

ClusterPolisEE Project
Smarter Cluster Policies for South East Europe

WP 5 – SEE CLUSTER POLICY LEARNING MECHANISMS

Reimagining a regional key industry cluster as a macroregionally
positioned hybrid supply chain integrator
Phase I: Feasibility assessment and roadmap preparation

ECOSYSTEM ANALYSIS

PROJECT PARTNER: MINISTRY FOR NATIONAL ECONOMY, HUNGARY
**PILOT IMPLEMENTATION: WEST-PANNON REGIONAL AND ECONOMIC DEVELOPMENT
PUBLIC NON-PROFIT LTD**

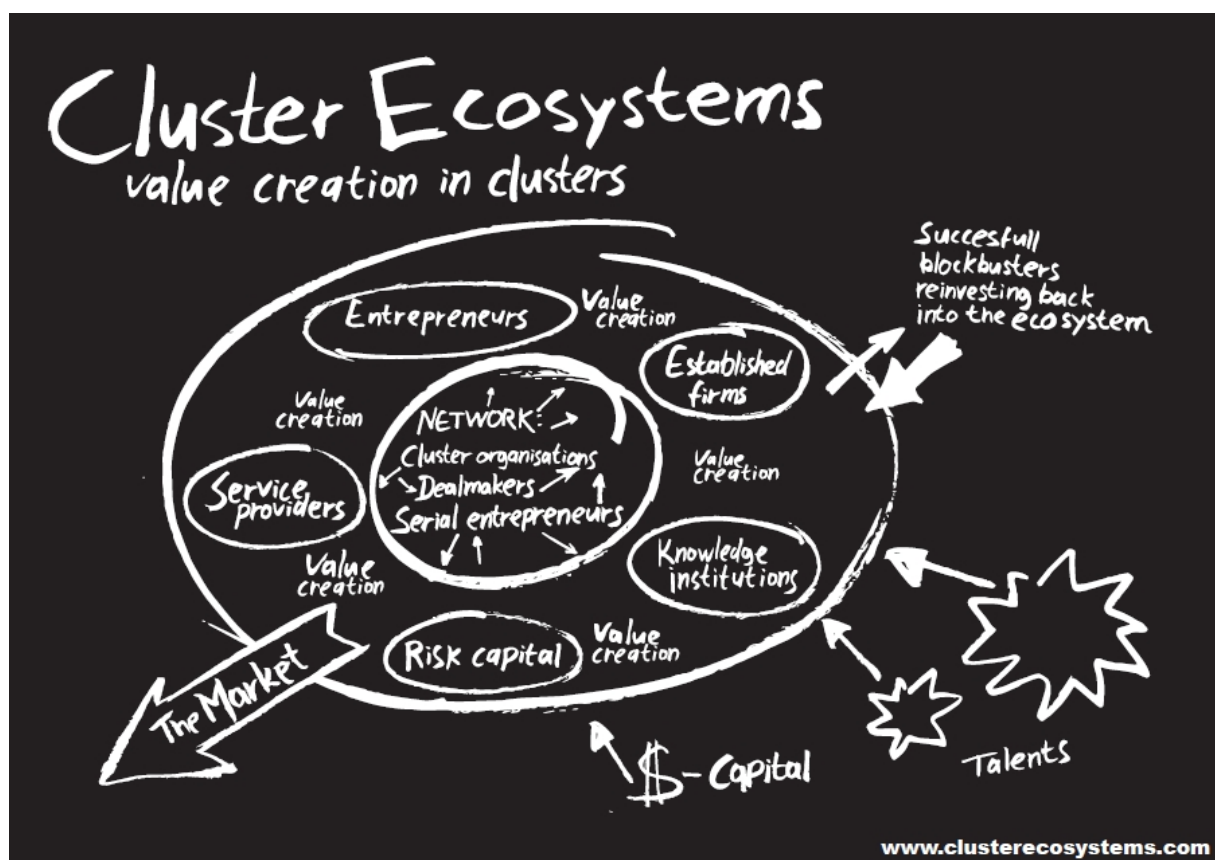
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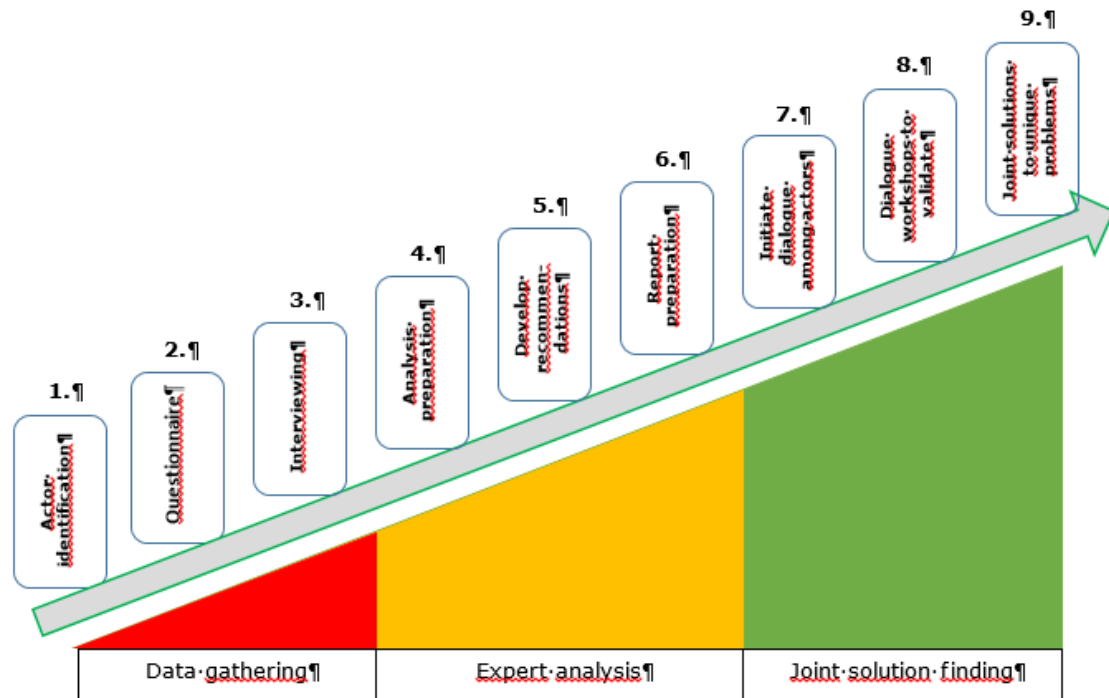
1 Methodology

