

REGIONAL ECONOMIC COMPETITIVENESS AND INDUSTRY CLUSTERS

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Lee Munnich, Senior Fellow
Humphrey School of Public Affairs
University of Minnesota



Questions

1. How does economic development work at a regional level?
2. What have we learned from 20 years of industry cluster analysis about the Twin Cities region and the factors that support its economic success?
3. What new research will we be conducting to shed further light on this subject?



1. How does economic development work at regional level?

- The fundamental purpose of economic development policy should be to increase **productivity** in order to bring economic benefits to an area.
- **Ten principles** serve as an organizing framework for thinking about the economic development process.



Ten Principles for Economic Development

Goals: *The underlying purpose of economic development efforts*

- Competitiveness
- Equity

Scope: *The outlook guiding your work.*

- Global Economy
- Comprehensive Strategy

Organization: *The scale or structure of your work.*

- **Regional Collaboration**
- **Industry Cluster Focus**

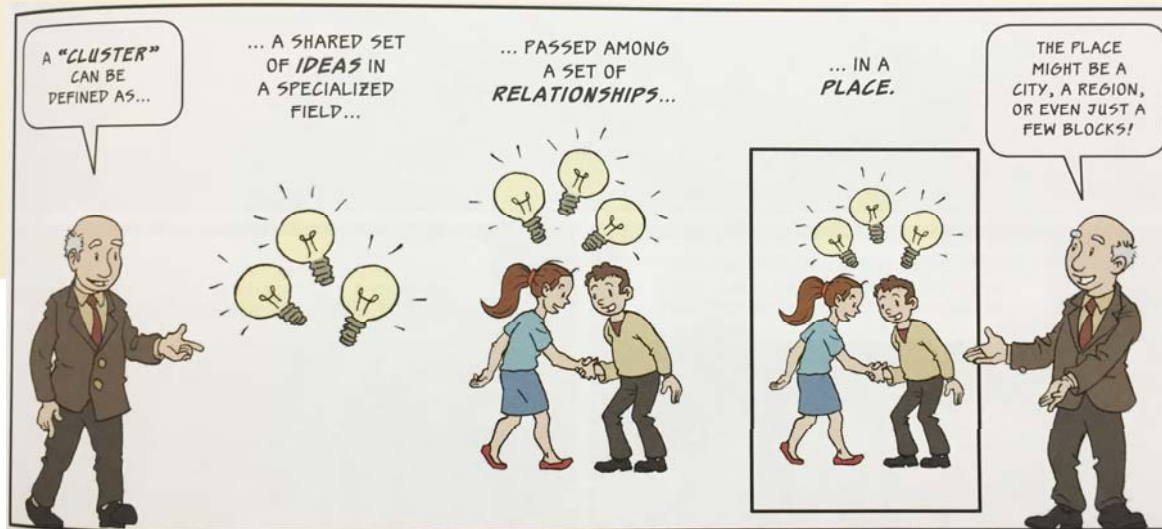
Process: *The management of program activities.*

- Customer Orientation
- Partnerships
- Measurement and Evaluation
- Learning



2. Industry Clusters

- **Industry cluster approach** – Michael Porter's Diamond of Advantage
- Regional industry cluster studies
 - **Quantitative**: Location quotients; Cluster mapping
 - **Qualitative**: Business interviews and site visits



What is a Location Quotient?

- A **location quotient** measures the share of an industry cluster's employment in the region compared to the national share of employment for that cluster.
 - If the location quotient is **1**, it means the cluster's employment share is the **same** as the US.
 - If the location quotient is **2**, it means the industry cluster is **twice** as concentrated in the region as the U.S.
- A location quotient is an indicator of **industry cluster competitiveness**.



Why Do Clusters Matter?

- Clusters are the building blocks of modern economies and a key lens to understand the **profile of a regional economy**.
- Clusters drive **regional economic performance**, from prosperity to job growth and innovation.
- Clusters are a powerful channel and organizing principle for **effective policies** to shape economic development.
- Clusters provide **business opportunities** for investments, exports, site selection, and supply chain assessment.

