

# The North Alabama Region A Globally Competitive Community

## **Industry Clusters**

**The Foundation of Innovative & Dynamic Economies**

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## Clusters Enhance Competitiveness, Productivity Gain, and Economic Growth by:

- Improving productivity via efficient access to suppliers, information, and training.
- Promoting innovation by increasing the ability to envision opportunities for new products, services, and process and for meeting new needs.
- Assisting the commercialization process by facilitating the creation of spin-offs, new businesses, and new product lines in established firms.

## Clusters also contribute to:

- The presence of cluster-knowledgeable financial institutions, venture capitalists, and attorneys.
- The formation of new firms, new business units, and new product lines which reinforce increased productivity and promote innovation.

# What is an Industry Cluster?

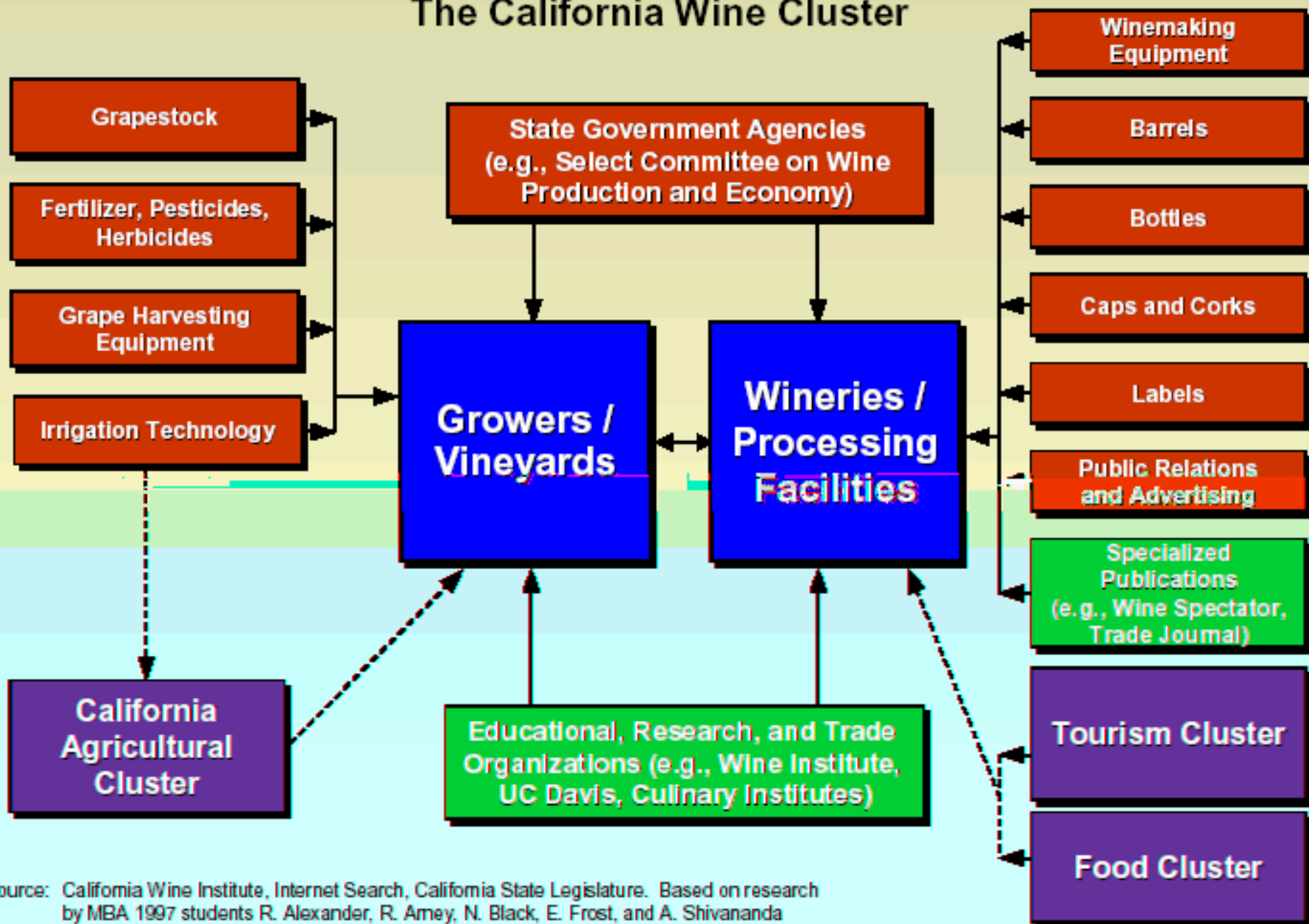
Groups of interrelated companies and institutions in a specific discipline which are located within the same economic region or geographic area.

(Institute for Strategy & Competitiveness,  
Harvard Business School)

