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Sensemaker Guide

Can economic clusters help to drive up innovation collaboration in every region and nation?

In partnership with



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

The CBI will explore how we use clusters to drive economic growth in every region and nation of the UK – to really build thriving economies, 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.

Innovation is an essential part of cluster development. This event will focus on how deep and structured collaboration through research and innovation can lead to commercial success and high value growth.

Today we will be focusing on:

- What are the essential ingredients needed to foster innovation within a successful cluster across technologies and sectors, and how can this be replicated to embed long term success?
- How does the eco-system generate collective ideas and how do we create a dynamic environment which encompasses collaboration and competition between firms?
- What are the best mechanisms to enable businesses to partner with HE/FE and research institutions to innovate across clusters and translate R&D into commercially successful products and enterprises?
- What policies have worked to date and how we can make the best from new policies to create genuinely world class clusters of scale and value?

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 bring together businesses, suppliers, universities, and research organisations so that they gain a competitive advantage over other places. They drive innovative behaviours and help attract world class talent – clusters could offer local solutions to attract and retain skilled workers within regions.

The link between skills investment & economic outcomes are hampered by:

- The UK's relative underinvestment in skills compared to international peers
- Regional variation in skills provision and outcomes

Clusters would benefit from a skills approach which leads to:

- The attainment of higher level skills
- Collaboration across large business and SMEs on skills through clusters could bring learnings and benefits to both
- Opportunity for an employer led view, early workforce planning to work with the skills system and providers to meet future needs

£22 billion

Government committing to £22 billion per year by 2024 to 2025

77 unicorns

We are home to 77 unicorns (start-ups valued over US \$1 billion), more than a third of the total across Europe and Israel

38%

The UK attracted 38% of the total European VC investment in 2019

Challenges



There are key barriers to R&D and innovations across clusters and in places:

- Collaboration across stakeholders and supply chains
- Attracting investment for development
- Diffusion within the UK
- Failure rates of scale ups
- Knowing how you can become part of a cluster – they're not made they're organic
- Celebrating and nurturing innovation in businesses and clusters

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



“As the world goes through agricultural, industrial revolutions, technology revolutions, Britain’s got a chance to attract a lot of capital to the ‘D’ of the R&D economy, to take technology out, develop products and services, use our regulatory freedoms post-Brexit to create the digital test-beds of tomorrow.”

George Freeman MP, Minister for Science, Research and Innovation



Innovation insights from CBI Thriving Regions and Nations national committee members:

Collaboration and competition aren't mutually exclusive.

"Don't be too nervous about IP," says Kirsty Lloyd-Jukes. Head of Investor Relations at Waymo, and previously CEO of Oxford spin-out Latent Logic and Director of Ventures at the AA. "In general, the bigger risk is from being too holed up, rather than from oversharing. When you start laying out what the issues are – or the challenge you're trying to solve – you soon realise that it's helpful to work together."

It's in big businesses' interest to open the doors for smaller companies in their supply chain.

Andrew Evans of SPTS Technologies points out that if a big business is 95% of a supplier's customer base, that's not healthy for either party – and opportunities for innovation will be missed.

Don't limit yourself by your procurement processes.

"The biggest problem when it comes to innovation diffusion is that we switch off our minds when we come to procurement," says Stuart Martin, CEO of the Satellite Applications Catapult. "We've got this view that procurement is there to get value for money. We go for the low-risk option. That's not going to give you innovation. It's not going to help you find competitive advantage."

Don't dismiss clusters as irrelevant if they're not focused on your sector – or they're based elsewhere in the country.

The space sector could hold the key to answering big challenges like climate change and energy, health and healthcare and is a sector where the UK can genuinely lead says Rafel Jorda Siquier, Founder and CEO of Open Cosmos. "It's only when you connect the dots across multiple industries that you have truly impactful innovations that work across the entire economic system, not just a fraction of it, which clusters can make happen."