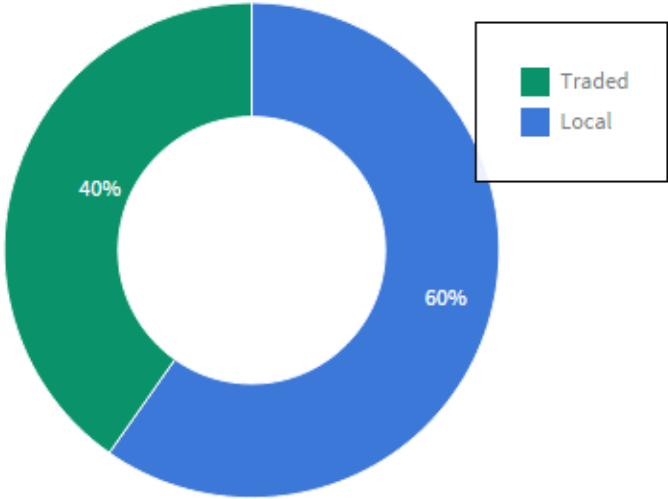


- Systematic cluster data is a critical resource to **firms, government leaders, and many other economic development professionals.**

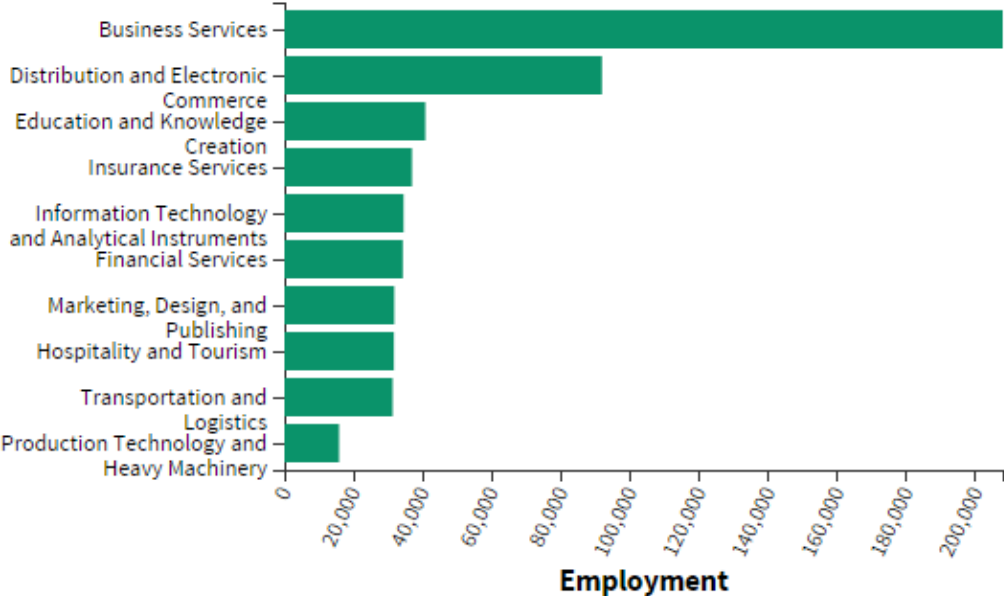


Greater MSP Top Clusters

Traded vs. Local Clusters



Top Clusters by Employment

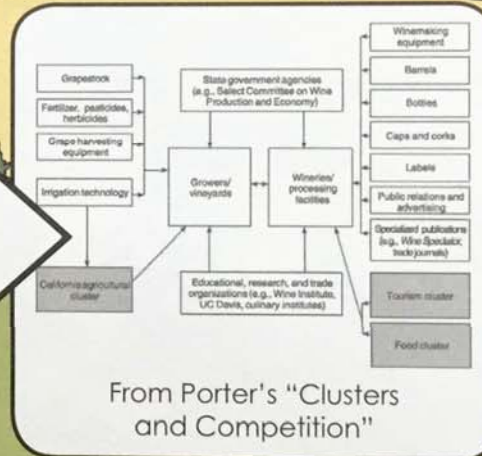
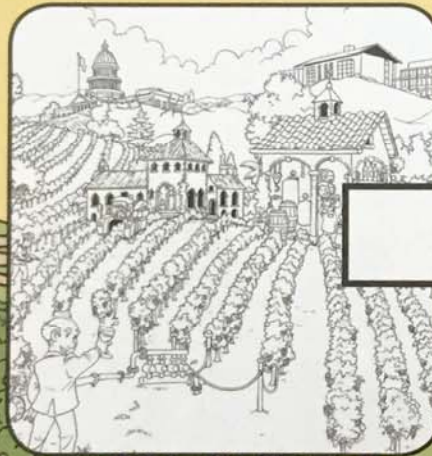


MAP YOUR CLUSTER.

CREATE A DIAGRAM – A “**CLUSTER MAP**” – THAT SHOWS ALL THE MOVING PARTS IN YOUR CLUSTER.

