



# MNEs and a cluster: a 'chicken or egg' discussion

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Workshop: Multinational enterprises in regional clusters - A promising nexus? -  
Bremen, June 20, 2019



# Russian Cluster Observatory



A cluster-specific research and consulting center, established at HSE  
ISSEK in 2012

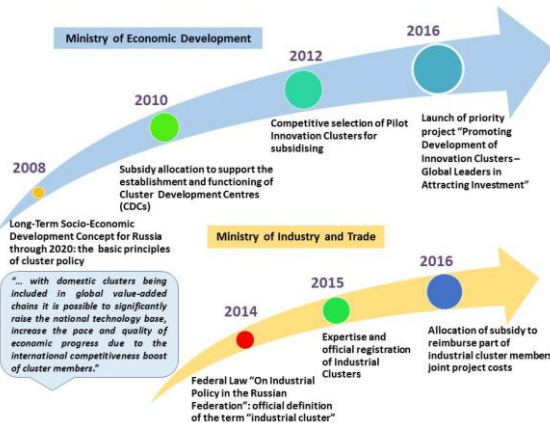
**Expertise** in cluster excellence, regional studies, innovation and industry-related policies design

**Services** from legal acts drafting to cluster management training, and from policy makers consulting to cluster evaluation

**Access point** to data on clusters and cluster organisations throughout Russia



## Cluster policy milestones



## Cluster policy contribution

- Drafting legal framework, regulating the launch and activity arrangements of innovative and industrial clusters
- Expertise of cluster applications for public funding provided by the Ministry of Economic Development (2012-2015) and the Ministry of Industry and Trade (since 2016)
- Performance evaluation of clusters, engineering centers and technological platforms
- Running the project office to foster horizontal cooperation among innovative clusters
- Publishing cluster relevant guidelines and analytics

## Cluster policy outcomes



<span style="color: green;">■</span> <b>34</b> Cluster Development Centers 33 regions ~ €20 m 2010-2016	<span style="color: blue;">●</span> <b>27</b> Pilot Innovative Clusters 28 regions ~ €100 m 2013-2015
<span style="color: red;">▲</span> <b>12</b> Leading Clusters 12 regions 2016-2020	<span style="color: black;">■</span> <b>43</b> Industrial Clusters 27 regions 8 joint projects ~ €56 m 2016-2017 <sup>2</sup>



# Cluster Map of Russia: online, free and user-friendly platform with relevant data on clusters countrywide

[map.cluster.hse.ru](http://map.cluster.hse.ru)



Карта кластеров России

Карта

Реестр

О проекте

Контакты

КЛАСТЕРЫ

ВЫХОД

СПЕЦИАЛИЗАЦИЯ КЛАСТЕРОВ

УРОВЕНЬ ОРГАНИЗАЦИОННОГО РАЗВИТИЯ

ЧИСЛО УЧАСТНИКОВ

СТАТУС КЛАСТЕРА

Ca. 3000 members  
Ca. 1.5 mln employees

# 118 cluster initiatives

## Organisation development level

89

initial

21

medium

9

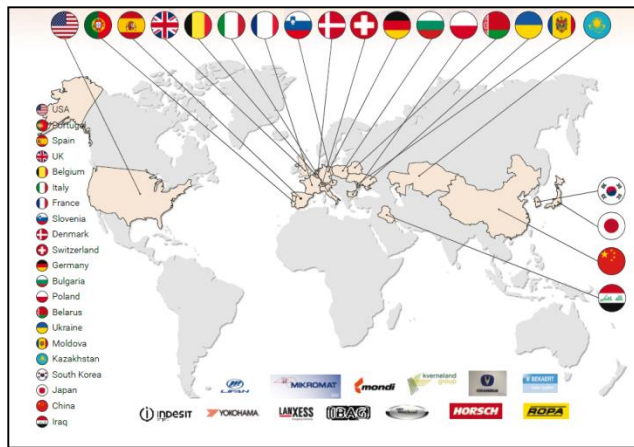
high

Collage of cluster profiles including:

- Улан-Батор (Ulaanbaatar)
- Уральский машиностроительный кластер
- Иновационный кластер информационных и биофармацевтических технологий Новосибирской области
- Уровне
- Развитие информационных технологий, радиоэлектронные приборостроение, средства связи и инфокоммуникаций Санкт-Петербурга (разработка "Информационные технологии")
- Менеджер кластера
- Нефтехимический территориальный кластер Республики Башкортостан
- Консорциум "Научно-образовательно-производственный кластер "Ульяновск-Авиа"
- Менеджер кластера
- Камский инновационный территориально-производственный кластер
- Менеджер кластера



# International activities of leading Russian clusters



Valley of Machine-Building  
Lipetsk Cluster



INNOKAM Cluster of Tatarstan



Bashkortostan Petrochemical  
Cluster



Moscow Region Consortium of Innovation  
Clusters



BRIGHT CITY Cluster of Mordovia



Ulyanovsk Aerospace & Nuclear  
Cluster



# Outline

1. Research background and design
2. MNEs in Russian clusters: a snapshot
3. The interplay of MNEs and clusters: preliminary research outcomes
4. Future research challenges



# 1. Research background and design





# Research background: glocalization

## Balanced approach to regional development:

- Embeddedness and regional context are important success factors (Ghemawat, 2007). **BUT** excessive focus on the properties of the territory, informal interactions can lead to the trap of the closure (Asheim, Isaksen, 2002) => **sticky VS ubiquitous knowledge**
- Regional development largely depends on external interactions, access to global channels for the reproduction of advanced achievements (Bathelt, Malmberg, Maskell, 2004) => **local buzz + global pipelines**

