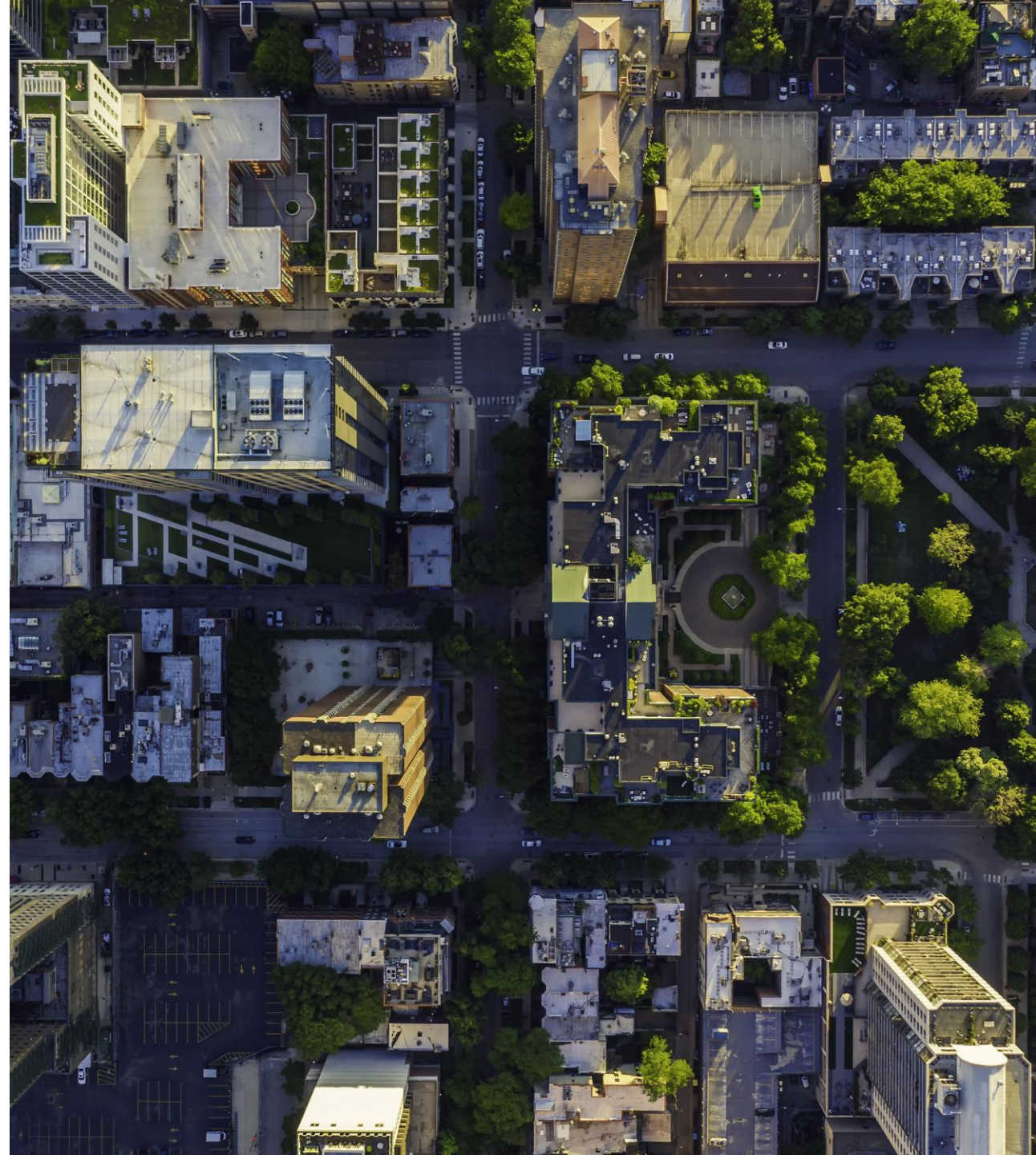


CLUSTER IDENTIFICATION

