



The Development Agency
for the North East of England



Globally
Competitive
Clusters

Creating A Prosperous Future

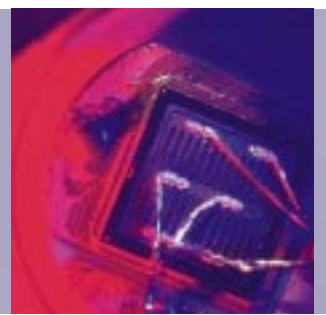
"....The Region's first priority in achieving this vision must be to increase the pace of change. If the North East can make real inroads in closing the gap with other Regions, it will be on course to achieve this vision....."

Regional Economic Strategy



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Introduction

Globally Competitive Cluster Development is an important component of the Regional Economic Strategy which One NorthEast is tasked to deliver in partnership with the Region.

To achieve the growth objectives of the Regional Economic Strategy the Region must pursue strategies that will enable success. For example we need to identify 200 companies that have the potential to grow and employ more than 200 people by 2010. We need to ensure companies are globally competitive by adopting new processes, new technologies and by constantly seeking to innovate and improve their performance. We need to ensure that this region is at the forefront of the e-business revolution and that both the public and private sector use these technologies to reduce cost, improve customer service and widen their markets. We also need to identify the skills required to fill the new kinds of jobs that are beginning to emerge and we need to identify world class research and development in our universities and colleges that can be commercialised to create jobs.

Cluster development is at the heart of these objectives as it will enable a better understanding of the dynamics of industry in our Region, it will reveal how companies work together to service common customers, and how they interrelate on training and skills development, how they can share knowledge and experience in areas such as logistics, production engineering and information technology.

This booklet seeks to provide a guide to the Region's Cluster Development Programme by explaining what it is, how it is to be implemented and who will do it.

The Region and the Knowledge Driven Economy

The forces driving the global economy are changing the nature of business and the very nature of competitiveness. This is working to the North East's advantage.

The elimination of many barriers to international trade, the reduction in the cost of transport, the growth of electronic commerce, the growing mobility of capital and labour and the internationalisation of consumer demand are combining to create global markets.

Those companies now successfully competing in these global markets are doing so by forming strategic alliances - with suppliers, customers and indeed former competitors. These alliances support, for example, joint research, product design, electronic procurement and marketing activities. Many of these alliances are formed at the regional level and virtually all entail investing resources to advance and share knowledge to reduce costs and improve sales.

As the Region faces the intense challenges of the global economy - the globalisation of our industries and dynamically changing markets - it requires a rapid response to changing opportunities and threats.

The development of clusters and knowledge driven businesses works to create this responsiveness. It encourages linked organisations to work and learn together, to deal with opportunities and threats, and to focus upon achieving the required enhanced competitive advantage for our businesses and the Region.

Importantly, cluster development 'works with the grain' of the way in which the restructuring of the global marketplace is taking place.



Cluster Development

Cluster development is a common sense approach to analysing the Region's economy which will enable a greater understanding of what needs to be done to ensure that industry is globally competitive, sustainable and capable of achieving the growth that will create jobs. Cluster development has been adopted by countries and regions in many countries to achieve similar objectives to those we have identified. As a process it has been around since 1990 and has been at the heart of some of the spectacular economic growth achievements of Scotland.

How is it to be implemented ?

The Business Development Team at One NorthEast has developed and tested a cluster development methodology that is based on the core processes that have been so successful in Scotland and has adapted this to incorporate the nine business processes that have been identified in the work of the Regional Competitiveness Project. The process has been successfully tested and this Cluster Development Methodology will be utilised by those engaged in the analysis.

Initial cluster development analysis will take place with facilitation from staff at One NorthEast and will be supported by the Region's universities. This phase will take between two and six months to complete and the outcome will be reviewed on a regular basis for the foreseeable future.

Who will do it ?

There are three important principles of cluster development, the process must be led by the business community, there must be a consistent methodology and the output of the analysis must be a Development Action Plan.

