

CBI

Clusters Playbook

Powering The UK's Regions and Nations



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Welcome to the CBI Clusters Playbook.

In every successful economy around the world, business clusters – anchored by world-class companies and institutions – are engines of economic growth. At the CBI, we believe that high-value firms operating in high-value clusters across the UK have the power to drive investment, innovation, productivity and prosperity.

That's why the CBI is passionate about business-led clusters: they are at the heart of how we will power up the regions and nations of the UK to drive economic growth and help every part of the country to thrive. This Playbook is designed to be an interactive best practice manual for cluster development in the UK. It contains guidance about how to build the necessary components for success, drawing on insights from the business leaders, policymakers and investors who are making it happen across the country.

Listen to Tony Danker, the
CBI's Director General,
describe the benefits of
cluster development:

Business clusters are driven by the ingenuity and resourcefulness of their private sector participants and span different geographies and industries. There are plenty of prominent international examples: Silicon Valley's tech industry is probably the most well-known example of a cluster; Hamburg is a major cluster for civil aviation; and Massachusetts is a haven for biotechnology businesses, thanks to the presence of multiple world-leading research universities in the Boston area. Other notable emerging global cluster locations harnessing new technologies to power regional growth include Quantum Valley in Waterloo-Toronto in Canada and Silicon Wadi in Haifa-Tel Aviv in Israel.

The UK is home to several clusters with increasing international brand recognition too. For example, the "Motorsport Valley" cluster in the Oxford-Midlands region consists of firms supplying machinery, technology and manufacturing to Formula 1 and Formula E, while the "Silicon Fen" cluster is made up of high-tech businesses in the Cambridge-Ely area. Other UK clusters are centred around high-value industries such as biotechnology, cyber security, aerospace, automotive manufacturing and energy, among others.

By studying these clusters in the UK and internationally, the CBI has identified **six essential ingredients** that unite them all in their success:

1. **Shared economic prize** – cluster members have a shared goal.
2. **Anchor institutions** – strong organisations with a “gravitational pull”.
3. **Storytelling** – a compelling place-based narrative and a unique selling point to attract investors, partners and talent.
4. **Strong leadership** – a “go-to” leader who represents the cluster as a whole.
5. **Great partner collaboration** – a dynamic ecosystem in which there are deep partnerships between firms and between public and private sectors.
6. **Supportive policy environment** – a proactive and ambitious approach to nurture and maximise the competitive advantage of the assets within the cluster.

In the Summer of 2022 the CBI went on tour around the country with our “*Clusters Roadshow*” - in partnership with Virgin Media O2 Business - to gather case studies and examples of successful cluster development from the UK’s leading business ecosystems. We asked CBI members and stakeholders based in and around Glasgow, the Oxford-Cambridge Arc, Liverpool, London, Birmingham and Cheltenham to share their views and experiences about how cluster ecosystems can thrive.

The CBI wants to develop at least one world class cluster in every region and nation of the UK. With that in mind, this Playbook isn’t a static document either: we want to continue building upon these insights as our knowledge base about clusters grows and to shine a light on great success stories powering growth across the regions and nations of the UK. The CBI will also be building a new ‘*clusters community*’ of business leaders, investors, regional and national political figures and policymakers to build momentum and a consistent UK approach to cluster development, so do get involved in this exciting initiative.

If you have thoughts to share, please don’t hesitate to get in touch, we’d love to hear from you. [Email us!](#)

CHAPTER ONE: THE CASE FOR CLUSTERS

What is a cluster?

Across the UK there are many towns, cities and regions with a concentration of high-value economic activities and significant opportunities for innovation and growth.

High-performance business communities and world-class centres of excellence for research and education (e.g. top universities) are often located close to one another, creating an ecosystem where all the participants benefit from their proximity to each other, unleashing the potential for collaboration, knowledge-sharing and partnering. The success of these organisations helps raise the profile of the ecosystem as a whole: over time, businesses begin to invest in nurturing talent in the local community, as well as attracting workers and investment to the region. This dynamic is called “clustering”.

The growth potential of clusters ultimately depends on people – business leaders, talent and investors – taking a chance on a place and the opportunities available there, and harnessing its assets and resources over time to create a unique and dynamic economic hub of national and international significance.

George Freeman MP, Minister of State in the Department for Science, Innovation and Technology, spoke about a people-centred approach to cluster development:



“Clusters are shaped by the people who take decisions to go there. The definition I've put at the heart of our mission is: ‘A cluster is a place where people take risks in pursuit of opportunities.’”

