

2006 Innobarometer on cluster's role in facilitating innovation in Europe

Summary

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Flash EB Series #187

Innobarometer on cluster's role in facilitating innovation in Europe

Conducted by
The Gallup Organization Hungary
& Gallup Europe
upon the request of DG Enterprise and Industry
<http://cordis.europa.eu/innovation/en/policy/innobarometer.htm>



Survey organised and managed by the
Eurobarometer Team of Directorate-General
“Communication”

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THE GALLUP ORGANIZATION

Introduction

The current Innobarometer on “Cluster’s role in facilitating innovation in Europe” was carried out in the 25 member states of the European Union, in four candidate countries (Bulgaria, Croatia, Romania and Turkey) as well as in Norway, Switzerland and Iceland under the framework of the Flash Eurobarometer survey series.

The current wave of Innobarometer is primarily dealing with the specific characteristics of firms existing in a cluster-like environment. Company clusters are considered as prominent vehicles of increased innovation and competitiveness, where – due to the concentration of similar and complementary businesses – key factors of development can be produced more economically and competition is above the average.

The survey had a two-step sampling approach, where, in the first step, firms with at least 20 employees were selected at random in specific innovation intensive industry sectors. From among these randomly selected companies Innobarometer screened those that work in a cluster-like environment (i.e. have strong local linkages, work in close relationship with other local market players, higher industry density in the region, cluster in the respective industry exists, awareness of cluster concept) regardless of declared cluster membership. The main interview was carried out among firms operating in cluster-like environment.

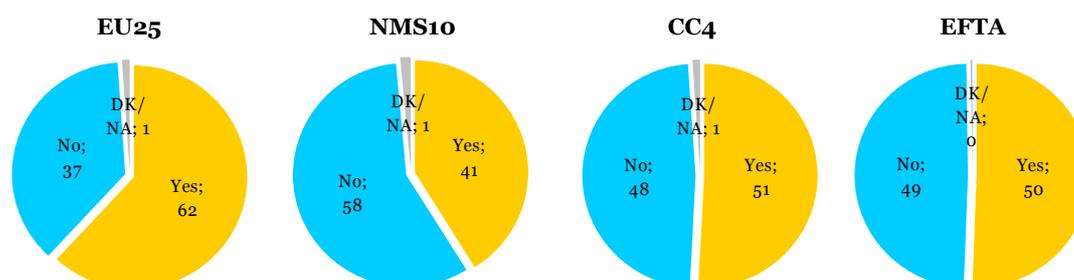
Overall, Gallup interviewed 3 528 **companies working in a cluster-like environment** across the Europe zone, chose from among 20 994 randomly selected screener interviews between May 28 and July 5, 2006, over the telephone. (For the country breakdown of the screener / main interviews and field periods, please refer to “Survey details” in the Annex of this report.) Eligible respondents were top company managers, responsible for strategic decision-making, typically General Managers, owners, financial managers.

Post-stratification weights were used to restore the artificially distorted proportions according to company size and industry sector, for the screener interview. When we are discussing EU-wide or other supra-national summary estimations, both the screeners and the main interviews are weighted to correct for the disproportional selection of countries in the starting sample.

Cluster concept and cluster membership

Top-level company managers are generally aware of the relatively new concept of company clusters, much more so in the old member states than in the new ones. **While the self-proclaimed awareness of the cluster concept is 62% on EU-25 level, only 41% of the managers from the New Member States claimed to be familiar with it.**

