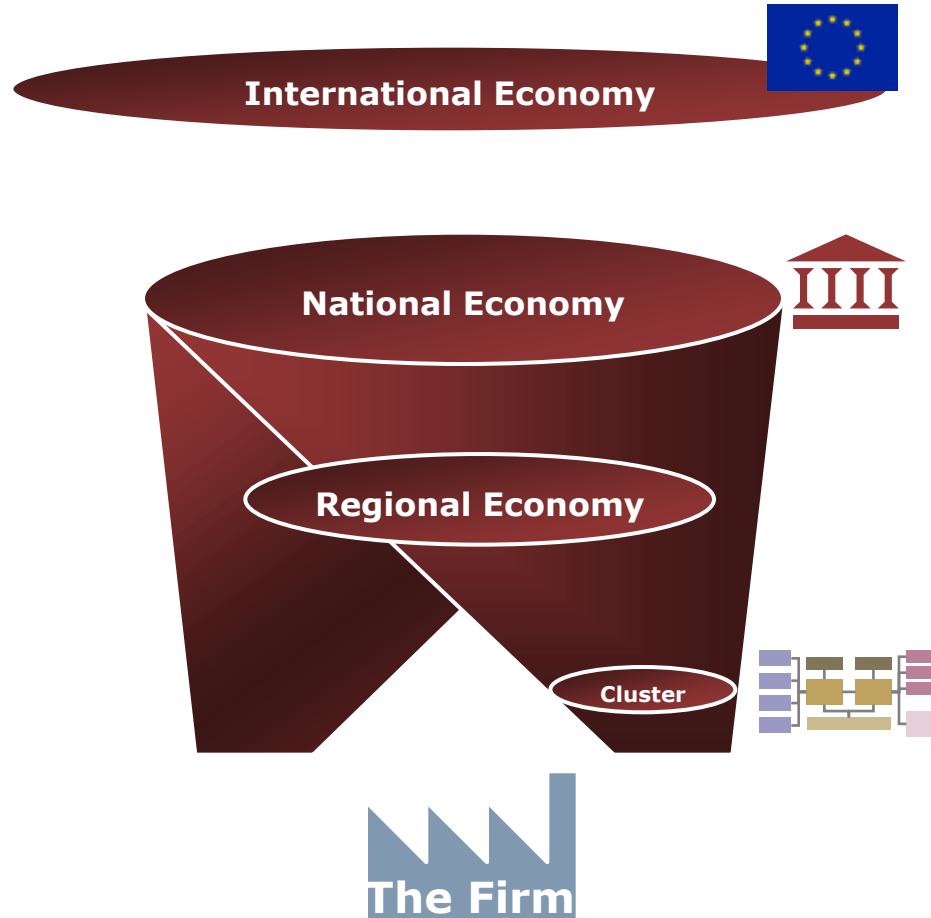# European Competitiveness and Clusters - A Framework

