CLUSTERS IN A CREATIVE ECONOMY
New Agendas for Companies and Policy Makers
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1.2_Analysis of Cluster Models and Cluster Ecosystems

Industry Clusters and Entrepreneurial Ecosystems: Competing Agendas or Synchronised Policy?

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Clusters and entrepreneurial ecosystems

Australian Cluster Observatory: www.clusterobservatory.com.au

The Starting point

Cluster Definition

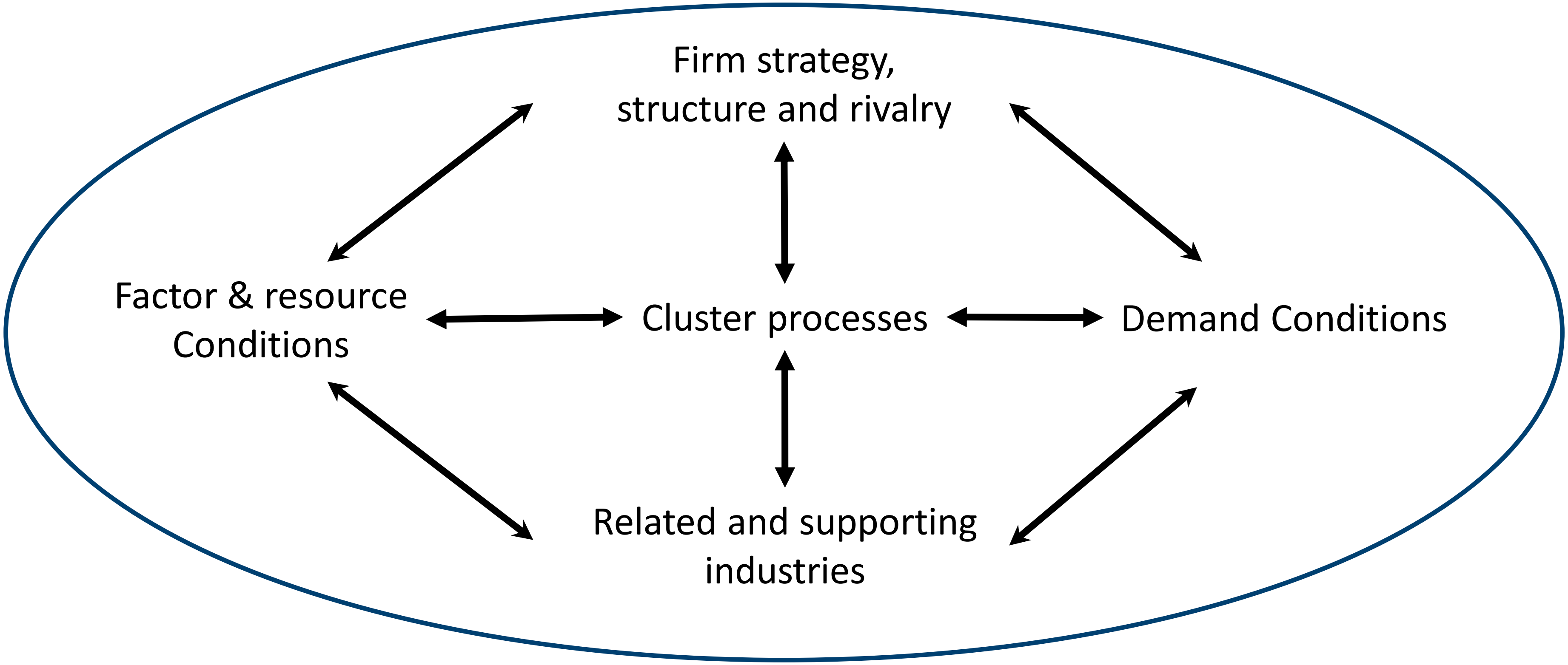
- "Clusters are geographical concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions … in particular fields that compete but also cooperate"
  - Porter, M.E. (1998) "Clusters and the New Economics of Competition". Harvard Business Review, Nov-Dec 1998.

Clusters: But why…

- **Clusters are important.** They can increase innovation, productivity and competitiveness, and boost regional and national economic growth;
- **Clusters emerge spontaneously.** Clusters can emerge only if and where there is a competitive advantage to begin with;
- **Cluster development feeds on start-ups and firms moving into the cluster.** Therefore access to capital and a positive attitude to risk is essential;
- **Clusters grow** because firms share and create knowledge and specialised labour; and because of the presence of a network of support services and a complex fabric of social relationships.