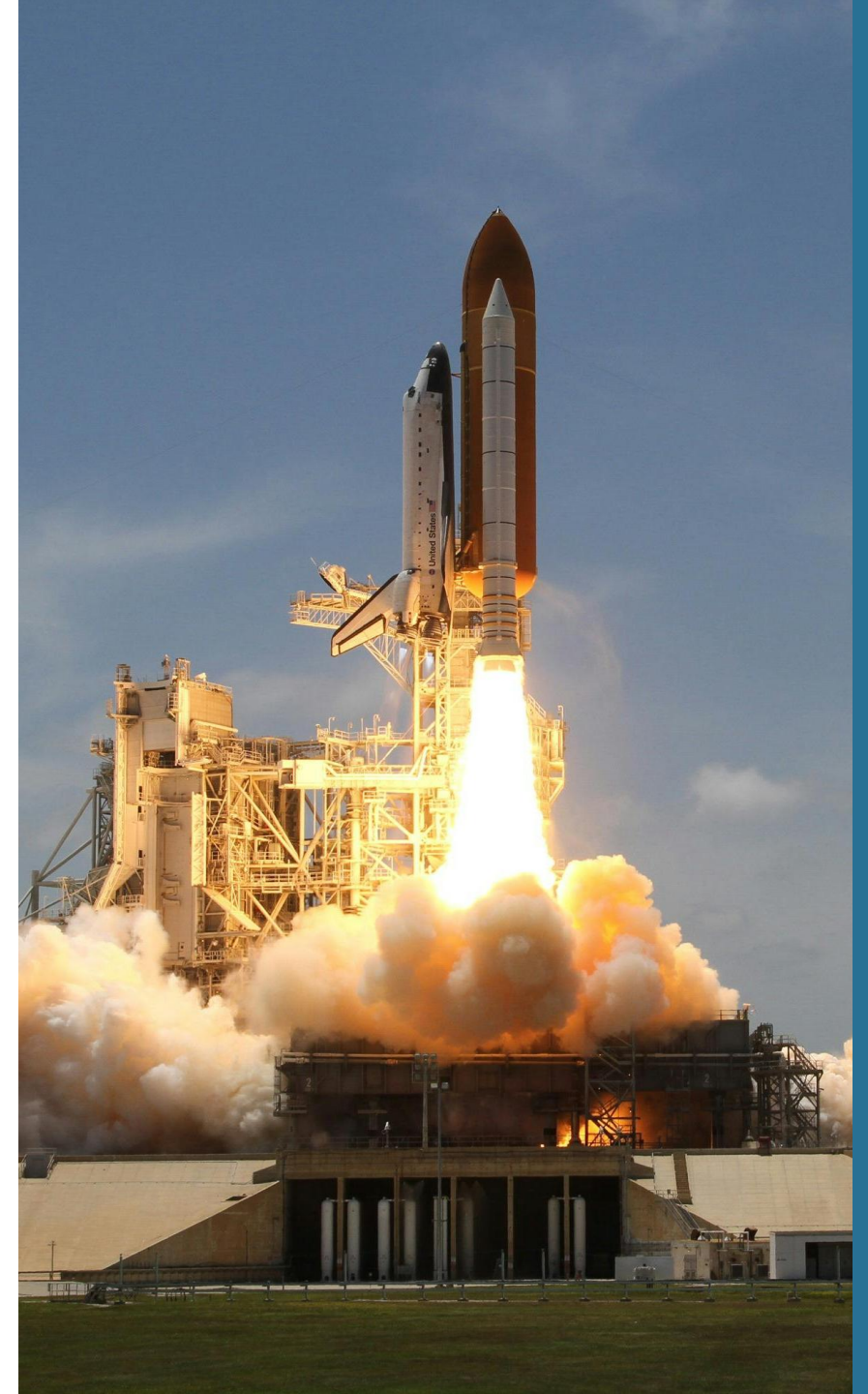
**Recognizing &
prioritizing
regional industry**