*Prof. Örjan Sölvell*
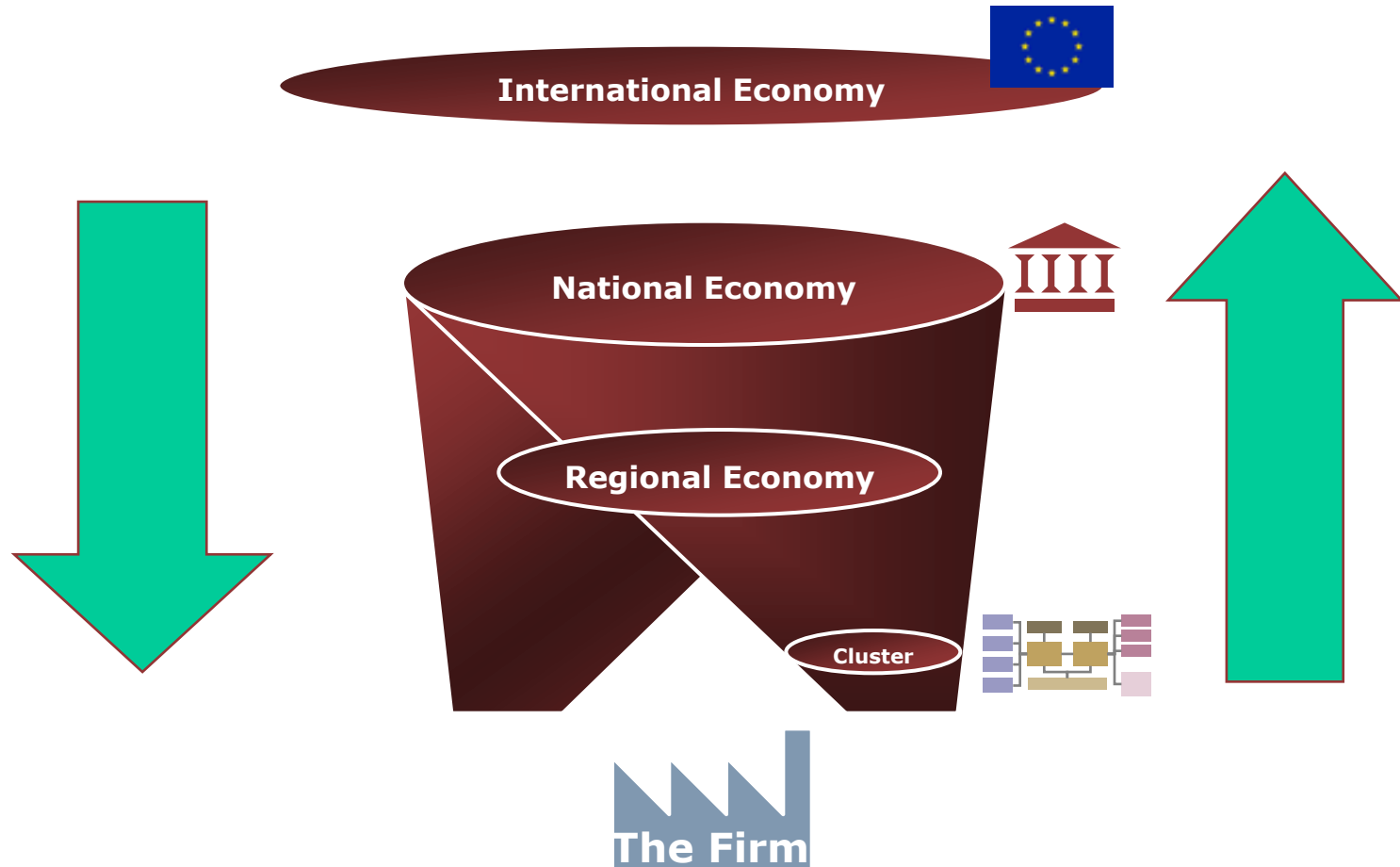
*Center for Strategy*
*and Competitiveness – CSC*

