Sophia Antipolis
Creation of a Greenfield Cluster
Contextual Business Development

SMI

Conclusions of Study
Sophia Antipolis Study

- The Sophia Antipolis report highlights what we call *contextual business development*. The purpose of the report is to investigate business development in a context where the company borders are not as well defined as earlier. We study the context rather for value creation rather than the internal company prerequisites.

- We believe that there is an exiting and dynamic knowledge area somewhere in between company business development, cluster development, innovation systems and regional development. This area is in need of further study in order to create thriving companies as well as regions.

- From this study of the development of Sophia Antipolis a number of conclusions can be drawn that explain the dynamics of the creation of the *greenfield cluster*. These conclusions are specific for Sophia Antipolis but are probably also to some extent relevant for other clusters. Above all, we hope that this study can contribute to the knowledge of how the context can drive the business development.

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**SMI Core Business**

- **Business Development**
  - Outsourcing
  - Value systems
  - Just-in-time

- **Contextual Business Development**

- **Innovation Systems**
  - Cluster Development

- **Regional Development**

- **Global**

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*Source: SMI*
Sophia Antipolis Study - Conclusions

1. **After 30 years Sophia Antipolis is still trying to form the viable context**

- Sophia Antipolis was created more than 30 years ago, first as an idea about “a city of 20,000 researchers” and not so much for start-up companies or major business operations.

- Mid 1990’s the business development support was introduced in a large scale with an additional focus on incubators and venture capital.

- Even if a lot of the research initiated during the first decades had industrial applications in mind, far less attention was paid to support the industrialization of the research, not to mention the commercialization of the findings.

- A viable business development context is lagging behind and Sophia Antipolis is today still suffering from the absence of major business breakthroughs.

*Source: SMI*
Sophia Antipolis Study - Conclusions

2. **Important cluster factors were not established until lately**

- It was not until the late 1990’s some of the most important factors for a well functioning cluster were established in Sophia Antipolis.

- By that time the institutions for higher education located in Sophia Antipolis increased their reputation considerably, expanding and enforcing their existing collaboration with the business community.

- As from 1998, the research centers started to set up their own business incubators in order to support the creation of innovative start-ups and spin-offs but also to transfer the results and findings from the research institutes to the business sector. With the creation of the first International Venture Capital Summit in December 1997, the financial dimensions of the Science Park of Sophia Antipolis expanded tremendously, allowing innovative companies to meet international investors.
Sophia Antipolis Study - Conclusions

3. **No dynamic value-chain of individual companies**

- The dynamics of mature clusters often contains a number of different kinds of companies that produce for each other along the value chain. In Sophia Antipolis we have not yet seen much of this dynamic, as the young companies in the innovation phase still dominate the scene.

- There is little demand for contributions from companies down the value chain, e.g., manufacturing, marketing, and sales. The companies within Sophia Antipolis have more interaction with research centers, institutions for higher education, governmental support organizations, incubators, venture capitalists, and professional networks.

- Manufacturing within Sophia Antipolis is limited due to the environmental restriction, but there are several industrial zones in the outskirts of this area, such as Mandelieu outside Cannes where Alcatel Space Industries is located and the Rousset area, 200 km from Sophia Antipolis.

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**Main area of activity**

- Research and Development
- Manufacturing
- Logistics
- Marketing
- Sales

**Lack of supporting industries along the value chain**

*Source: SMI*
Sophia Antipolis Study - Conclusions

4. **No local or regional market**

- When Sophia Antipolis was created there were no regional demand for products and services that could trigger certain kind of companies to settle down in the planned Science Park.

- It was rather a vision of how the region should have a more balanced income distribution from a variety of high-tech industries supported by higher education and research, rather than relying on the dominating areas of tourism and real estate.

- This absence of regional demand has also affected the development of the companies when they are trying to hit a commercial break-through. When the development moves from the innovation phase towards a commercial break-through, the interaction with the market place increases in importance and that will accordingly lead to investments in and focus on distant regions often very far away from where Sophia Antipolis is situated.

Source: SMI
Sophia Antipolis Study - Conclusions

5. **Domination of start-ups and excellence centers**

- Two kinds of enterprises that dominate the scene within Sophia Antipolis.
  - Start-ups and very young companies born within Sophia Antipolis.
  - Excellence centers or antennas belonging to the large international companies headquartered elsewhere in the world.