# Why are Industry Clusters Relevant?

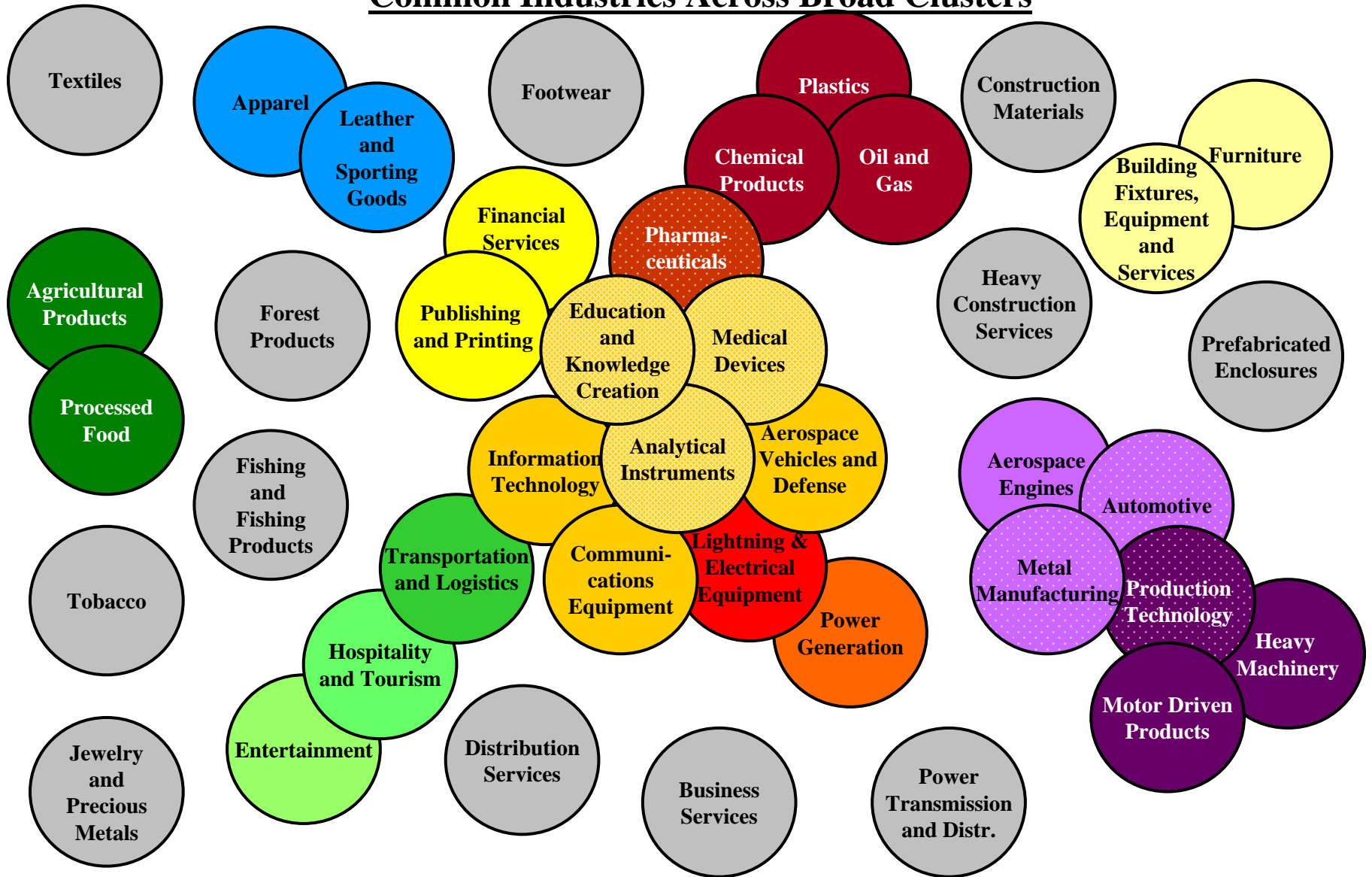
- Economic development can arise from the birth of a new cluster or the growth of an existing cluster.
- Clusters cut across traditional industry classifications which can encourage **innovation** and increases in **productivity**.