## Regional assets and MNEs: strategic coupling

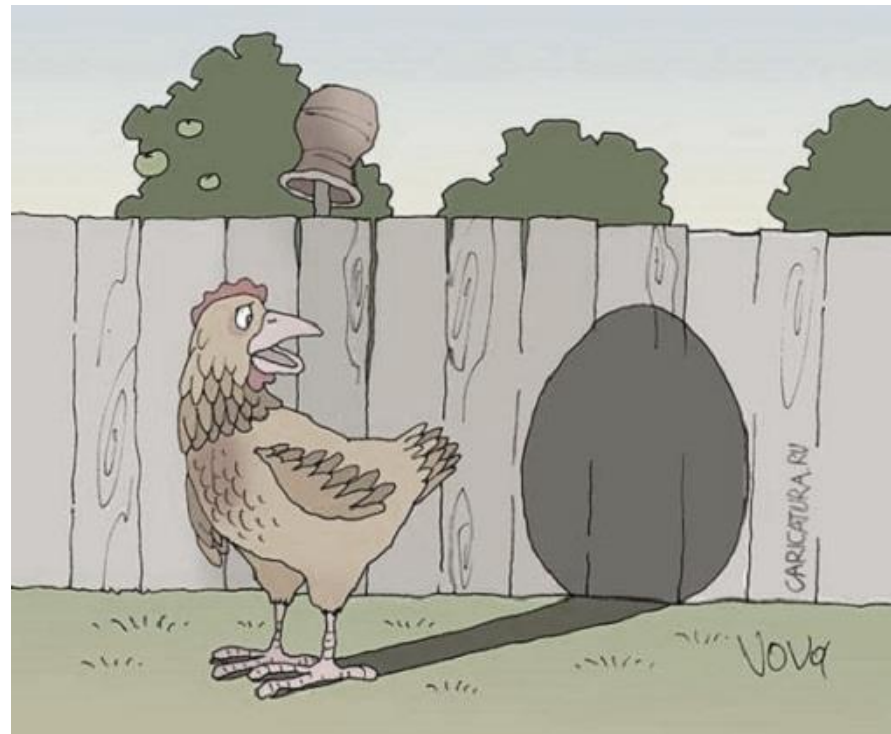
- The more unique and demanded by the global players are the resources of the region, the stronger and longer their connection ("cohesion") with this territory
- These local advantages - the "assets" of the region - can be of interest and value to large corporations that are integrated into global industrial networks. (Coe et al, 2004)

## MNEs in a regional context, and the role of / impact on clusters

- MNEs combine global reach and advantages of drawing upon regionally available competences (Bartlett & Ghoshal, 1989)
- Institutional and project-based levels of MNEs connections to regions: differ by intensity of bonds and are not always consequential => search for effective means to involve MNCs in regional clusters (Mattes, 2013)
- The resilience of clusters builds on integrative effects from their network through external actors and knowledge interactions (Martin and Sunley 2011; Simmie and Martin 2010)

# Research questions

- Are these cluster / regional conditions that attract MNEs, or
- MNEs that open regional branches, then foster the emergence of a cluster in its area of specialization?







# Data and methodology

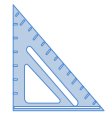
## Step 1. Express analysis of 'MNEs in clusters' landscape



Method: desk research



Sample: 118 cluster initiatives registered on Cluster Map of Russia



Criteria:

- Relation to cluster: member / partner
- MNE: industry; headquarters
- Host cluster: industrial / innovative/ supported by CDC / none; new / old
- Host region: investment / innovative ranks

## Step 2. Deeper analysis of selected cases



Method: semi-structured interview



Sample: 4 managers of leading CMOs



Questions:

- Role of clusters in attracting MNEs, and their integration into the local economy
- Forms of MNEs' participation in cluster governance
- Joint cluster projects involving MNEs
- Impact of MNE's quitting the region on a cluster
- Interaction model of SEZ, which concentrate most MNEs in Russia, and clusters



PCK  
Nonprofit  
partnership



SAINT PETERSBURG  
TECHNOPARK



innokam



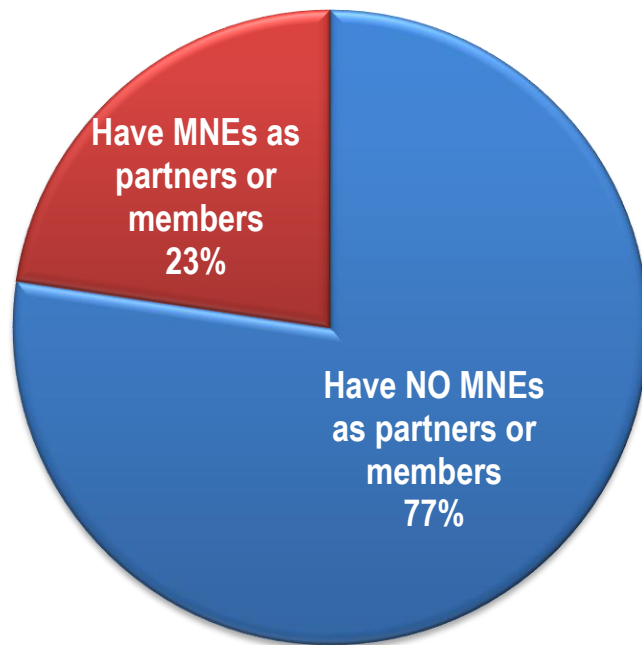


## 2. MNEs in Russian clusters: a snapshot

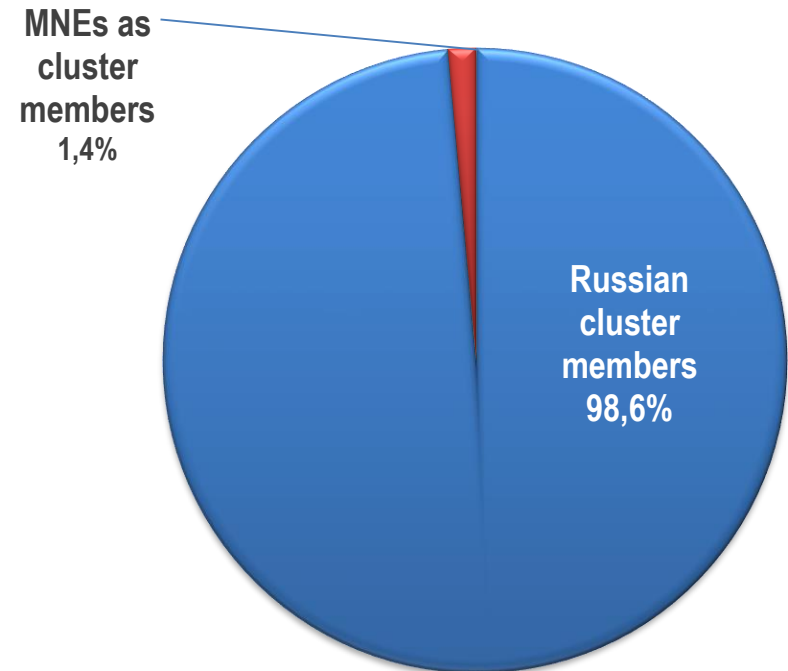


# Domestic companies and MNEs in Russian clusters

Share of clusters with MNEs as partners or members



The share of foreign members in the total number of members of Russian clusters

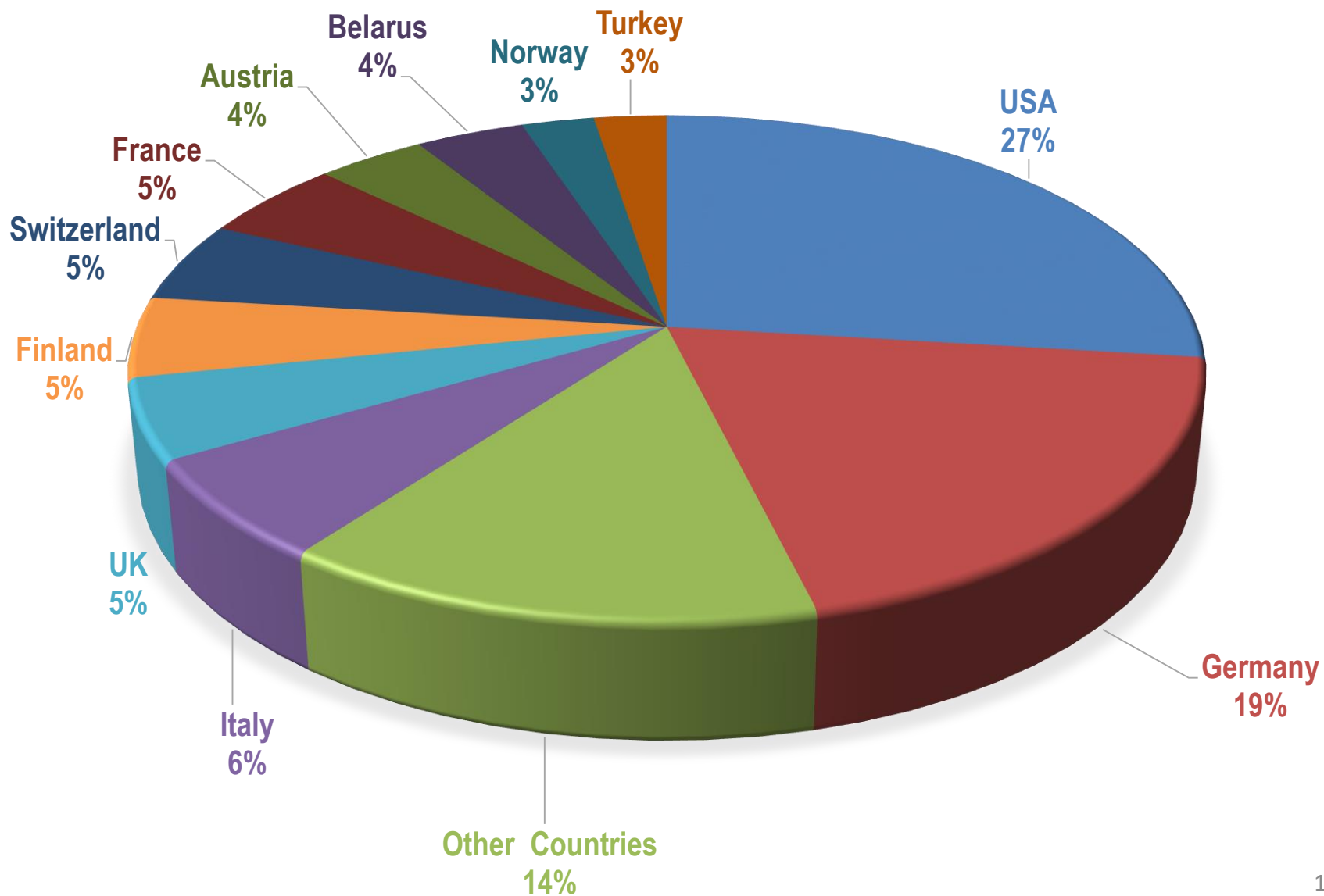


**More efforts are needed to increase global visibility of Russian clusters:**

- Workshop on cluster collaboration opportunities in APEC: Moscow, November 2019
- TCI Global Conference: Kazan, October 2020



# Home Countries of Headquarters of MNEs' – the members of Russian Clusters



# Distribution of MNEs among clusters

(source – Cluster Map of Russia, 2019)



Карта кластеров России

Карта

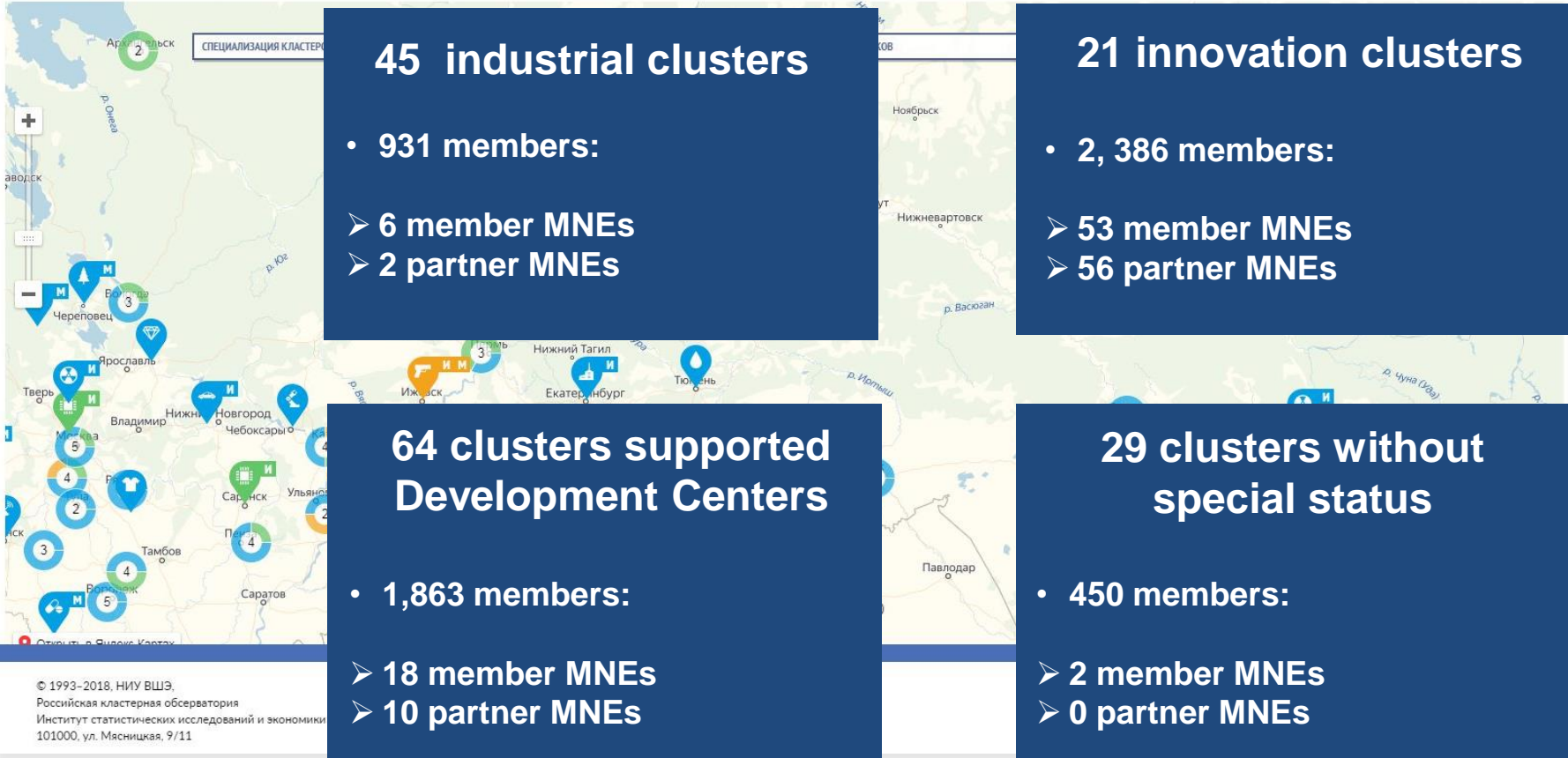
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1. Most MNEs are located in innovation clusters (15 out of 25 have MNEs as partners or members)
2. Least MNEs are located in clusters without any status (2 out of 29 have MNEs as partners or members)

**The MNEs are embedded in clusters, which have relevant KPIs induced by public programs - ?**



# Internationalization as a focus of innovation cluster support programs

## Pilot innovation clusters (2013-2015)

**Beneficiaries:** 25 clusters from 28 regions

**Total funds:** €100 m

### Funded activities:

- Developing innovation and educational, engineering and social infrastructure
- **Strengthening cooperation, promoting cluster member products in external markets**
- Staff training

### KPI achieved by 2015:

- Pilot innovation clusters' **export revenues** are **20%** higher than regional average

## Leading innovation clusters (2016-2020)

**Beneficiaries:** 12 clusters from 12 regions

**Support:** consulting, training, priority access to available support initiatives, road mapping

### Supported activities:

- Innovation infrastructure building
- **Promoting export of high-tech products**
- **Attracting FDI**
- Technology commercialisation
- **Cluster management excellence (ESCA)**
- Modernization of core companies

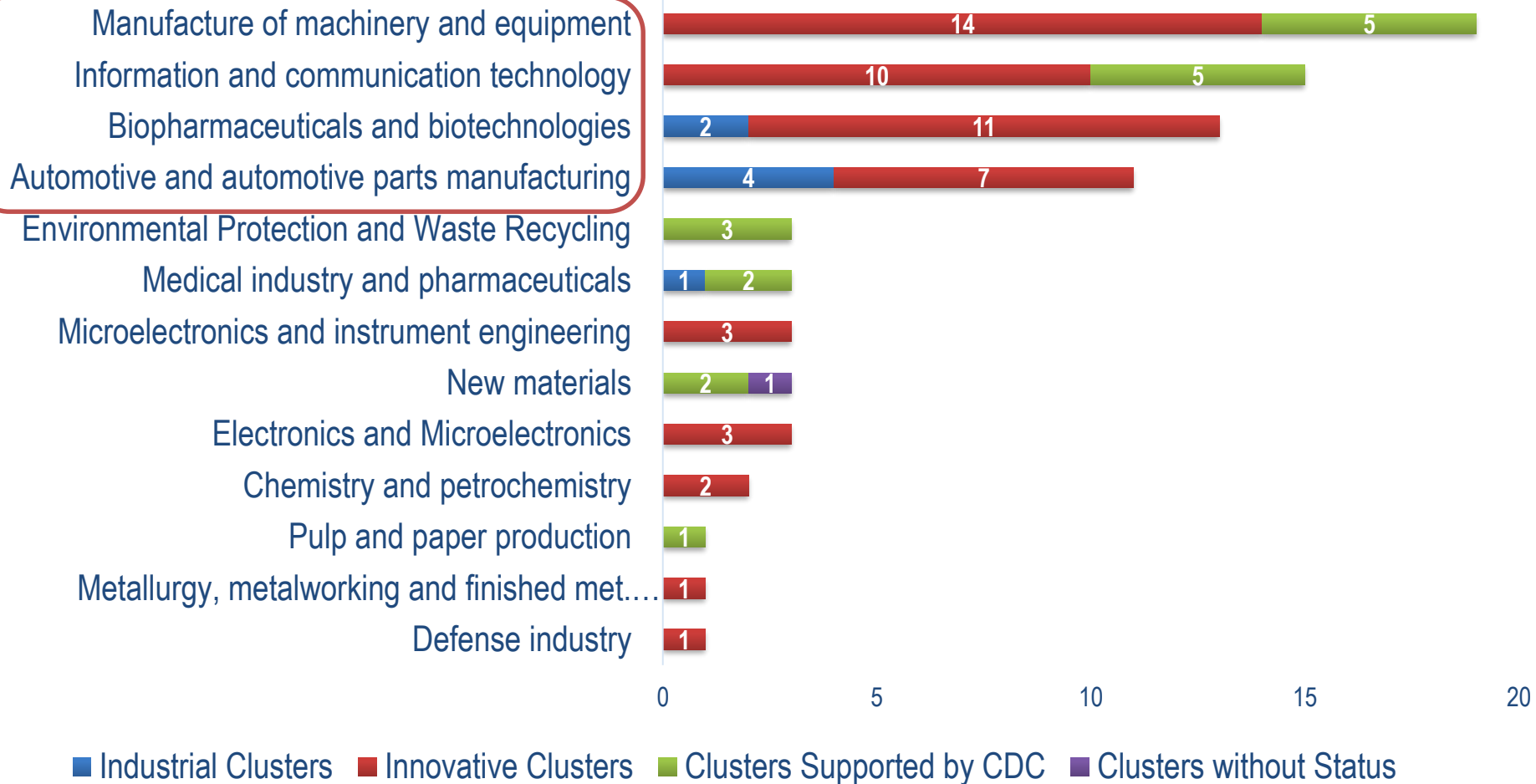
### KPI to be achieved by 2020:

- **50%** increase (from US\$ 5.6 bln) of **exports, excluding raw materials**





# MNEs in Russian clusters by industry



Most MNEs are located in innovation clusters, with the focus on machinery & equipment manufacturing, biopharma, ICT and automotive

**MNEs are mostly attracted to embed in regions with clusters operating in new industries / technological domains -? => an implication for policymakers...**

# Key MNEs represented in Russian Clusters

## Pharmaceuticals and Biotechnology



## Manufacture of machinery and equipment



## Information and communication technology

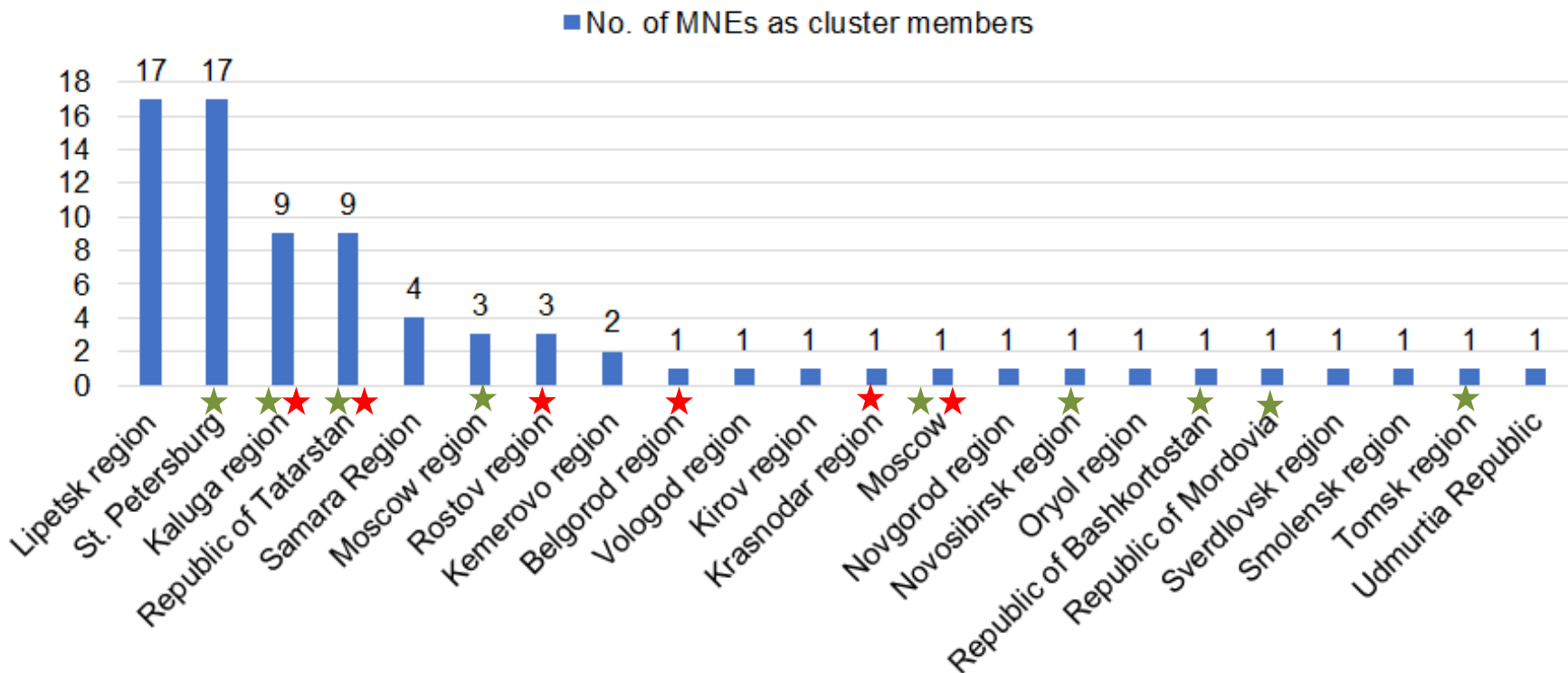


## Automotive industry





# The number of MNEs in Russian clusters by regions and their innovation and investment attractiveness ranks



★ Top 15 innovative regions according to HSE Russian Regional Innovation Development Ranking (2015 data)

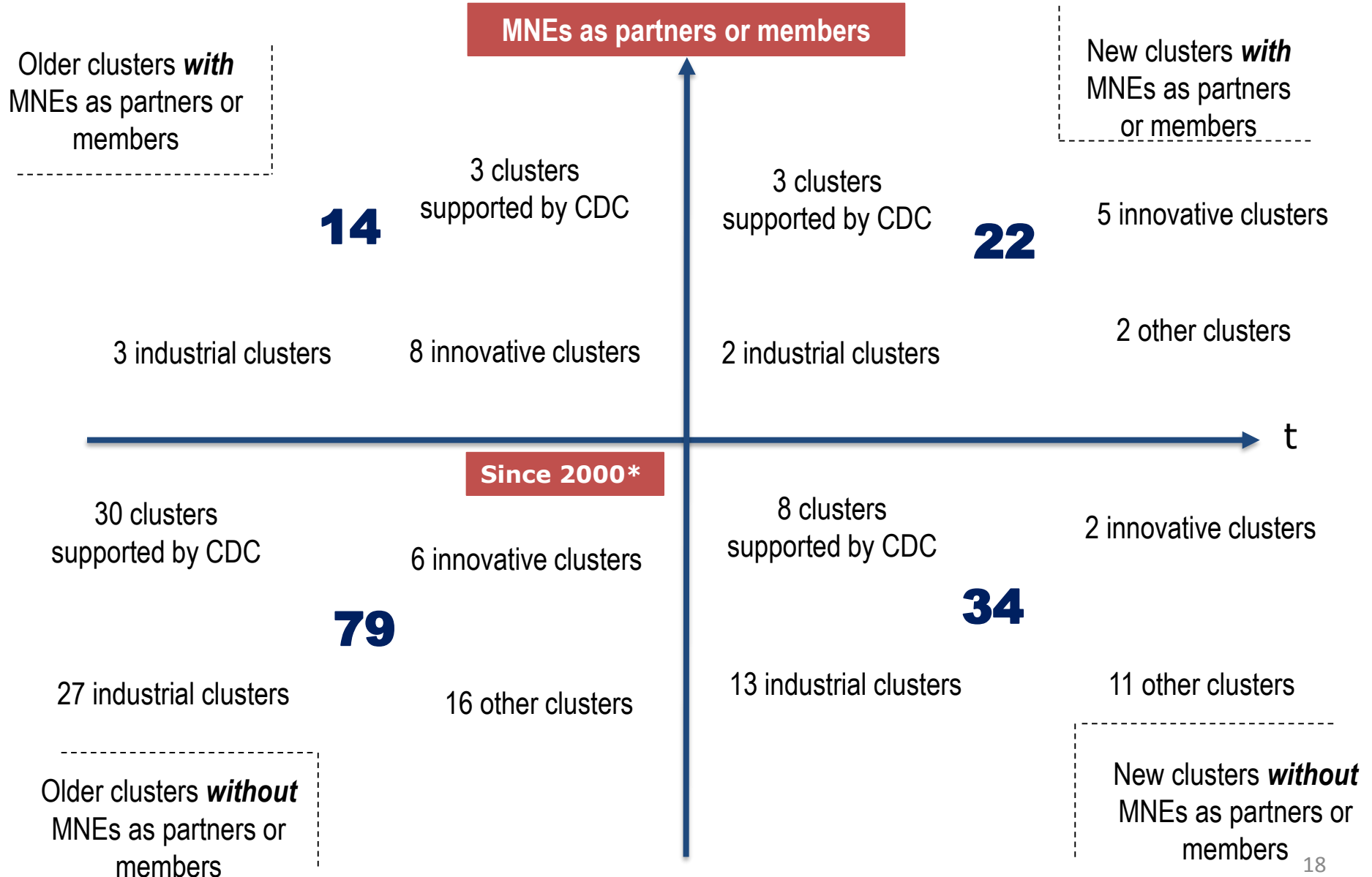
★ Top 15 regions according to the National Rating of the Investment Climate (2015 data)

Most MNEs are in clusters located in regions with high innovation or/and investment attractiveness ranks

**What are the features of regional policy that help attract MNEs?**



# Types of clusters according to the time of emergence and the presence of MNEs as partners or members



\* We assume that since this period (after the default of 1998 and the beginning of the growth of the Russian economy), foreign companies have received more incentives to transfer production to Russia



### 3. The interplay of MNEs and clusters: preliminary research outcomes

# MNEs as a cluster's founding fathers



PHARMACEUTICAL CLUSTER of KALUGA :

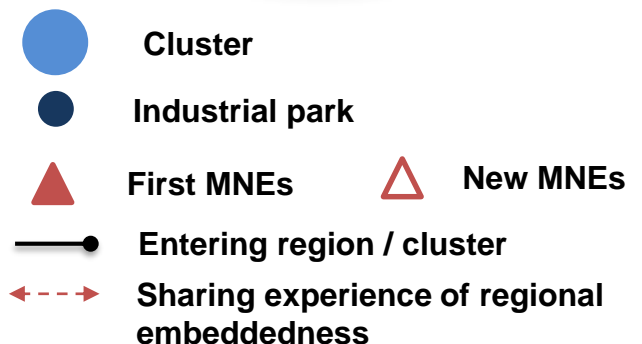
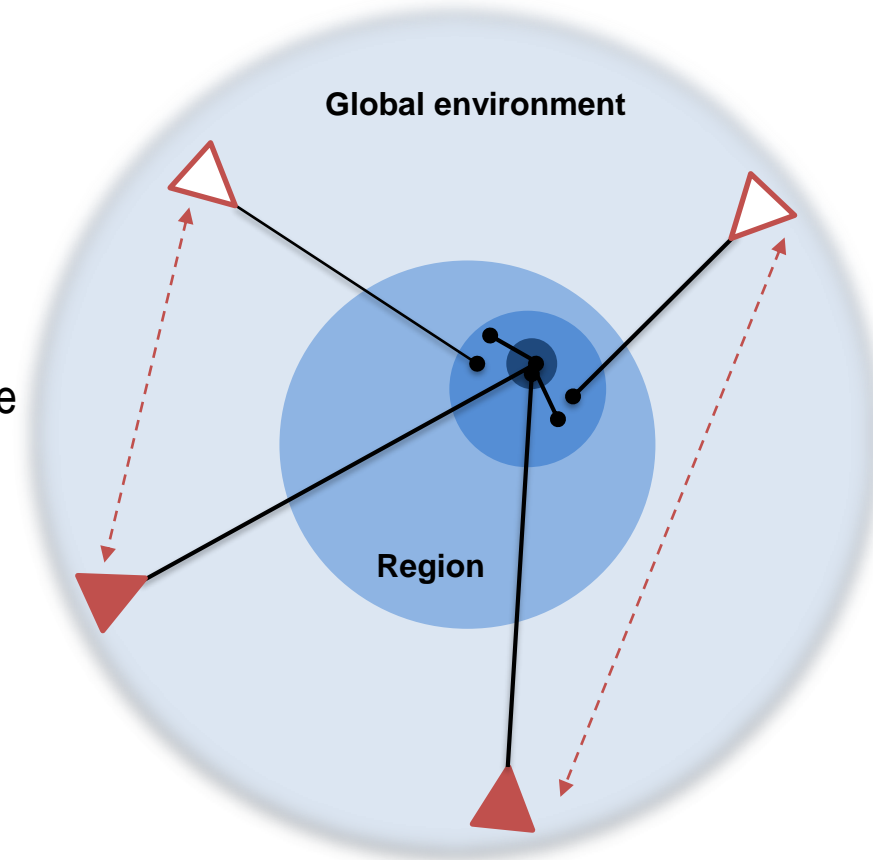
- Bio- and radiopharmaceuticals
- Nuclear medicine



BERLIN-CHEMIE  
MENARINI



- MNEs are co-founders and anchor members of the cluster initiative
- MNEs were localized in the region in industrial parks due to active investment policy
- Top managers of MNEs are in turns Chairmen of the Cluster Board
- Joint cluster projects with MNEs:
  - Kagocel® production: Stada + Niarmedic => co-opetition effect
- Impact of MNE's quitting the region on a cluster: opposite – the cluster cannot embrace all new MNEs
- Key values of embeddedness:
  - to MNEs: access to services of CMO (incl. GR, HR, networks) and regional government (SPIC)
  - to cluster / region: new MNEs, new business culture, joint projects, value chain







# MNE as one of the cluster anchor members



INNOKAM CLUSTER OF TATARSTAN:  
• Automotive components manufacturing  
• Downstream chemical products



DAIMLER



Air Liquide

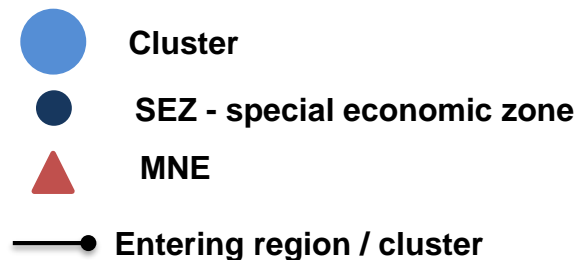
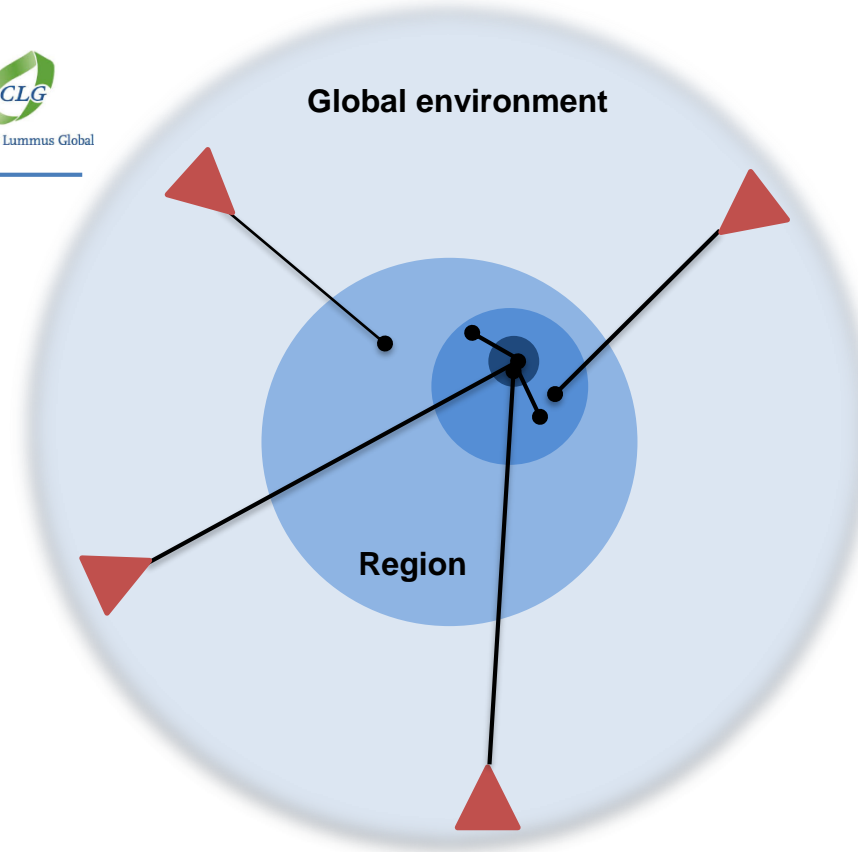
THE LINDE GROUP