# European Competitiveness



International Economy

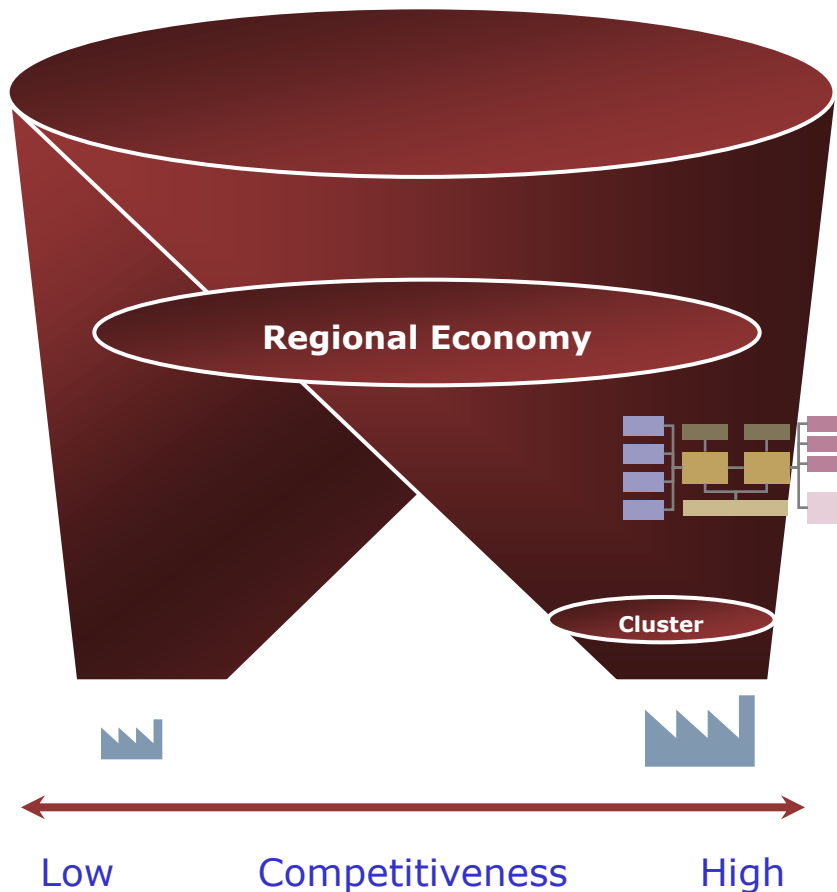National Economy

Regional Economy

Cluster

The Firm

# Top-down and Bottom-up Perspective

# Competitiveness
# Domestic vs Global Positions of Firms

**Global leader**

**International player**
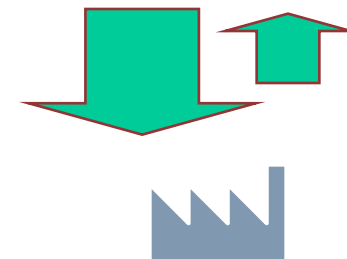
**Domestic firm**

Low ← International competitiveness → High
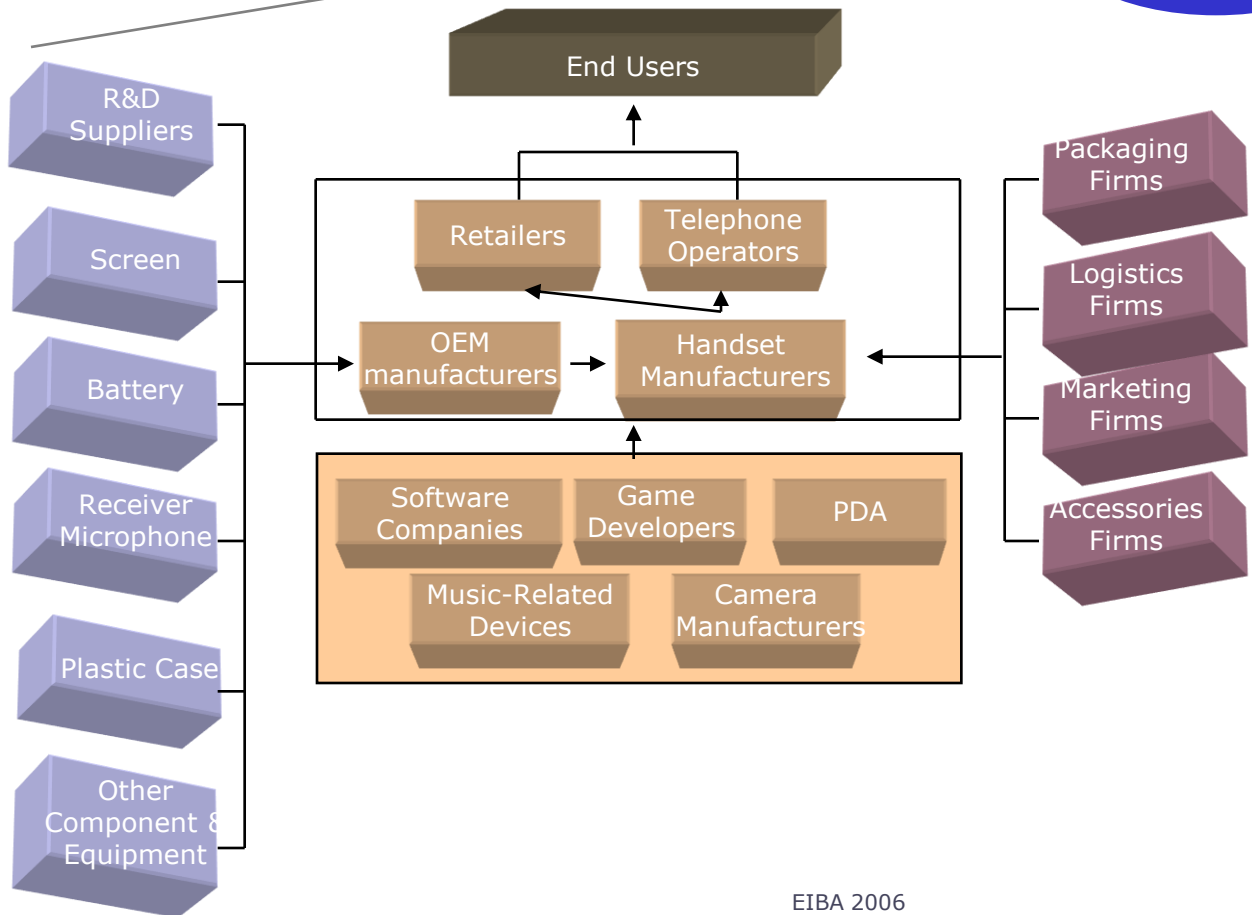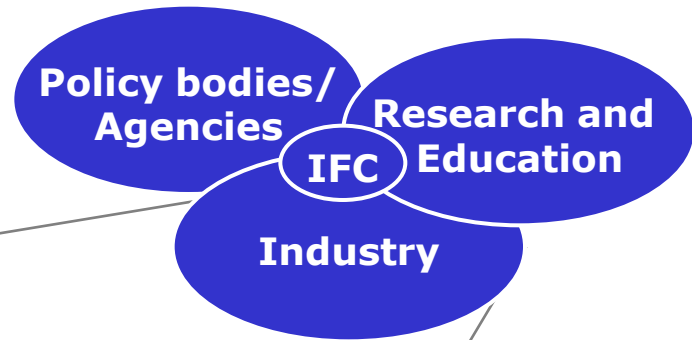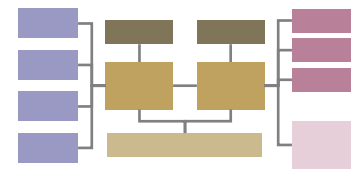
# Framework - Micro



