



اتحاد الغرف التجارية الصناعية الزراعية الفلسطينية
Federation of Palestinian Chambers of Commerce, Industry & Agriculture



Clusters and Cluster Development

Private Sector Development Cluster Project (PSDCP)

Sabeeh Qarban



What We Will Cover

WHAT IS A CLUSTER?

THE CLUSTER DEVELOPMENT PROCESS

What is a Cluster?

- **Who has heard about “clusters”?**
- **Who knows what about “clusters”?**

What Is a Cluster?

A CLUSTER

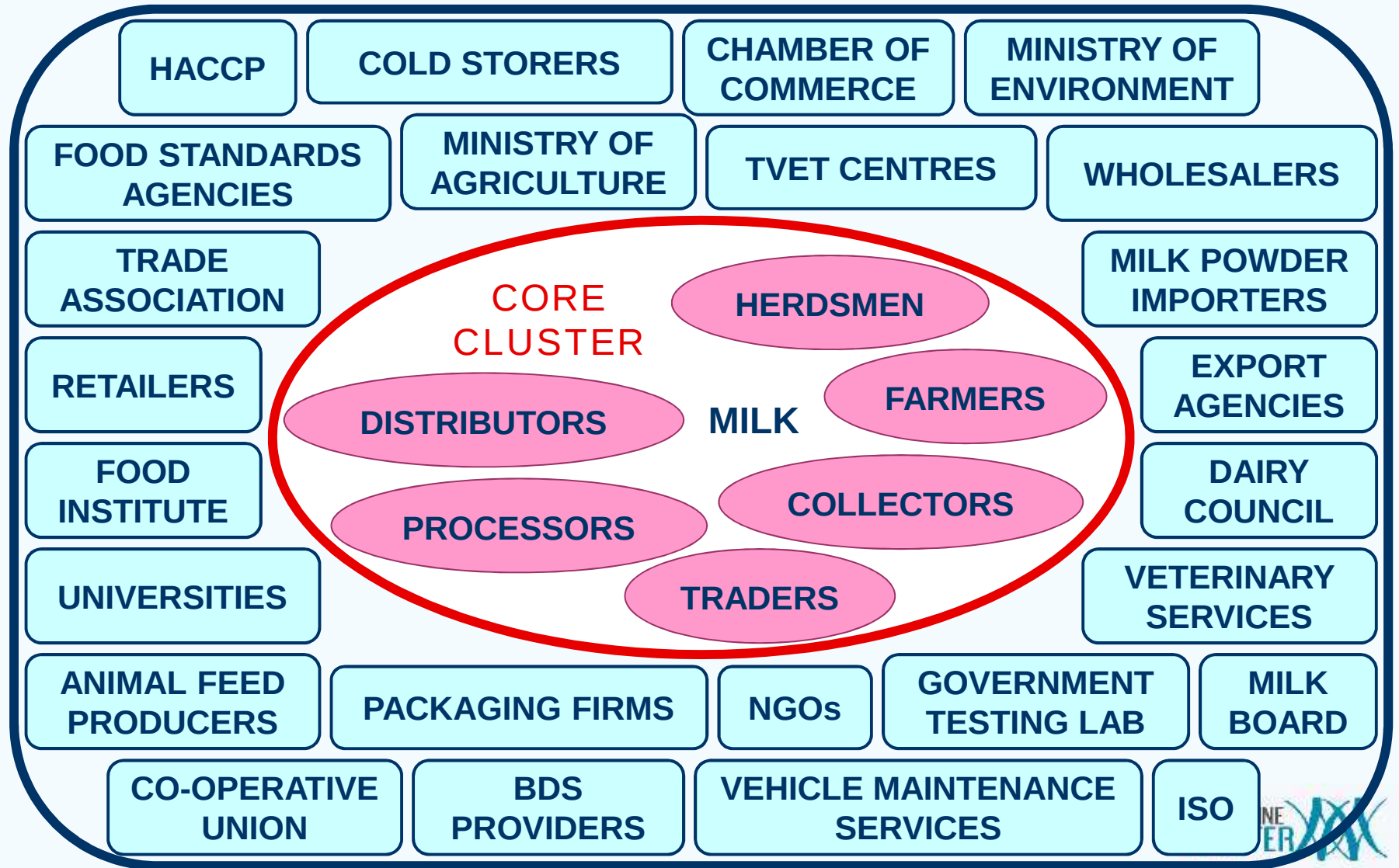
A geographic concentration of interconnected companies, specialized suppliers, service providers and associated institutions in a particular field that are present in a nation or region

