



## A sustainable business plan for the Flemish Cluster Organizations

*Public funding is a must for many cluster organizations in developing a sustainable ecosystem. However, this support is often temporary, that's also the case in Flanders. The Flemish Innovative Business Networks are financially supported for 3 years, after which they are expected to continue with their own resources. This is not obvious and turns out to be a pitfall for many of these organizations. In order to give the promising clusters the opportunity to successfully enter the future, Flanders Innovation & Entrepreneurship developed a new service for its cluster organizations, namely a coaching trajectory to develop a sustainable business model. Thanks to this service, four Innovative Business Networks were prepared towards a future proof cluster organization. Read more about their experiences and the lessons learned by Flanders Innovation & Entrepreneurship.*

Through the cluster program of Flanders Innovation & Entrepreneurship (VLAIO), the cluster policy of the Flemish Government is shaped and put into practice. The focus of the cluster policy is on increasing the competitiveness of the companies and on improving active collaboration between companies and other relevant stakeholders in a domain that shows a certain future and innovative potential (e.g. hydrogen, smart cities, ...).

The program distinguishes two types of clusters: the spearhead clusters and the Innovative Business Networks (IBN's). These clusters are coordinated by cluster organizations that are partially financially supported by VLAIO. The spearhead clusters are financially supported for a period of 10 years, and the Innovative Business Networks for a period of 3 years.

A major challenge experienced by these cluster organizations, and especially the IBN's as their financial support is smaller and more limited in time, is to generate enough income once the financial support of the Flemish government comes to an end. In order to help the IBN's with this challenge, the Flemish government decided to hire the professional services of KPMG Advisory Belgium to provide an intense trajectory consisting of one-on-one support to some of the cluster organizations in the development of a sustainable business plan and model. In addition, a more generic guideline was developed, that can be used by other clusters to develop their own sustainable business plan for their respective cluster organizations, based on best practices and lessons learned.

## The one-on-one coaching trajectories with 5 IBN's

Before starting the individual coaching of the selected IBN's a **general approach** to support the cluster organizations was set-up. The approach consisted-off 5 phases:

1. Kick-off session
2. Analysis of the current business model
3. Identification of new strategic opportunities
4. Feasibility and impact study to investigate the opportunities
5. Development of the future business plan

The original objective was to go through each phase in as much depth for each cluster organization, but soon it became clear that the history, background, organizational structure, way of working, culture, needs ... were so different for each organization that **these general steps needed to be tailored to the specific needs** of each cluster organization.

Underneath a short resume of some specific trajectory is given.

**The IBN Power-to-gas, and its coordinator WaterstofNet, were the classroom example.** The IBN Power to Gas started as a small activity within WaterstofNet in 2016, but soon developed into a larger project, having a major impact on the activities and organization of coordinator WaterstofNet itself. The termination of the VLAIO funding would however have had an important impact on the financials of WaterstofNet as the coordinator of the cluster organization. The process, as described above was followed and applied to WaterstofNet as a whole with the cluster as one of the pillars and resulted in an adapted business and financial plan for the next five years.



*“The coaching of KPMG was very helpful and came exactly on time for our organization. Due to the growing interest for hydrogen and many new players that come into the market, we were in the process of identifying the focus areas for the coming period and creating more structure in our growing organization. The structured approach introduced by KPMG provided the necessary focus and speed into this process and at the same time their professional and critical feedback has helped us to come to a realistic but ambitious plan for the coming five years.” dixit WaterstofNet.*

**Groen Licht Vlaanderen needed to take the concerns and the dependency from a large Flemish university into account: “Running a cluster within a university context offers many opportunities, but also creates a number of areas of tension.” dixit Groen licht Vlaanderen.**

At the beginning of the trajectory, it became clear that Groen Licht Vlaanderen was for a major part intertwined with a large Flemish university (the KU Leuven) which had an impact on the degrees of freedom to alter the existing business model. Nevertheless, KPMG followed the same 5 step approach with a more specific focus on the various strategic options for the IBN. Especially the **development of more “commercial focus”** was explored and debated, but the strong link with the university made some of the strategic opportunities less feasible within the timeframe of the trajectory. After weighing out all the options carefully, a business and financial plan were drawn up mainly continuing to build upon the known strategic pillars with the addition of some smaller innovations.

**Cluster BIM and cluster Bouwindustrialisatie were investigating a potential merger and this eventually as part of the “parent” organization WTCB:** Also, this trajectory started with a kick-off meeting during which it became clear that the two IBN’s were not completely aligned yet. After a number of iterations and brainstorm sessions, it was decided to merge cluster BIM with cluster Bouwindustrialisatie and to continue as a new cluster, named 'Digital Construction' as part of WTCB. Once the merger of the two IBN’s was decided, strategic workshops were held in order **to determine the scope, mission, vision, and activities of the “new” cluster organization.** Before continuing with the more detailed business plan and activities, the IBNs requested support for their new strategic plans to their respective member organizations. The response turned out to be very positive, so the new cluster organization is continuing the development of its business plan.



*“When merging the two clusters, finding a new balance between older and new activities and priorities took some time, but in the meantime we succeeded in creating a new identity, focusing on “BIM and Construction Technologies for the future.”*”

### A guideline towards a sustainable business model

Based on all these experiences, it becomes clear that **every cluster organization has another story and another history to consider in drafting up a future business plan.** However, they all followed in more or less detail the 5-step approach as described above. This together with KPMG's experience and the knowledge acquired from going through trajectories, formed the basis for a more generic guideline to support the other cluster organizations to develop their own sustainable business model.

This **guideline is also structured around the five phases:** kick-off session, analysis of the current business model, future strategic opportunities, feasibility and impact, and future business plan. The first four phases help the cluster organization to analyze the current and future situation, so that a new or adjusted, sustainable business plan can be developed in the final phase. Although an external support/challenger is missing, **the guideline will give direction and specific tools filled in with facilitating questions, methodologies and tips & tricks to the cluster organizations to take steps towards strengthening their business plan.**

By going through the various steps and analyses it should become clear to the cluster organization how to continue its activities. Depending on the situation, this may result in the continuation of the cluster organization as stand alone, or merging with a strategic partner or at worst in stopping the cluster organization. The guideline offers a clear decision tree to make a well-founded choice from where further work can be done towards a future proof business model.

Flanders Innovation & Entrepreneurship developed this service for the Flemish cluster organizations within the context of the **ClusterIX 2.0** project.

### Some lessons learned

- In general, support with public funds is important in the start-up phase of a new cluster organization. However, a government also has an important role to play in supporting cluster organizations towards a mature organization who can stand on its own two feet.
- Each process is unique, but the 5-step approach proposed in this article is a good framework to bring structure in the road to a sustainable business model.

- Support from an external partner brings a fresh perspective on the existing cluster operation and can bring new insights.
- In the entire process, it is also important to get input from the various stakeholders who have an interest in the functioning of the cluster organization.
- To generate new sources of revenue, cluster organizations should not be afraid to have a commercial, business-driven approach when putting together their service packages.

The guideline is available in Dutch.

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