**Microeconomic Business Environment (national/regional/cluster)**

- **Factor conditions**
- **Demand sophistication**
- **Strategy and rivalry**
- **Clusters**

Regional Economy

Cluster

Low    Competitiveness    High

# Clusters

Policy bodies/ Agencies

Research and Education

IFC

Industry

End Users

R&D Suppliers

Screen

Battery

Receiver Microphone

Plastic Case

Other Component & Equipment

Retailers

Telephone Operators

OEM manufacturers

Handset Manufacturers

Software Companies

Game Developers

PDA

Music-Related Devices

Camera Manufacturers

Packaging Firms

Logistics Firms

Marketing Firms

Accessories Firms

# Cluster Dynamics

Low ——————————— Competitiveness ——————————— High

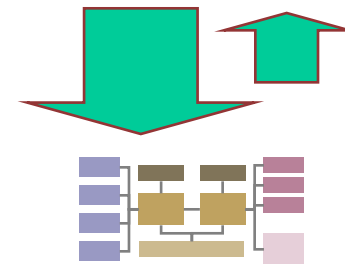| Static cluster | Dynamic cluster |
|---|---|
| Isolated firms and lack of competition, Poor institutions | Local rivalry and international openness, Institutions conducive to innovation |
| Lack of advanced suppliers | Specialized, local suppliers |
| Basic human capital | Advanced training and scientific infrastructure |
| Lack of trust and networks | Highly developed social capital |
| Few supporting institutions | Advanced institutions for collaboration and Cluster Initiatives |

# Framework – General Business Environment
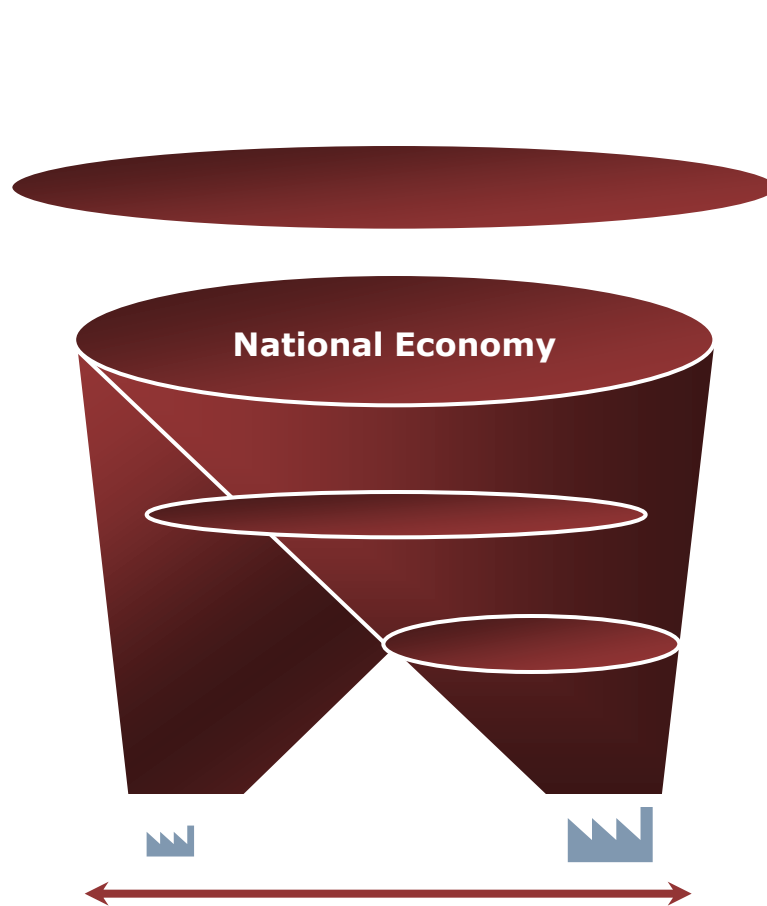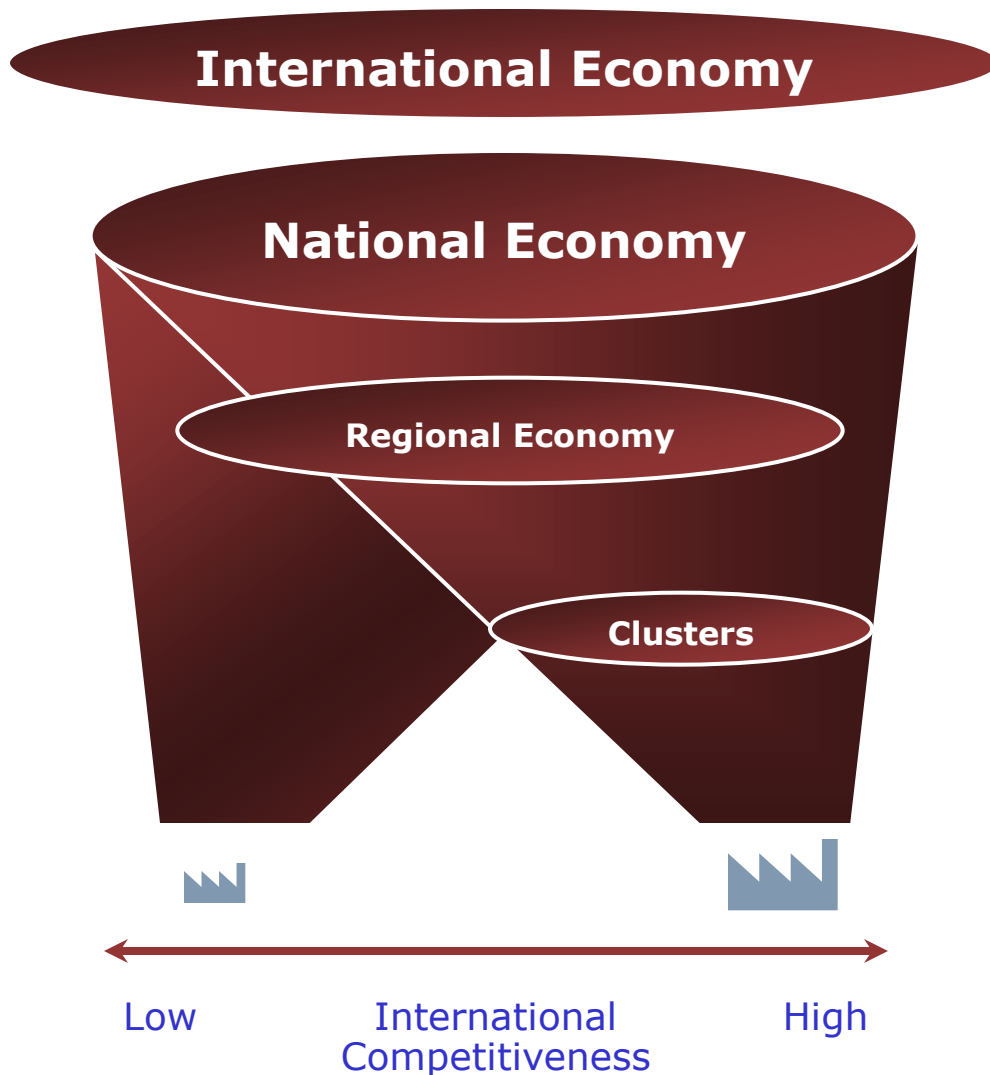