Source: Advanced Institute of Management Research (2005?) ‘The Cluster Effect’

The Adapted Diamond Model (Porter 1990)



∑ increased innovation, productivity and competitiveness greater regional and national economic growth

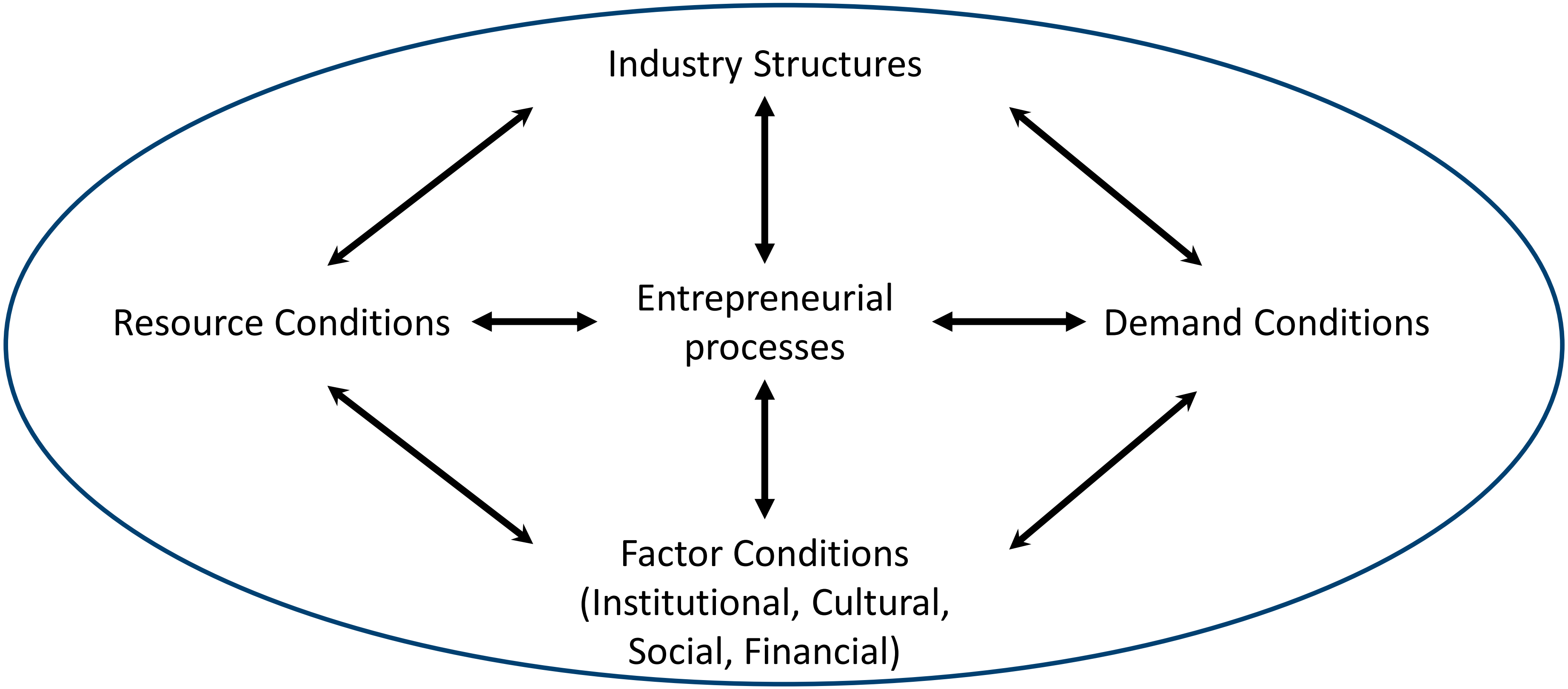
Entrepreneurial Ecosystem (EE) Definition

- **'a set of interconnected entrepreneurial actors** *(both potential and existing),* **entrepreneurial organisations** *(e.g. firms, venture capitalists, business angels, banks)*, **institutions** *(universities, public sector agencies, financial bodies)* **and entrepreneurial processes** *(e.g. the business birth rate, numbers of high growth firms, levels of 'blockbuster entrepreneurship', number of serial entrepreneurs, degree of sell-out mentality within firms and levels of entrepreneurial ambition)* **which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment'** (Mason & Brown 2014)

EE: But why?