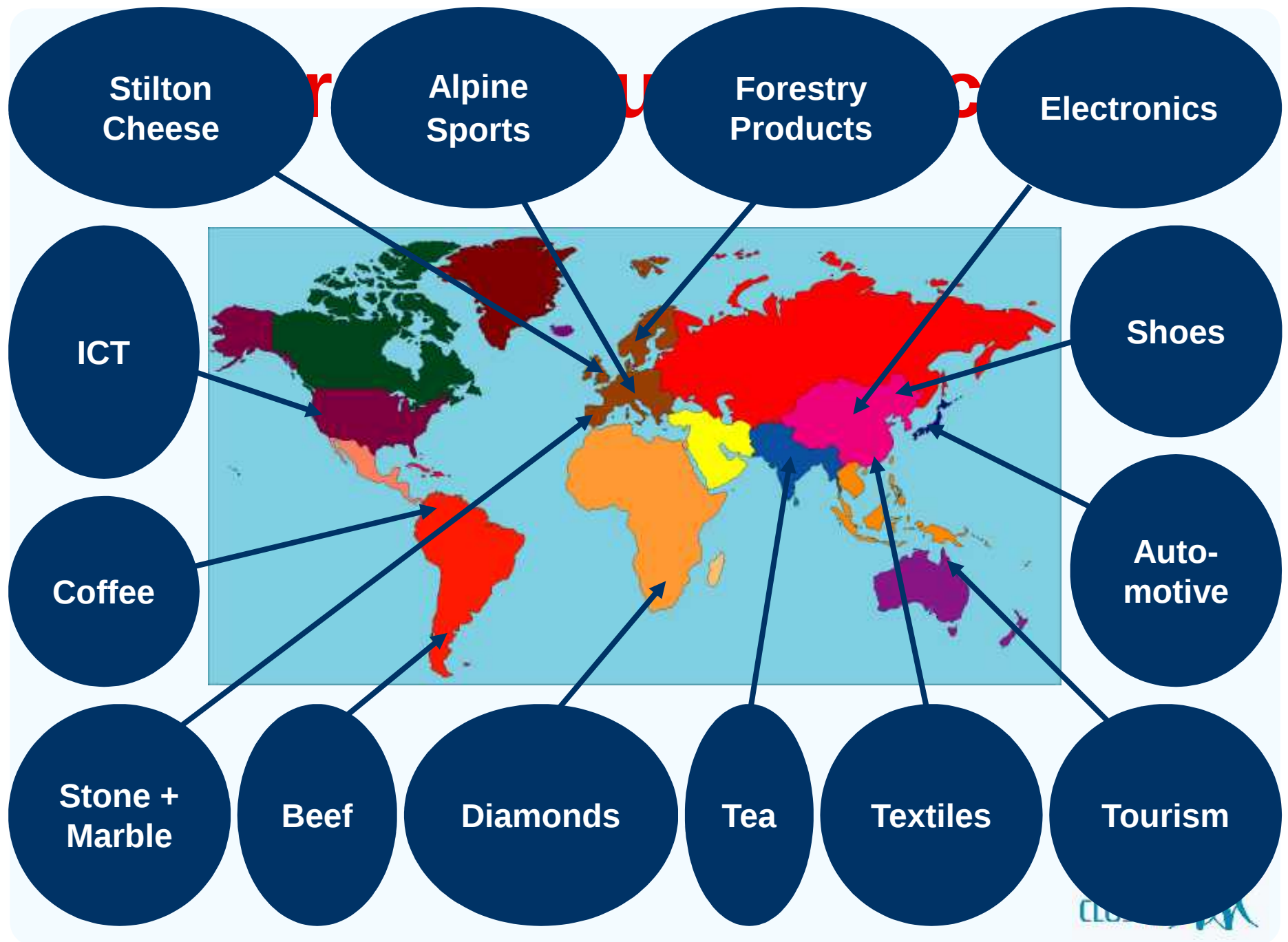
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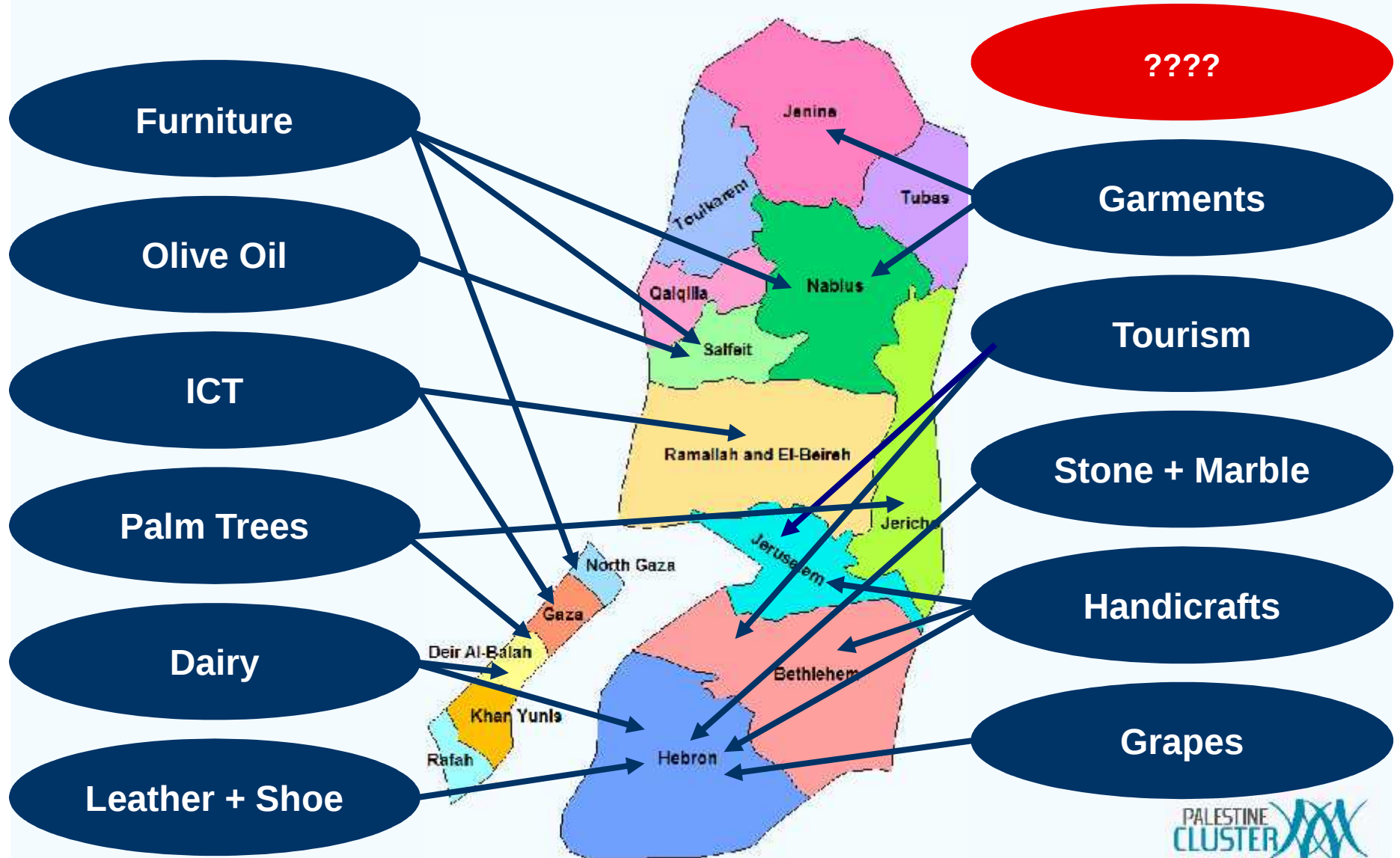
What Does a Cluster Look Like?

