

How Regional Innovation Clusters Form

Regional innovation clusters represent open innovation networks that transform regional economies by accelerating innovation. They develop through identifiable stages. We can view these development stages from a variety of different perspectives. Strategic Doing accelerates the formation of clusters. Strategic Doing enables members of a loosely joined network to manage complexity by following simple rules. The strategy discipline — specifically designed for open networks — generates alignment within the network through the fast development and launch of "link and leverage" strategies.



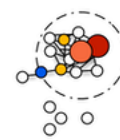
Conversation shifts.— Clusters begin to form with conversations among companies that share a similar "competitive space". These conversations typically focus on either 1) common problems, such as not having enough skilled labor; or 2) opportunities that could emerge by linking and leveraging assets.



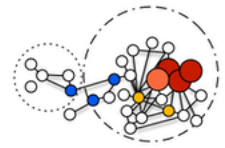
Network forms.— As more companies join these conversations, the connections among these firms become stronger. Participants become aware of an emerging network within the region. One or two firms emerge as "network hubs" that start to concentrate shared assets within the cluster.



Strategic agenda emerges.— Members of the emerging network begin to focus on strategic opportunities. They begin to learn how to move the network strategically to focus on specific outcomes. The strategic discipline to guide an open, loosely joined network is called strategic doing. The cluster achieves greater alignment through "link and leverage" strategies generated with strategic doing. Higher education institutions become active in supporting the cluster with knowledge transfer: training, research, and so on.



Anchor investments made.— As the cluster forms, members develop a strategic agenda: a portfolio of investments to strengthen competitive firms in the cluster. The portfolio includes larger scale shared "anchor investments". The portfolio ranges from investments in talent; entrepreneurship and innovation supports; marketing and branding; and physical facilities like incubators and research centers. The cluster also needs operating funds for support.

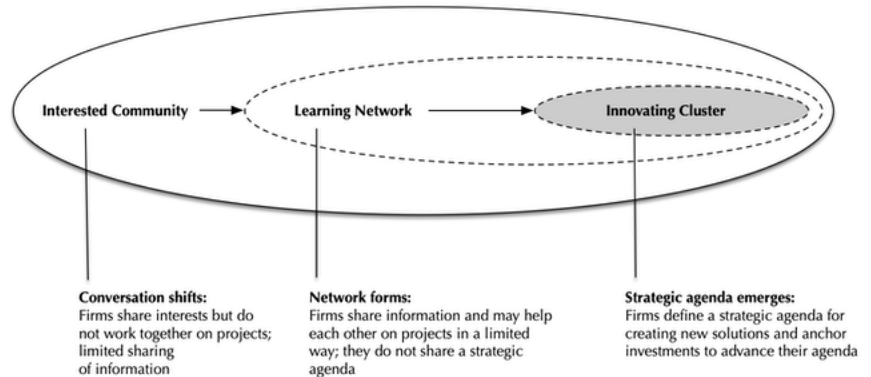


Cluster continues to invest, adapt and expand.— Connections within the network become more dense and spontaneous. New anchor investments build out the infrastructure of the cluster. In addition, new clusters emerge and connect as "boundary spanning" firms connect with other firms and markets and opportunities.

Legend

- Business firm
- Business firm that acts as an expert hub for a network
- Business firm that serves as a "boundary spanner"
- Higher educational institution supporting the cluster with education, training or research
- Strategic focus area that ties together firms within a cluster
- Anchor investment that creates significant new value for members of the cluster
- Formal cluster organization

► **Clusters represent open innovation networks.**— To be productive in generating high levels of innovation, members of the cluster must build high levels of trust. They build these trusted relationships by working together. At first, these collaborations involve sharing information. Members move on to helping each other on projects. The innovations take place when members of the cluster develop a joint strategic agenda and work together to advance that agenda with anchor investments and other joint initiatives.



Strategic Doing: Developing Strategies That Link, Leverage and Align

Strategic Doing // Cycle

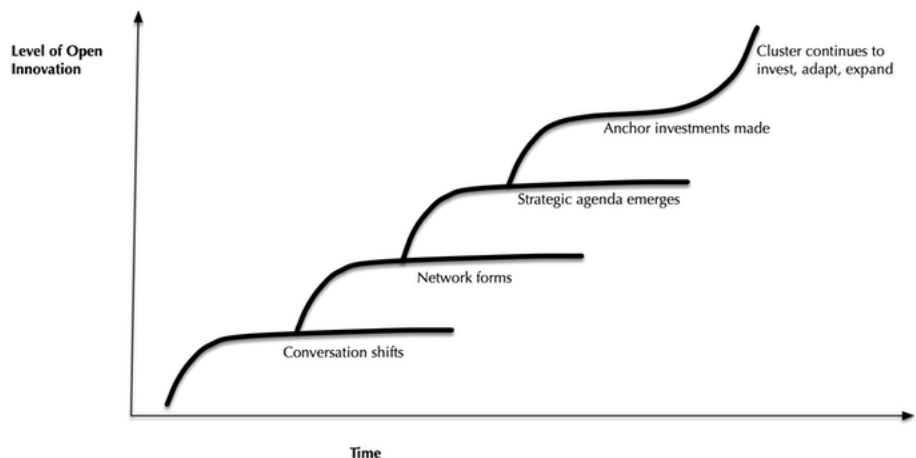


Strategic Doing is the simple -- but not easy -- discipline of developing strategies in open, loosely joined networks.— Strategic planning represents a discipline to develop a strategy in hierarchical, command and control organizations. These practices do not work well in open networks and clusters. They are too slow, inflexible and costly.

Strategic Doing is different. This open-source discipline focuses on quickly identifying opportunities through linking and leveraging assets. It next converts the most promising opportunities into measurable strategic outcomes, initiatives and action plans. Strategic doing provides a simple, repeatable process to develop strategy in open, loosely joined networks.

Strategy in networks needs to be fast, low cost, and iterative. In complex, shifting environments adaptation to new circumstances is critical. Strategic Doing emphasizes the importance of developing a clear action plan and then modifying this plan frequently as circumstances change and members of the network learn "what works". Strategic action plans are continuously revised with new versions.

Leaders learn Strategic Doing through practical workshops that engage them in mapping their assets and then defining practical "link and leverage" strategies that align assets toward outcomes that are both transformative and measurable.



► **Clusters evolve through different horizons.**— The first step involves changing the conversation to explore the opportunities that could emerge from collaboration. As these conversations advance, a network begins to form. The network reaches another milestone when members of the network work together to form a common strategic agenda. As they advance this agenda, they guide the development of anchor investments. These investments strengthen the competitive position of firms within the cluster and create still more opportunities.

Advanced strategy in clusters requires continuous revision and sophisticated, complex thinking. Strategic doing provides a simple framework to manage this complexity.

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The Agile Strategy Lab conducts leading edge research on new methods of managing organizations in an age of dynamic change. This research focuses on how leaders can design and guide networks and collaborations more productively. The Lab is located within the College of Business at the University of North Alabama.

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