**National Economy**

**General Business environment**

- **National legacy and culture**
- **Geographical position**
- **General institutions and legal framework**
- **Macroeconomic environment**

# Framework Summary

**International Economy**

**National Economy**

**Regional Economy**

**Clusters**

Low    International    High
       Competitiveness

International organisations and regulation
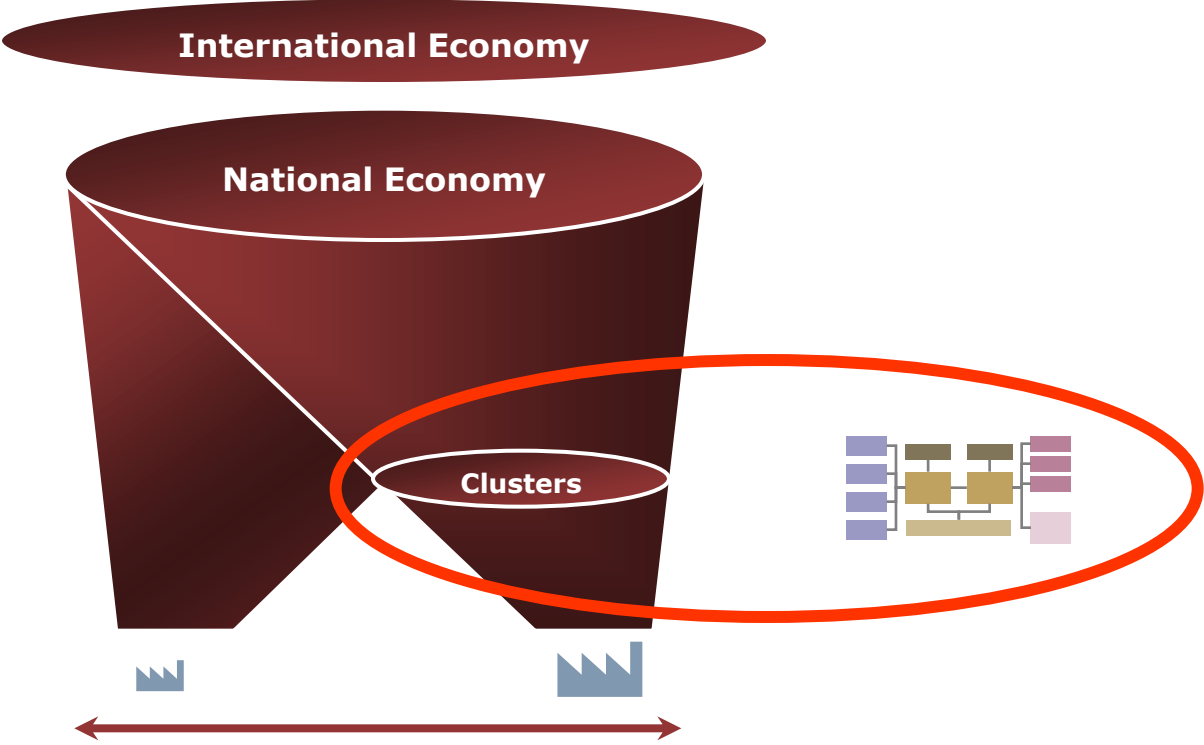
General business environment