DAIRY PRODUCTS CLUSTER OF TRAZON





In Palestine?



How Do They Occur?

- Clusters are not created - they either form naturally or they do not
- Some reasons a cluster might form:
 - Proximity to market (e.g. Furniture Cluster of Salfit)
 - Availability of raw materials (e.g. Stone + Marble Cluster of North Hebron + Bethlehem)
 - Availability of power (e.g. Steel Cluster of Sheffield, UK and local coal)
 - Climate (e.g. Date Cluster of Jericho)

More Reasons

- Availability of labour (e.g. Garment Cluster of Jenin)
- Proximity to natural ports and transport hubs (e.g. Logistics Clusters of Rotterdam, Mersin and Izmir, JAIB in Jericho)
- Proximity to suppliers (e.g. ICT Cluster of Ramallah)
- Skills availability and / or educational establishments (e.g. Silicon Valley, Leather and Shoe Cluster of Hebron)

Why Do Cluster Development?

- An active cluster increases the ability of its individual member firms to:
 - Improve in some ways and become more competitive
 - As competitiveness rises, so do profits and firms can grow
 - To grow, they need more workers and, because the firm is making more profits, they can be paid higher wages
 - Which enables everyone achieve a better standard of living
- Most economies have and rely on a high percentage of MSMEs
- To improve economies, governments need to support their MSMEs
- One way they can do this is by supporting cluster development. This helps MSMEs to access the power of a collective

Who is in Your Pilot Cluster?