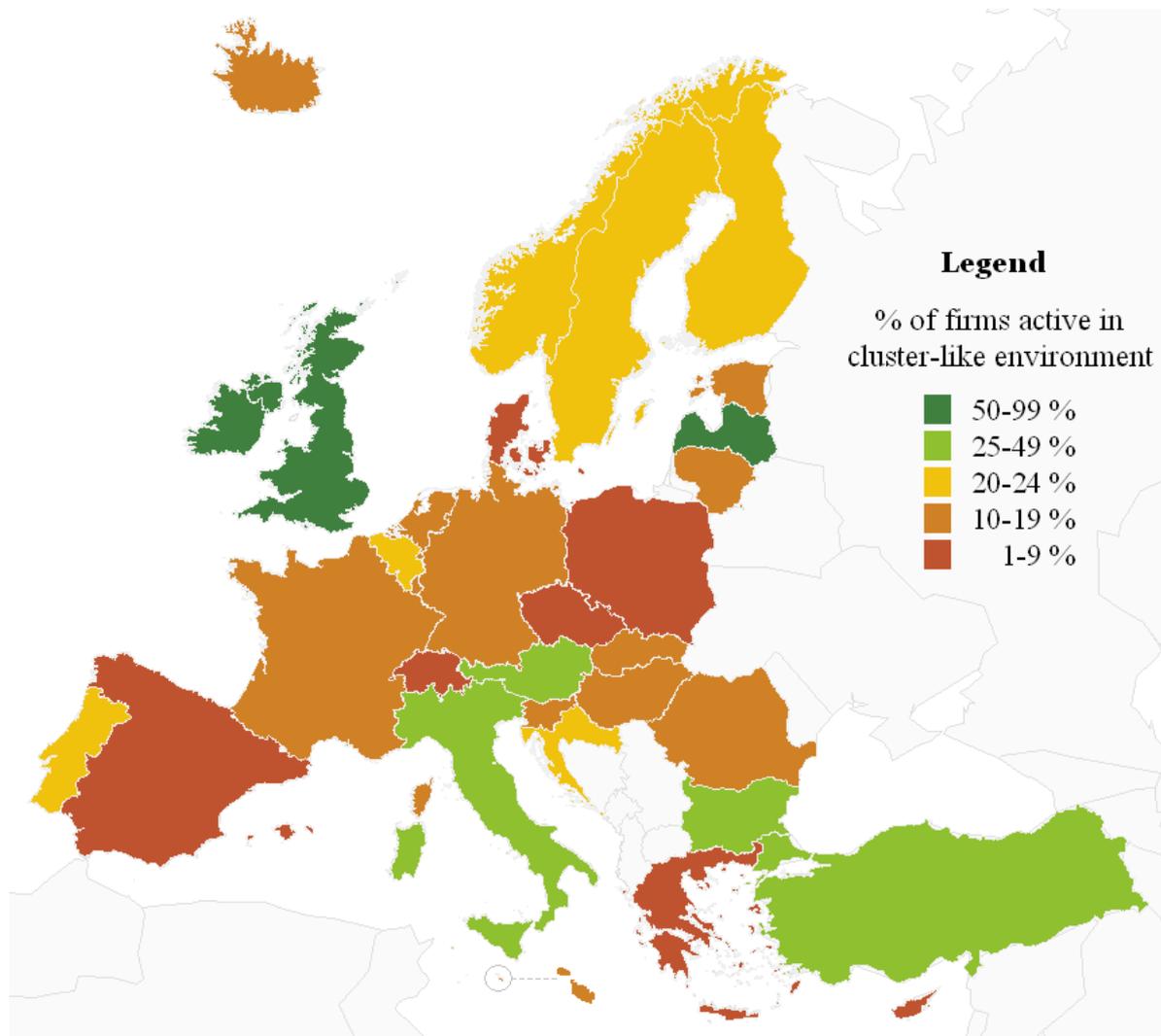
Awareness of concept of cluster (%)



On average, every fourth company (employing at least 20 persons) in the European Union (24%) work in a cluster-like environment characterised by close cooperation with other local businesses and strong ties to local business infrastructure. The EU-25 average is hiding a striking difference between the older member states and the countries that joined the EU in 2004: the proportion of companies working in a cluster-like environment is only 9% in the NMS zone, compared to the 28% measured in the EU-15 countries. Among the selected companies, on average, **64% of the managers in the EU countries agreed that indeed they are participants in a cluster**, and the proportion was almost exactly the same in the new and old member states.