WHAT ARE THE MAIN FIRMS? THE SUPPORTING BUSINESSES? KEY RESEARCH OR EDUCATIONAL INSTITUTIONS? MAJOR CUSTOMERS AND DISTRIBUTION CHAINS? AND HOW DO ALL THESE PIECES FIT TOGETHER?

THINK OF YOUR CLUSTER AS A KIND OF **ECOSYSTEM** – A SHARED ENVIRONMENT IN WHICH ALL THE FIRMS, PEOPLE AND INSTITUTIONS INTERACT!



What have we learned from 20 years of cluster research in Metro region?

- **Competitive clusters** in the Metro region today are similar to 20 years ago.
- **Corporate headquarters** are economic drivers for multiple clusters in the region.
- **Cluster linkages** within the Metro region as well as between Metro and Greater MN clusters increase economic competitiveness.
- **Manufacturing** clusters in Minnesota have become more competitive.
- **Strong emerging clusters** in water technology, robotics, 3D printing and bio-renewables may contribute to future competitiveness.

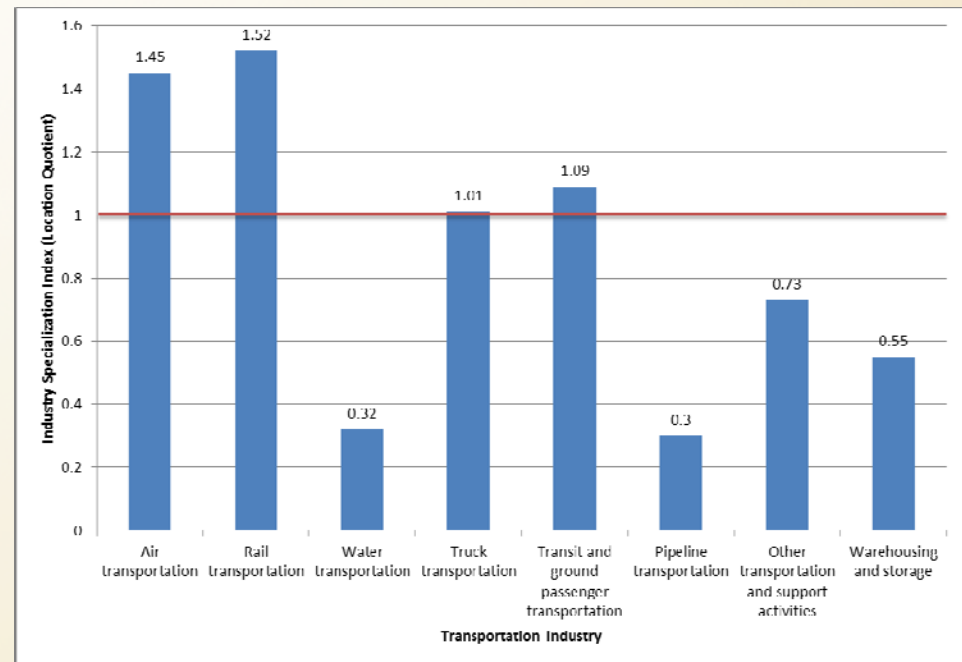
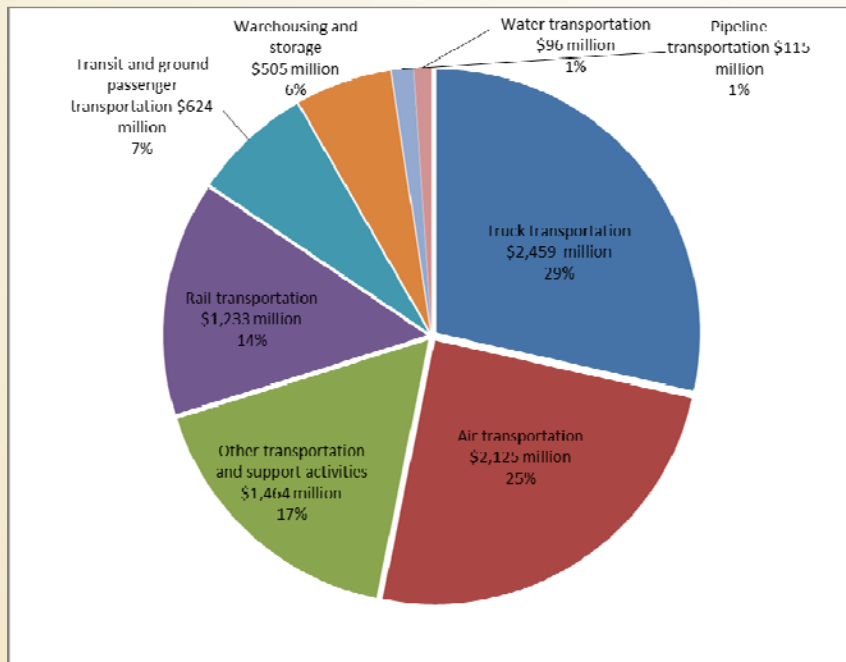