- The PSDCP is working with five pilot clusters in Palestine which have been selected due to their high level of importance to the region (economically and socio-economically)
- In the PSDCP is working with the Cluster of
- MSME cluster members have been identified (and this is rising)

BUT IT IS NOT JUST THESE

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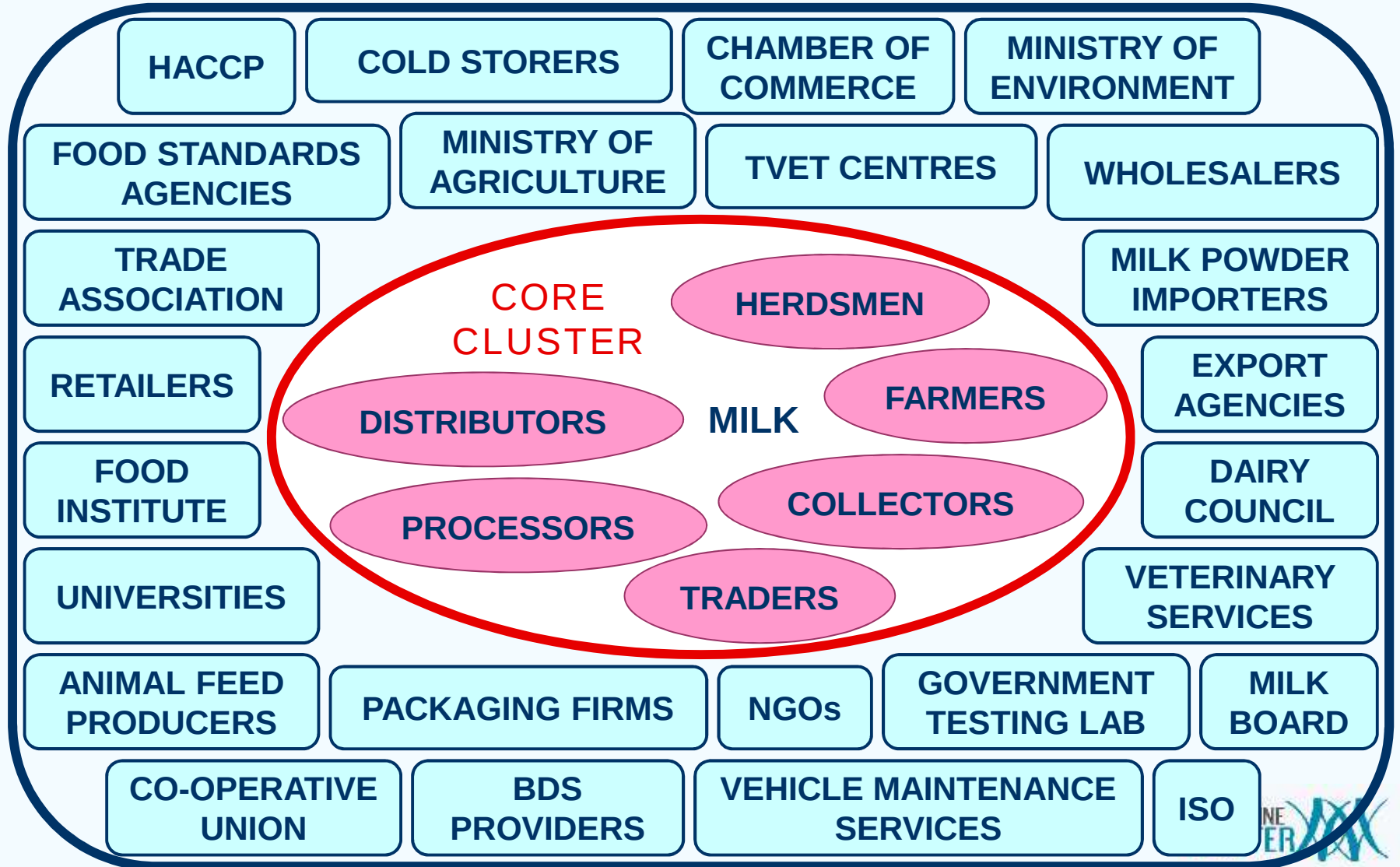
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- Suppliers
- Customers (direct + indirect)
- Supporting industries
- Service providers
- Organisations for collaboration
- Government (local and / or national)
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**BUT NOT
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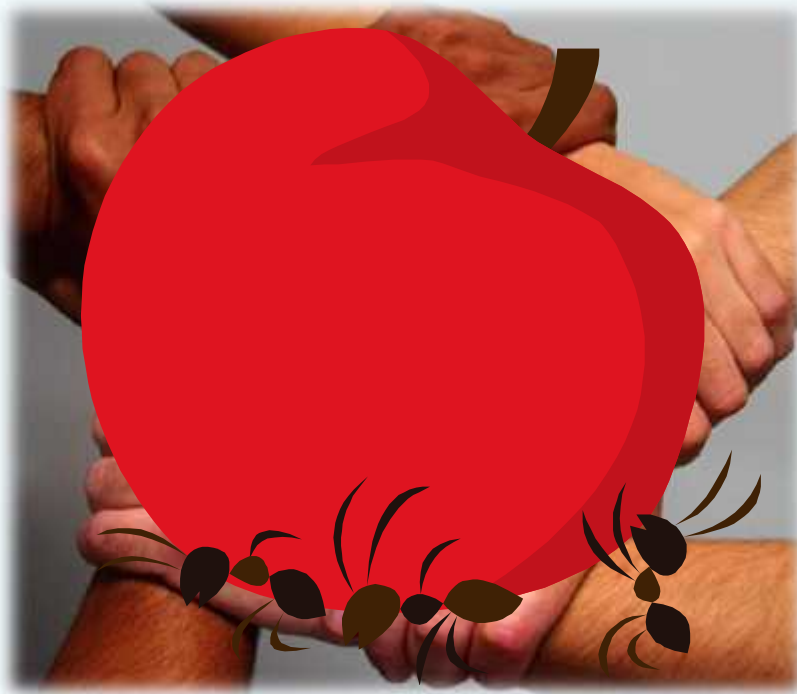
Let's Consider This Again