- To improve socioeconomic performances
  - Greater employment
  - Better wealth distribution
  - Reduce cost of living
  - Higher living standards
- To improve market efficiencies
  - Product/service distribution
  - Reduce transaction costs (supply and demand side)
- To increase industry effectiveness
  - Benefits of co-location
  - Greater innovation and technology advances
- To facilitate private investment in growth economies
  - More start-ups
  - Greater business capital investment

The EE model



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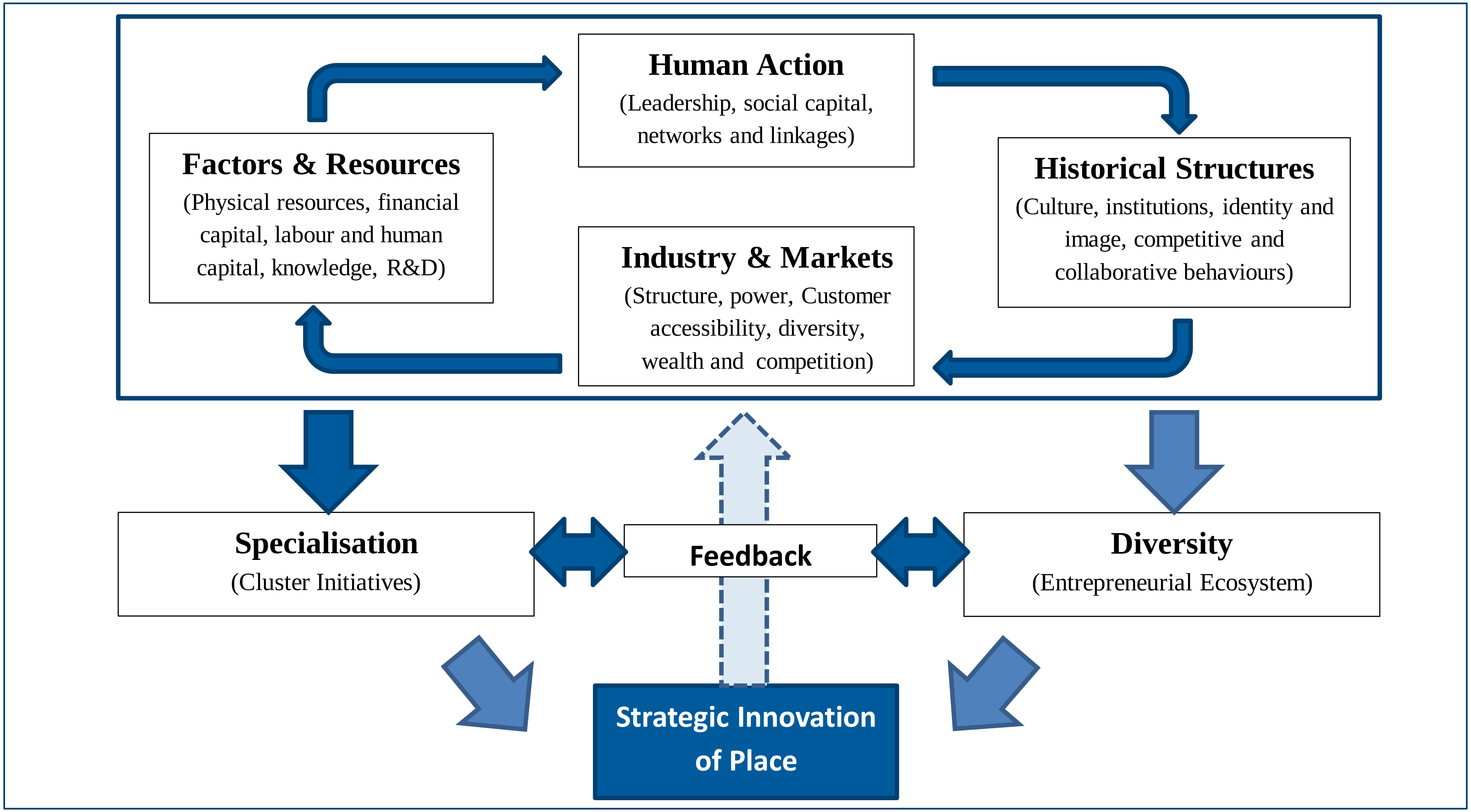
Common Dimensions of Assessment

- Market and Demand Conditions (External)
  - E.g. Technology, Social & cultural, Economics, Environmental
- Factor and Supply Conditions (Internal)
  - E.g. Technology, Human Capital, Finance, Environment, Infrastructure
- Power and Control Dynamics
  - Dominant players, bottlenecks
- Value Appropriation Dynamics
  - Number of participants, Commodity, Niche or Specialisation
- Business level behaviours
  - Collaborative, Competitive, Networks, Knowledge Spill-over and Transfer
- Temporal and Policy Dynamics

Cluster and EE differences

- Clusters
  - Emerge from established firm competitive advantage
  - Firms are embedded in industry dynamic
  - Firms seek to exploit common markets and resources
  - Policies are built around agglomerated firms
  - Networks built around firm level cultures, languages and histories converging from the past
- EEs
  - Create positions of firm level competitive advantage
  - New firms seek to embed in industry dynamics
  - Firms seek to occupy market gaps and gather unique resources
  - Policies are centred upon atomistic start-up firms
  - Networks built around the individual and start-up cultures, languages and future opportunities diverging from the past

Integration



Thank you!

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