Chapter 5
Putting Clusters to Work

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ABSTRACT
This chapter illustrates the effect of clusters on company performance through rigorous mapping of the patterns and strength of relationships between companies applied in the Aalborg region of Hub North, Denmark. This case study has been selected from similar industry cluster projects undertaken between 1999 and 2013 in Midjutland, Denmark, Dalarna, Sweden, mining regions in Queensland, and the Playford industrial region in South Australia. A conceptual methodology and suite of tools that have translated cluster theory into bottom up business outcomes for companies participating in these cluster projects demonstrates how a deeper understanding of clusters can contribute to the economic development of industrial regions. The methodology and findings described in this chapter pioneer new insights and ways to analyse emerging cluster developments.

INTRODUCTION
This chapter illustrates the effect of clusters on company performance through rigorous mapping of the patterns and strength of relationships between companies in a methodology developed by Rodin Genoff & Associates and applied in the Aalborg region of Hub North, Denmark. This case study has been selected from similar industry cluster projects undertaken between 1999 and 2013 in Midjutland, Denmark, Dalarna, Sweden, mining regions in Queensland and the Playford industrial region in South Australia. A conceptual methodology and suite of tools that have translated cluster theory into bottom up business outcomes for companies participating in these cluster projects demonstrates how a deeper understanding of clusters can contribute to the economic development of industrial regions. The methodology pioneers new insights and ways to analyse emerging cluster developments.

Part One outlines the Business Opportunity and Strategic Potential Framework (BOSP) model that forms the conceptual basis and methodology to explore a region’s competitive capabilities and its level of interconnectedness, both locally and globally. Responses to a Performance Audit and Cluster Survey questionnaire are used to identify
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the strengths and weakness of the local business
networks. The framework compares the effect-
iveness of a company’s ability to ‘Win Orders’,
and relates this to its central position in regional
‘Supply Chain’ and ‘Product Chain’ networks
operating between the company and its first tier
suppliers and customers. Sets of Network Maps
based on supply and product chain Transaction
Scores are used to identify the array of Connector
Companies, that is, the most interconnected clus-
ters within the region. Finally, Cluster Companies
and their characteristics are used as input to the
Business Collaboration Process (BCP) to lever-
age their ‘Competitive Capability’ and ‘Business
Outcomes’ through joint ventures.

Part Two summarises the Business Collabora-
tion Process (BCP). The BCP has been deployed
through putting to work ‘connector’ companies
identified through the industry and cluster map-
ing processes described in Part One, or working
from the bottom up individually with selected
companies to optimise business collaboration
opportunities. This results in the formation of
new joint ventures between companies that bring
together complementary business services right
through to companies working across disparate yet
connected industry clusters such as electronics,
creative industries and engineering, to spinning
off completely new companies as a result of the
formation of strategic alliances.

Such collaborations in high cost economies and
especially between small to medium size enter-
prises (SMEs), develop over time deep reservoirs
of trust that are a prerequisite for companies to
work more closely together. These collaborations
result in reduced transaction costs – planning and
decision making is faster and more integrated.
A direct spinoff of this trust is the creation of a
milieu that fosters innovation and the ability of
these business partnerships and collaborations to
compete in niche markets, particularly in markets
that require tailored products and services.

Hence one of the key outcomes of SMEs col-
laborating together in high cost economies is the
ability to provide turnkey solutions to their cus-
tomers. This has several benefits from increasing
their ability to work as an integrated team to win
new contracts to cooperating more effectively with
their customers to improve say engineering speci-
fications and design as they go into production.
For their customers, this means faster turn around
and superior end product. It is this interaction that
increases the competitiveness of these SMEs in
high wage economies, while delivering a regional
productivity dividend back to the industries and
regions of which they are a part.

Part Three provides several practical examples
and outcomes of this process at work and discusses
how it has helped to transform the companies that
have participated in these cluster projects and in
the process, created new jobs, while building the
capacities and capabilities of SMEs at a regional
level.

The conclusion outlines the lessons learnt from
developing clusters across a range of industries
from mining, engineering, electronics and related
software companies to cleantech and the creative
industries.

Methodology in Relation to
Existing Cluster Literature

The cluster methodology described in this chapter
is an example of applied research. Its findings
can be positioned to add to and provide new
understandings of existing literature on cluster
development and formation. The findings show the
capacity of businesses to generate opportunities
for regional growth and joint venture development
through identifying ‘latent nodes’ for collaboration
and networking. This also demonstrates where
the cluster methodology differs from current
approaches.

The following provides an outline of where
the cluster methodology and its findings draws
from and contributes to existing cluster literature.

The cluster methodology demonstrates how
to integrate theory and practice. It is an action