

## Strengthening Denmark's Cluster Program

**The Danish cluster program aims to enhance small and medium-sized enterprises' (SMEs) innovation and competitiveness through collaborative innovation between businesses and knowledge environments. Throughout 2024, the cluster program has been a subject of political debate, partly due to the Frigast Committee's recommendation to streamline the scheme. Additionally, from January 1, 2025, the administration of knowledge and business clusters will be consolidated under the Danish Business Authority as the cluster funding is re-announced. In light of this, the DFIR has examined the cluster instrument within Denmark's innovation ecosystem and provided recommendations for future efforts.**

The number of private Danish companies investing in research and development (R&D) is decreasing, with R&D investments becoming concentrated among fewer and larger companies. Small businesses, particularly those with 10 to 49 employees, are investing less.<sup>1</sup> This trend warrants political attention, as Denmark needs a broad base of companies investing in R&D to ensure sustainable growth. Building connections between businesses and knowledge environments is crucial for fostering research and innovation collaborations, yet businesses and knowledge institutions do not always find each other.<sup>2</sup> This has driven Denmark to invest approximately 640 million DKK over the past four years in Danish knowledge and business clusters.

In 2024, the Danish Council for Research and Innovation Policy (DFIR) conducted a review of the current knowledge and business clusters and their activities. The analysis draws on interviews with 12 cluster directors and data on participants and activities funded through cluster grants from 2021 to 2023. Overall, DFIR concludes that the Danish knowledge and business clusters play a vital role in the country's innovation ecosystem. Without these clusters, alternative mechanisms or significant adjustments to the responsibilities of other actors would be necessary to fulfill their role. Facilitating innovation collaborations between knowledge environments and small and medium-sized enterprises (SMEs) remains essential. DFIR provides four recommendations for the development of future knowledge and business clusters.<sup>3</sup>

### **1. Key Task of Knowledge and Business Clusters: Strengthening Collaboration Between Knowledge Environments and SMEs**

There is untapped potential in both expanding the offerings of knowledge and business clusters to more small and medium-sized enterprises (SMEs) and deepening collaborations between companies and knowledge environments. This could include joint R&D applications and innovation partnerships. The organization of knowledge and business clusters is based on industry-specific strengths, which can sometimes appear siloed. However, this is not the intention of the cluster program, nor how it operates in practice. Knowledge and business clusters often collaborate across strengths and disciplines, involving businesses and knowledge environments beyond their specific focus areas. Notably, around half of the companies participating in cluster-funded activities belong to industries outside the individual clusters' core strengths, which is a key strength of the program.

**11.050** Danish companies participated in  
**3.083** activities during 2021–2023.

Source: Danish Ministry of Higher Education and Science Cluster Statistics

DFIR recommends that knowledge and business clusters continue to strengthen collaborations between knowledge environments and SMEs, for instance, through international partnerships with EU funding. Danish universities have extensive international networks that could further enhance the clusters' international outreach.

Going forward, there should also be a dedicated focus on strengthening collaborations with public knowledge environments, including business academies, university colleges, and artistic educational institutions.

Danish knowledge environments participated **5.784**  
times in **2.284** Activities during 2021-2023.

Kilde: Uddannelses- og Forskningsministeriet klyngestatistik

**2. Knowledge and Business Clusters as Platforms for New Innovation Policy Initiatives** De fleste danske Most Danish SMEs require a simple and easily navigable business and innovation support system with as few actors as possible. However, the innovation process cannot be fully optimized like production or operational processes. A certain degree of redundancy and overlap between activities and organizations is likely both necessary and beneficial. Moreover, the national-level consolidation of knowledge and business clusters may have, to some extent, disconnected

them from local dynamics and rationales, prompting the emergence of local and municipal initiatives.

DFIR suggests that Danish innovation policy should focus on consolidating existing actors. Specifically, existing entities, including knowledge and business clusters, should be utilized as platforms for new innovation policy initiatives wherever possible. At the same time, these clusters should strengthen their collaboration with local initiatives to enhance their impact.

### 3. Cluster Funding Should Have a 10-Year Time Horizon with a Midterm Evaluation at Year 5

Most of today's knowledge and business clusters were established through the consolidation of networks and clusters over the past 20 years. During this time, they have built networks, relationships, and social capital, which are the clusters' greatest assets. However, political uncertainty about the continuation of cluster funding creates doubts about the future of the cluster instrument among employees and members, potentially reducing its impact on Denmark's innovation capacity.

DFIR recommends granting the current knowledge and business clusters a political mandate to operate with a longer time horizon. Clusters should undergo evaluation every five years, with the option to withdraw funding from those that fail to meet expectations. Evaluations should account for differences in the clusters' starting points. Additionally, a new, flexible funding call should be introduced to allow emerging areas to establish and operate new cluster organizations, ensuring that Denmark remains at the forefront of innovation in new and developing fields.

### 4. Knowledge and Business Clusters Should Increase Private Co-Funding While Ensuring SME Participation

Private co-funding and the acquisition of competitive funding—including membership fees, corporate sponsorships, foundation grants, and project funding—are key indicators of the relevance and legitimacy of knowledge and business clusters. Private investments in cluster activities signal that businesses find value in these initiatives. Similarly, the ability to secure competitive funding demonstrates the clusters' capacity to develop high-quality projects and bring together actors in collaborations deemed worthwhile by external evaluators.

It remains essential for the clusters to continue offering knowledge-sharing, matchmaking, and internationalization activities to a broad range of companies and knowledge environments. This includes SMEs and knowledge environments that are not yet ready to commit to formal partnerships. By doing so, clusters contribute to building SMEs' innovation skills and capacity across the board, acting as entry points and hubs in the broader innovation support system. However, such activities are not always compatible with participant fees.

## 365 mio. DKK.

Spent from the innovation power allocation from 2021 to 2023

## 850 mio. DKK.

secured from external private and public sources for financing innovation activities and projects.

Source: Danish Ministry of Higher Education and Science Cluster Statistics

Clusters are currently subject to regulations that limit when they can charge for their services. Increasing private co-funding may require identifying barriers in the existing rules and revising them.

DFIR also notes that clusters facilitate collaborations and research projects funded by external grants and company contributions, but these activities are not reported to the Ministry of Higher Education and Science or the Danish Business Authority. Future evaluations of the cluster program should map these activities and assess their specific value creation for businesses.

#### Read more

Find more information about the Danish innovation support system and the cluster program, including the final report [here](#).

#### Further information



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#### Notes:

<sup>1</sup> DFIRbrief 42: [Vi bør sikre at dansk innovation drives af en bred kreds af virksomheder](#), November, 2023

<sup>2</sup> REG LAB. (2017). [Videnbroer til vækst, Veje til succesfuldt vidensarbejde - erfaringer fra 50 good practice cases](#), Maj, 2017.

<sup>3</sup> DFIR (2024): [Det danske klyngeprogram Klyngeprogrammet Innovationskraft, 2021-2024](#), November, 2024