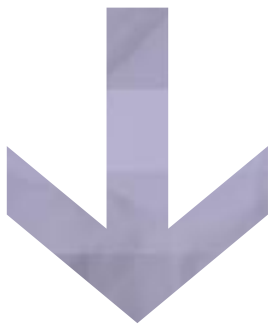
Business leadership will be achieved by appointing leading figures in specific industries to chair cluster development teams. They will invite other business people and people from the public sector and universities to join them. Once the team is formed One NorthEast and its partners will agree a timetable for training and for the analytical process and set a date for publication of the 'action plan'.



The Objectives and Outcomes of Cluster Development

The chart below shows how the cluster development process will help us to strengthen the Region's economy and create jobs by identifying the drivers for economic and business development, identifying what we have to do to build on the strengths of the region and in doing so achieve the competitive advantage this region needs to succeed against increasingly strong national and international competition.

DRIVE ECONOMIC DEVELOPMENT

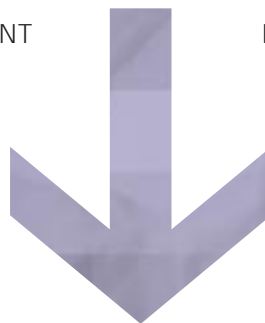


- INDIGENOUS COMPANY GROWTH
- INCREASE INNOVATION
- NEW START UPS
- GLOBALLY COMPETITIVE COMPANIES
- EXPORT ACHIEVEMENT
- HIGH QUALITY INWARD INVESTMENT

BUILD REGIONAL STRENGTHS



- HIGH LEVEL SKILLS
- KNOWLEDGE DRIVEN INDUSTRIES
- COMPETITIVE LABOUR MARKET
- EXPORT ACHIEVEMENT
- R & D AND KNOWLEDGE SPIN OUTS
- INFRASTRUCTURE DEVELOPMENT



