

CIBI



Sensemaker Guide

How can UK clusters become internationally competitive, attract increased global investment, and maximise their export potential?

Tuesday 19th July 2022,
16:00–18:00

Connected Places Catapult,
Milton Keynes

In partnership with



How can UK clusters become internationally competitive, attract increased global investment, and maximise their export potential?

Clusters bring together businesses, suppliers, investors, universities, and research organisations so that they gain a competitive advantage over other places. They drive innovative behaviours, catalyse new businesses, and help attract world class talent.

The CBI will explore how we use clusters to drive economic growth in every region of the UK – to really achieve levelling up and deliver investment and opportunities across the country. We want to develop practical answers and solutions for business leaders that will help take clusters from good to great, to play a critical role in our economy and to be genuinely world leading.

Clusters have the potential to put the UK on the international map. The skills, knowledge, supply chain, infrastructure, and incentives that clusters generate are essential for attracting high quality global investment and trade in both goods and services.

This event will focus on the role of clusters in boosting the UK's international competitiveness and how government and business can partner to deliver high value interventions to get more businesses exporting and attract investment to more locations through dynamic cluster-based activity. With its globally renowned universities, spin out companies and innovation ecosystem, the Oxford-Cambridge Arc has the potential to lead this national mission, translate learnings across the country and connect with other regions to drive UK economic growth.

Today we will be focusing on:

- What are the key drivers of successful and internationally competitive clusters?
- Why are UK clusters not doing better at attracting FDI? What can be done to improve the international perception/awareness of UK clusters to stimulate increased international investment?
- How do you identify and prioritise market opportunities and how can clusters collaborate internationally to build a greater pipeline of investment?
- How can clusters drive an increase in the exporting of goods and services across businesses of all sizes and sectors?
- What are the essential ingredients needed to stimulate VC activity in clusters, both at a domestic and international level? What is working and where can improvements be made?

Cluster Success Measures

The CBI hypothesis is there are some key success factors for clusters. Through our roadshows, gathering insights, evidence and case studies we are looking to develop the practical ingredients of success.

The success factors are:

- Shared economic prize – unifying outcomes and stake in success
- Anchor institutions – strong organisations that others gravitate / coalesce around
- Storytelling – strong place narrative, USP
- Strong leadership / figurehead – go to 'place' leader
- Great partner collaboration
- Supportive policy - the right policy levers that make a difference

Context: The Case for Action

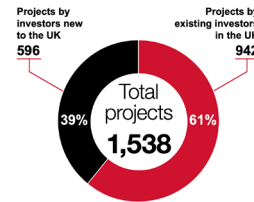
Levelling up is the defining political and social issue of our time - without fixing it, raising the UK's long term growth rates looks a tougher bet. Clusters are a tried and tested method for improving productivity with examples of success in countries and regions around the world.

Clusters can transform from 'good to great' through exposure to international markets and opportunities and focusing on becoming genuinely world class. There are opportunities for both services firms and manufacturers, across the UK to explore new sources of revenue worldwide. Exporting can increase productivity and help firms become more innovative and resilient with a diversified risk profile, whilst also supporting high-quality jobs in communities directly and indirectly. Embedding an export mindset into cluster development is crucial.

Clusters are also a hot bed for Venture Capital (VC) as they foster university spin outs and create the conditions for fast growth firms to succeed. This can attract large corporate VC which in turn has the potential to propel start-up businesses onto the global stage, supporting them to expand internationally and at scale. Deep partnerships between academia, industry and various sources of finance are equally most effective in a cluster environment as it can stimulate a competition for investment, but also nurture collaboration in product development, innovation and attracting talent both domestically and internationally.

Challenges

- **1,538** Foreign Direct Investment projects in the UK in 2020/21. **596** of those projects (39%) by new investors & **942** by existing investors (61%).



- **10%** of UK businesses export, generating 31% of UK GDP from international activity
- **14%** of UK businesses are 'superstars' (10+ products sold to 10+ markets) compared to 40% in Germany
- **£571.7bn** of goods and services were exported by UK businesses despite difficulties through the pandemic (2020)



"Reinforcing successful business clusters will be central to kickstarting this regional revival. This means building on distinctive local strengths to forge a clear USP for investment in towns, cities, regions and nations in all corners of the United Kingdom. Cookie-cutter solutions are no solution at all if levelling up is to be a success."

Tony Danker, DG CBI

Challenges



- There are knowledge and/or skills gaps that limit the number of businesses that export; including how to identify new markets, what to consider when entering a new market, how to access support and if their business is capable of selling overseas.
- These gaps can be because of time pressure, lack of capacity, limited networks and contacts, as well as short-term challenges that need to be addressed that are seen as more pressing, especially for SMEs.
- Access to finance for exporting and attending international events, as well as market access issues create a range of systemic barriers that can impact exports.

These factors need to be overcome to create a truly internationally competitive and successful clusters and could be supported by:

- Access to key relevant markets, including trade visits and other associated activities
- Increasing export intensity in identified clusters
- Access to skills and the opportunity for upskilling, including languages and export knowledge
- Excellent international and regional connectivity
- International marketing of the cluster to attract FDI and promote the opportunities for export and knowledge sharing. National marketing of the cluster to attract like-minded businesses to the cluster/inward investment.
- The right domestic conditions for growth

International case study: Minnesota's medical technology sector.



The US state of Minnesota has exploded as an innovation and research hub thanks to its flagship \$8 billion industry – medical technology. The state is headquarters to two of the largest medical devices firms in the US (3M and Medtronic), the world's top ranked hospital (Mayo Clinic), as well as a major research institution (the University of Minnesota). More than 600 companies within the medical device supply chain are located within the state's "medical alley" from Rochester to Minneapolis to Duluth. But Minnesota also takes advantages of its existing, underlying strengths to attract companies in this space.

It has a labour force participation rate that nears 70% and the second-highest education rate in the US (nearly 55% people ages 25 to 64 have completed an associate's degree or higher), which enables businesses to easily find high quality talent. Medical tech firms employ nearly 27,000 people in the state.

The state is anchored by the Twin Cities of Minneapolis and St. Paul, an area that experienced a higher population growth rate over the last decade than both Boston and San Francisco.

A series of legacy American brands headquartered in the area like Target, 3M, Cargill, General Mills, Medtronic, and Fastenal have built an underlying skills ecosystem that link the top companies together and enable talent transfer within the "headquarters economy."

It has leveraged its position in the geographic centre of the US to become a logistics hub between the East and West coasts. MSP International Airport in Minneapolis saw 190 million pounds of cargo activity pass through in 2019.

