Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers and associated institutions in a particular field that are present in a nation or region. Clusters arise because they increase the productivity with which companies can compete in an increasingly more competitive global market.

Clusters are industry led. Key private industry stakeholders examine the changes and improvements that need to occur within the cluster and then formulate a strategy that includes industry, government and educational institutions. The philosophy behind clusters is that large and small companies in a similar industry achieve more by working together than they would individually.

Clusters are export orientated, are of a significant size, experience rapid growth, have a regional concentration that is higher than the national average and have a business interdependence with competitors, buyers and suppliers. Industry clusters are not a “one size fits all” strategy and should be used in conjunction with other economic development strategies.

In recent years, states such as Arizona, California, Connecticut, Minnesota and Utah have adopted clusters as a new approach to economic development. Clusters are an attractive economic development strategy because they encourage the creation of new companies, new products and new employment opportunities in high-skilled, high-wage type jobs. Clusters may not employ high numbers of people, but they have higher paid employees.

The Wisconsin Department of Commerce also believes that one of the keys to growth in Wisconsin is the implementation of a "cluster-based" approach to economic development. Clusters will allow the Department of Commerce to shift from assisting one business at a time to working with a collaborative group of businesses in key industry sectors. Commerce will play a role in removing barriers to cluster formation and help provide a forum for businesses in targeted clusters to voice their concerns.

The Department of Commerce has identified seven established clusters and three emerging clusters in the State of Wisconsin. These key clusters represent industries that have been the cornerstone of Wisconsin’s economy as well as industries that will play an important role for the future growth of Wisconsin’s economy.
WhyCluster?

- Reduce transition costs
- Specialize
- Leverage one another’s specialties
- Increase rates of innovation
- Pursue joint solutions to common problems
- Build common labor pool, technology and infrastructure
- Learn collectively what it takes to be competitive

Collaborative Activity

- Inform— newsletters and cluster directories
- Learn— seminars, conferences and training
- Market— strategic plans for exports and cluster brochures
- Purchase— buyer-supplier linkages
- Produce— bid on projects, joint ventures and federal labs
- Build Economic Foundations— technology transfer and telecommunications
- Networking— informal and formal

Regional Clusters

Thinking regionally means thinking beyond political boundaries to the boundaries of those sharing a common interest. Businesses operate beyond the local political boundary that they are located in. A cluster based economic approach demands a new approach that goes beyond these typical political boundaries.

Although the State of Wisconsin has identified ten statewide clusters, there also advantages to forming smaller regional clusters. Clustering in its simplest form may be informal networking, which all industries can benefit from. However, some formal structure often helps ensure that the combined efforts of the group are harnessed more effectively to achieve common goals. Collaboration enables companies to perform better.

Sources: