

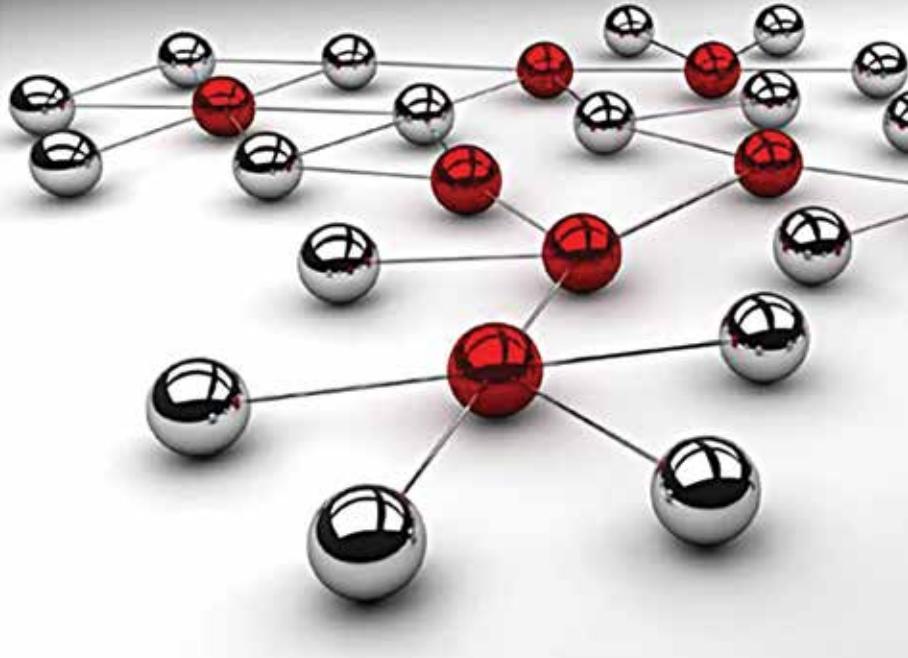
Clusterpreneurs and IT Clusters in Palestine



By Hasan Omar

The concept of “Business Clusters” is new in Palestine even though it has been prevalent in the business development community. Such clusters were implemented years ago and have flourished since the 1990s in European countries such as Spain, France, and Italy. For decades, they have been the subject of research that has been tackled by many scholars, the most prominent being Michael Porter, who wrote *The Competitive Advantage of Nations* (1990). Hence, the concept is called the “Porterian Cluster” and defined as “a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and externalities.”¹ In simple terms, clusters are groups of companies in a defined geographical area that are involved in the same/similar/complementary businesses that produce the same/similar/complementary products for the same/similar/complementary markets. Many today still consider this to be the best definition.

So why are IT clusters needed in Palestine? In the Palestinian context and its “doing-business” environment, which includes the local geopolitical and socioeconomic circumstances as well as the impact and consequences of globalization and international competition, clusters that are specialized in IT subsectors – such as the software industry, animation, mobile applications, gaming, etc. – are greatly needed and have the potential to perform very successfully. They constitute a tool and provide one of the best international models to enhance the competitiveness of high-tech small and medium-sized enterprises (SMEs), enabling as well the transfer of research and technology through true partnerships and fruitful interaction between universities and the industry. Such clusters can and will play a critical role in building a dynamic knowledge-based economy and will enhance micro and small start-up companies in the IT sector.



Cluster development is a process that does not happen overnight; it typically takes place over a period of up to ten years. To move forward in a desired direction, a long-term vision is needed. However, one could expect that an IT cluster in Palestine would take less time because we are not starting from scratch due to the efforts and programs that have been developed over the past years. Building an IT cluster involves changing the mindset of enterprises so that they function with a high level of collaboration and cooperation, aiming to improve their competitiveness as a whole, rather than functioning as individual enterprises that try separately to make their way in the world. As the Palestinian economy is dominated by micro, small, and medium enterprises (MSME), and most of the enterprises are in fact micro and small (MSE), this is a huge and sometimes difficult mission. It can be thought of as collaboration for competition (co-petition). Therefore, persons charged with developing such economies must understand that cluster development is a strategic step that will take time; it is not a quick fix for resolving economic problems.