The United Kingdom dominates the landscape of the companies that operate in cluster-like environment: more than eight out of ten companies employing at least 20 people (and operating in the selected industry sectors, see the Introduction, or Survey details) qualified as “cluster” company (84%), and proportions were extremely high in Latvia (67%) and Ireland (64%) as well. Moderately high proportions of cluster-like operation were detected in Italy (43%), Bulgaria (35%) and Austria (34%).

Percentage of firms active in cluster-like environment

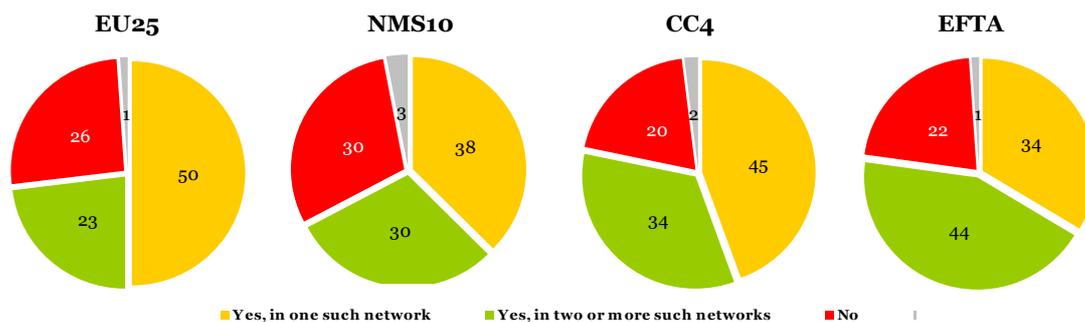


At the bottom end of this ranking we find Cyprus (with only 3% qualifying as cluster companies) Poland (4%), Czech Republic (4%), Greece, Estonia, and Lithuania (all 9%).

Partnerships within the clusters

Clusters are primarily defined – besides geographical proximity – by the **nature and frequency of interactions between the different actors in a given business area**. While a quarter (26%) of cluster companies in the EU do not *actively* participate in any business network, almost as many (23%) participate more than one, and the plurality of companies is active in one such network (50%).

Active participation in networks



Cluster companies from the New Member States are less likely to participate in such networks (30% do not, while another 30% participate multiple). Most intensive networking of cluster companies takes place in the EFTA countries included in our sample: 44% of the cluster companies we interviewed in Switzerland, Iceland and Norway reported to actively participate in at least two business networks. “Isolation”, on the other hand, is the least characteristic of the candidate zone: only every fifth cluster firm stated that they do not meaningfully take part in a business network.

Looking at the individual countries, the **highest level – and intensity – of networking** we find in the Nordic region: Finland, Sweden, Denmark and Norway. In these countries the majority of cluster companies actively participate at least two business networks (only Turkey has similar characteristics) and about 9 out of ten cluster companies take meaningfully part in at least one such network. **Staying away from active participation in networks** is the majority strategy of cluster companies in the Czech Republic only (51%), but a very significant proportion of cluster firms reported similar situation in Italy (49%), Hungary (48%), Slovakia (41%), Belgium, Portugal and Slovenia (all 39%).

The most widespread cluster benefit is related to human resources: almost two-thirds of the interviewed cluster company managers agreed that their cluster is hiring skilled people. Just a little less confirmed that there is regular market information transfer within their cluster. Six out of ten find their cluster stimulating entrepreneurial spirit, and about as many report that developing partnerships around specific projects is characteristic of their cluster.