George Freeman, SIT Minister of State

The UK's Growth Mission

When it comes to economic success there are large disparities between some regions of the UK compared with others, with significant income gaps between areas of the North, the Midlands, Wales and Scotland, particularly compared to London and the South East.

The CBI has looked at the costs of this widening gap to the country. Our 2030 economic vision for the UK, [‘Seize the Moment’](#), identified the potential to unlock over £200 billion of

new economic activity if we can tackle underlying productivity challenges and under-investment in our regions; it could help to transform our growth ambitions and drive a new era of prosperity in every part of the nation.

Powering up our regions and nations is a national mission which can be truly transformative for the UK and the future of millions of firms and local people around the country. We believe that cluster development is one major way to achieve this goal.



“We think for the UK to tap into its full growth potential there need to be multiple poles of economic activity. It can't all be heavily clustered in one location, otherwise you're missing out on human capital potential. That will increase productivity and growth for the country overall.”

Hayley Holness

Head of New Business at Lendlease

Member of the CBI's Thriving Regions & Nations Steering Committee



Clusters as agents of growth.

Support for high-value business and industrial clusters should form part of this government's growth-focussed agenda. Many economic hubs are already established across the country – supporting the continued development of businesses within these areas could be one of the most rapid and cost-effective ways of creating growth in the UK. Research by the CBI has found that a 10 per cent boost in gross value added (GVA) in existing areas of business specialisation will add £66 billion to the UK economy.

£215bn

Closing the productivity gap between the highest and lowest performing parts of the UK could add as much as £215bn to the UK economy (Fig. 1)

£66bn

A 10% boost in GVA within areas of existing business specialisation and concentration could add £66bn to the UK

The incredible value of cluster development extends beyond the businesses, industries and institutions that anchor the cluster ecosystem. Financial services, professional services, leisure and retailers will all be attracted by the presence of flourishing business clusters in a region, town or city. This is one of the most exciting aspects of the clustering phenomenon: clusters become not only great places to work, but also thriving, prosperous and dynamic communities and great places to live and raise families. This dynamism attracts ever more talent, entrepreneurship and investment to a place, fostering more growth and even greater opportunities.



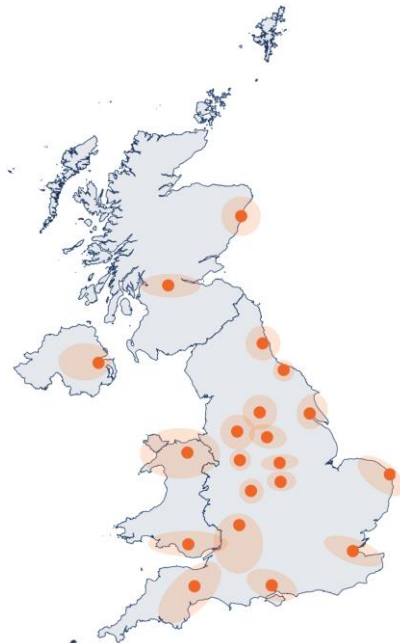
Hear from Matthew Fell, Chief Policy Director at the CBI, describing the ancillary benefits of cluster development for whole communities:



CHAPTER TWO: BRITAIN'S CLUSTERS MAPPED

Earlier this year, the UK government identified approximately 20 key opportunities for cluster growth and development.¹

These clusters are spread across England, Wales, Scotland and Northern Ireland and span diverse sectors including green technology, high performance manufacturing, fintech automotive, aerospace, creative and digital industries and frontier sectors such as space and satellite applications.



Most often, clusters spring up organically, forming in places where market demand, availability of talent, access to capital and infrastructure all come together by happy accident. Many clusters have their basis in historical industries located in their region (e.g. marine business and shipbuilding in Plymouth; automotive in Birmingham) while others have grown up in more recent decades as new industries have developed in the UK (e.g. the space industry in Glasgow; biotechnology in Nottingham).

Some emergent clusters are more recent still, for example the Zero Carbon Humber initiative, launched in 2019, is vital to the UK achieving its net zero ambitions. You can read more about the Humber cluster, one of the CBI's "national demonstrator clusters" [here](#).

¹ UK Government, [Levelling Up White Paper](#), 2022

The Humber: UK's Energy Estuary



Jorgen Sandstrom
Head of Energy, Materials, Infrastructure Program -
Industrial Transformation
World Economic Forum

“There are few places around the world more crucial to the road to net zero and industrial decarbonisation than the Humber - it is a location from which so much can be achieved and learned”

Clusters such as these hold a nationally critical role in the economy: they are large and impactful enough to shift the needle on UK economic growth; they power growth in regions across the country through integrated supply chains; and they have the potential to lead in high-value sectors on the global stage. Their impact will also be transformative across the breadth of the wider economy.

CHAPTER THREE: SECRETS OF SUCCESS

There are lessons to be learned from the successes and challenges of existing and emerging clusters. The CBI has identified a series of six “**success factors**” essential for cluster development:

Success factor	Description
Shared economic prize	Cluster members have a shared goal.
Anchor institutions	Strong organisations with a “gravitational pull”.
Storytelling	A compelling place-based narrative and a unique selling point to attract investors, partners and talent.
Strong leadership	A “go-to” leader who represents the cluster as a whole.
Great partner collaboration	A dynamic ecosystem in which there are deep partnerships between firms and between public and private sectors.
Supportive policy environment	A proactive and ambitious approach to nurture and maximise the competitive advantage of the assets within the cluster.

The *Clusters Roadshow* showcased the insights of CBI members working and engaging in the development of cluster ecosystems and the successes and challenges they have experienced.

Here, we look in more detail at each of these essential ingredients, drawing together those accounts from business leaders across the country in their own voices and words, alongside case studies based on their stories.

Success Factor 1: Shared economic prize

A cluster will often take shape where businesses from similar industries are all striving to grow, develop, innovate and attract investment. There is a shared economic prize to be had in these clusters due to the “snowball effect” that occurs when flourishing businesses are located together: in turn, more talent, more businesses and more investors are drawn to the region, fostering growth and development that benefits all the cluster participants.

This dynamic is best observed where businesses have come together to form a world-class centre of excellence for their particular sector. One UK-based example is Cheltenham’s cyber cluster. Since the early 2000s, cyber security businesses there have benefited from

their proximity to GCHQ, the UK government's intelligence and security organisation, and National Cyber Security Centre. Cheltenham and Gloucestershire are now home to 2,300 tech businesses employing 11,000 people, making the region a magnet for talent and investment in the cyber sector.² The region's tech businesses have thrived by collaborating and sharing resources, technology and research. Their success has contributed to the rapid growth of the UK's cyber security sector, worth an estimated £8.3 billion.³

Organisations dedicated to building business relationships like CyNam (a platform for networking and partnership between Cheltenham's cyber businesses) and Hub8 (a co-working company built for the town's cyber-tech community) will help to foster continuing innovation and partner-working. It goes to show that cluster participants should be invested in the success of other businesses in their cluster – even their competitors can become collaborators. In the longer term, firms will benefit from and share in the financial success that arises when a place is a magnet for talent, innovation and investment.

Cluster Insight: Establishing Glasgow's space sector

More than 100 space companies now operate from Scotland, and Glasgow manufactures more satellites than any other European city. But Glasgow hasn't always been a space industry hub. ClydeSpace, founded in 2005, was a pioneer in Glasgow's space and satellite industry. The strength of the company and the commercial potential of the space sector persuaded other businesses to enter the region. All of those businesses shared a common goal to exploit this market opportunity – and their ambition transformed Glasgow into Europe's leading hub for satellite production.

Clustering in the Glasgow region has helped to foster dynamic partnerships both between companies and local institutions, for example, in 2021 the University of Strathclyde launched the Space Enterprise Lab – a space for space entrepreneurs to develop their businesses. The economic prize these businesses were pursuing in the early days has now come to fruition: from its beginnings nearly two decades ago, the space industry in Scotland now generates £254 million in turnover each year.



Craig Clark
Chair, Space Scotland

² Cheltenham Borough Council, [Moving to Cheltenham](#), date accessed 24/10/22

³ Department for Digital, Culture, Media and Sport, [UK Cybersecurity Sectoral Analysis](#), 2020

Success Factor 2: Anchor institutions

Successful clusters coalesce around authoritative organisations and institutions – be they companies, universities, or other public bodies. The positive reputations of these anchor institutions give clusters a “gravitational pull”, attracting other businesses, investors and talent to the region. There are several ways an anchor institution can exert such influence. For example:

- **Renown:** An anchor institution will often have a “world-class” reputation. It might be a trusted brand (e.g. the BBC in Salford’s media cluster); or a world-leader in research (e.g. Oxford and Cambridge universities in the Oxford-Cambridge Arc). For smaller enterprises there is appeal in simply being in the orbit of a respected institution: there will often be an established talent pool to draw on and investors are more confident to invest in companies situated in places with existing success and brand recognition.
- **Established operations:** In some cases, anchor organisations are at the centre of large supply chains. These established companies attract a constellation of smaller firms to the area, particularly businesses that operate upstream and downstream on the value chain, or companies that provide services required by the anchor organisation, for example the manufacture and supply of parts; specialist maintenance and repairs; distribution management; and professional services.
- **Resources:** Anchor organisations may offer resources and facilities that other enterprises require but that are expensive for smaller organisations to establish. For example, lab space, testing facilities, advanced manufacturing capabilities.

Well-established organisations attract other firms in similar industries to a place. The benefit of establishing a new enterprise in a cluster with a strong anchor is that skills, expertise, supply chains and investor interest are already centred closeby. The success of the anchor thereby facilitates the growth of other businesses.



Annie Gascoyne, Chief Economist at the BBC, explains how Salford’s Media City developed

Value chain anchor: The BBC and Media City Salford

When the BBC moved parts of its operations to Salford in the 2010s, other companies and organisations followed. The BBC acted as an anchor for a new value chain to be created in the region. To make its programmes, the television network required related businesses such as casting agencies, film and television studios, production companies and animation studios. Soon after the BBC moved, an ecosystem of these businesses was established around it.

Universities as anchor institutions

The UK has dozens of world-class universities – they are a vital component of any successful international cluster. There are four principal ways universities support cluster growth:

- 1. Partnership opportunities:** Collaboration between universities and businesses provide mutually beneficial opportunities. Universities can offer firms space for research and development or specialised business incubation opportunities, Meanwhile, collaborations with business can help universities to finance path-breaking research and to offer unique, high-skill, high-wage employment opportunities to graduates.
- 2. Innovation:** Academic institutions have the facilities to support cutting-edge research and development that businesses cannot always afford to undertake themselves. Knowledge created at universities can help to drive business innovation, particularly in science-, technology- and engineering-focused businesses. Universities are often the site of entrepreneurial “spin-outs” as researchers discover developments with commercial potential.
- 3. Skills and talent:** Universities train the next generation of talent and many graduates will choose to remain in the cities where they studied – if the right career opportunities arise. In clusters where there are particular, specialised businesses, the excellence of academic institutions can serve to support the skill needs of firms, particularly where there are strong partnerships between academia and business.

University	Industry	
University of Strathclyde	Space	The University of Strathclyde has strong industry connections with the local space sector and offers courses in aero-mechanical engineering including satellite technology, skills highly relevant for graduates recruiting into the space industry.
University of Nottingham	Biotechnology	The University of Nottingham has an excellent biotechnology programme and partners with several companies at BioCity Nottingham.
University of Cardiff	Cybersecurity	PWC has partnered with Cardiff University to provide a Master’s programme in ethical cyber hacking with an aim to build a pool of cyber security talent in the region, particularly due to the proximity of GCHQ in Gloucestershire. The Cardiff Capital Region has lent its support to the establishment of the degree course, while PWC has pledged to take a number of graduates trained by the programme.

Carl Sizer, Head of UK Regions at PWC, discusses the success of PWC’s Cardiff University partnership programme:



4. Global Opportunities: The global brand recognition of universities like Oxford, Cambridge, UCL, the LSE and Imperial College helped to create the “golden triangle” and the Oxford-Cambridge Arc. Investors looking to work with promising companies are naturally attracted to regions with reputationally strong academic institutions based on the assumption that where there is academic research excellence, innovative businesses will follow.



Kirsty Lloyd-Jukes, Head of Investor Relations at Waymo, Google’s autonomous vehicles business, explains how her company made the most of its proximity to the University of Oxford:



“There is a sort of University of Oxford brand, and I think that’s something that’s quite important to think about when you’re considering place-making more broadly because having that brand that people associate with something is such a shortcut in terms of actually making the decision, do I want to invest here or not? If the place already has a brand that you associate with a specific competency that just makes that so much easier in people’s minds to get their heads around. And we did trade extensively on the Oxford brand”



Dr Barbara Ghinelli, Director, Innovation Clusters and Harwell Campus, UKRI-STFC

Success Factor 3: Storytelling

A compelling narrative is important for clusters to articulate their identity. A strong story will help explain what makes a place a unique location to live and work – as well as to invest and do business.

“We have to have this sort of local, regional diversity in order to really thrive. And I think the government can play a part in fostering that. But it is much more down to a local vision because, as we found from campus investments across the UK, it's the people on the spot who really know what will help to make a city tick.”



John Godfrey
Director of Levelling Up
Legal & General

Narratives are strongest when they are formulated by cluster participants who know the rich stories behind their ecosystem, rather than being imposed from outside. People operating within clusters, be they politicians or business leaders, have a deep knowledge of the place and the sectors that operate there; they know what makes it distinctive.

There are three principal reasons why narrative matters for clusters development:

1. Attracting investment:

When investors are making decisions about where to put their money, they want to understand what makes a place unique: Why is this location the best place for this company to be? What makes it different? What makes it special?

A clear, consolidated and recognisable brand identity will help clusters to gain cut-through among investors – and, over time, international recognition. But building a cogent, coherent narrative can be a challenge and needs attention and thought about what is being conveyed, and how it is expected to land with different audiences.

Simon Collinson, the Deputy Pro-Vice Chancellor for Regional Engagement at the University of Birmingham, explains why clarity and simplicity are the most important factors in storytelling for investors.



2. Attracting talent:

Clusters are hungry for talent: if they are to grow and develop they need a steady pipeline of skilled people. An exciting, inspiring narrative will help attract potential employees, both locally and further afield.

Clusters with a strong identity have an advantage in attracting local talent: the workforce will be aware of the opportunities out there for them, while young people will know that there are good job options close to home and may choose to direct their education and training towards that career path.

Lynda McVay, Skills and Capability Director at Leonardo, a defence, security and aerospace business, highlighted the importance of showing and telling the local workforce about your firm: “If you don’t have a community that knows what you’re doing, is interested in what you do, you know you will struggle just to fill your people needs. [...] You’ve got to be really welcoming: throw the doors open, bring people in, show them what you’re all about,” she said.

Clusters are providers of high-value, high-skilled jobs, but the talent capable of filling those roles is highly mobile: they will have many choices about where to live and forge their careers. Clusters, therefore, need to be vocal about the appeal of their region and have a strong story to tell about why their place is world-beating: either because of opportunities for innovation; connections with world-class institutions; the world-class prestige of a sector; or the overall quality of life available there.

3. Communicating with government:

Well-defined clusters with a strong sense of purpose are better positioned to attract the attention of policymakers on a local, national and international level. The case for supporting and funding clusters is clearer to policymakers when there is an obvious story to tell about a place, what it does and what it aims to achieve.



“By providing a platform for collaboration between industry, local and central governments, the Humber Cluster will help deliver the policies and investment needed to facilitate economic growth, foster innovation, and create long-term opportunities for people in the region and beyond.”

Henrik Pedersen, CEO, British Associated Ports



Cluster Insight: Telling your story

How should clusters go about creating compelling place-based narratives?

Heritage

When an industry or a company has been based in a place for a hundred years or more, that's an impressive story. Emphasising the heritage and history of a cluster is a useful shorthand for communicating the expertise and prestige of the industry at the heart of the cluster. Adrian Bratt of Princess Yachts in Plymouth highlighted his city's maritime heritage had helped it become the marine industry hub we see today: *"Sometimes we need to remember an area's history and heritage, and to build a cluster you need to build on what you've already got,"* he said.

Building on momentum

Strong stories can emerge from more recent successes. The dynamism of a newly established business cluster can help to whip up excitement about the opportunities on offer in a place with a lot of potential. Simon Collinson, the Deputy Pro-Vice Chancellor for Regional Engagement at the University of Birmingham, highlighted how Birmingham's recently established professional services and financial industry had created a new narrative for the place: "What's interesting is once momentum grows around a cluster. That actually can crystallise a narrative or even create an identity or reaffirm an identity."

Know your difference

Some clusters are lucky to have a distinctive, instantly recognisable brand identity. "Silicon Valley" is probably the best example of this – its coherent brand has fostered a concentration of highly innovative tech businesses in the Bay Area and the region is now synonymous with the tech industry.

As UK clusters grow, a unique "brand story" will be important for attracting interest from other businesses, developers, financiers and talent. Building this story requires a clear understanding of the central attributes of the cluster, as such it is essential for cluster leaders to identify:

- The core activity of the cluster;
- A common-sense geographic boundary;
- The factors that make the place the foremost location for a particular activity.

Success Factor 4: Strong Leadership

Clusters benefit enormously from the advocacy of prominent local leadership figures who are invested in promoting the strengths of a place and its business community. The best cluster leaders play four major roles for their clusters:

1. “Go to” contact:

They are the major point of contact for companies, investors and trade partners interested in doing business within the cluster. They know who’s who in the cluster network – and they help to make the right connections.

2. Convener:

Strong, visionary local leaders are well-positioned to call together businesses and institutions in their regions to partner on projects that offer benefits and opportunities to the cluster community.

“I think what we’ve learned as a country is that these Metro Mayors can be powerful beacons, if you like, of a whole load of activity. [...] I think these roles have really helped coalesce. And if you get a really strong leader, a good leader with a good agenda, then businesses, academia, the whole establishment is building around them.”

Heidi Mottram, CEO of Northumbrian water, discussing the role of metro mayors in spearheading cluster-wide projects:



3. Lobbyist:

They understand the goals, needs and interests of the cluster and act to petition local, regional and national government agencies to bring in growth-centred policies, funding solutions and infrastructure investments.

Simon Collinson, Deputy Pro-Vice Chancellor for Regional Engagement at the University of Birmingham



“Strong leaders at the local level are able to pull together a consensus across both private and public sectors about what are the target points for regional growth, and lobby effectively to central government or other funding agencies or policy agencies to make that happen.”

4. Ambassador:

They are equipped with a strong narrative about the place they come from and are motivated to go out and tell the story to potential investors and business partners.

They promote the cluster at the national and international level and work to establish networks with peer clusters around the world.

These local figureheads can be business people themselves or civic or political leaders. Among the most well-known regional champions in the UK are Metro Mayors of the West Midlands and Greater Manchester, Andy Street and Andy Burnham. Tracy Brabin, Metro Mayor of the West Yorkshire Combined Authority, and Ben Houchen, Tees Valley Mayor, are other successful regional leaders. All of them act as a “go to” contact, a convener, a lobbyist and an ambassador for business and industry in their respective regions.

During his tenure as mayor of the Greater Manchester authority, Andy Burnham has highlighted Manchester’s strengths as a regional tech hub and a leader in digital and cyber; medical innovation; net zero construction and advanced manufacturing. The Greater Manchester Strategy and the Greater Manchester International Strategy both aim to increase investment in local businesses, increase the number of high-value jobs, enhance physical and digital infrastructure to support growth – the goal is to increase prosperity for local residents and to put the region on the map internationally.

Success Factor 5: Great partner collaboration

The concentration of excellence and expertise within a cluster creates vast opportunities for collaboration and sharing of knowledge and resources: fruitful partnerships can form between all organisations, be they businesses, universities, government agencies or local authorities aligned behind a clear mission to maximise the potential of the cluster.

Evidence of localised collaboration and partnering can be a big draw for investors. Closely networked businesses have huge advantages in terms of the stability of their supply chains, for example. When local businesses collaborate, they strengthen one another's growth.

Simon Robeson, Managing Partner at Northeast Capital, describes the appeal of a strong local supply chain network:

"Having created those clusters, that's very attractive to the City because, for example, the business we've just raised money for, the questions they [the investors] kept asking this business was: 'Well, talk me through your supply chain.' And we were able to turn around and say: '80 per cent of our supply chain to this business is within 20 miles of where it's based.' So that was a real sell to the financial institution that was looking to invest."



Business-to-business partnerships are essential for cluster development – so too are strong relationships between cluster leaders and government agencies, both local and national. Strong partnerships with national government bodies can be a powerful driver for cluster development, especially those engaged in high-value but high-risk sectors.

The Harwell Science and Innovation campus is a pioneering example of a joint venture between government and the private sector, aimed at powering up Oxfordshire's science

cluster and the UK's overall research capabilities through the creation of cutting edge deep-technology businesses.

Over more than a decade, the Government has invested over £3 billion in world-leading scientific infrastructure at Harwell, including the national synchrotron, the UK satellite testing centre, the national Quantum Hub and pioneering facilities in vaccine and medical research.⁴ This strategic partnership has helped to de-risk investment from the private sector which has levered substantially more long term funding into Harwell, positioning it as a nationally critical asset for the UK.

“When we are touring around investors, CEOs of major pharmaceutical companies from the US or from India, they're drawn to the critical mass of R&D talent.”

Dan Metcalfe, Head of Marketing, Harwell Science and Innovation Campus

Harwell's rich scientific infrastructure has made it a centre for innovation: the excellence of the campus has attracted pioneering unicorn companies like Oxford Nanopore to establish advanced manufacturing capabilities on site. The dynamic ecosystem at the Harwell campus has catalysed the creation and scale-up of many of the 240 cutting-edge science organisations now located there.

Cluster Insight: Education partnerships

Partnerships with local schools and colleges are crucial for businesses looking to cultivate a pipeline of future talent from the surrounding community.

Firms can leverage their relationships with educational institutions to develop training programmes that will equip future recruits with skills they need to be more employable and successfully secure a job.

Princess Yachts, a leading yacht manufacturer in Plymouth's marine cluster, found a solution to their shortage of skilled carpenters by partnering with a local college to start up a carpentry course which also benefited other businesses in the region.