Economic Competitiveness Issues

- **Workforce issues** have become the most important aspect of economic competitiveness.
 - Emerging shortage of skilled workers
 - Unemployed and underemployed workers.
- **Access to jobs** becoming more important.
 - Millennials more interested in transit & transportation alternatives (GREATER MSP survey of millennials).
- **Freight economy** and intermodal transportation issues are becoming more important for Metro region's competitive clusters.



Minnesota's Gross State Product (GSP) Share and Specialization by Transportation Industry, 2013



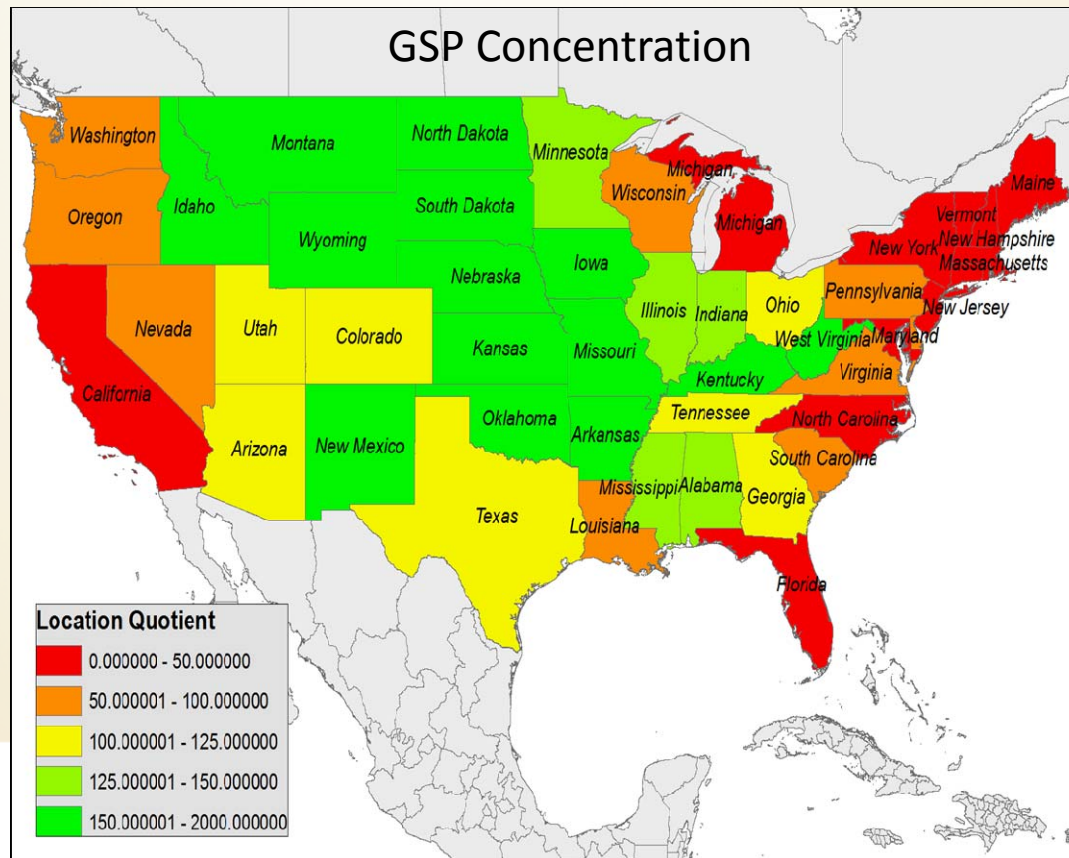
Source: U.S. Bureau of Economic Analysis



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Midwestern states much more rail dependent than coastal states

Rail Related Industries



Source: U.S. Bureau of Economic Analysis



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3. What new research will we be conducting to shed further light on this subject?