- The start-ups and young companies born inside Sophia Antipolis are mostly dealing with governmental bodies, institutions for higher education and research centers, as well as incubators and venture capitalists, and not to a higher extent with other companies along the value chain.

- The international antennas on the other hand are mostly functioning as excellence centers for the international companies and do not have substantial business volumes with other companies within Sophia Antipolis. This is an important explanation to understand the current dynamics within Sophia Antipolis.

**Source:** SMI
Sophia Antipolis Study - Conclusions

6. **The young companies can not yet contribute to the financial dynamics.**

- The companies born within Sophia Antipolis are still relatively young and have not yet generated cash to their owners through dividends or listings, and have accordingly not yet contributed to the financial dynamic within Sophia Antipolis.
- When companies have positive cash flows from selling its products and service to external customers in the marketplace or when companies are listed via an IPO, there will be in inflow of external capital to Sophia Antipolis that could be used to improve the financial dynamics with fresh money.

Source: SMI
Sophia Antipolis Study - Conclusions

7. Sophia Antipolis as a window in the life cycle

- We have seen how the start-ups and very young companies that dominate the scene in Sophia Antipolis, have achieved increased support during the last decades from national and departmental authorities, institutions for higher education, research centers, incubators and venture capitalists, but also how the efforts to reach the market break-through and listings on the stock exchange have moved the company’s focus to a larger extent outside Sophia Antipolis.

- Although only a few companies born in Sophia Antipolis have yet reached the industrialization phase, it might be fair to say that Sophia Antipolis will serve as a window for the innovation phase during the companies’ life cycle, and will with today’s context not serve as supportive during the later stages of the life cycle.

- It will be interesting to see if companies born within Sophia Antipolis still will have their main establishment in Sophia Antipolis when reaching more mature phases during its life cycle. For the antennas and excellence centers to the international large companies, Sophia Antipolis serves as a context that probably will be the same for the start-ups growing out of Sophia Antipolis. In other words, their operation in Sophia Antipolis will probably change its role over time into a kind of antenna or excellence center in the future.

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Company Life Cycle

Source: SMI

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The Innovation window in Sophia Antipolis

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Innovation Growth Maturity
Sophia Antipolis Study - Conclusions

8. **On the threshold to become a self-reinforcing entity**

- Governmental support, institutions for higher education and research centers started to form Sophia Antipolis and later on incubators and venture capital completed the necessary variety for business development of a cluster.

- Innovation have created success stories and hence the reputation of Sophia Antipolis which has led to an influx of talents. The endogenous growth from companies created in Sophia Antipolis has been reinforced by the exogenous growth from external companies establishing in Sophia Antipolis.

- Sophia Antipolis is advancing to the stage where it may be nominated a self-reinforcing entity and hence a successful cluster. But the young cluster in Sophia Antipolis is located in the very first turn of the upward-going spiral and is hence still very fragile.

- At present, more than half of the approximately 650 companies in the sectors of NTIC, Health Sciences and Earth Sciences are less than five years old and 25 percent of these are younger than 3 years.
9. **Still administratively driven**

- Sophia Antipolis did not surge in a natural way out of demand or any other existing triggering factor. It is by contrary a forced knowledge cluster and technology park.

- Its emergence and success has in great deal been due to the efforts of Pierre Laffitte and his development team, but also to the support offered by national and departmental authorities such as the Symisa, the Datar, the General Council of Alpes Maritimes, the Chambre of Commerce and Industry of Nice-Côte d’Azur and the local municipalities of the cities that constitute Sophia Antipolis.

- However, it is not to be forgotten that reorganizations, discordances and political frictions between the various public organizations has at times delayed decisions concerning the technopole and occasionally slowed down the growth of Sophia Antipolis. The cluster is still to a large extent driven by these historical forces and not so much by business forces.
10. **No industrial context to support the development**

- The development of Sophia Antipolis has chiefly been supported by national and departmental authorities, institutions for higher education, research centers, incubators and venture capitalists, and not so much by a dynamic industrial context. It is an important characteristic of the development phase of Sophia Antipolis.

- As soon as the industrial context is advanced enough, it will create a new dynamic to the business development. There will be more business within the cluster, between the young companies and along the value chain, as well as more mergers in an early stage.
11. **Industry networking is a step towards creating a business context for NTIC**

- Networking activities play a vital role in the development of a cluster by contributing to the utilization of a cluster’s strengths in fostering its further development while overcoming its deficiencies. A network can bring together potential partners from growth companies, research institutes, investors, service industries and especially established industrial companies to work on selected themes of interest.

