

<b>Institution: University of Cumbria</b>
<b>Unit of Assessment - 19: Business and Management Studies</b>
<b>Title of case study: Influencing policy on Regional Clusters in the European Union</b>
<p><b>1. Summary of the impact</b></p> <p>This case study relates to the impact of research by the University of Cumbria's Centre for Regional Economic Development (CRED) on the regional impacts of inward investors on supply chains and the effectiveness of policies designed to grow regional clusters. On the basis of publications, Professor Frank Peck (Director of CRED) was appointed Expert Evaluator for a sequence of EU FP7 "Regions of Knowledge" project proposals (2007-2011), and subsequently invited to join an EU Expert Group examining the role of clusters in Smart Specialisation Strategies in EU Regions. This work has demonstrated that existing cluster initiatives can justifiably be used as a means of implementing smart specialization. As a result, regions are being encouraged to retain cluster strategies as integral parts of EU regional and innovation policies for the 2014 - 2020 programming period.</p>
<p><b>2. Underpinning research</b></p> <p>The underpinning research for this impact case study dates back to publications in the mid-late 1990s related to the role and impact of <b>foreign direct investment</b> (FDI) on regional economies in UK regions and, in particular, their effects on local labour markets and supply chains. This work demonstrated that FDI was a significant contributor to employment growth in peripheral regions, in particular during the 1980s and 1990s (North, Scotland, Wales), and that the insertion of such investments into host regions (Stone and Peck, 1996) had substantive effects on the operations of local labour markets and work practices (Peck and Stone, 1993). Research also demonstrated that local authorities and development agencies could play a significant role in providing a "soft landing" for such investors using local and national policy instruments, as well as support for customising infrastructure (Peck, 1996) and embedding such investors using investor development and reinvestment strategies (Peck and Burdis, 1998). Regions that lacked critical mass and institutional depth were shown to be disadvantaged in seeking to attract inward investment (Peck and Durnin, 1998).</p> <p>Since 2000, interest in FDI <i>per se</i> has evolved into more holistic approaches to developing regional economies, based on attempts to construct <b>regional clusters of activity</b> that include the possibility of inward investment, but as part of strategies to build up local networks of businesses including small and medium enterprises (SMEs) working collaboratively with support provided by regional institutions (research, education, training), regional development agencies, and local authorities, as well as regional arms of central government. Cluster strategies have a diffuse theoretical basis that continues to generate debate or even controversy in academia. In practice, however, the clusters approach has been widely adopted in regions across Europe in response to the emphasis given to cluster strategies in EU Regional Policy.</p> <p>This policy emphasis has been subject to extensive critical appraisal. Contributions to this debate include a critique of cluster strategies as developed by the three Northern Regional Development Agencies in England (Peck and McGuinness, 2003) and an assessment and review of cluster policies and cluster strategies internationally (Peck and Lloyd, 2008). These publications draw attention to some of the weaknesses in cluster theory and practice, in particular:</p> <ul style="list-style-type: none"> <li>• The lack of clarity over the definition of "clusters" and the presumed advantages of proximity in business linkages and associations;</li> <li>• The tendency for regional cluster strategies to focus on a narrow range of high-technology sectors (Peck and Lloyd, 2008);</li> <li>• The lack of coordination between the response of neighbouring regions to the clusters agenda; (this particular point is analysed in the context of cluster strategies in the North of England in Peck and McGuinness, 2003);</li> <li>• The lack of attention given to the importance of building national and international linkages in</li> </ul>

some regional cluster strategies.

These points of critique have recently been researched at an international level in Ketels *et al* (2013), which examines the relationship between cluster theories and the concept of Smart Specialisation, including analyses of path-dependencies in regions, the role of knowledge spillovers and the significance of related variety. The analysis cites Peck and Lloyd (2008) to support critiques of the way in which cluster strategies have been implemented in the past.

The research has been led at CRED by Dr Frank Peck, who was appointed to a Professorship in 1996 as Research Director of CRED based at the Carlisle Campus of Northumbria University. CRED was subsequently transferred to the University of Central Lancashire (2004) and then became part of the University of Cumbria on its formation in 2007, and both institutions confirmed the professorial title on the basis of ongoing research output.