## The California Wine Cluster

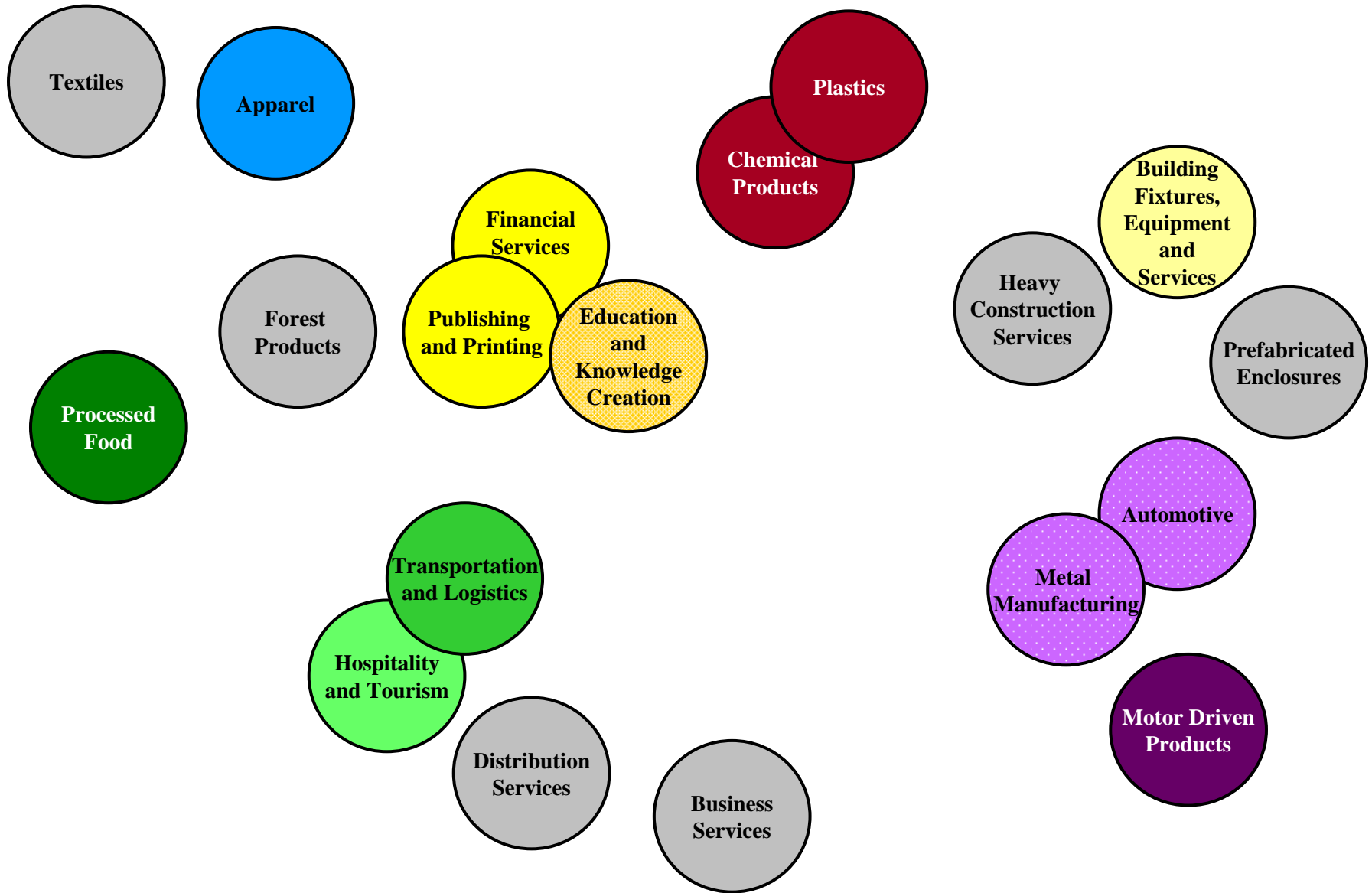


# Cluster Overlap in The United States Economy

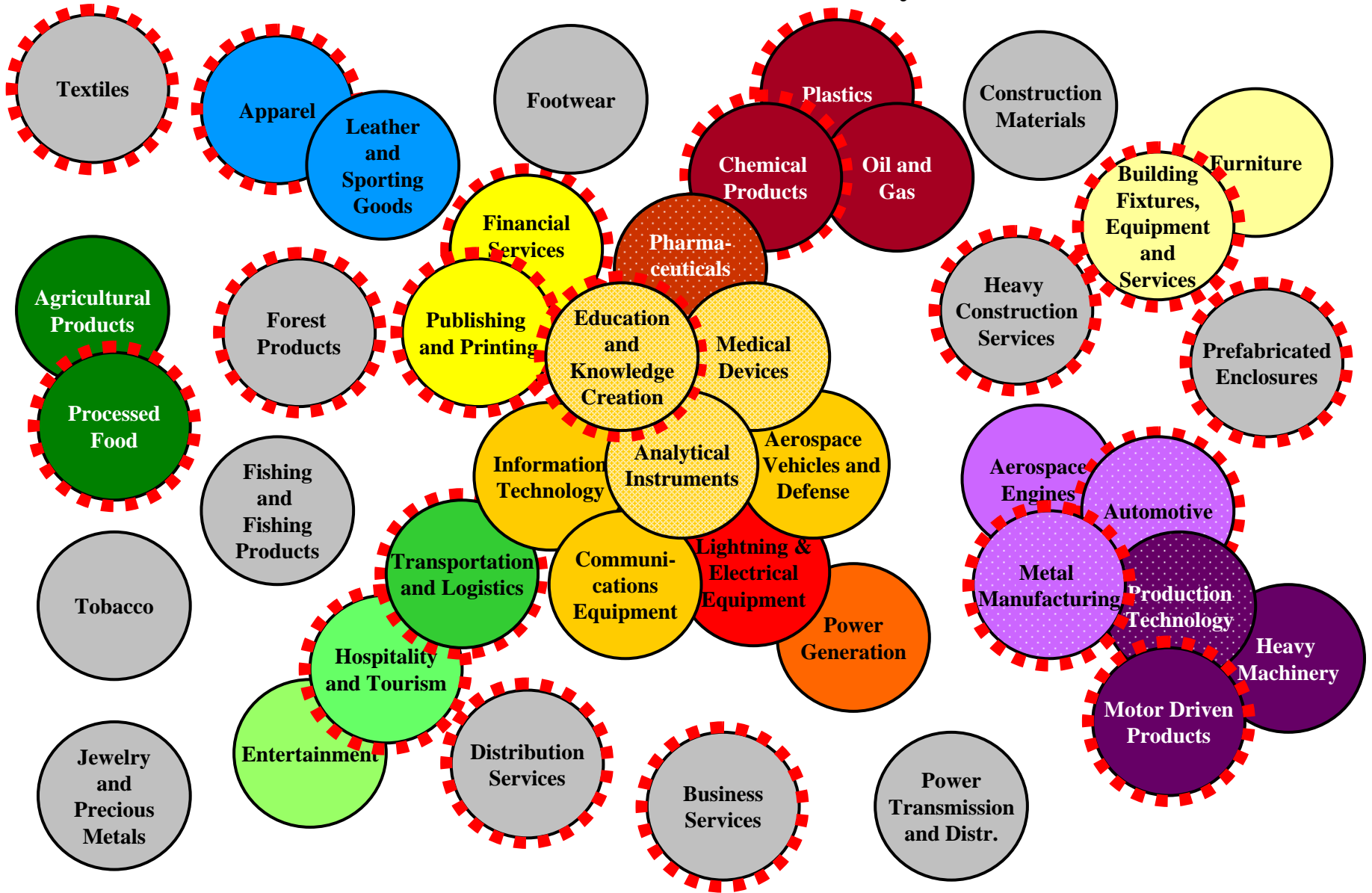
## Common Industries Across Broad Clusters