- In this aspect, the NTIC sector (*New Technologies of Information and Communication*) in Sophia Antipolis is the only sector that contains various professional associations and hence benefits from the profitable exchange of knowledge within the local, as well as international, networks, such as Telecom Valley and Club Hi-Tech.

- Networks within the NTIC sector in Sophia Antipolis are more efficient and united than, for instance, in Paris. This depends on the unique formation of the cluster in Sophia Antipolis where a stronger sense of solidarity prevails compared to clusters located in big cities. The sector of Health Sciences is at present still too fragmented and lacks a uniting trunk, which obviously limits the sector’s development.
Sophia Antipolis Study - Conclusions

12. Sophia Antipolis as a Gateway to the French Market

• There are two obvious reasons for companies to establish in Sophia Antipolis –
  ▪ To start up an idea and have access to all the business support from the specific cluster factors
  ▪ To benefit from an antenna or excellence center as a major corporation established elsewhere – in both cases to benefit from the uniqueness of Sophia Antipolis.

• But an additional reason should not be forgotten and that is to use Sophia Antipolis, with its very international and hence “un-French” character, as an entry to the French market, which otherwise is considered quite hard to penetrate for foreigners.

Source: SMI
13. Marketing of Sophia Antipolis outside France

- Even if Sophia Antipolis is very well known in France, the marketing of Sophia Antipolis outside France can still be improved. Sophia Antipolis is under-represented by far in the specialist press in comparison with other European locations, such as Munich and Cambridge. Also when it comes to the numbers of seriously important international conferences held within IT and biotechnology, Sophia Antipolis (Nice) lies behind Munich.

14. An attractive location attracting international talent

- Sophia Antipolis was created to serve the purpose of being a Science Park that inspired to innovation. The most obvious uniqueness of Sophia Antipolis is probably its fabulous location in a green space area close to the Mediterranean Sea as well as to the Alps.

- The Science Park was established in a limited area of lovely hills covered with pine trees and distant from any big city, but still close to an international airport.

- The environmental restriction stating that two thirds of the total area have to remain green space is still valid and will be applied also in the extension of the Science Park. It has been empirically showed that the harmonic and advantageous surroundings of Sophia Antipolis affect the productivity of people positively. The location also facilitates the attraction of new talents of world-class level as well as retaining the skilled people within the Science Park.

Sophia Antipolis Study - Conclusions
About SMI

Strategic Management Institute – SMI – is an independent management consulting firm specialising in business and strategy development.

With expertise from four decades of strategy and business development, we can apply a dynamic perspective to industry development enabling us to build appropriate business models in a constantly changing business environment.

We provide strategic guidance and advice on critical issues for the strategic development of companies with services such as Industry Analysis and Business Opportunity Studies. We assist in the realization of changing the company by services such as Business Planning Processes and Organizational Development and in its governance with Board Briefings and Strategy Audits.

We have a wealth of experience gained from our assignments in numerous industries including Financial Services, Real Estate, IT and Hi-Tech, Healthcare, Engineering, Retail and Consumer goods.

Analysing the Business

Market Research: Identifying market dynamics and drivers, buying behavior, customer loyalty, brand strength and stakeholder confidence.

Industry Analysis: Identifying competitive arenas, industry actors and business logics, industry dynamics and driving forces, value chains and value networks.

Business Opportunity Studies: Mapping competitive systems, identifying business opportunities and future scenarios, building investment cases for the realisation of business opportunities and new business models, developing market entry strategies.

Developing the Business

Business Analysis: Defining the current business situation, identifying discrete business processes and performance diagnosis.

Strategy Development: Evaluating strategic alternatives and positioning criteria, developing strategies and strategic guidelines and market entry strategies.

Organisation Development: Defining organisation based on business strategy and available resources within the organisation or through networks and value creating systems.


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Corporate Governance: Advising the board of directors, defining strategic direction, strategic guidance and steering of company from the boards perspective.

Board Briefings: Briefings to the board of directors on industry logics, competitive developments and trends affecting the company’s future business opportunities.

Strategy Audits: Audit of the company’s existing business plans and documented strategies. In addition, the plans are compared to the individual opinions of the management team.

Strategic Management Institute
Sveavägen 17, PO Box 7341, 103 90 Stockholm, Sweden
Tel: +46-8-22 24 60, Fax: +46-8-22 24 65
www.s-m-i.net