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Benchmarking industrial clusters – a short recipe

This note outlines thirteen steps followed in some exercises to compare industrial clusters in different countries. It draws in particular on cluster benchmarks in optoelectronics and telecommunications equipment carried out in Scotland, California, Florida, Taiwan, Germany, the French Cote d'Azur, Sweden and Ottawa. It uses the GEM model for assessing cluster strengths and weaknesses, described in Padmore and Gibson (1998). That model looks at the resources and infrastructure that make up the *Groundings* of a cluster, the supporting firms and the company structures, strategy and rivalry that form its *Enterprise* system, the characteristics of local Markets and access to global ones. A fuller version of this note is available.

1. Define and delimit the home cluster. What products, activities, firms and institutions, resources, technologies, and markets are we talking about? Measure what you can and draw a 'cluster map'.
2. Review with industry experts where in the world successful clusters in the relevant industries may be found. What are their differences from the home cluster? What does 'successful' mean in this industry?
3. Prepare a long list of candidate benchmark regions. Collate readily available knowledge on them and the industry within them, and the costs and possible benefits of selecting each to visit.
4. Select a balanced and affordable portfolio of benchmark candidates from the list.
5. Perform a first GEM analysis. Determine what measurable, observable or assessable elements might contribute to each of the six points of the GEM (the six underlined phrases in the top paragraph above). Expect to identify between 200 and 400 individual components, probably in a hierarchy. For each component identify what you believe is the best place in the world, and what the weight of that component should be within the GEM point.
6. Score the home cluster and each of the benchmark clusters for each component on a scale from 0 to 10. Ten means the best in the world, and five is 'good enough to get by', maintaining global market share and adequate profitability. When you can use objective measures, but don't shun subjectivity and guesses.
7. Combine the scores using the GEM model $[10*(G*E*M)^{2/3}]$ where G is the average of the G1 and G2 scores (which themselves are weighted averages of their components), E of the E1 and E2, and so on.
8. Generate a learning agenda for each benchmark cluster by calculating the gap between that cluster's score on each component and the home cluster's. Apply the weights to the gaps and rank the product: this indicates the most valuable lessons available.
9. Select a study-visit team, design an interview programme for the benchmark cluster, and make appointments. A norm might be 20-40 interviews in a week by a team of, say, two or three industry experts, one or two cluster analysts, two or three government or institutional people, two or three industry and two or three academic specialists from the home cluster. Do desk and web research before the visit.
10. Before the visit do as much desk and web research as possible. Define a brief template for reporting interviews. Write up interviews the same day, allow an hour or two to debrief each other every evening. All interviews should be written up within the week.
11. When all the different visits to all the regions have been completed, revisit the GEM assessment. Reweight the factors and add any new ones discovered, reassess all the scores. (Make a note of the changes from the preliminary assessment: this is what you learnt from the expensive visit!)
12. Correlate the revised GEM scores and their components with objective statistical indicators of cluster success – such as market share (relative to the size of the host economy) or employment.
13. Identify realistic improvements for the home cluster and how to achieve them in terms of changes in strategies for cluster members, collective or government projects, issues to address and resources needed to address them. Use the GEM model to assess what this would do to the home cluster's GEM score. From the correlation at 12, assess what this would do to the home cluster's economic success.

Although the process is highly numeric, we emphasise that the numbers themselves are not the object of the exercise. It is the learning by the investigatory team and especially the transfer of relevant lessons to the cluster members, who can put them to use within their own activities.

