 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)
- ✓ Audiovisual (2004, the newest)

Summary of the main characteristics of the priority clusters

	Home appliances (ACEDE)	Machine tool (AFM)	Automotio n (ACICAE)	Port of Bilbao	Telecomm u-nications (GAIA)	Environme nt (ACLIMA)	Knowledg e	Energy	Aeronautic s (HEGAN)	Maritime Industrie s	Paper
Creation	1992	1992	1993	1994	1994	1995	1996	1996	1997	1997	1998
N° Members	13	68	49	138	160	64	160	76	24	116	19
Employment	9.200	4.602	15.560	4.300	8.000	2.888	-	25.000	4.732	14.000	2.059
Turnover M€	1.430	612	2.243	839	1.600	695	-	10.000	674	682	526
Exports: M€ %/sales	646 45%	390 64%	1.337 60%	-	540 34%	132 19%	-	2.200 22%	-	532 78%	240 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
- 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
- ⇒ Quality/Excellence in Management
- ⇒ Logistics
- ⇒ 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
- To identify strategic challenges and potential synergies
- To evaluate the potential 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
- 2.3 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 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

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
 - ❑ studying the possibility of establishing a Tourism Cluster
 - ❑ 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

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, every region has to make its own way
- You make the walk walking
- Cooperation is a difficult affair all over the world

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

juan-esteban@ej-gv.es