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A New Twist to Regional Economic Development

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A New Twist to Regional Economic Development

Regional collaboration has always sounded like a good idea. The challenge was that it was hard to implement.

From a business perspective, it was easier and more cost effective to make adjustments to your own business plan without asking for added input from other regional businesses, agencies and institutions. When times are good, you have the luxury of working independently. However, when you are faced with a general downturn in the economy and increased global competition, as many of the business sectors are today, you look hard for other ways of increasing efficiency. Some methods that could be explored may include old ideas with a new twist.

Cluster based regional economic development is a framework currently being advocated by the U.S. Economic Development Administration (EDA). This fall the EDA hosted a national satellite downlink that shared a decades worth of experience at the local and regional level using the results of various case studies from across the U.S.

Cluster based economic development is essentially a tool for development based on the recognition that healthy regional economies are composed of industry clusters that include their supporting economic infrastructure. In practice, it is a holistic, regional community approach to business development from an asset based perspective.

What are Industry Clusters?

Basically, the cluster is built around core export oriented businesses, those entities that produce a good or service that is primarily purchased outside of the region. These industries are the focus because they bring in new wealth to the region and can really help drive the area’s economic growth.

The clusters may have vertical or horizontal linkages and usually involve strong supplier and buyer relationships as well as relying on similar community based economic infrastructure. The goal is to create a regional "collaborative
advantage” where buyers and suppliers work with each other to use proximity and economies of scale to improve innovation and access to markets.

**Why Is Regional Infrastructure Important?**

The success of this effort is based on the regional resources available that support the business community. These public or private entities often seem invisible to the business community and can be taken for granted. However, these economic inputs can be used collectively as a powerful springboard for economic activity. Some of these resources and their institutional counterparts include:

- Adaptable skills - secondary and post-secondary education.
- Accessible technology - various public and private partnerships.
- Adequate financing - financial institutions and their network outside of the region.
- Advance communications - technology access through public/private connections.
- Acceptable regulatory and business climate - public policy decision-making at the governmental level.
- Achievable quality of life - recreational, religious, educational, etc. entities.

**Why Use This Approach?**

Regions develop and adapt to economic changes based on a variety of local social, political and economic circumstances. As a tool, the cluster framework is helpful because it is:

- Market-Driven - focusing on the “pull” of the market to bring the supply and demand components together to work more effectively.
- Inclusive - all business, both small and large, can be brought into the process as well as the components of the economic infrastructure.
- Collaborative - using the talents and expertise of a larger group to help problem solve regional issues while using the market-driven motivation of self-interest.

- Strategic - participants emerge as stakeholders in a much larger vision of their region with individual and institutional “buy-in” from the beginning.
- Value-Creating - improving potentially the breadth (attracting more industries) and depth (more suppliers) to help grow regional income.

**How Does It Work?**

Based on the EDA’s research, successful regional efforts typically go through a four stage process:

**Stage I: Mobilization** - Economic challenges are often used as windows of opportunity to bring various groups together.

**Stage II: Diagnosis** - Usually an outside analyst is used who identifies regional advantages and challenges and can “tell it like it is.”

**Stage III: Collaborative Strategy** - A highly inclusive effort to bring various group’s together that are market driven.

**Stage IV: Implementation** - Often a new or existing organization is identified that will spearhead and carry the initiative.

**What Are the Results?**

Often economic development is an isolated activity. Cluster-based regional development engages a much larger group of businesses and helps to link education providers with workforce managers, match financial investors with new or existing enterprises, shape physical infrastructure to meet industrial needs, connect technology providers with users, and brings housing, health, and social service providers together under the umbrella of industry/cluster needs.

According to the U.S. Economic Development Administration, this is an idea whose time has come.

**References:**


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