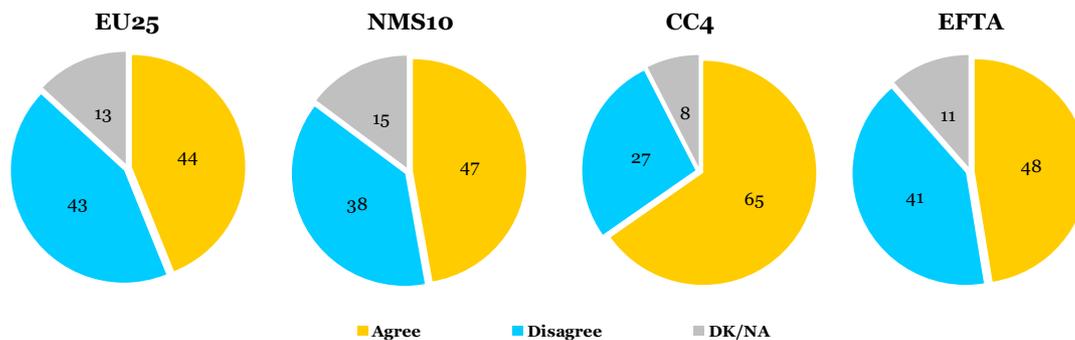
According to half of the companies (51%) being a member of a cluster does not **help developing relationships to compete on the European market**; however, almost as many, (a significant 42%) find that this is the case in their experience.

Managers and strategic decision makers of most companies active in a cluster-like environment consider **cooperating with other European clusters** rather an opportunity than a threat.

Innovation and competition in the clusters

The cluster paradigm postulates that **competition is higher in the cluster than outside**, but Innobarometer results can only partially confirm this hypothesis. On the EU-25 level, companies are about equally split on this issue; many say that competition is not stronger than in other regions (43%) and many confirm that there is a more fierce competition within the cluster (44%).

Intensity of competition in the clusters



Especially Scandinavian cluster firms are less likely to perceive competition to be stiffer in their cluster than elsewhere (Sweden: 60% disagree, Finland: 61%, Denmark: 52%; but also Netherlands: 56%, or Switzerland: 50%). Especially Turkish (80%), Spanish (69%), Slovakian (66%), and Irish (63%) agree that competition in their cluster is higher than elsewhere.

Innovative companies active in cluster environment are more innovative than the general sample of innovative European companies interviewed by the 2004 Innobarometer: 78% of the innovative companies working in a cluster recently introduced new or significantly improved products compared to the 74% of the 2004 Innobarometer. Similarly: 63% of the innovative cluster companies introduced innovative production technology, compared to the 56% Innobarometer found amongst innovative European Union enterprises two years ago.

Innovative companies in clusters are much more likely to conduct market research than innovative companies generally in 2004 (53% vs. 33%). The greatest difference is, however, a direct derivative of operating in a cluster structure: **the innovative companies in clusters are more than twice as likely to source out research to other firms, universities, or public labs than were the average European innovative firms in 2004.**

Trademarks and patents are important indicators of significant innovation: compared to the 2004 Innobarometer of innovative companies, the cluster companies of the EU are now much more likely to patent and trademark their innovations and new products/services: while in 2004 12% of the innovative companies applied for a patent, the proportion among similar cluster companies in 2006 is 29%, and similarly: in 2004 Innobarometer found 14% of innovative firms registering international trademarks, now 29% of the innovative cluster companies say they registered at least one in the previous two years.

The role of public authorities

Overall, **most cluster company managers agree that public authorities have at least important if not fundamental role in supporting the cluster** (68% share this opinion). Only 15% in the European Union say that public authorities do not have a role to play in supporting their cluster. State interference with business operations is seen unnecessary more in the New Member States, and even more in the candidate countries. Still, even in these countries the majority expects public authorities to play at least a limited role in supporting the cluster, or the region.