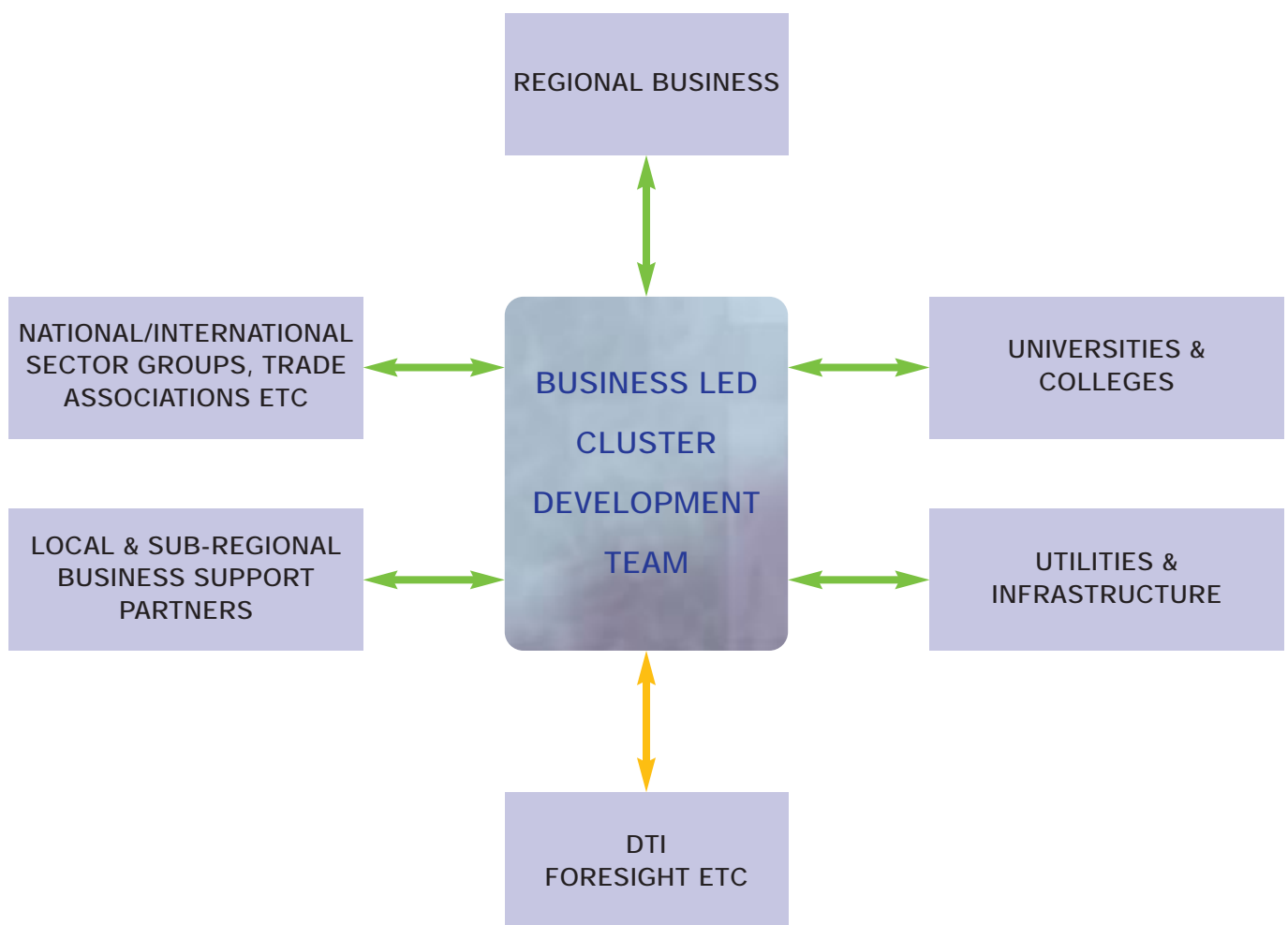
REGIONAL COMPETITIVE ADVANTAGE



Cluster Development and Partnership

As a Region we have some important advantages over our rivals, we have been developing our knowledge and understanding of the structure of industrial sectors for some time, it is these sectors that are the components of industrial clusters and will provide a useful foundation for the cluster programme. There are also a number of initiatives such as the cluster project with micro businesses in North Tyneside, Logistics in Teesside and work that is ongoing in universities that will all make their contribution to the programme. The essential issue is that we will succeed in our cluster development project by working together as partners and collaborators in the business community and the public sector. The chart below shows some of the elements and interactions of the partnership.

A Business led Partnership Approach





Cluster Development Action Plans

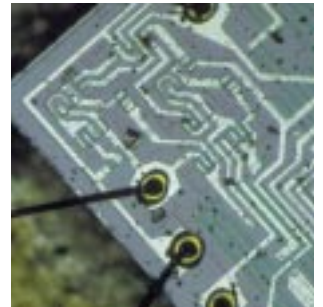
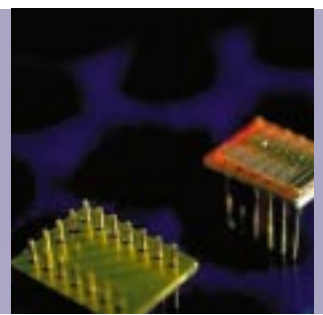
Action plans are crucial as it is these that will determine what needs to be done to achieve global competitive advantage in clusters and companies. We will use these plans to direct our combined resources in achieving business and economic development. Listed below are some of the outcomes we expect to see emerging.