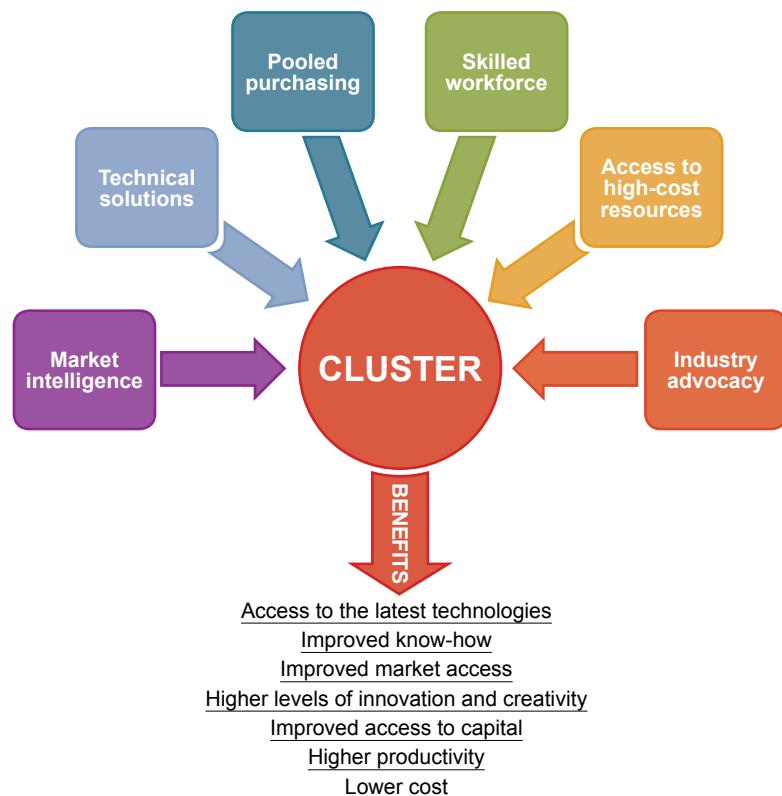
P alestine has recently started the development of seven business clusters, but none of them – as yet – in the IT sector.

However, it is easier and will take less time in the technology field in general and in the IT sector in particular, due to the already existing communication channels and the best usage and utilization of telecommunications and other networks over the cloud. A few years ago, Spain started version 2.0 of clustering, “cross-sectoral clusters,” in which the cluster is not limited to geography, as in Silicon Valley. By the way, this model is the best scenario for an IT cluster in Palestine: develop a Software Industry Cluster for the whole of Palestine (West Bank and Gaza). This is doable in such a small country due to the nature of the IT industry, its players, and its value chain.

For example, the linkages that have been initiated recently by the Private Sector Development Cluster Project are a promising starting point, where one cluster was forged between the Furniture Cluster of Salfit and An Najah National University of Nablus, and another one between the Leather and Shoe Cluster in Hebron and the Palestine Polytechnic University of Hebron. The innovation cycle will contribute to the development of the firms in both clusters not only within their geographical areas but in Palestine as a whole and in terms of exports, jobs created, and research and development projects. This cooperation will also affect the development of related policies and regulations through a healthy and productive public-private dialogue. During the last few years,

clusters have become the focal point of many new policy initiatives, and the bottom-up approach is the most suitable one for Palestine.

A proposed model of partnership and interaction is based on tri-integration and cooperation between the cluster, the university, and the chamber of commerce. Other related stakeholders, including the government, should also be involved. It is expected that such a model will provide more employment opportunities and increase the competitiveness of the clusters' members through product differentiation, thus strengthening the cluster position in the domestic market and providing more opportunities to penetrate new export markets that are aligned with the local National Export Strategy.



Clusters involve a number of partner entities. Graph courtesy of Canadian Sailings.ⁱⁱ

There is a strong link between IT clusters and academia. Not limited only to universities, academia is a key driver of cluster development and includes all stages of education. For the effective development of IT clusters, collaboration between academia and industry is essential, and academia needs to move towards tailoring its activities to support specific, identified clusters. As leaders in research and development, universities should look for possibilities to exchange information and technology with clusters, e.g., university students and staff should be placed as members in the companies that belong to a cluster, study tours to international research centers should be organized, and selected cluster firms should be invited to participate. Business ideas, such as software and mobile applications, should be pulled from the industry and developed through graduation projects. Joint research and development projects with clusters should be formed in order

to participate in the establishment of innovation centers, patenting offices, technology transfer offices, business parks, and techno parks.

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ⁱ Michael E. Porter, *On Competition*, 1998.

ⁱⁱ Alan M. Field, *A Cluster of Possibilities throughout Ontario*, Canadian Sailings: Transportation and Trade Logistics, January 2013, available at <http://www.canadiansailings.ca/?p=5807>.