⁴ Harwell Campus, [Harwell Clusters](#), date accessed 24/10/22



"We talked to the FE college, and I was like, 'Let's do something.' What they've done, they've reopened one of their sites which was mothballed and they've started a short, 10-week carpentry course. We've already got 20 carpenters on that course to come out where they'll have a skill level baseline and we'll then put them in our training and we will skill them up."

Adrian Bratt, Princess Yachts

Cluster insight: Partnerships with the public sector

Solid relationships between private businesses and public sector authorities are essential for sustainable cluster development. When companies move into a cluster, they need to think about market entry and scale-up in a comprehensive way: it's not just about having enough personnel, businesses must consider where those people will live, how they will travel to work and where they will send their children to school – all points where dialogue with local government is essential.



Andy Williams, Vice President of Cambridge Strategy at AstraZeneca, explains how he managed relationships with local organisations when the company decided to significantly increase its Cambridge footprint:

"The important thing actually is not just to go [and meet with local authorities], it is to listen. So I spend a lot of time actually talking to residents groups, local resident associations, just going on to parish councils and listening to their concerns about us coming and actually making sure you really understand the communities you're going into."

Success Factor 6: Supportive policy environment

Cluster development relies on many different factors for success: a business-friendly environment; access to capital; the availability of skills; and access to facilities and infrastructure are just a few of them. Crucially, they are most dynamic where there is an alignment between national and local policies which focus on maximising the economic potential of the assets at the heart of a cluster.

A clear and consistent policy framework over the short-, medium- and long-term will help to unlock sustained private investment, with investor confidence buoyed by the knowledge they have a stable operating environment.

As well as providing stability and certainty for investors, a supportive policy environment can drive cluster success in other fundamental ways. During the *Clusters Roadshow*, two key policy areas were consistently discussed by our speakers:

- Infrastructure Policy
- Skills Policy

Infrastructure policy

A business-friendly policy environment provides the necessary framework for building quality infrastructure that can accelerate cluster development – and in turn attract more investment:

- **Transport:** Clusters benefit from good road, rail, public transport and airport connections. Delivery logistics are smoother and less expensive; talent is able to commute to the cluster for work; the cluster is better connected to other economic hubs; and investors and business partners are better able to visit companies located there.
- **Housing:** Good-quality, affordable housing is crucial for sustainable cluster growth. If accommodation is prohibitively expensive, younger talent cannot access jobs within the cluster, while poor quality housing stock is a major deterrent for many workers considering moving to an area.
- **Public services:** Access to high-quality local school systems is important for workers looking to move to a cluster.
- **Digital:** Fast broadband, 5G connectivity and sophisticated digital infrastructure is critical for business competitiveness at both the national and international level. Clusters in some regions of the UK, require considerable investment to bring them up to speed.

Maria Machancoses, CEO of Midlands Connect, the sub-national transport body for the Midlands, explains how clear policy goals can drive long term investment into the infrastructure which supports successful clusters.



“We are getting really excited about whether we go for hydrogen vehicles and ATVs, or whether we go for EVs and smaller vans, particularly in the freight logistics distribution sector. So the Midlands is getting very excited about that. Where do you get hydrogen from? Where will there be the strategic locations for recharging?”



Skills policy

As technology advances, skills needs are evolving at pace. A supportive policy base can help clusters to catalyse their investment in skills and human capital, equipping members of the workforce with the capabilities needed to harness new technologies and drive business productivity.

Martin McFayden
Head of Public Sector
Virgin Media O2 Business



“Are there a core set of skills – and without being too specific about them – that actually are more important to the future employment base and being able to have that adaptability to be able to flex as the inevitable change happens and make sure that they are able to stay relevant because they possess the inherent skill of being able to learn, being able to adapt, being able to apply that [knowledge].”

So all of a sudden, you look at policy: what's the certainty that the government is giving you about the level of investment that they're going to do? What type of technologies or what type of energies?”



CHAPTER FOUR: ATTRACTING INTERNATIONAL INVESTMENT

The UK already has a strong international reputation as a country “open for business” but this continues to be dominated by London and the South East – together they receive 55% of the country’s total inward foreign direct investment.⁵ Firms outside of these regions often struggle to attract foreign investors. Clustering could be the key to unlocking foreign capital: the key ingredients international firms look for when choosing where to invest align closely with the factors that make a cluster successful: investors look for a business-friendly policy environment; readily available talent; and a community with the capability to keep pace with business growth.

So how can clusters maximise their own success, while working to attract international capital?