# Major Traded Clusters in Alabama's Economy 2001

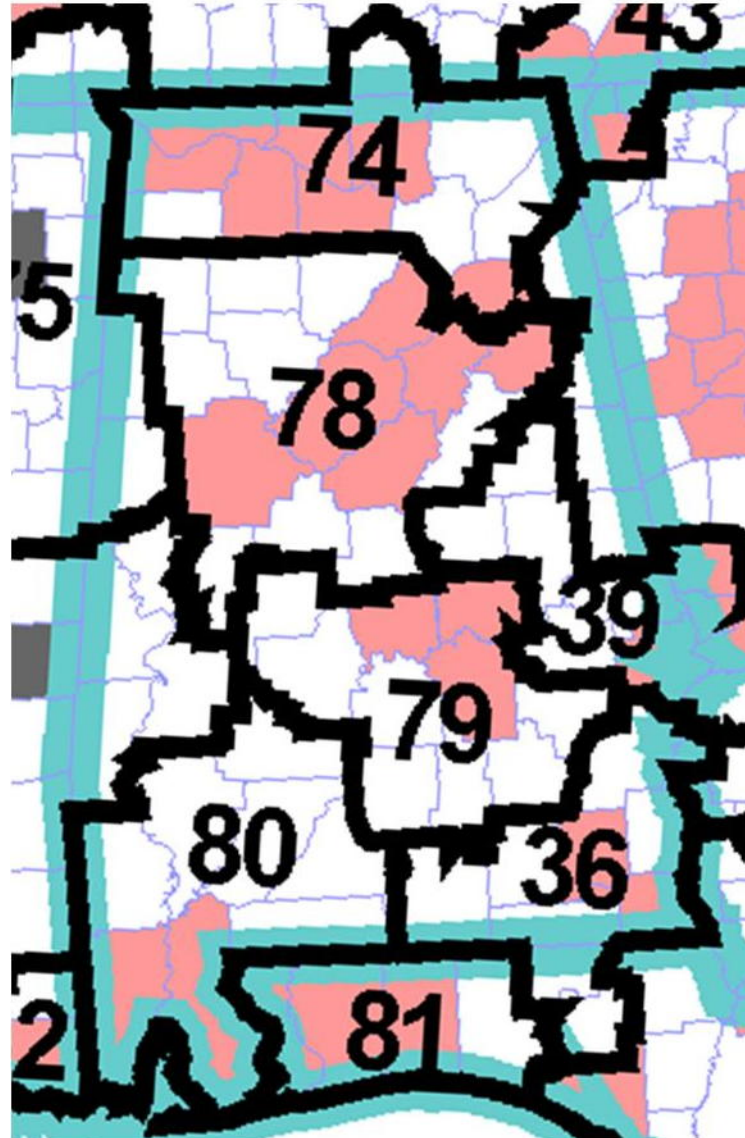


# Alabama Major Clusters Relative to The United States Economy



Key: Red dots = Alabama Clusters

