

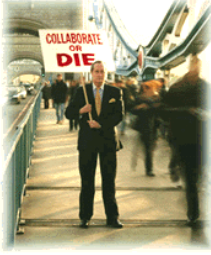
Clusters & small business growth

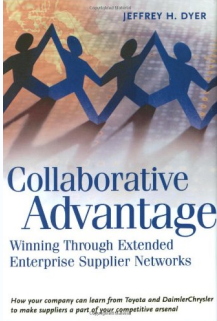


**Ifor Ffowcs-Williams
 Cluster Navigators Ltd
 New Zealand**



Clusters & small business growth





'The fundamental unit of competition has changed, from the individual firm to the **extended enterprise**'

European Union


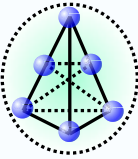


'Enterprise **clusters and networks** are recognised as important settings for the development of SMEs...they help improve **productivity**, increase **innovation** capability, facilitate the **commercialisation** of innovation and generate high employment.

At a higher level, **clusters and networks** enhance the economic as well as the social growth of the region hosting them'

Clusters & Networks

- **Cluster** development
 - **Broad, generic strategies**
- **Networks** within the cluster:
 - **More focussed, commercial**





Italy's chair cluster

Udine 14,000 employees

- **1,200 firms; 250 export**
- **Networked firms, with informal and formal linkages**
- **SMEs, together making Udine No.1 in world production**






'Competitive advantage now often comes from leveraging the discoveries of others'

'Not all the smart people work in your company'

Core competency
 The key to a firms profitability



- Central to the way the business works, differentiating it from competitors
 - Providing customer benefits
 - Not easy for competitors to imitate
 - Leveraged widely to many products and markets
- Can include know-how, a reliable process and/or close relationships with customers, suppliers
- The part of the business that is **never shared with other firms, the No Go area**



Collaborate with Your Competitors—and Win
 Gary Hamel, Yves L. Doz, and C.K. Prahalad

Is Your Strategic Alliance Really a Sale?
 Joel Bleek and David Ernst

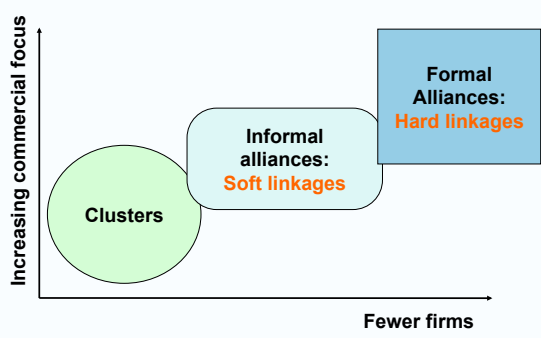
The Boundaryless firm
 The art of the fluid

- Thinner, porous boundaries with customers, suppliers, & competitors
- Selective outsourcing
- Reduced investments, focusing on core competencies
- **Speed ... not size**
- **Flexibility ... not rigidity**

Collaboration between firms
 Porous boundaries, out sourcing
 Dense networks within the cluster ... co-opetition




Collaborating-to-Compete
 Complementary forms



The graph plots 'Increasing commercial focus' on the y-axis and 'Fewer firms' on the x-axis. It shows three stages of collaboration: 1. 'Clusters' (a green circle at the bottom left), 2. 'Informal alliances: Soft linkages' (a light blue rounded rectangle in the middle), and 3. 'Formal Alliances: Hard linkages' (a dark blue rectangle at the top right).

Business alliance differentiation

Informal, soft

- Lowering costs
- Solving common problems
- Sharing information
- Acquiring new skills
- Co-purchasing
- **Some underpinning trust**

Formal, hard

- More strategic
- Enhanced value
- Co-production
- Co-marketing, common brand
- Product development
- New venture
- **Solid trust base**

Competition and Collaboration



= **Co-opetition**

An SME Alliance Chicago: Bringing heads together



An SME alliance Icelandic Farm Holidays www.farmholidays.is



- 140 farms around Iceland
- Central booking office
- Also joint purchasing



A Global Network:



Outback Business Networks

Connecting small businesses across Outback Australia

supported by







**Broken Hill, NSW
Mining services cluster**





Steel Tech Solutions

A sales company with four owners/companies from the light engineering industry cluster on the Danish island of Bornholm.

- An Australian engineering network
- A co-operative of **manufacturers, engineers, IT providers, electrical and consulting** companies in the Hunter Valley.
- Firms share their **talents and resources** to present a highly qualified front
- Members: small-medium manufacturers, engineers and consultants, with a **combined turnover of \$180M, and 1700 employees.**

HunterNet Membership

- **31 Member Companies**
 - Small-medium engineers & manufacturers based in the Hunter Region
 - 10 to 150 employees.
- **6 Patron Members**
 - Large engineering & manufacturing businesses operating in the Hunter, with a vested interest in regional manufacturing.
- **13 Sponsor Members**
 - Support services
 - Legal, transport, accounting, recruitment.
- **6 Affiliates & Associates**
 - Groups with an interest in making things happen in the region.
 - Industry Associations, other networks.

Collaborative ladder
Incremental engagement between SMEs as trust develops



Start with low hanging fruit, more tactical

- 1st: Joint purchasing, information sharing
- 2nd: Sharing equipment, key staff
- 3rd: Co-production; joint export office; joint brand

- Needs a formal agreement
- Possibly a joint venture company

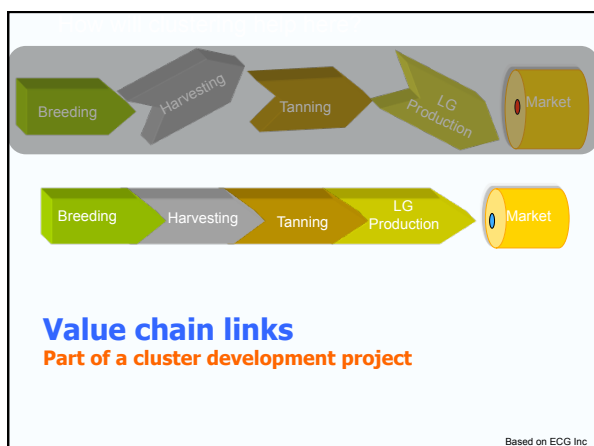
Networked firms are winners

US Survey of networked firms:

- Developed more new products & patents than non-networked small businesses
- Had greater success in securing technology and capital

Australian survey of networked firms:

- 50% of businesses had higher profits & greater export sales as a result of cooperative endeavors



... can today service global markets
... providing they gain leverage through linking
... linking within their community
... and beyond

Competition & Collaboration = Co-opetition

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Facilitating SME growth
Cluster facilitator as a broker

Complementary frameworks

- Clusters
- Soft Networks, value chains
- Hard networks, strategic alliances

Start with the needs of individual firms
Establish early benefits

Steve Jobs by Walter Isaacson

"My model for business is the Beatles.
They were four guys who balanced each other and the total was greater than the sum of the parts.
And that's how I see business.
Great things in business are never done by one person, **they are done by a team.**"

"The key problem for small firms is not their size, but their **isolation**"

Seminar - Local Systems of Small Firms and Job Creation Paris