### 3. References to the research

Ketels C, Nauwelaers C, Harper Thymos, J, Lindqvist G, Lubicka B, and Peck F (2013) "*The role of clusters as vehicles for smart specialization in European regions*" Report on the work of the EU Expert Group, DG Research & Innovation

Peck F. and Lloyd C. (2008) "Cluster policies and cluster strategies" in Karlsson C. (ed.) *Handbook of Research on Innovation and Clusters: Cases and Policies* Edward Elgar pp. 393-410

Peck F, McGuinness D (2003) "Regional Development Agencies and Cluster Strategies: Engaging the Knowledge-base in the North of England" *Local Economy* Vol 18, May issue pp. 49-62

Peck F and Burdis C (1998) "Far Eastern investment and reinvestment in north-east England: implications for regional development" *Asia-Pacific Business Review* (with Carol Burdis, 1998)

Peck F (1996) "Regional development and the production of space: the role of infrastructure in the attraction of new inward investment" *Environment and Planning A* 28: 327-339

Stone I and Peck F (1996) "The foreign-owned manufacturing sector in the UK peripheral regions 1978-1993: a components of change analysis" *Regional Studies* 30(1): 55-68

### 4. Details of the impact

The publications record outlined above led to an invitation to join an international consortium that bid successfully for the European Union Framework Programme 6 (EU FP6) funding for a project entitled "Creating a RTD (Research and Technological Development) Investment Policy for Regions in Emerging and Developed Economies" (CRIPREDE, 2005-7). The output from this project included an Audit Tool for regional authorities to use to assess strengths and weaknesses in the RTD performance of regions. This audit tool was disseminated through a conference held in Waterford, EIRE in July 2007 and subsequently in published conference proceedings: Welter, F., Kolb, S., O'Gorman, B., Bugge, K., Hill, I., Peck, F., et al. (2008). "How to make regions (more) innovative" in *Innovation, competitiveness, growth and tradition in SMEs*, the published proceedings from the Rencontres de St-Gall 2008. *St. Gallen: Verl. KMU-HSG*.

The CRIPREDE model was applied to six regions across the EU including the County of Cumbria in the UK. This involved adoption of the toolkit to support partnership development in Research and Technical Development in Cumbria. Partners in the County were involved in discussions guided by the CRIPREDE Model which was designed to identify RTD performance objectives. The model was adopted and referenced in the Cumbria Economic Plan (2007: p. 21 available at <http://www.cumbria.gov.uk/elibrary/Content/Internet/538/755/1929/1982/395621072.pdf>). A description and analysis of the CRIPREDE Model applied to the Spirit of Enterprise Partnership in South East Ireland can also be found at [http://www.eprc.strath.ac.uk/news/ogorman\\_paper.pdf](http://www.eprc.strath.ac.uk/news/ogorman_paper.pdf).

Following successful completion of this work, Professor Peck received a series of invitations from the European Commission to undertake the role of Independent Expert Evaluator for EU FP7 projects under the *Regions of Knowledge* Programme from 2008 onwards. This included, significantly, involvement in evaluation of proposals under the call “Transnational Cooperation between Research-Driven Clusters”, 2011-13. The calls for proposals specifically addressed clusters associated with transport and mobility, resource efficiency and digital technology. This particular Programme was designed to nurture more effective collaboration in regions between research entities, private businesses and public authorities. The proposals were therefore evaluated by individuals drawn from these three spheres of experience. Professor Peck was involved as a representative from the academic community who not only had knowledge of the research area, but also experience of the *Regions of Knowledge* Programme and an understanding of the intended policy outcomes.