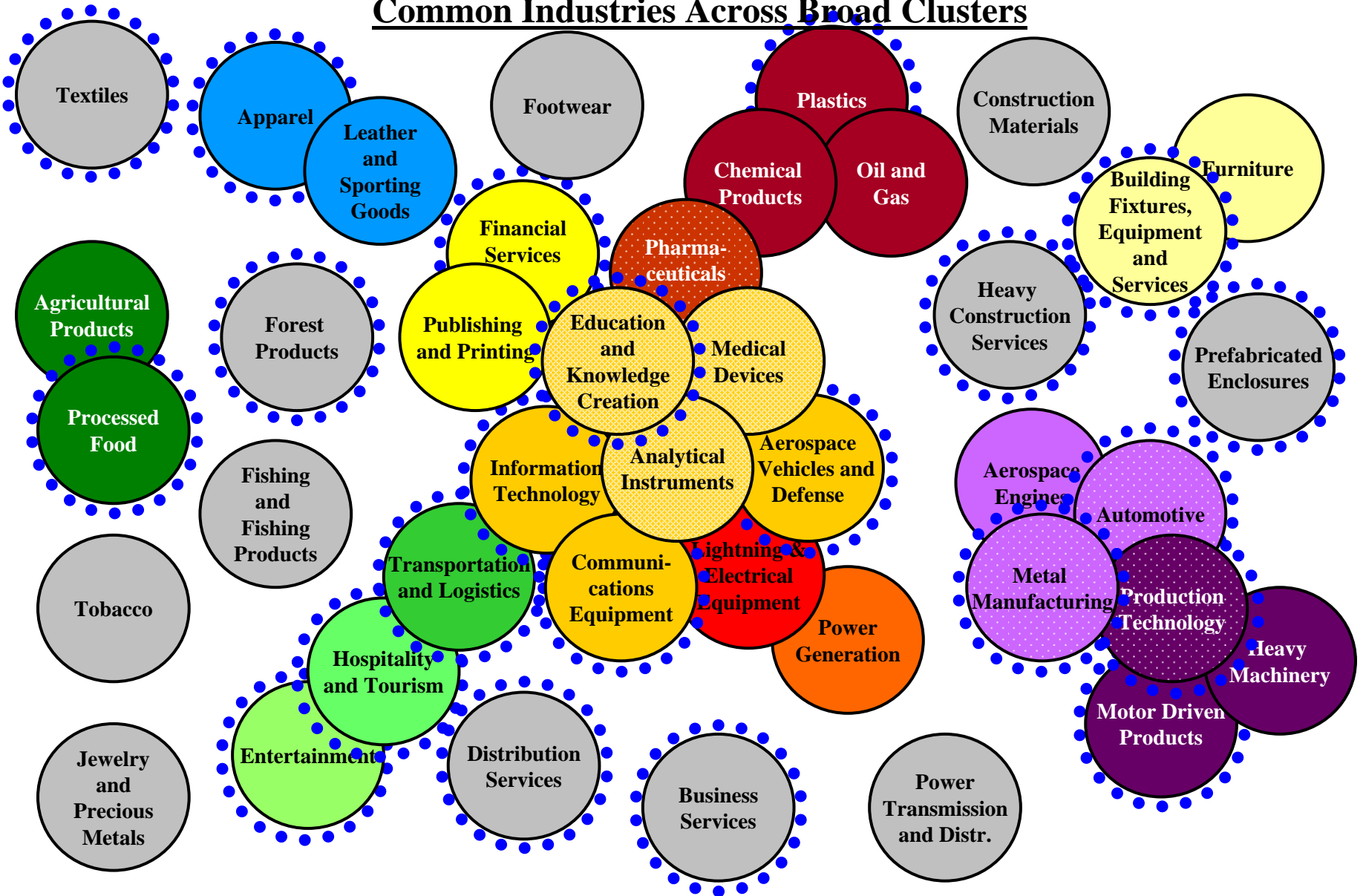
## Economic Region 74



Bureau of  
Economic Analysis

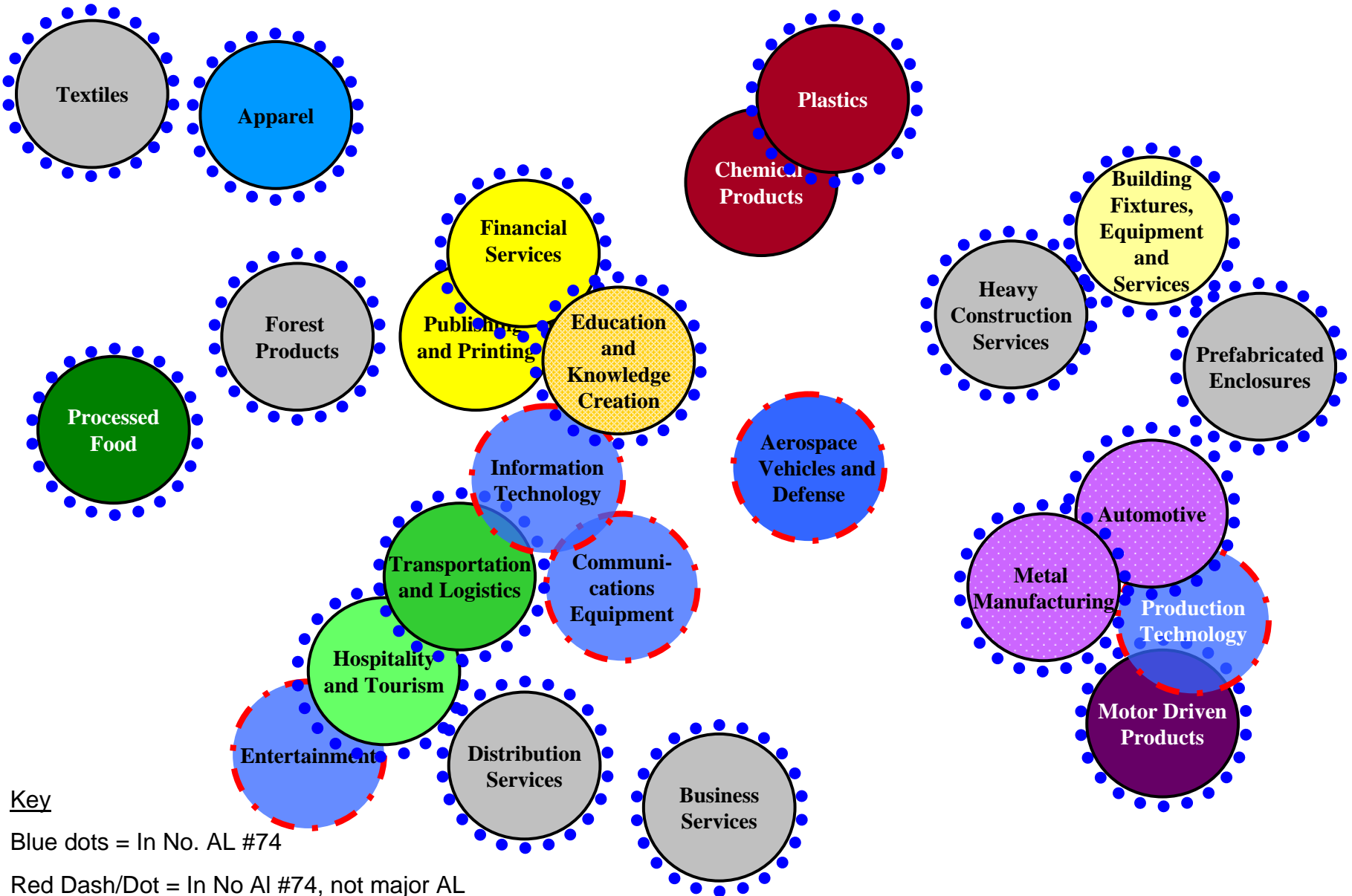
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## Common Industries Across Broad Clusters