- MnDOT District Manufacturing Studies
 - D8 (southwest), D4 (west central), D2 (northwest)
 - Metro region manufacturing study planned
- Freight Economy Atlas
- Workforce issues
- Transit role in linking jobs to competitive clusters; MnPASS lanes and transit
- Telework - eWorkPlace



For more information contact:

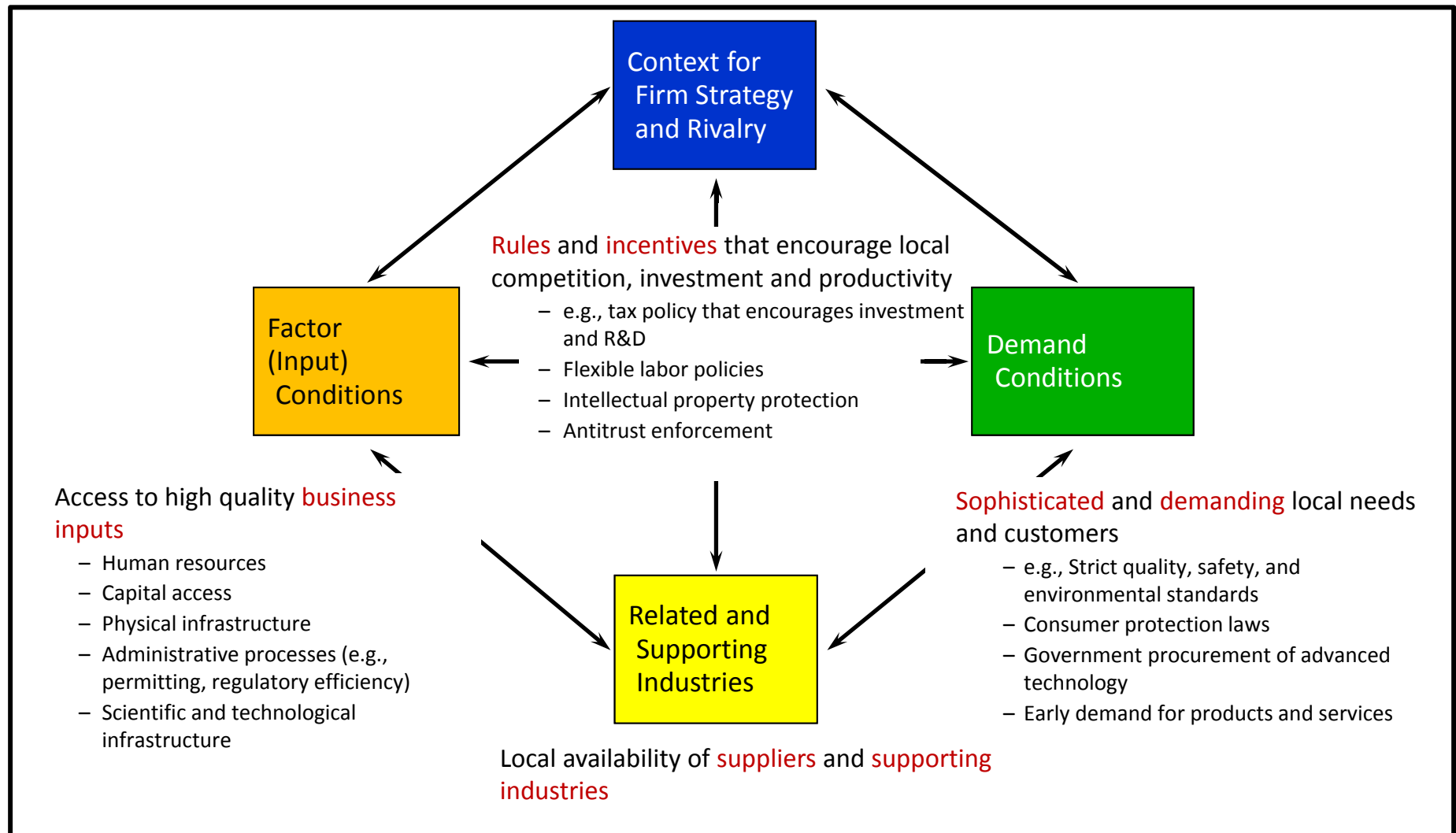
Lee Munnich

612-202-9511

lmunnich@umn.edu



Quality of the Overall Business Environment



- **Many things matter** for competitiveness
- Economic development is the process of improving the business environment to enable companies **to compete in increasingly sophisticated ways**

MSP Regional Cluster Competitiveness Study

