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

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Clusters and entrepreneurial ecosystems

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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”
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)

Firm strategy, structure and rivalry

Factor & resource Conditions

Cluster processes

Demand Conditions

Related and supporting industries

∑ 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

Industry Structures

Resource Conditions

Entrepreneurial processes

Demand Conditions

Factor Conditions
(Institutional, Cultural, Social, Financial)

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

Factors & Resources
(Physical resources, financial capital, labour and human capital, knowledge, R&D)

Human Action
(Leadership, social capital, networks and linkages)

Historical Structures
(Culture, institutions, identity and image, competitive and collaborative behaviours)

Industry & Markets
(Structure, power, Customer accessibility, diversity, wealth and competition)

Specialisation
(Cluster Initiatives)

Feedback

Diversity
(Entrepreneurial Ecosystem)

Strategic Innovation of Place
Thank you!

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