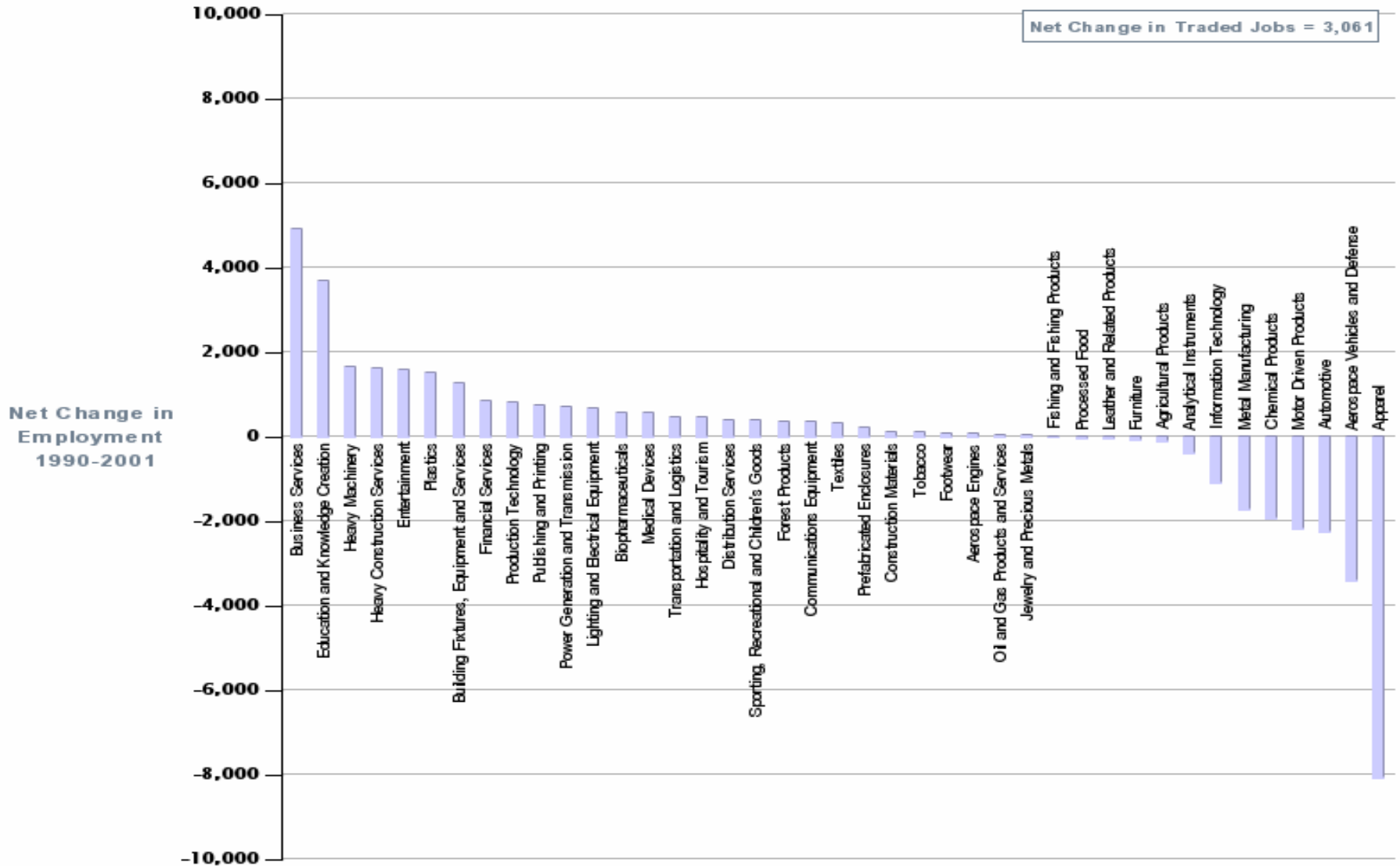


Key - Blue dots = In No. AL #74

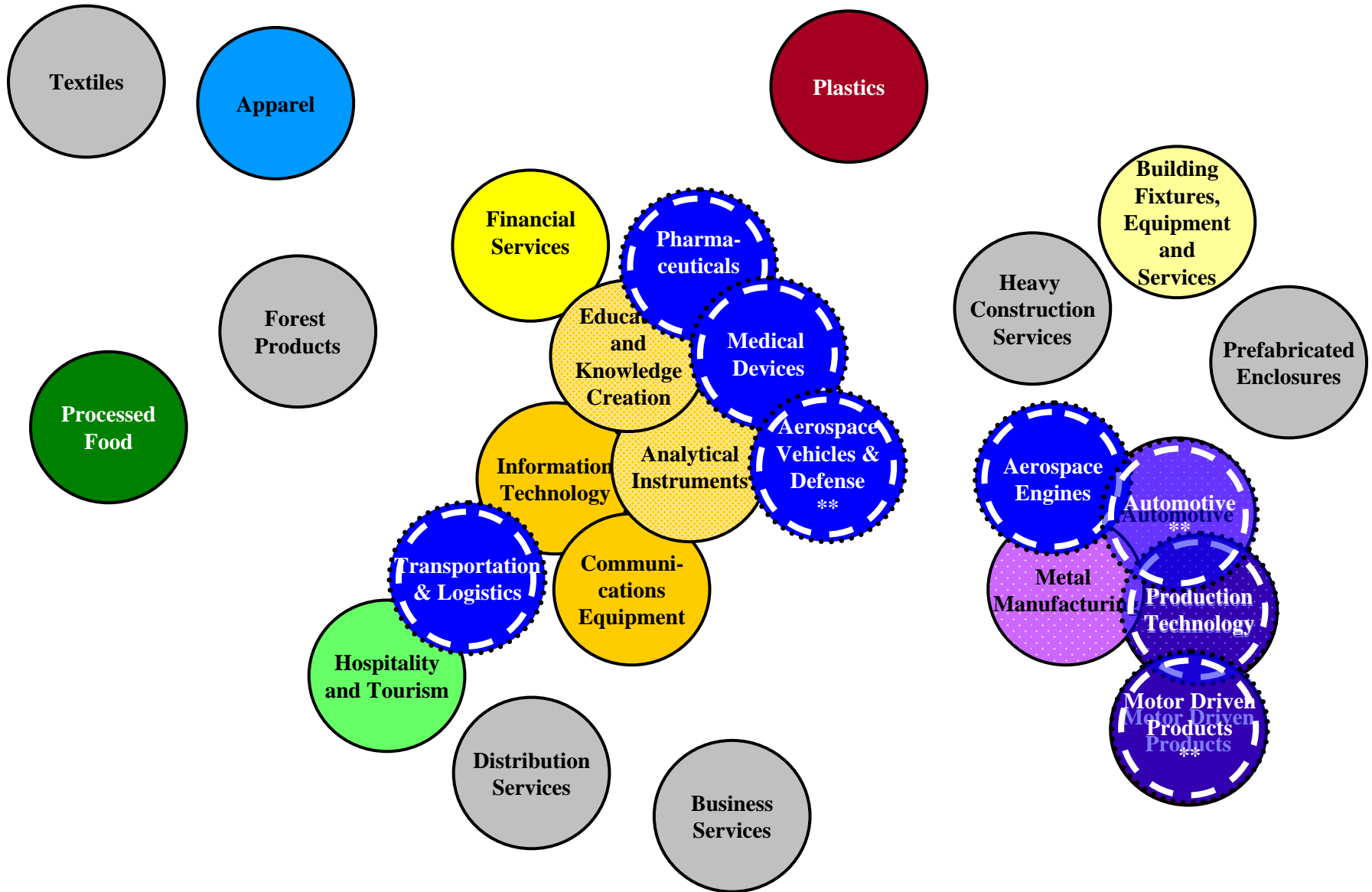
# Major Traded Clusters in Alabama's Economy 2001



### Economic Area 74 Job Creation by Traded Cluster 1990-2001



# Major Traded & Target Clusters in the Huntsville Economic Area Economy 2001



# Clusters Turn Ideas into Prosperity<sup>1</sup>

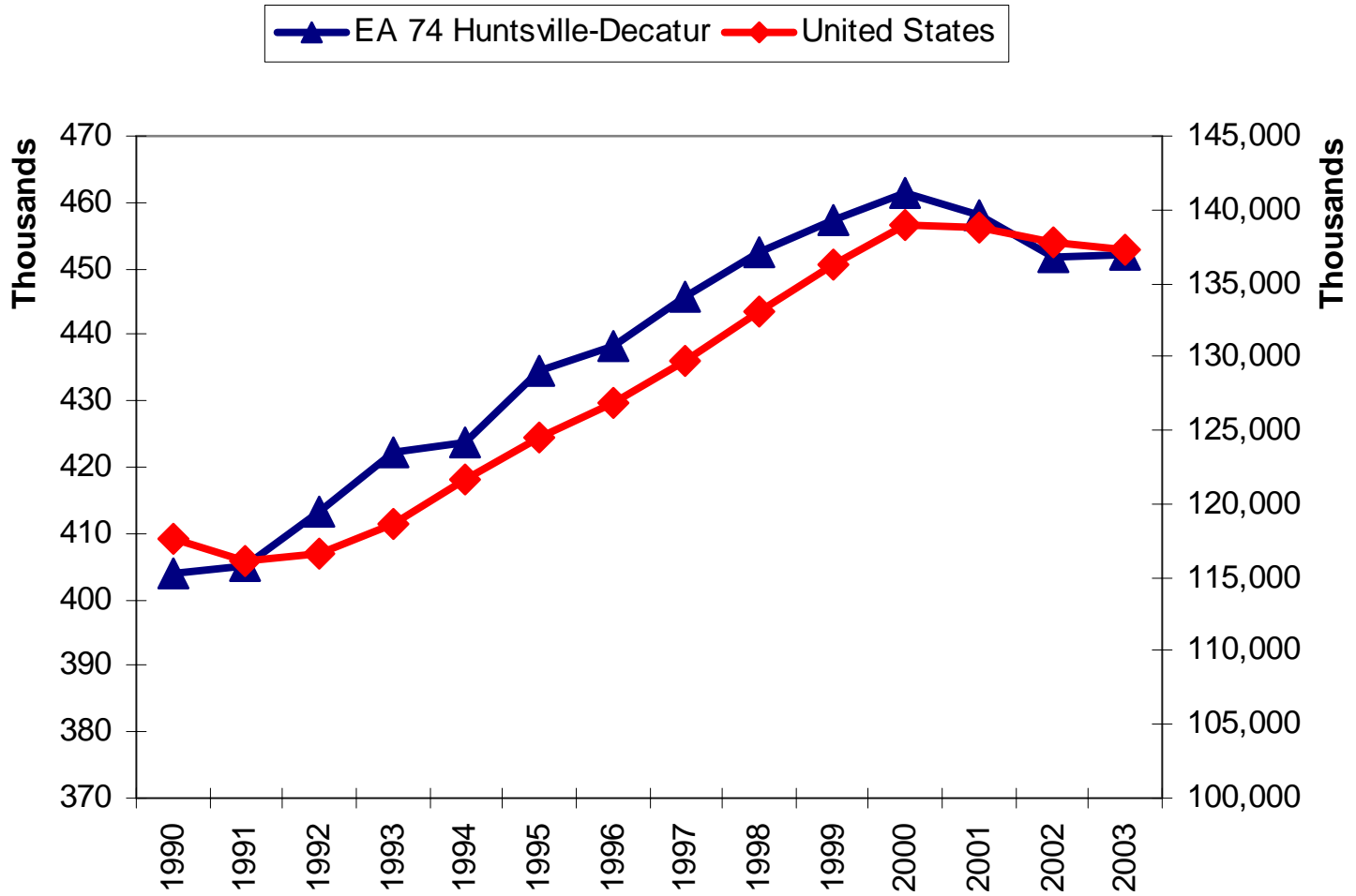
- They act as the incubators of innovation.
- They draw on local networks that link technology, resources, information and talent.
- Regions with successful clusters enjoy higher average wages, productivity, rates of business formation, and innovation.