CENTER FOR CLUSTER
DEVELOPMENT



COURSE GOALS

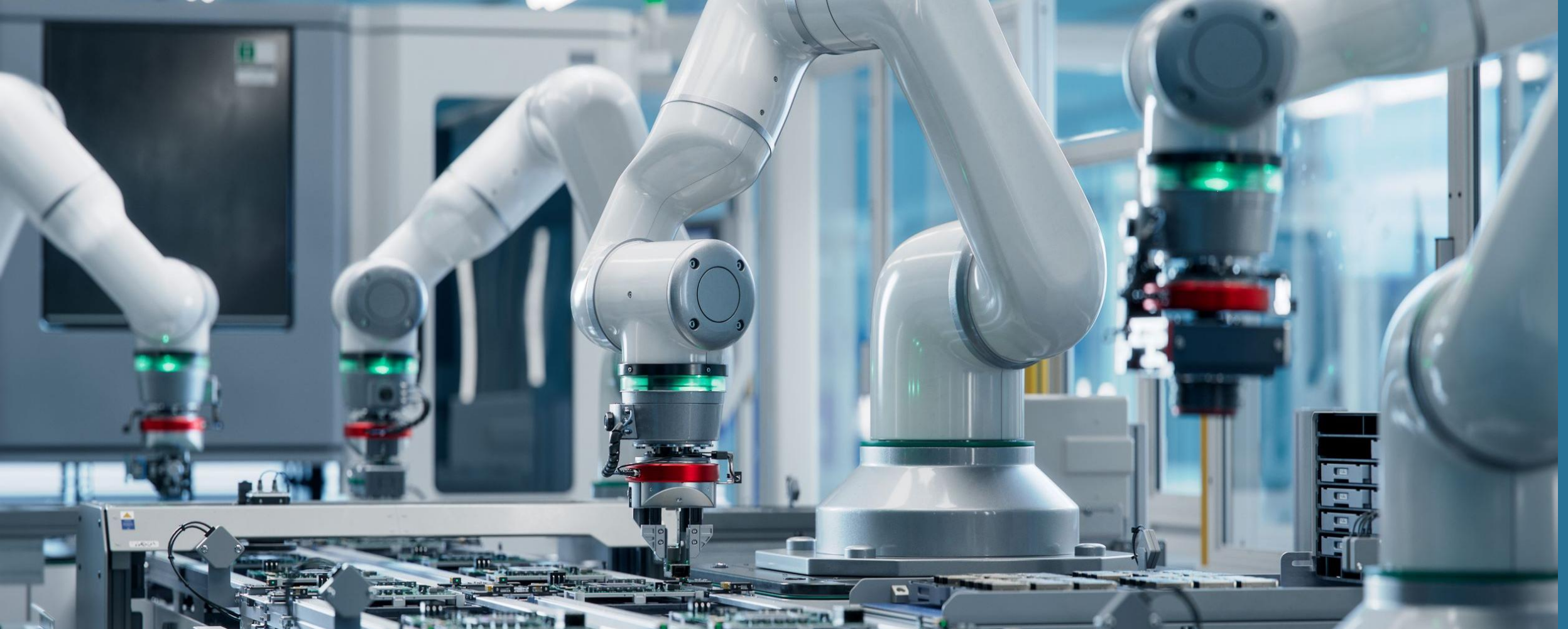
1. Know how to identify clusters
2. Understand how to prioritize clusters for public support
3. Be prepared to lead your region in cluster identification and prioritization process





COURSE SESSIONS

1. About Clusters
2. Location Quotient
3. Qualitative Assessment
- 4. Prioritizing Assistance**
5. Beyond Identification
6. Report out & Discussion



PRIORITIZING ASSISTANCE

Choosing among clusters to target economic development resources



DAY AGENDA

1. Why Prioritize?
2. Quality of Impacts
3. "But for" Principle
4. Capacity for Success

INTRODUCTIONS

- Name
- Organization
- Region
- Favorite show or movie you watched in the past year

PRIORITIZING CLUSTERS

- Most clusters should receive support from local government / econ. dev.
 - Prioritize industry for recruitment & retention efforts
 - Beneficial (and reasonable) policy changes to support industry
 - Support for training/placement needs from education & workforce system
- Resource restraints necessitate prioritizing expansive development efforts
- Defining priorities can require a comparable level of effort to strategy dev.
 - Basically, you are moving forward with strategy work but retaining flexibility not to commit to initiatives until you have more info
 - Feel comfortable using the approach that works best for you & your region

CLUSTER NEEDS

- To prioritize clusters most effectively, you need to know their needs
- Details are most helpful
 - Example: Local metal manufacturers project 30 new jobs in next 3 years, but we train 5 per year locally
- General can work
 - Example: Local metal manufacturers all projecting job growth, but we only train a few candidates per year
 - Can use this for quick follow ups with key stakeholders

YOUR CLUSTER NEEDS

1. ID 1-3 clusters that your region could prioritize
 - Use these for all of today's exercises
2. List up to 3 needs for each cluster
(e.g., tech adoption, additional workers, supply chain costs)
 - Try to make these as detailed as possible
3. If this is a challenge, note stakeholders, data sources that could provide you with these answers

QUALITY IMPACTS

- An important prioritization factor is the quality of outcomes you can achieve if you strengthen the cluster
- Think about possible outcomes of a stronger cluster:
 - How is this industry trending in global markets?
 - What kind of jobs does the cluster produce?
 - How might this increase our exports?
 - Would cluster growth improve demand in other local sectors?
 - How could cluster growth change our economic resilience?

KC & CLUSTER PRIORITIES

Kansas City's cluster selection process hit an impasse. Three sectors (advanced manufacturing, logistics, and biologics) each had merit and strong local support from different interests.

Key stakeholders decided to pursue the cluster with the most promise for good jobs (defined here as paying enough to support a family of four) even without a college degree. This analysis showed that biologics – with KC's high rates of biomedical research and drug production – scored the best on this metric.

