



Agriculture Industry Cluster Theory

There is much academic debate about the definition of industrial clusters. Michael Porter defined a cluster as “a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities.”¹ Doeringer and Terkla² defined industrial clusters as “geographical concentrations of industries that gain performance advantages through co-location.” Rosenfeld³ defined an industry cluster as “a geographically bounded concentration of similar, related or complementary businesses, with active channels for business transactions, communications and dialogue, that share specialized infrastructure, labor markets and services, and that are faced with common opportunities and threats.”

Industry cluster sustainability is affected by internal weaknesses as well as external threats. Porter suggests that internal weaknesses can include obsolete products and production technologies, obsolete infrastructure, obsolete labor training and education, obsolete R&D, and obsolete institutions, internal or regulatory inflexibilities.⁴ External threats include global overproduction, fundamental technological changes, rising costs, changes in consumer demand, and government economic-development policies such as legislation, taxation, and other trade regulations.⁵ Weaknesses and threats in the cluster can be addressed through the actions of the stakeholders in the cluster or from policy-makers in the region. If, for example, the firms in a cluster are threatened by low-cost competition, a survival strategy for the cluster firms might be to change from the production of standard goods to the production of nonstandard goods.

Industry clusters are generally identified by quantitative analysis such as input-output analysis. However, since specialty-crop clusters are already well defined, such analysis may only be necessary to quantify the scale and impact of the cluster. Most observers of clusters suggest that qualitative research in the form of stakeholder interviews is essential.⁶ For this reason we believe that adopting and adapting the Business Retention and Expansion approach to economic development will be appropriate.

Business Retention and Expansion

Despite widespread use for many years, the scientific literature on BR&E is remarkably sparse. However, anecdotal evidence of the effectiveness of BR&E programs found in fugitive literature is compelling. Allanach and Loverige found that the most successful BR&E programs use a broadly representative task force to develop and implement recommendations.⁷ In a study on the effectiveness of BR&E programs, Morse and Inhyuck found that the most effective programs use certified BR&E master consultants to organize the interviews with firms and that a consultant may need to continue working with the community through the implementation phase.⁸ They also suggest that program sustainability is improved when (1) a task force meets at least quarterly for two to three years, (2) the community leaders know that the process may take several years to show

impacts, and (3) they are prepared to provide staff or funding to support the program and make effective use of volunteers. The major challenge of BR&E programs is that economic developers' preoccupation with day-to-day activities results in a lack of follow-through on identified needs and projects.⁹ Phillips suggests the following four strategies to keep this from happening: (1) make retention and expansion a top priority of the organization; (2) provide an unwavering commitment of funds and staff time; (3) carefully plan and target efforts; and (4) integrate retention efforts into all organizational activities.¹⁰

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¹ Porter, M.E. (1990, 1998) *The Competitive Advantage of Nations*, Free Press, New York, 1990.

² Doeringer, P.B. and D.G. Terkla. (1995). Business Strategy and Cross-Industry Clusters, *Economic Development Quarterly*, Vol. 9, No. 3, 225–237.

³ Rosenfeld, Stuart A. (1997). Bringing Business Clusters into the Mainstream of Economic Development, *European Planning Studies*, 5 (1), 10.

⁴ Porter, 1990.

⁵ Porter 1990; and *Industrial Clusters and Inter-firm Networks — An Introduction*, in Johansson, B., C. Karlsson and R.R. Stough. (2005). (Eds.), *Industrial Clusters and Inter-Firm Networks*, Edward Elgar, Cheltenham 1–25.

⁶ Doeringer and Terkla 1995; Jacobs, D., and De Man, A. P. (1996). Clusters, Industrial Policy and Firm Strategy: A Menu Approach. *Technology Analysis and Strategic Management*, 8(4), 425–437; Sternberg, E. (1991). The sectoral cluster in economic development policy: Lessons from Rochester and Buffalo, New York. *Economic Development Quarterly* 5(4): 342–56; Munnich, L.W., M.M. Bau, R.A. Skelton, J.P. Warner and B.J. Muesing. (1998). *Northwest Minnesota Industry Cluster Study*, State and Local Policy Program, Humphrey Institute of Public Affairs and University of Minnesota Extension Service.

⁷ Allanach, C. and S. Loveridge. (1998). An Assessment of Maximum-Training Business Visitation Programs, *Economic Development Quarterly*. 12(2):125–136.

⁸ Morse G.W. and H. Inhyuck (1997). How Successful Are Business Retention and Expansion Efforts? *Economic Development Review*, 15(1), pp. 8–13.

⁹ Phillips, P.D. (1996). Business Retention and Expansion: Theory and an Example in Practice. *Economic Development Review*, 14(3): 8–13.

¹⁰ *Ibid.*