- The creation of new companies
- The expansion and growth of existing companies
- Target and attract new technology and knowledge based inward investment
- Identify and develop new sites and premises
- Target finance and investment in the public and private sector
- Identify skills requirements at all levels of industry
- Increase the take up of venture capital to fuel the growth we seek
- Identify commercial and technical information requirements
- Identify opportunities for R&D and the commercialisation of university research
- Promote innovation and new product/process development
- Develop and promote e-business strategies
- Supply chain development
- Identify new export markets and overseas investment opportunities

Critical Factors for Successful Cluster Development

- A strong science and technology base
- A growing company base
- A skilled workforce
- Suitable Premises and Infrastructure
- Business support services and large companies in related industries
- Entrepreneurial culture
- Ability to attract key staff
- Availability of finance
- Effective Networks
- A supportive policy environment

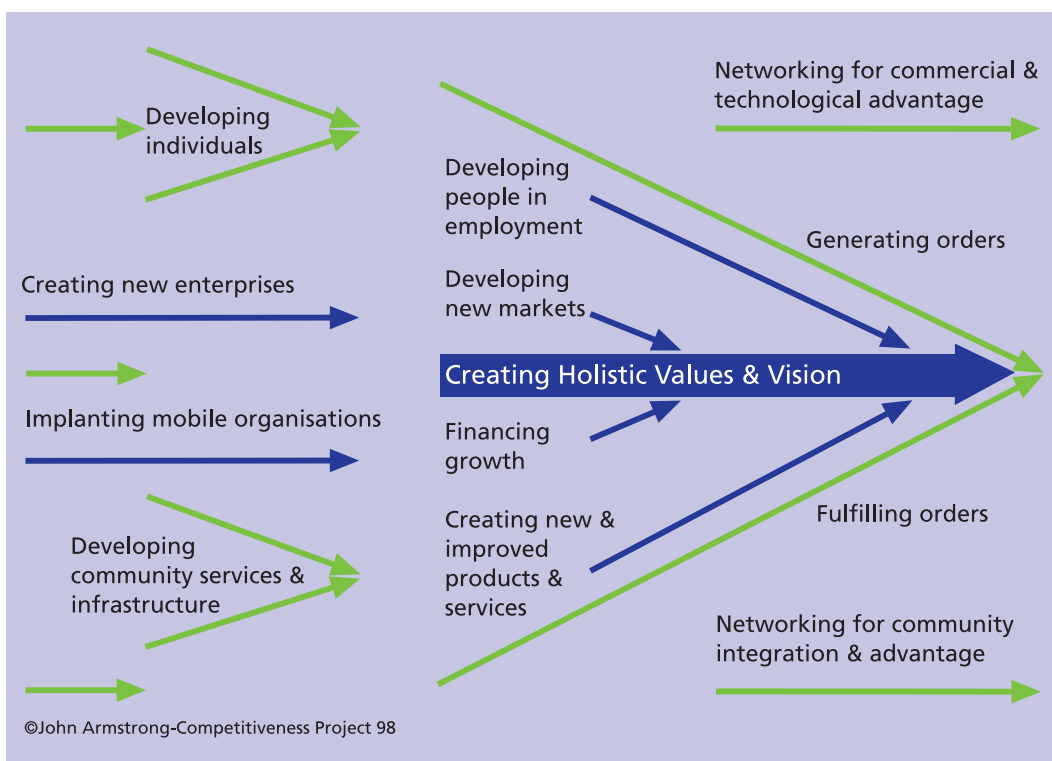
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The Business Process Model

During the last three years One NorthEast its predecessors and partners have collaborated on the Regional Competitiveness Project. One of the most significant outcomes of this project are the nine business processes by which the performance and future prospects of companies can be measured.

The chart below shows how a firm's principle activity is generating and fulfilling orders. However it also shows that to do this successfully there are a number of interrelated activities which will impact on success and therefore need to be thoroughly understood and implemented. The Cluster Development Programme will use this model to examine the performance and prospects of individual companies.



Each cluster will be supported through a range of actions to improve the competitiveness of its **business processes** and impact within individual companies.

These actions will be delivered by a range of partners including the Small Business Service, the Learning and Skills Council, Local Authorities, universities and colleges, One NorthEast and a range of other service providers.

"The objective of the cluster based strategy is to reinforce the competitiveness of the Region by developing various clusters which will provide the foundation for future employment and economic growth".

Regional Economic Strategy

