

RETHINKING CLUSTERS

INDUSTRY CLUSTERS ARE GROUPS OF FIRMS THAT GAIN A COMPETITIVE ADVANTAGE THROUGH LOCAL PROXIMITY AND INTERDEPENDENCE



WHY THEY MATTER

Regional economies grow and decline based on their ability to specialize in high-value industries and evolve them over time. Cluster-based economic development can capture the economic advantages of when firms cluster together in place, but the correct market and civic fundamentals must be present. Clustering occurs through three mechanisms:



Sharing tailored facilities, infrastructure and suppliers



Matching workers productively through deep labor markets



Learning through knowledge-rich environments that facilitate innovation between firms

IDENTIFYING CLUSTERS

Regional leaders cannot create clusters from scratch and therefore must ensure that potential cluster opportunities meet three criteria:

- ✓ **Critical mass of firms**
- ✓ **Geographically proximate**
- ✓ **Economically interdependent**
 - Product and supply chains
 - Occupations and skills
 - Technology and know-how

PRIORITIZING CLUSTERS

Some regions may find no clusters based on the identification guidelines; others may find too many to realistically intervene at the scale required to make a difference. Factors to determine priorities include:



1. Specialization
2. Composition of firms
3. Development stage
4. Intensity of inter-firm dependence
5. Reliance on complex knowledge
6. Ability to create inclusive employment opportunities

SUPPORTING CLUSTERS

Five potential areas of intervention could support clusters:

1. Information and networks
2. Talent development
3. Research and commercialization
4. Infrastructure and placemaking
5. Capital access



A national review of cluster initiatives offers critical lessons in how best to organize, launch, and sustain cluster-based economic development:



1. Cluster hub
(the Water Council in Milwaukee)



2. Shared leadership
(Unmanned Aerial Systems in Syracuse & Agriculture Technology in St. Louis)



3. Holding company
(Central Indiana Corporate Partnership)



5 TRAITS OF SUCCESSFUL CLUSTERS

- ✓ Focused on establishing a robust ecosystem, not quick job gains
- ✓ Industry-driven, university-fueled, government-funded
- ✓ Placing a collective big bet on a unique opportunity
- ✓ Championed by passionate, dedicated leaders
- ✓ Anchored by a physical center

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