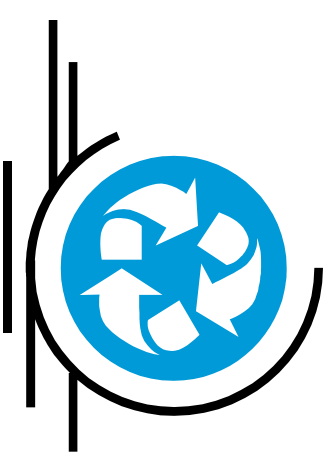

Clusters as an Economic and Workforce Development Tool

Making Clusters Work in Your Community



What is a cluster?

Answer: A geographic concentration of companies and institutions with systemic relationships to one another based on similarities or complementarities.



The Overriding Goal

- **Clusters that create jobs and wealth for more people in the region**



Why should we focus on clusters? (and isn't diversification safer?)

- **Creates advantages for businesses**
- **Builds on existing & potential strengths**
- **Uses public money in a more cost-effective and strategic way**
- **Distinguishes places**
- **Leads to diversification**



Clusters offer a framework for:

- **Understanding an economy**
- **Organizing businesses**
- **Delivering services**
- **Designing education and training programs**
- **Targeting investments**
- **Recruiting businesses**
- **Branding regions**



Firms still cluster—but for different reasons

- Proximity to suppliers
- Access to and choice of specialized services
- Presence of demanding customers
- Access to information and benchmarks
- Opportunities to network and acquire knowledge & know how
- Access to more experienced & talented labor force



Businesses cluster around many common interests & needs

Product	Hosiery, Catawba Valley, NC
Process	Plastics, Naugatuck Valley, Conn.
Value chain	Auto suppliers, Alabama
Technologies	Optics & imaging, Rochester, NY
Customers	New Media, New York City
Resources	Log homes, Montana
Distribution	Hampton Roads, Virginia
Creative Milieu	Writers, Livingston, Montana
Culture	Industrial machinery, Spartanburg, SC



A question of semantics?

- Clusters?
- Sectors?
- Consortia?



Clusters or Sectors

Sectors

- Defined by quantitative analysis
- Bounded by data
- Rely on data organized according to SIC or NAICS codes to define industry
- Each firm is assigned to a single NAICS code
- More science than art

Clusters

- Defined by quantitative and qualitative analyses
- Bounded by geography
- Use “maps” and data that reflect interrelationships among firms and institutions
- Clusters often cut across sector lines
- More art than science