This experience of project evaluation culminated in Professor Peck’s appointment to an EU Expert Group to investigate the “Role of Clusters in Smart Specialisation Strategies”. This group was coordinated by Dimitri Corpakis, Head of Unit at DG Research C5, and chaired by Christian Ketels (Harvard Business School Faculty at the Institute for Strategy and Competitiveness). The remit of the work was to examine the relationship between clusters and smart specialisation in terms of theory as well as practice, and to explore the extent to which existing cluster initiatives across the EU might contribute towards the emerging emphasis on the principles of Smart Specialisation that underpins policy in the forthcoming 2014-2020 programming period. Frank Peck contributed a key theoretical chapter to this report which examined theories of regional clusters and their relationship to the principles that underpin Smart Specialisation. This chapter drew partly on ideas developed in previous research reported in Peck and Lloyd (2008), and the earlier work in Peck and McGuinness (2003).

The report concludes that the various theories of clustering (agglomeration) are not incompatible with those that underpin Smart Specialisation (e.g. related variety, spillovers between knowledge domains). However, clustering as practiced varies widely and only those that are based on regional trajectories with consideration of path-dependencies are likely to be sustained under smart specialisation. The report makes recommendations for regional bodies tasked with developing smart specialisation strategies such as the need to provide clear evidence for prioritisation, stakeholder engagement, consideration of cross-border and inter-regional issues and the integration of policies between levels of governance. There are also policy recommendation at the international level concerning the role of the EU in promoting trans-regional learning on cluster policy, facilitating territorial cooperation and development of the data infrastructure on clusters and cluster policies.

These findings and recommendations have been presented at the EU “Week of Innovative Regions in Europe” Conference (WIRE), held in Cork, EIRE in June 2013 (see link below). The WIRE Conference is primarily attended by European policymakers, political representatives and practitioners involved in regional economic development. The final report is complete and due for publication late in 2013. The report has been useful in shaping strategy at a EU level, as indicated by feedback from officials at DG Research and Innovation: “*This looks – and effectively is – a very comprehensive and full report. ....that we will promote accordingly. We have identified considerable interest on the issue and so we will be reflecting further on intelligent ways to capitalise on the report findings even further*”. (Extract from an email to the authors from Head of Unit, Regional Dimension to Innovation, DG Research and Innovation)

## 5. Sources to corroborate the impact

Uptake of the CRIPREDE model through the Spirit of Enterprise Partnership in South East Ireland can also be found at [http://www.eprc.strath.ac.uk/news/ogorman\\_paper.pdf/](http://www.eprc.strath.ac.uk/news/ogorman_paper.pdf/).

An overview of the FP7 Regions of Knowledge CRIPREDE project is reported in Welter, F. et al. (2008). “How to make regions (more) innovative.” In *Innovation, competitiveness, growth and tradition in SMEs* Published proceedings from the Rencontres de St-Gall 2008. *St. Gallen: Verl.*

**Impact case study (REF3b)**

KMU-HSG. [http://www.academia.edu/2712391/How\\_to\\_make\\_regions\\_more\\_innovative](http://www.academia.edu/2712391/How_to_make_regions_more_innovative)

Evidence of involvement in FP7 Regional Potential and Regions of Knowledge, list of EU Expert Evaluators used during 2007-2012. See listing under Regional Potential (2008, 2009) and also Regions of Knowledge (2011, 2012).

<http://cordis.europa> [http://cordis.europa.eu/fp7/experts\\_en.html](http://cordis.europa.eu/fp7/experts_en.html)

Appointment to the EU Expert Group is confirmed at [http://wire2013.eu/wp-content/uploads/2013/06/Christian-Ketels\\_Expert-Report-on-Clusters-and-Smart-Specialisation.pdf](http://wire2013.eu/wp-content/uploads/2013/06/Christian-Ketels_Expert-Report-on-Clusters-and-Smart-Specialisation.pdf)

Involvement in the EU Week of Innovative Regions in Europe Conference (WIRE) held in Cork, EIRE in June 2013 can be found at <http://wire2013.eu/frank-peck/> which includes reference to the presentation on “Clusters and open Innovation through smart specialisation”.

Statement from the Head of Unit, Regional Dimension to Innovation, DG Research and Innovation to corroborate the usefulness of the smart specialisation report for EU policy (email to project head, copy available on request).