The Cluster Ecosystem model was developed and tested by the Danish cluster academy RegX. This model aims at defining all key actors in the environment of a dynamic cluster, both within and without, and assesses the development prospects of the cluster accordingly. It is a complete model aiming at being both an analysis and a development tool, integrating elements of each.

Fig 1 shows the general structure of the ecosystem model.



The analysis itself is not that much different from the standard industry analysis tools used in Hungary, the most notable innovation is the qualitative and systemic overview that completes the quantitative side, and the of course the inbuilt joint solution-finding network-building steps.



One basic tenet of the methodology is that sampling is rarely enough when making such a “business sociometric map”, therefore if at all possible all key actors need to be interviewed, in most cases twice to complete the feedback iteration cycle. This was clearly outside the scope of the current pilot project. The intention was to do a semi-formal analysis to test the applicability and possible values added of the methodology within the Hungarian institutional setting.

As emphasised in the pilot proposal, the current activities are considered to be Phase 1 of a possible cluster re-establishment process, and stop at drawing up possible scenarios with key success and failure factors, pitfalls and lessons learnt for the policy background and prospective future activities. The current analysis therefore is by definition even more lopsided, as it by necessity misses the joint solution-finding and motivational phases. Even with its severely limited scope the pilot proved that there is significant value added in carrying out the Ecosystem Analysis, most critically in two notable areas:

- 1) The process of conducting the analysis itself causes positive reverberations in the ecosystem, setting the agenda for informal joint thinking and providing fodder for innovative ideas. This is of course more or less the case with every kind of analysis. The key difference

is that Ecosystem Analysis – similarly to a hybrid car that recycles braking energy – consciously exploits this fallout motivation and uses it to find the optimal solution for the issues and interiorise it with the largest possible group of stakeholders.

- 2) Meticulous mapping of the roles and connection systems of most possible stakeholders and actors, and presenting them in an easily recognisable manner helps in two ways. On the one hand it sheds light on tacit information in the system and makes it more transparent, the analysis more reliable. On the other hand it also helps structure the stakeholders' perception of the system, who rarely get to see, let alone understand the big picture. Both of these effects serve to increase the feeling of understanding and ownership in the stakeholders who will ultimately be responsible for the implementation of the join solutions, making in turn those solutions more reliable too.