KC BioHub was designated as an EDA Tech Hub in 2023. The cluster has secured additional operations funding while the region has seen related companies locate/expand, increasing its relevant LQs.

* Sources: Interview with Melissa Roberts Chapman of KC BioHub, [EDA Tech Hubs listing](#), U.S. Bureau of Labor Statistics QCEW data.

IMPACTS OF POTENTIAL CLUSTERS

1. Consider your region's 1-3 potential priority clusters
2. For each, jot down first-blush answers to these questions:
 - What is the share of above median paying jobs?
 - What proportion of sales that would be exported (other regions or countries)?
 - What is the global outlook for this sector in 5, 10, 20 years?
 - What impact would cluster growth have on other industries in the region?

“BUT FOR” PRINCIPLE

- Public funds are best spent when creating desirable public benefits that would not exist “but for” the public expense
- This is a frequent tension in economic development
 - Programs should aim to catalyze new investment but broad eligibility or requirements often merely add money to otherwise likely investments.
 - Programs should yield reasonable employment and investment returns but some reward temporary or low-paying jobs, insufficient capital.
- Cluster development support can bleed into marketing & advocacy roles normally covered by dues-accepting trade associations
 - It may be appropriate to catalyze industry ownership, but given market standards, it may be hard to justify long-term

GETTING “BUT FOR” WRONG: OPPORTUNITY ZONES

- The Opportunity Zone tax incentive ignores this principle:
 - Incentive is provided to all investors (who must have a large capital gain)
 - Investments can be for any project that meets broad criteria
 - Primary incentive only pays if the project makes money on its own
- The lack of intentionality is reflected in the program's outcomes:
 - Only area of development with evidence of OZ impact is increased multi-family housing construction
 - This was not even a potential impact considered until more than 1 year after it became law

CAPACITY FOR SUCCESS

- Assess whether you can execute a plan that is capable of succeeding
 - Type ex: The primary cluster need is connections to downstream buyers that aren't currently in your region. Can you move the needle on this?
 - Scale ex: An emerging cluster has identified a \$50 million capital need, and your budget is \$1 million. Is this a useful start? What leverage can you create?
- If not, the best option may be:
 - Offering general support to this cluster until capacity changes
 - Setting a time- and/or cost-limited goal on a narrow initiative

TULSA INNOVATION LABS

In 2020, the George Kaiser Family Foundation launched TIL and charged it with building a “tech economy” in Tulsa. The org focused on five tech areas based on (a) local job access, (b) feasibility of impact, and (c) magnitude of impact.

To determine feasibility, TIL focused on being able to identify sector-relevant connections to: higher education, corporate R&D (Tulsa does not have an R1 university), workforce providers, and physical infrastructure.

TIL is now an EDA Tech Hub in Advanced air mobility (e.g., drones), which is one of the sectors pursued by the region.

* Sources: Interview with Jennifer Hankins of TIL; GKFF [site on TIL](#); TIL [site](#); EDA Tech Hubs [designation for Tulsa](#)

CONSIDER LOCAL CAPACITY

1. What would be required to meet the top need for each potential cluster?
2. If you don't know, who needs to be contacted or what needs to be ID'd?
3. What is the potential budget for your cluster initiative? What support can you expect from state and local government? From nonprofits? From local industry? Other sources?
4. Can your potential budget address the cluster's need completely? If not, is it sufficient to be impactful?

PRIORITIZING ASSISTANCE: TAKEAWAYS

- When resources are limited, regions should prioritize clusters that:
 - Are most likely to yield your stakeholders' desired outcomes
 - Have needs that can appropriately assisted by public resources
 - Can be supported successfully with expected approaches and capacity
- Prioritization information may require more information than identification

A chalkboard background with a lightbulb and thought bubbles. The lightbulb is at the top center, with a glowing yellow light. Several thought bubbles of varying sizes are drawn around it with white chalk. The text 'QUESTIONS & DISCUSSION' is written in bold blue capital letters on a white rectangular background that is slightly offset from the center.

QUESTIONS & DISCUSSION



FEEDBACK SURVEY

<https://forms.gle/8bwLbBwJwBiFYBnd9>

PREP FOR NEXT SESSION

- Begin—or refine—the cluster identification process for your region

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Jason Rittenberg, Principal at Excel Regional Solutions, is the primary author of this curriculum.

Excel strengthens America's technological and economic competitiveness by providing expert strategy development, communications, and information services that advance regional, state, and federal policy and programs. Learn more at excelregions.com.



EXCEL REGIONAL SOLUTIONS

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- Melissa Roberts Chapman

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