Clusters or Consortia

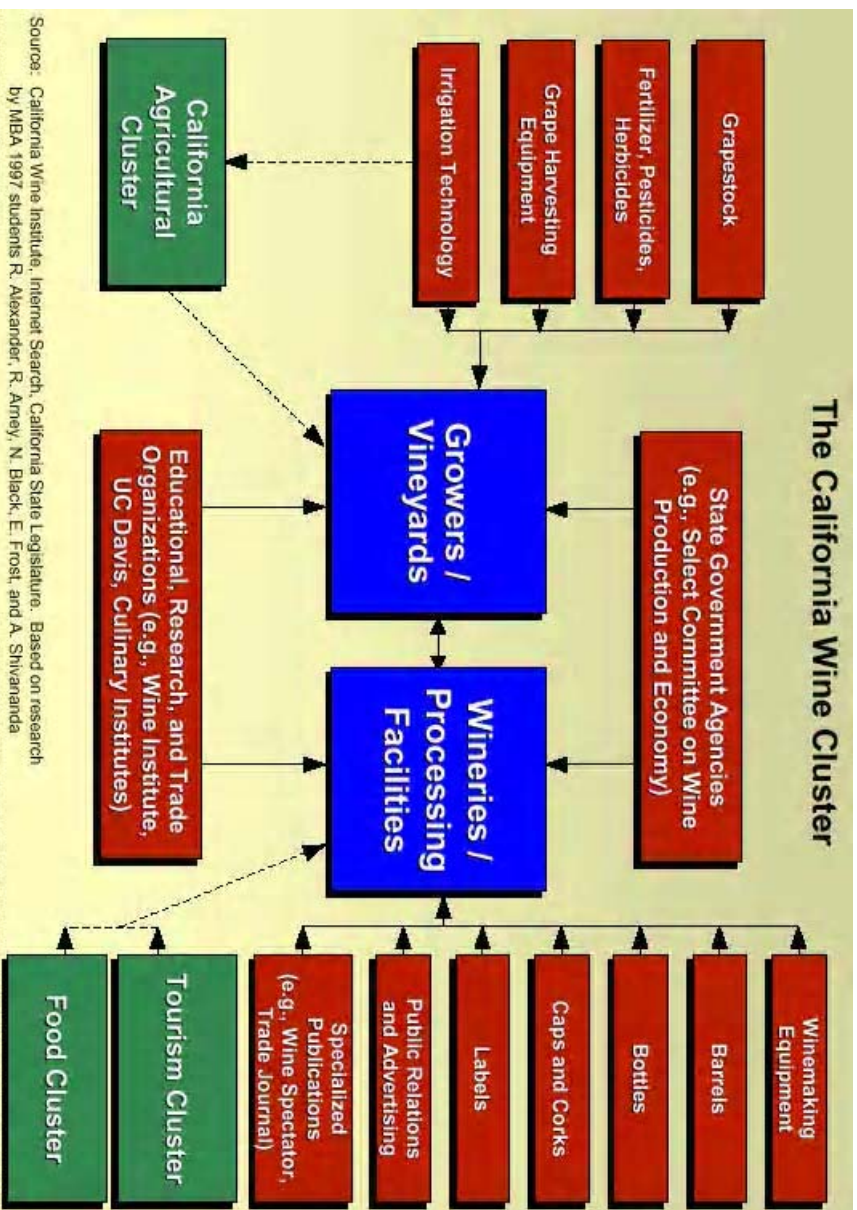
Consortia

- A strategy for organizing firms
 - Firms typically “join” - a membership organization
 - Based on common interest or need
 - Can be industry-specific or cut across industry lines
 - Members of a consortia may be part of a cluster
- Develop “organically”
 - Companies do not have to “join” a cluster – they are part of it as a result of doing business
 - Geography boundaries are loose - set by distances people will travel to work, associate and network
 - Differentiate or distinguish a region

Clusters



The importance of terminology



Source: California Wine Institute, Internet Search, California State Legislature. Based on research by MBA 1997 students R. Alexander, R. Arney, N. Black, E. Frost, and A. Shivananda
Revised Foundations of U.S. Competitiveness
3. Copyright ©2001, Professor Michael E. Porter. Download on Competitiveness Monitor Database. Name: U.P. and author:PORTER



Terminology continued

- A cluster would be the whole system
- A sector, would just be the growers or just the processors, or just the label makers.
- A consortia would be a local Association of Wine Grape Growers



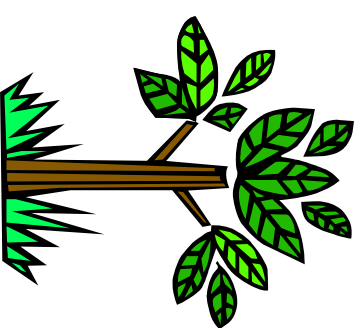
What are your region's clusters?

- ??
- ??
- ??



Giving birth to clusters: Accidentally, incidentally, derivatively

Clusters are nurtured, not bred. They are a natural result of economic activity, and only occasionally a result of a planned intervention.



Clusters, however, can be enhanced by public policy, and activities can be launched.



What to do

Form	Purpose
Convening	Organizing and networking firms to aggregate needs, achieve scale
Concentrating	Focus expertise, programs, services to add relevance & value
Innovating	Support R&D, design, creativity infrastructure and capabilities
Connecting	Open pipelines to markets, ideas, partners, underserved people/places



What can my organization do?

- Clusters don't have to be a brand new effort
- Action Step #1
- Action Step #2
- Action Step #3



Some important takeaways

- Clusters are systems that encourage collaboration
- Not an “either/or” proposition
- Clusters are nurtured, not bred.
- Cluster-based analysis focuses on connections and relationships