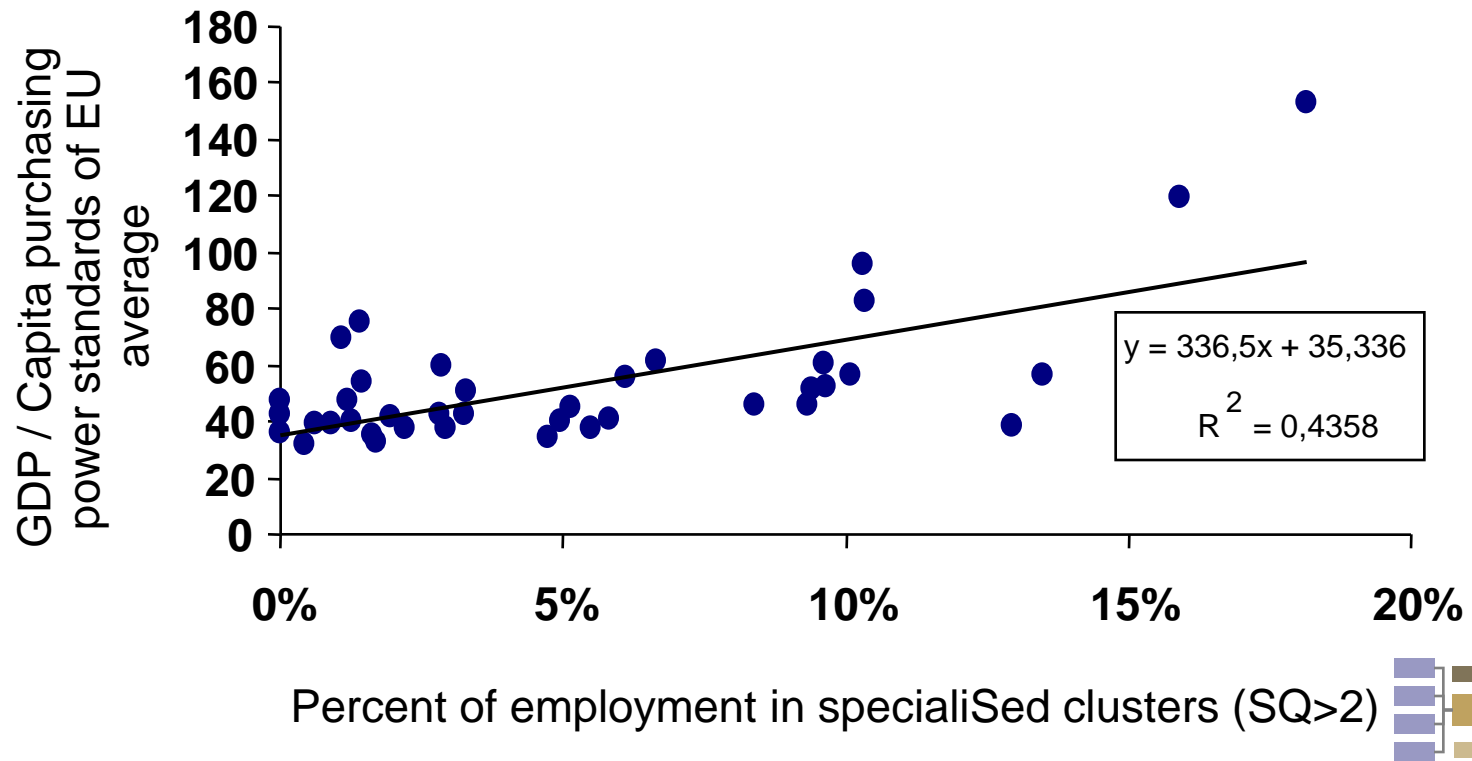Microeconomic business env. and clusters

Firm strategies and competitiveness

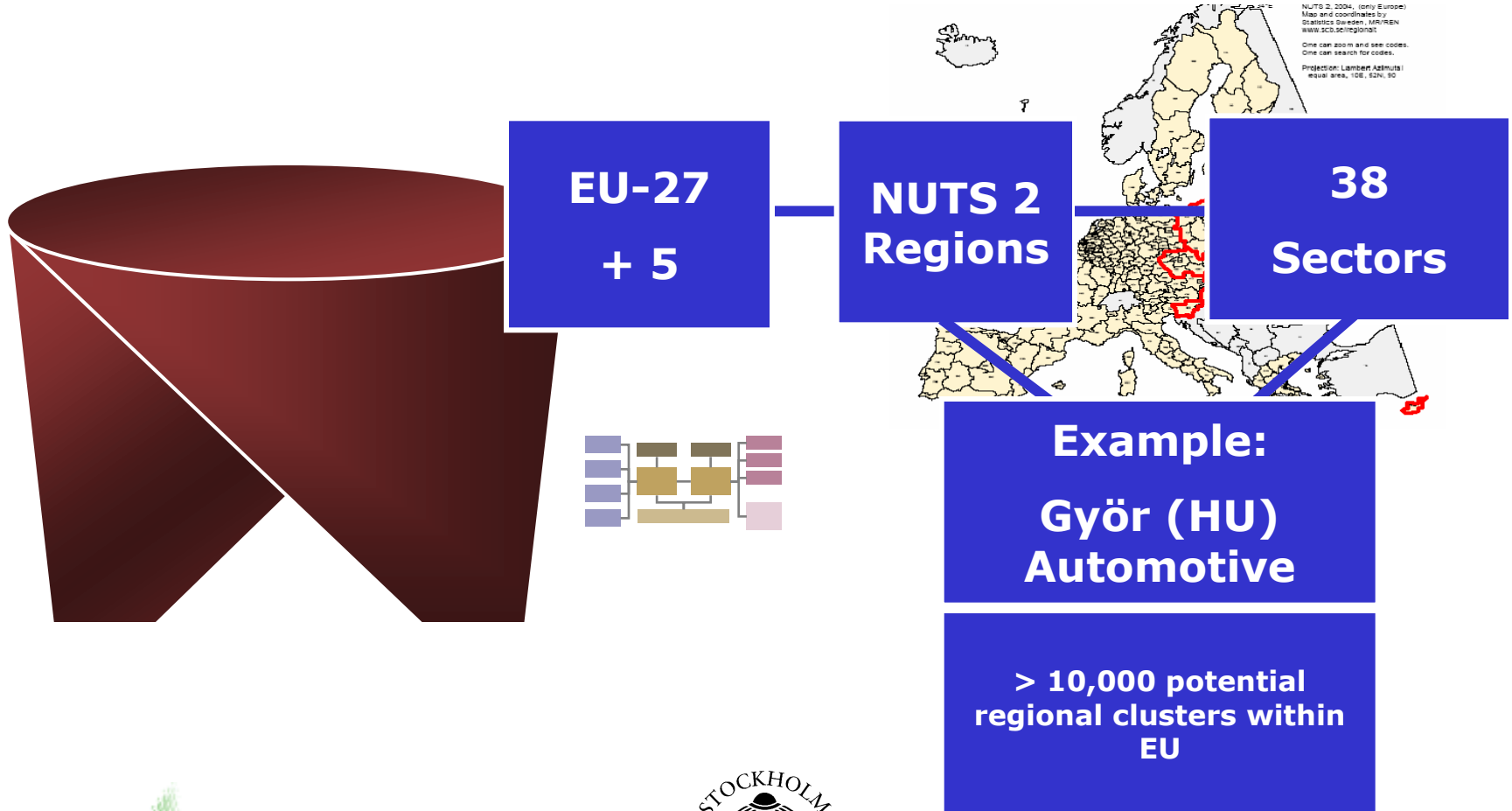# Mapping and Analysing Clusters in Europe

# Clusters = Innovation = Competitiveness

**Clustering and GDP / Capita
41 NUTS 2 Regions in EU-10 (2004)**



$$y = 336{,}5x + 35{,}336$$
$$R^2 = 0{,}4358$$

Percent of employment in specialiSed clusters (SQ>2)

*Source: Sölvell, Ketels, Folkesson.(2005) Entrepreneurial Innovation in the New Member States: Challenges and Issues at stake for the Development of Clusters of Innovative Firms. EU Commission, DG Enterprise.*