DAIRY PRODUCTS CLUSTER OF TRAZON



Benefits of a Cluster to Firms

- The power of one firm working alone is small
- By collaborating with others, a firm accesses **the power of the collective**



It is not about
COMPETITION but
CO-PETITION

Think of a Cluster Like This



Some Successful Clusters

- **Stone / Marble / Granite Clusters:**
 - Cluster del Granito (Galicia, Spain)
 - Cluster Valor Pedra (Alentejo, Portugal)
- **Furniture Clusters:**
 - ASDI-Sedia Chair Cluster (North East Italy)
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 - Tannery Cluster (Vicenza, Italy)
 - ACRIB Footwear Cluster (Brenta, Italy)

Let Us Be Clear

- Companies compete at one level and cluster activity operates...

ENTIRELY
AT ANOTHER

- Enterprises collaborating in a cluster each take something from the cluster and use it for themselves - they do **NOT** compromise their individual businesses or individual competitiveness

Let Us Be Clear

- The Cluster Development Process is about developing a framework, building networks, developing communication and forming linkages so that cluster members can operate in an environment which helps them to improve their competitiveness
- Which part(s) of a cluster activity a cluster member chooses to take advantage of and use to increase its own competitiveness

IS UP TO EACH ENTERPRISE

Any Questions?



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What Have We Learned?

- What is a cluster?
- What is in a cluster?
- For what reasons can clusters form?
- What benefits can cluster companies get from being part of an active cluster?
- How do they do this?
- Why do governments want to support clusters?