2 Process

The Ecosystem Analysis exercise was carried out in a way that fit the pilot constraints the best.

On the one hand a short questionnaire was sent out to the former members of PANAC with a list of questions relating to their experiences and their preferences for a possible future cluster. During questionnaire development it was debated whether to include questions about specific co-operation experiences and perceptions about key actors in and around the cluster. The course was decided against as it raised methodological problems of bias and verification that could only have been resolved by adding extra interviews. It is to be noted however that a similar twofold survey about actual connections and perceptions of influence is considered to add depth to the analysis, and is likely worth integrating into the methodology in the future.

9 interviews were conducted. The choice of interviewees was primarily in line with the core questions of the study, namely the root causes of the fall of the cluster, and the cluster practices to refer to in a possible phase 2. All interviewees have been asked to provide pointers to key contacts in the ecosystem. This generated two diagrams – a map with the geographical locations and density of stakeholders, and the ecosystem diagram with the actors shown classified according to their roles in it. Both diagrams are added as annexes.

3 Results

The research and interviews confirmed some of the widely-held preconceptions, and had some unexpected results as well. Following are the key findings.

- 1) The geographical distribution of stakeholders still has two main hubs: the city regions of Győr and Budapest, where concentration is by far the largest. Several sub-centres are evident too, which typically cluster around larger cities. This dimension would benefit the most from a connection mapping initiative – gauging the density of the network and the strength of different strands would arguably add value to both cluster development and regional planning.

A further possible analysis option is the graphic presentation of supply chain service/product movement.

- 2) In comparison with earlier similar maps the Győr hub has strengthened considerably, the attraction zone has visibly expanded.¹ This confirmation can potentially help networks and clusters in the ancillary hubs in planning their recruitment and product focus strategies, as well as regional planning in prioritising infrastructure development and local economic initiatives.

- 3) The classification of OEMs can have a huge impact the ecosystem diagram. The former PANAC structure treated them as “entrepreneurs”, parts of the cluster value creation process. This would be the intuitive choice as well, as technically they are truly enterprises and indeed have a huge impact on industry dynamics. The current study and recent cluster experiences however clearly show that this would not just cause the structural problems PANAC faced, but a systemic bias in the performance assessment of cluster stakeholders.

Taking into consideration that clusters are primarily an SME-development tool along the supply chain, it is more prudent to take the narrower, more efficient cluster definition and treat OEMs – and in many case even Tier1 suppliers, depending on their local market presence – as part of the “Market” category, an environmental parameter for cluster actors. This reclassification clears up the diagram and provides a more balanced view of the real local dynamics along the value chain.

¹ See the references for the Győr Mobility District research programme for scientific underpinning, especially Lados-Monostori: „A gazdaság szerkezet és vonzáskörzet alakulása”.

4) As already noted by Bendó and Somkuti in the West Transdanubian Regional Implementation Plan for the ClusteriX project, in Central and Eastern Europe clusters are very rarely indigenous and sustainable parts of the economic environment. The original RegX Ecosystem Analysis model considers a mature economy with a healthy innovation and cooperation culture and does not differentiate within the “Capital influx” category. In the developing economies of CEE where trust is chronically low, the majority of SMEs are still only skirting the concept of innovation and growth and not the least much of the economic development is driven through external, politically weighted funds rather than internal capital the situation is more complex.

It is important therefore to differentiate between market-based capital influx and development policy-related funding, as the two have slightly different objectives and therefore impact mechanisms. Development policy can and is often willing to maintain clusters and ecosystems with strategic importance but only latent demand. External market capital however always aims for turnover, and rarely targets whole structures that theoretically should be self-sustaining as well.

- 5) The Hungarian automotive ecosystem is still lacking in some notable dimensions:
- a. Blockbusters are practically non-existent, and the low willingness to cooperate tend to cause the successful to leave completely.
 - b. Budapest is in a better position, but despite its strength the Győr hub lacks the power to attract significant external talent – innovation typically takes place locally or imported wholesale as service. This is a sustainable setup, but a boost to attractiveness and visibility can multiple the economic potential of the network. This is an area for any network operator to focus on.

As noted in the upper sections, even this limited exercise proved the value added of a qualitative, in-depth snapshot of the local ecosystem, and it is apparent that the conscious motivation of cooperative problem-solving can provide a huge boost to the impact, increasing commitment, transparency and efficiency in parallel.