

The Effects of Cluster Policy on Innovation

In recent years clusters have become an important component of the policymaker's toolbox particularly in respect to endogenous pressures for growth and innovation. Academic and policy interest in clusters have emerged from the observation that many industries tend to cluster and the ex-post analyses of the economic and innovation performance of a number of high profile clusters. However, despite the popularity of the cluster concept and the widespread use of cluster policy, the question of whether public support of clusters is effective, particularly for innovation, is an open one. Many studies in the literature have focussed on the characteristics of industrial clusters, cluster performance or on how to best support cluster development, but they stop short of the trying to understand the extent to which cluster policy is delivering tangible economic impacts. This report seeks to address this evidence gap. It first reviews the main arguments underpinning cluster policy. It subsequently focuses on a number of recent experiences in supporting clusters across the OECD, and further highlights the challenges associated with the evaluation of these initiatives and available evidence on their outcomes. It then focuses on the evidence of a number of programmes (16) that are selected for closer scrutiny. The report draws on available cluster policy evaluation exercises and related academic literature to report on the impacts and outcomes, both soft and substantive, of cluster policy. Illustrative of the diversity of cluster policy, the policies under consideration differ considerably in rationales, objectives and operationalisation. Similarly, the evaluations of the programmes selected differ in terms of their timing, objectives and methodologies used. Nevertheless a number of consistent threads and key observations emerge across the evaluation reports: a) There is a general finding that cluster policies provide the resources and framework to advance the innovation potential of different interest groups. b) In terms of the governance, early private sector involvement is important to secure market oriented strategies in the targeted clusters. c) Clusters require dedicated management teams with a blend of skills and competencies to reconcile the interest of the private and public sector participants. d) The provision of support services within clusters is an important element for generating long-term benefits for cluster participants. e) Public sector cluster investments have been successful in leveraging private funding but this seems to be contingent on the nature of the cluster. High technology clusters appear to be better placed than more traditional industry clusters in attracting private sector funding. f) There is no clear and unambiguous evidence that over the long term clusters are able to generate strong and sustainable impacts in terms of innovation, productivity or employment. Finally, some broad implications for policy are drawn, in particular in relation to the need for policies to improve their clarity and focus in their choice of objectives and rationales, the need to allow for evaluation early on in the process, the use of flexible and adapted interventions that are realistic rather than a rigid cluster model, together with a more careful targeting and a better balance between a hands-off approach and direct steering of clusters.

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