The Cluster Development Process

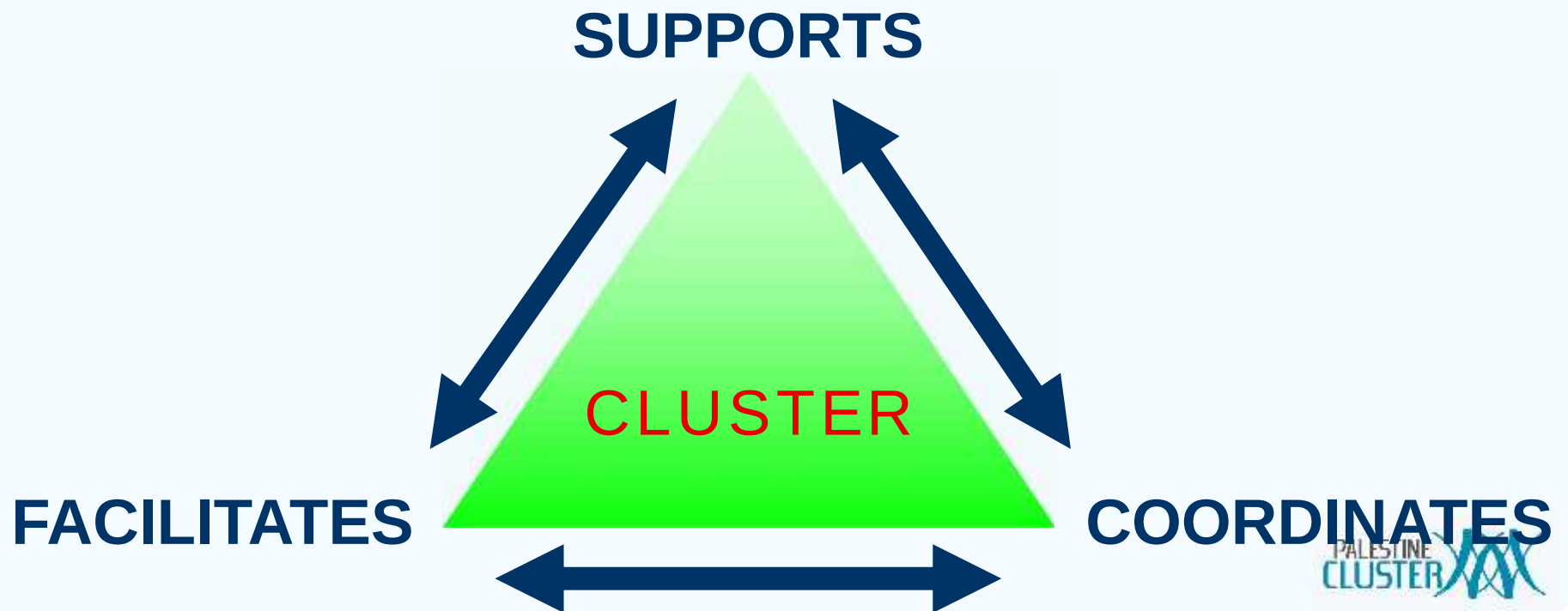
Cluster Development is a PROCESS

What is the Aim of The Process?



For the **CLUSTER** to fly!

**A BSO SUPPORTS
THE CLUSTER +
HELPS IT TO
DEVELOP**



What Does this Process Do?

- BUILDS CLUSTER STRENGTHS
- MINIMISES CLUSTER WEAKNESSES



It is **NOT** about to
re-inventing
the wheel!

Where Do You Start?

- Firstly, identify your cluster(s)
- Choose the cluster(s) you wish to support
- Identify the companies in the cluster(s)
- Identify other potential cluster members



How to Support the Cluster?

- Invite potential cluster members to a workshop:
 - Introduce the concept of clusters
 - Inform on some potential BENEFITS that collaborating as a cluster can bring (give examples)
 - Determine which companies are interested in exploring collaborating as a cluster
 - Ask those that are interested to form a Focus Group (we will call this a Cluster Core Group (CCG))

How to Support the Cluster?

- **Host Cluster Core Group meetings and:**
 - Encourage cluster members to build mutual trust
 - Develop cluster member understanding of what clusters are
 - Explain the cluster development process
 - Manage cluster member expectations (cluster development is not a “quick fix”!)
- **Help the cluster elect a Cluster Representative**
- **Help the cluster to decide upon and appoint a Cluster Animator**

How to Support the Cluster?

- As a BSO, you need to understand your cluster so that you can better support it. Find out:
 - Who is in the cluster?
 - What products does the cluster make?
 - What is the cluster structure (% small firms)?
 - What are the cluster's strengths?
 - What are its weaknesses?
 - What is in the cluster's Value Chain?
 - What are its major markets (domestic / export)?
 - What is the sales value into each market?
 - Etc

How to Support the Cluster?

- The BSO also needs to understand the industry, again so it can better support the cluster (e.g. a sector may be expanding, but cluster sales may be declining - you need to know why so that you can guide the cluster and offer the best support). For example:
 - Is it a buyer-driven industry?
 - Are buyers increasingly price conscious?
 - Is the demand for small orders increasing?
 - Are big orders moving to low cost countries?
 - Are buyers developing regional sourcing hubs?
 - Are buyers moving to suppliers involved in Corporate Social Responsibility (CSR)?
 - Are they moving to financially more secure companies?
 - Are they developing “partnership” relationships with their main suppliers?
 - Are buyers rationalising their supply base?

How to Support the Cluster?

WHAT DO
CLUSTER
CUSTOMERS
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How to Support the Cluster?

- When you know what cluster customers want, and understand the cluster and the industry it operates in, a BSO can advise the cluster on what it should consider doing, and how best it should do it

A BSO ADVISES, GUIDES AND
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IT DOES NOT TELL THE CLUSTER
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How to Support the Cluster?