How dynamic clusters can land investment

- **Craft an elevator pitch:** Narrative, storytelling and a strong sense of the unique selling points of a place are critical if clusters are to communicate effectively with potential investors. To hold investor attention, the stories clusters tell to market themselves need to be clear, concise and credible.
- **Who is your market?:** Be realistic and focused on where you are looking to attract investors. They will want to see a genuine strategic fit with their long term bets and establish if there is a commitment to partner over an extended period, with a willingness of the cluster to evolve and grow with the investment, perhaps positioning a second and third wave of funding.
- **A good place to live and work:** Local authorities, planning authorities, business leaders and developers working in expanding cluster locations should carefully consider how to create communities that are not only good places to work, but also great places to live. Business investors want to make sure high-value companies are located in places with appeal for top-tier talent and in locations with the capacity to support sustainable business growth with good transport links and access to schools, healthcare, leisure facilities and other amenities.

The UK’s tech and science sectors are producing highly innovative companies, particularly spin outs from its leading research universities. Mike Anstey, Partner at

⁵ ONS, [Foreign Direct Investment UK sub-national statistics](#), 2021

Cambridge Innovation Capital, highlights why dynamic clusters such as Cambridge have so much to offer to international investors:



“This is one of the most exciting places for novel innovations. The science is just as good as Boston, just as good as the Bay Area, just as good as what’s happening in Israel. And there was a shortage of capital and a shortage of expertise to build large businesses. And so, as an investor, that’s a great place to go. You want to go where there’s fantastic deal flow and fantastic talent, which just needs capital and expertise to help fulfil the ambition.”

Mike Anstey, Partner at Cambridge Innovation Capital



CHAPTER FIVE: ACTIONS FOR POLICYMAKERS

Throughout this Playbook, we've heard how clusters can truly power economic growth and investment across the regions and nations of the UK. If places can harness the essential ingredients to nurture and grow clusters of substance, they have the potential to unleash new technology, ideas and innovation which can transform the lives of local communities and build firms which can genuinely be world leading. But to capitalise on this opportunity and give the UK's clusters the best chance of success, policymakers at national and regional level also need to take decisive action.

Continued support for devolution: Devolution deals have enabled cities and regions to make policy and planning decisions designed with their communities in mind, and to champion initiatives that matter locally.

Listen to John Godfrey Director of Levelling Up, Legal & General, speaking about how local governments and devolved administrators can support clustering:

"One of the barriers, I think, is empowerment of local government. You are quite reliant on local government to deliver this. And they have to have a), the vision and b), the ability to deliver that vision in partnership with you. And this is why the trailblazers devolution deals that have been announced for the West Midlands and Greater Manchester will be quite important. So there is a potential here to address issues like planning and some of the more complicated procurement issues and the things that tend to hold up projects."

Finance: Private capital can be reluctant to invest in new initiatives, either because the geography, the sector or the technology is unfamiliar territory for them: clustering initiatives may present all three risks for investors. There is therefore a role for government to play in supporting "blended finance" options for cluster investments, with the government providing initial packages of funding that can then be combined with private finance.



“What we need the government to do is be more assertive in channelling catalytic capital – whether it be in towns, cities, regions or projects – which private finance can then blend with. That will genuinely accelerate growth.”

Chris Sood-Nicholls, Director of Regional Regeneration, Commercial Banking, Lloyds Banking Group

Planning regulations: For clusters to grow and evolve at pace, many will need improved physical infrastructure developments including: expansion of commercial property; advanced manufacturing space; lab space; technical and scientific infrastructure; travel and transport improvements; retail space; public buildings; and housing developments. The inefficiencies of the current UK planning system may hinder this growth:

“Ultimately, regeneration is very closely linked to levelling up. And we need places where people want to live, they want to work and they want to play. And if it takes many, many, many years to do that, to get through the planning system, then we are slowing down the opportunity to get investment into an area.”

Stephanie Hyde, Chief Executive Officer, JLL UK



The CBI Clusters Community

The CBI wants to develop at least one world class cluster in every region and nation of the UK. We want to continue building upon the insights and ideas discussed in this playbook. The CBI will be building a new '*clusters community*' of business leaders, investors, regional and national political figures and policymakers to build momentum and a consistent UK approach to cluster development, so do get involved in this exciting initiative.

If you have thoughts to share, please don't hesitate to get in touch, we'd love to hear from you. [Email us!](#)



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About us:

Across the UK, the CBI speaks on behalf of 190,000 businesses of all sizes and sectors. The CBI's corporate members together employ nearly 7 million people, about one-third of private sector employees. With offices in the UK as well as representation in Brussels, Washington, Beijing and Delhi, the CBI communicates the British business voice around the world.

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