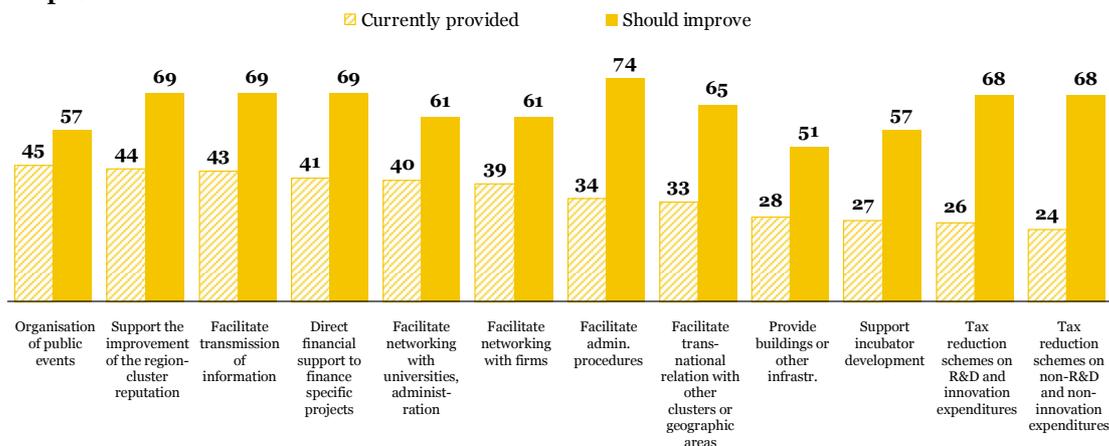
Spanish and Irish companies report the most favourable situation regarding support received from public authorities: the Irish report extraordinarily high level of financing support, while Spanish managers very often claim that the public authorities support the various forms of information transfers. Such general support level is also exceptionally high in Finland where especially the support of information transfer and networking is outstanding), Turkey (where the characteristic difference is that public authorities support trans-national relationships the most among all countries surveyed).

Public assistance to clusters is the lowest in Latvia and Slovakia. Latvia scores the lowest in the EU in a series of indicators: support for networking (both inter-company and trans-national), support for development of the image of the cluster/region, organisation of public events, and direct financial support for cluster-related projects. Slovakia is rated the lowest in Europe in supporting incubator development in the clusters. Lithuania and Iceland are also countries where the level of public support is very low.

There are a number of countries – and Iceland is one of them – that **do not provide tax incentives** to cluster companies. This is the case in each Nordic country with the exception of Norway, but also in Germany, Poland and to some extent Romania, too.

In most areas of public support significant improvement is desired by most companies that operate in a cluster-like environment in the European Union. Compared to current provision levels, managers desire lowering the costs of operating in the cluster, via tax incentives (68% would like to have more empathy to their profitability needs from the public authorities), and by decreasing the administrative burden: the prime desire of the European cluster companies is that public authorities should provide support by simplifying bureaucratic procedures for them.

Support activities of public authorities: assessment of current levels and desire for improvement



Facilitating administrative procedures tops the wish-list in most individual countries as well. More **financial support to cluster-projects** is called for at the first place in Belgium, Lithuania, Malta, the UK, and Turkey. For Cypriot, Greek and Swedish cluster enterprises increased public efforts to **improve the cluster/region image** would be most welcome, and this is one of the top issues for

managers from the Czech Republic, Denmark, Germany, Malta, Netherlands, Poland, Slovakia, Finland, Bulgaria, Croatia and Switzerland, too.

Tax reduction on R&D and innovation expenses appear as one of the top desires in many countries, too, and it tops the list in Estonia, Slovenia, Spain, and Norway. In some other countries a **general tax reduction** would be most favourable: in Austria this tops the wish list of managers, but their French, Italian, Hungarian, Latvian, and Swiss counterparts feel that a lower tax rate is among the most important improvement areas that could help their clusters.

Finnish, Hungarian, Icelandic and Romanian company leaders demand more help in **information transfer** from the public authorities to better support their cluster, and this need appears among the most important ones in several other countries as well, such as Estonia, Greece, Germany, Ireland, Latvia, Luxembourg, Portugal, Slovenia, Slovakia, Bulgaria, Croatia, Turkey, and Norway.

Irish managers primarily want public authorities to help them in **trans-national relations**, and this is among the top desires of Cypriot and UK managers, too. The Danish and the Swedish would like significantly improved support in the area of **networking with public institutions / universities**, and the latter country – along with Portugal – is also interested in increased support in **inter-company networking**. Icelandic and Finnish managers have more support for incubator development on their wish list; while Romanians desire improved support for public events, such as fairs, trade shows, etc.