- Help the cluster to determine its main collective problems in fulfilling its customers' wants
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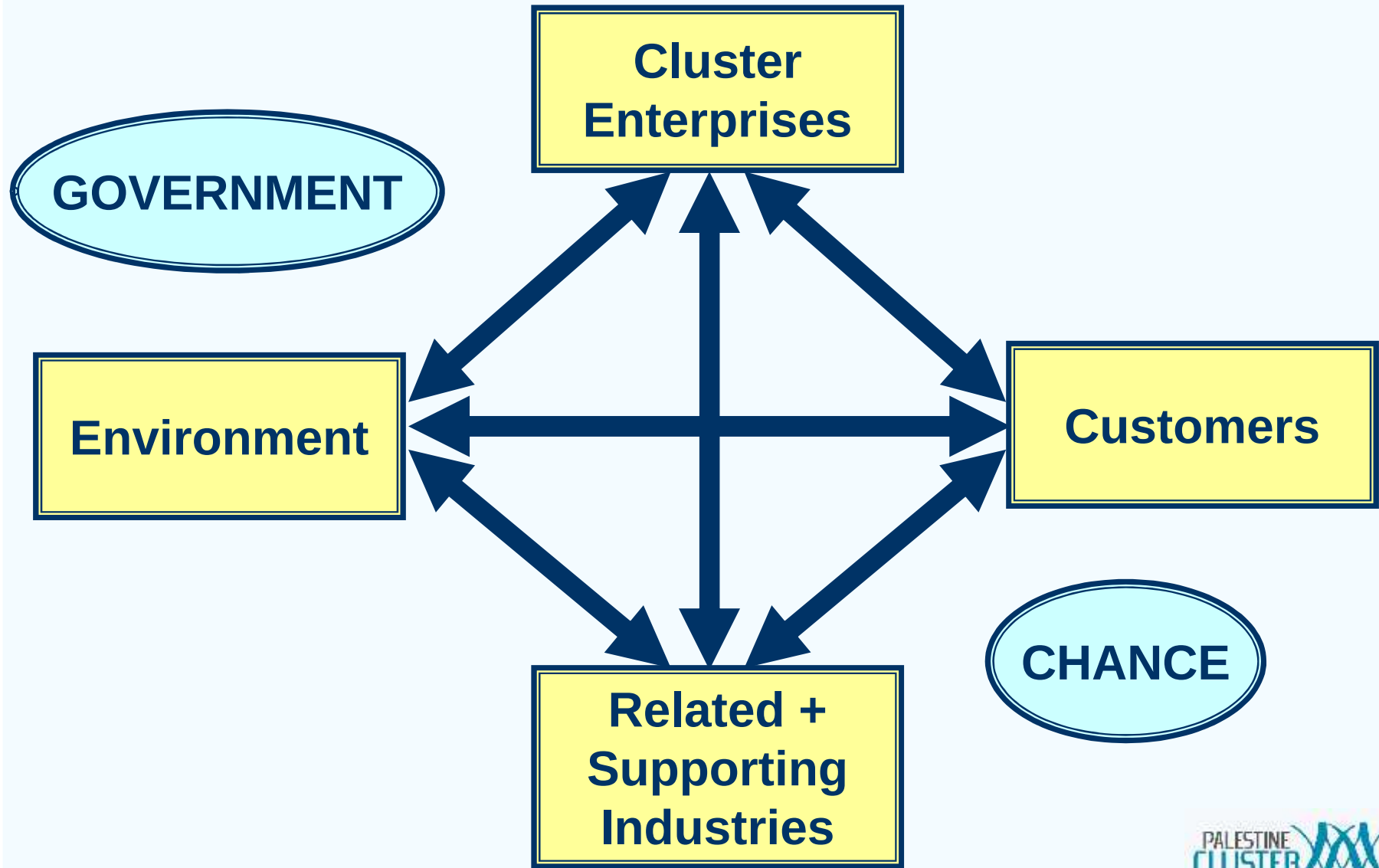
PUBLISH THE SUCCESS STORIES!

How to Support the Cluster?

- Help the cluster to form Sub-CATs to drive through individual projects within the strategy
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- Help the cluster to form a legal identity
 - Why does it need one?

A legal identity can apply for funding for initiatives from, for example, the EU, international donors, NGOs, banks, private investors, etc

How Does All This Fit Together?



Last Words

- Why cluster development?
 - To help enterprises **improve in some way** (e.g. market access, competitiveness, skills, quality, innovation, efficiency, costs, etc)
 - By collaborating with others, MSMEs access **the power of the collective**



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What Have We Learned?

- What is the aim of the cluster development process?
- What is a BSO's purpose in cluster development?
- What should the process aim to do?
- What should drive cluster activities?
- Ways a BSO can help activate a cluster?
- What is Co-petition?