Haier



Chevron Lummus Global

- SEZ as a co-founder of the cluster initiative attracts MNEs to the cluster
- MNEs are cluster members OR strategic partners of cluster anchor members
- MNEs are part of General Assembly of cluster management organization (CMO) and are involved in cluster governance
- Joint cluster projects with MNEs:
  - Olefin complex EP-1200 construction: Linde AG + Nizhnekamskneftekhim PJSC
- Impact of MNE's quitting the region on a cluster: Ford
- Key values of embeddedness:
  - to MNEs: access to services of CMO (incl. GR, HR, networks) and regional government
  - to cluster / region: infrastructural projects (e.g. construction of an industrial park)





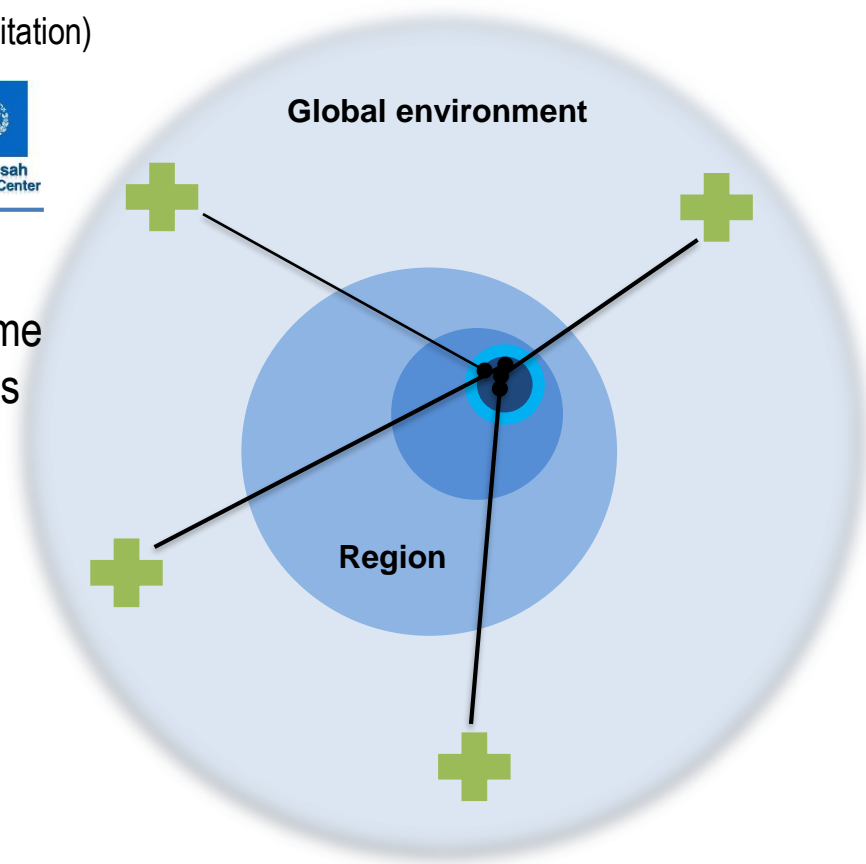
# Cluster as an MNE *per se*

MOSCOW INTERNATIONAL MEDICAL CLUSTER:

- Healthcare services (diagnostics, treatment, rehabilitation)
- Medical education and R&D



- The cluster initiative was launched for MNEs
- MNEs are localized in the region under special legal regime – like in their home (OECD) countries, national regulations do not apply
- No participation in cluster governance; instead – bringing new treatment and medical education culture
- Joint cluster projects with MNEs:
  - each MNE is a project *per se*: operator + investor
- Impact of MNE's quitting the region on a cluster: NO
- Key values of embeddedness:
  - to MNEs: special legal regime, services of CMO, infrastructure, ↓ land rental rates, public co-investment
  - to cluster / region: unique career and educational opportunities for Russian doctors and biomedical researchers, and access to world-class healthcare to patients in their own country



- Cluster
- Special legal regime
- SKOLKOVO spatially-isolated complex
- ✚ Global clinics => MNEs
- Entering cluster



# Findings and New questions

- MNEs are attracted by regional policy measures, with clusters operating in new industries / technological domains.
- Cluster management role is to provide added value to MNEs and keep them within.
- MNEs attraction to clusters is out of scope of national cluster policy.

**What are the features of regions / clusters / national policy that attract MNEs and keep them in local environment?**

**What are the effects of MNEs on regions / clusters?**

**What policy interventions are most effective to attract MNEs?**