# Mapping Regional Specialisation and Clusters in Europe

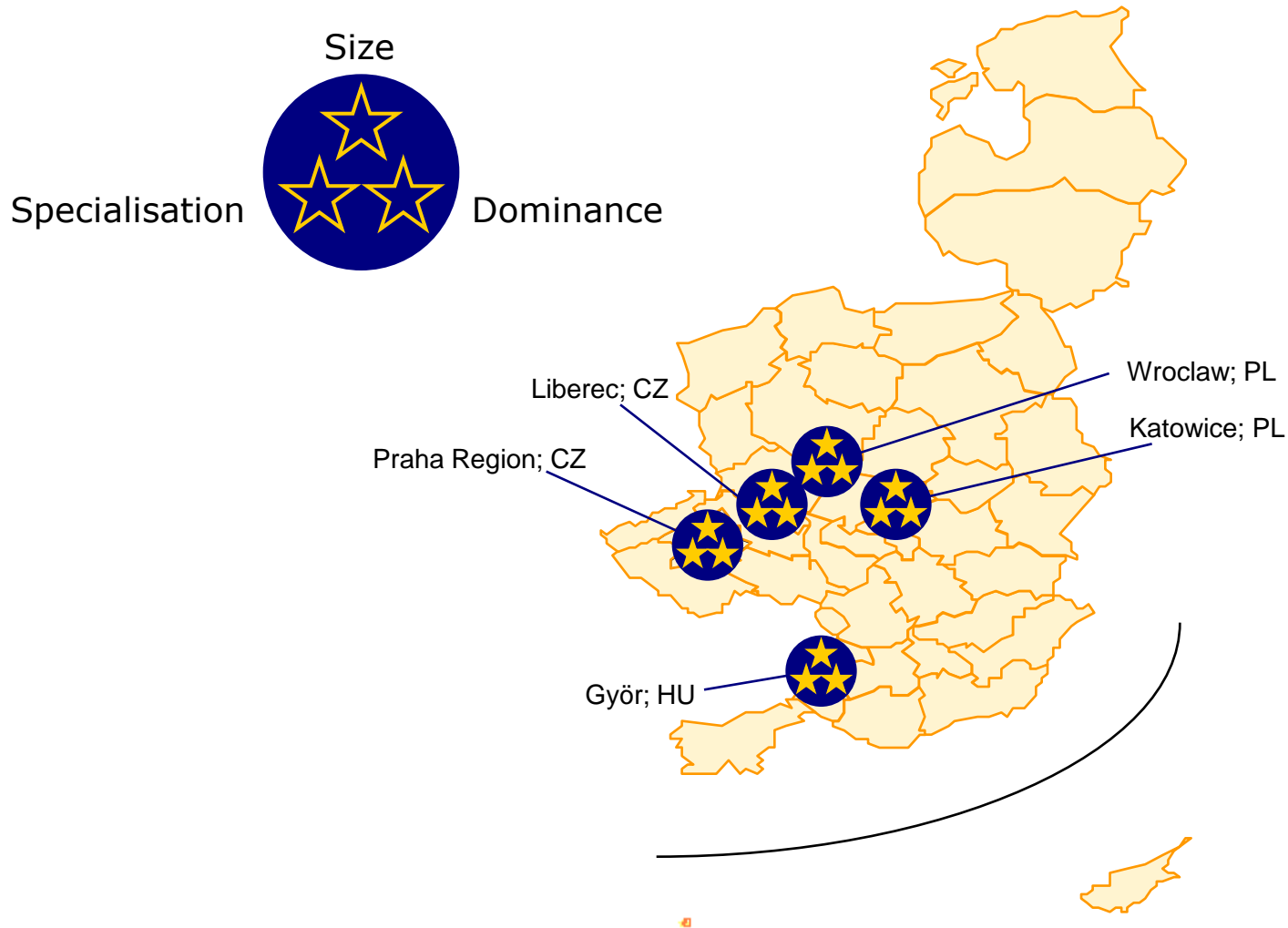**EU-27 + 5** — **NUTS 2 Regions** — **38 Sectors**

**Example:**

**Györ (HU) Automotive**

**> 10,000 potential regional clusters within EU**

EUROPE INNOVA

PRO INNO EUROPE

STOCKHOLM SCHOOL OF ECONOMICS

*Center for Strategy and Competitiveness – CSC*

DG Enterprise

# Star-rated Clusters in Europe Automotive in EU-10



Size

Specialisation

Dominance

Liberec; CZ

Praha Region; CZ

Wroclaw; PL

Katowice; PL

Györ; HU

# Statistical/Natural vs Organised Clusters

**Cluster Initiatives**
**&**
**Cluster Organisations**

CI

Public Policy/
Agencies

IFC

Research and
Education

Industry

**Natural Clusters**

**Planned Clusters**

**GREEN BOOK**

# **Thank You!**