Handout 1.1

“Clusters and Cluster Development (Slides)”



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Thank You for your Attention



HANDOUT 1.1 - CLUSTERS AND CLUSTER DEVELOPMENT (SLIDES)



الهيئة العامة للتعاون الاقتصادي والمالي
Ministry of Planning and Economic Affairs

Clusters and Cluster Development

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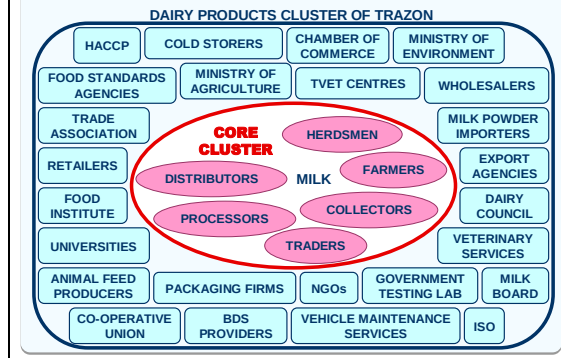
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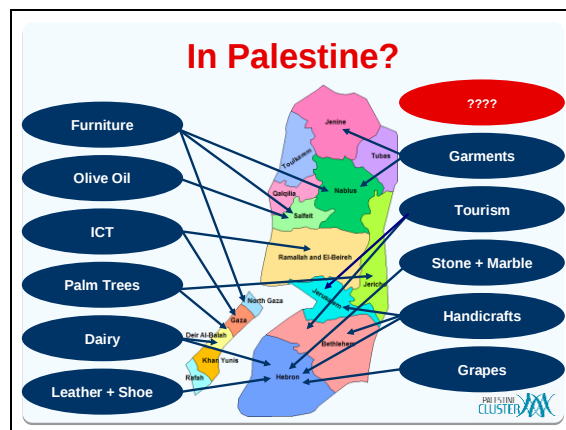
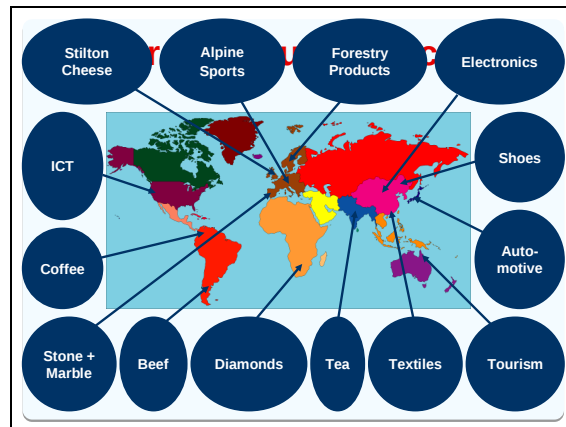
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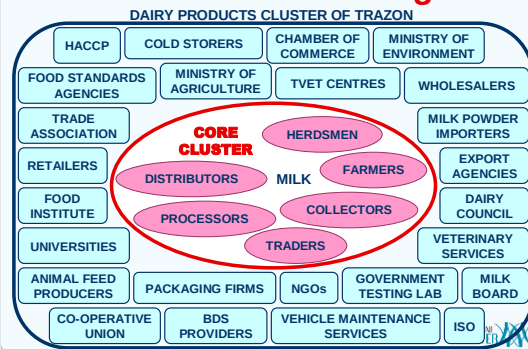
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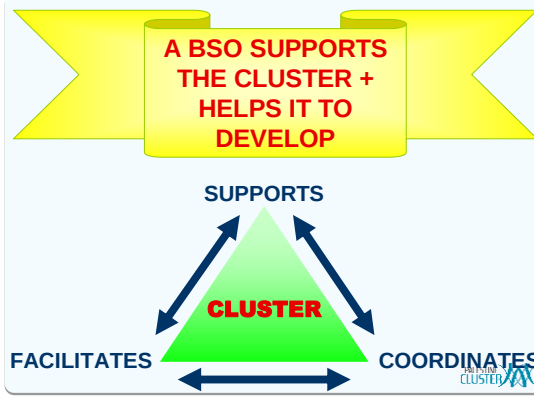
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PREVAILING
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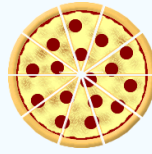
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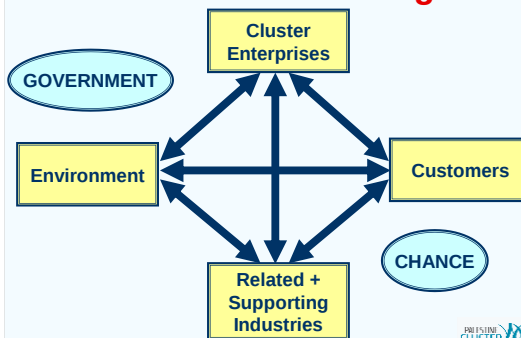
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PALESTINE
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PALESTINE
CLUSTER

Handout 1.1

"Clusters and Cluster Development (Slides)"

PALESTINE
CLUSTER



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PALESTINE
CLUSTER