<sup>1</sup> Council on Competitiveness

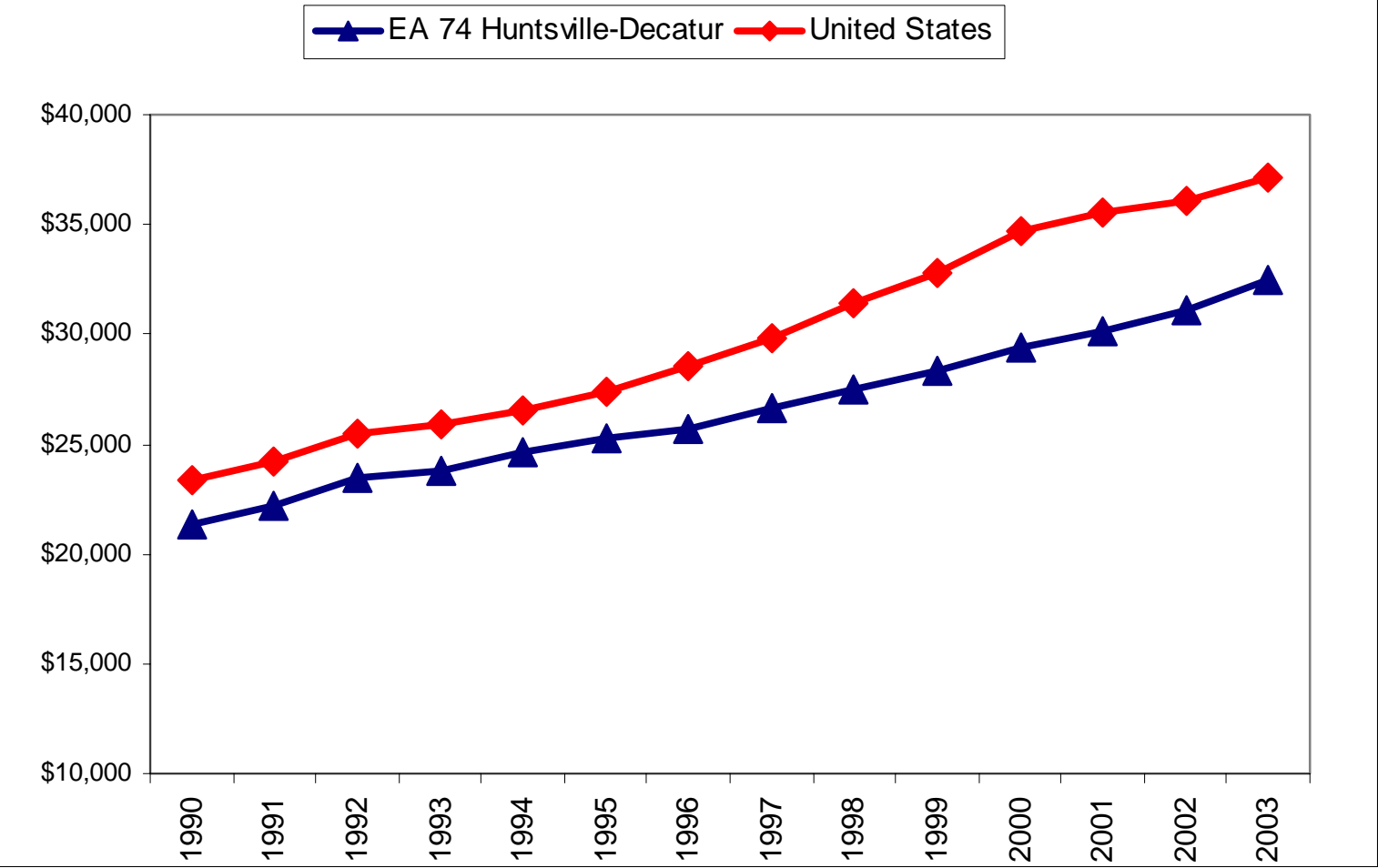
# The New Rules

- Innovative firms need innovative talent and support to prosper.
- Low cost and low value are no longer competitive advantages in a global marketplace.
- Economic growth incentives must move beyond low wages and tax issues to establish **incentives that foster innovation**.
- Metrics of economic performance must be examined and/or developed relative to global competition.

## EA 74 & U.S. Employment 1990-2003

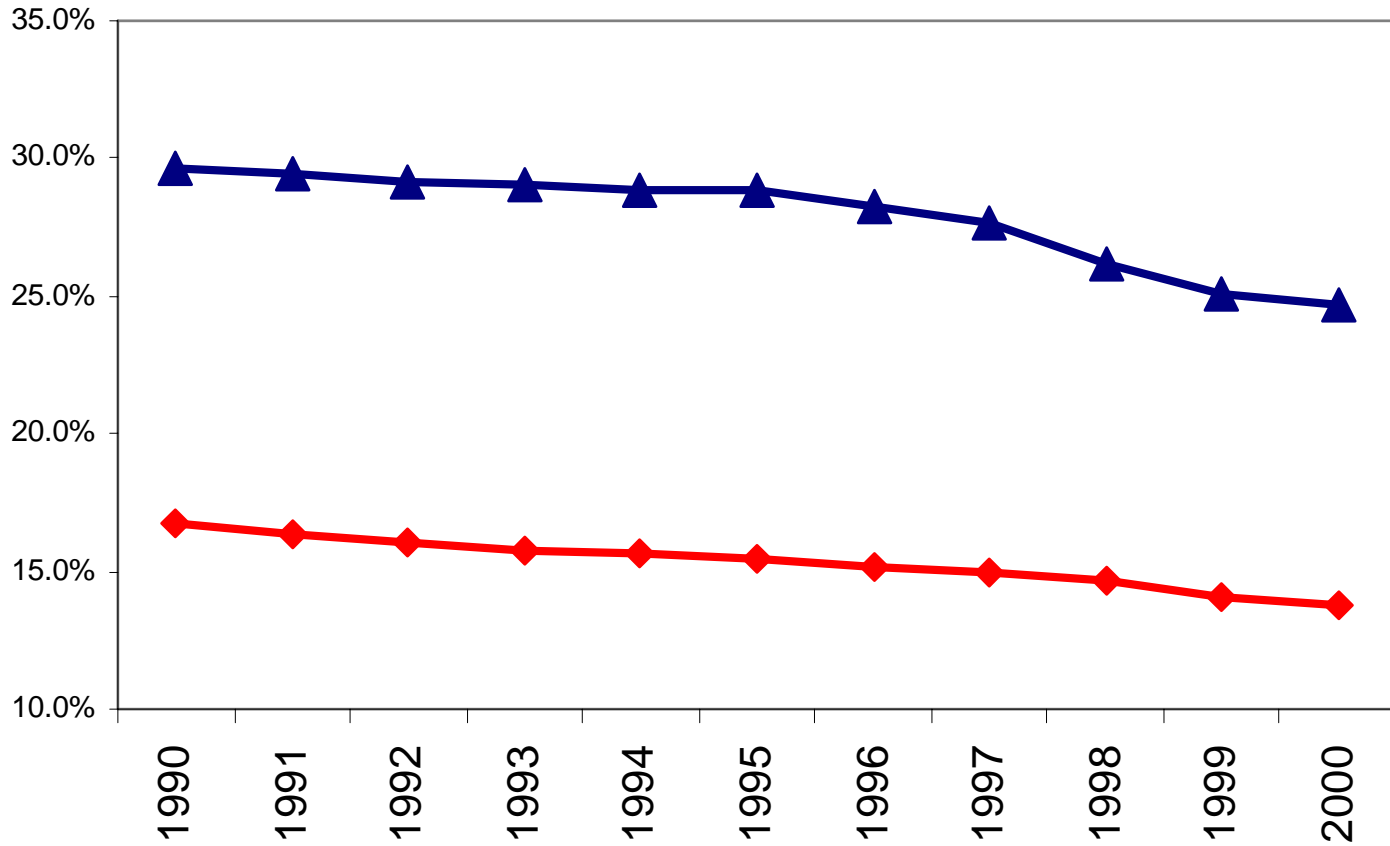


## EA 74 & U.S. Average Annual Wage 1990-2003



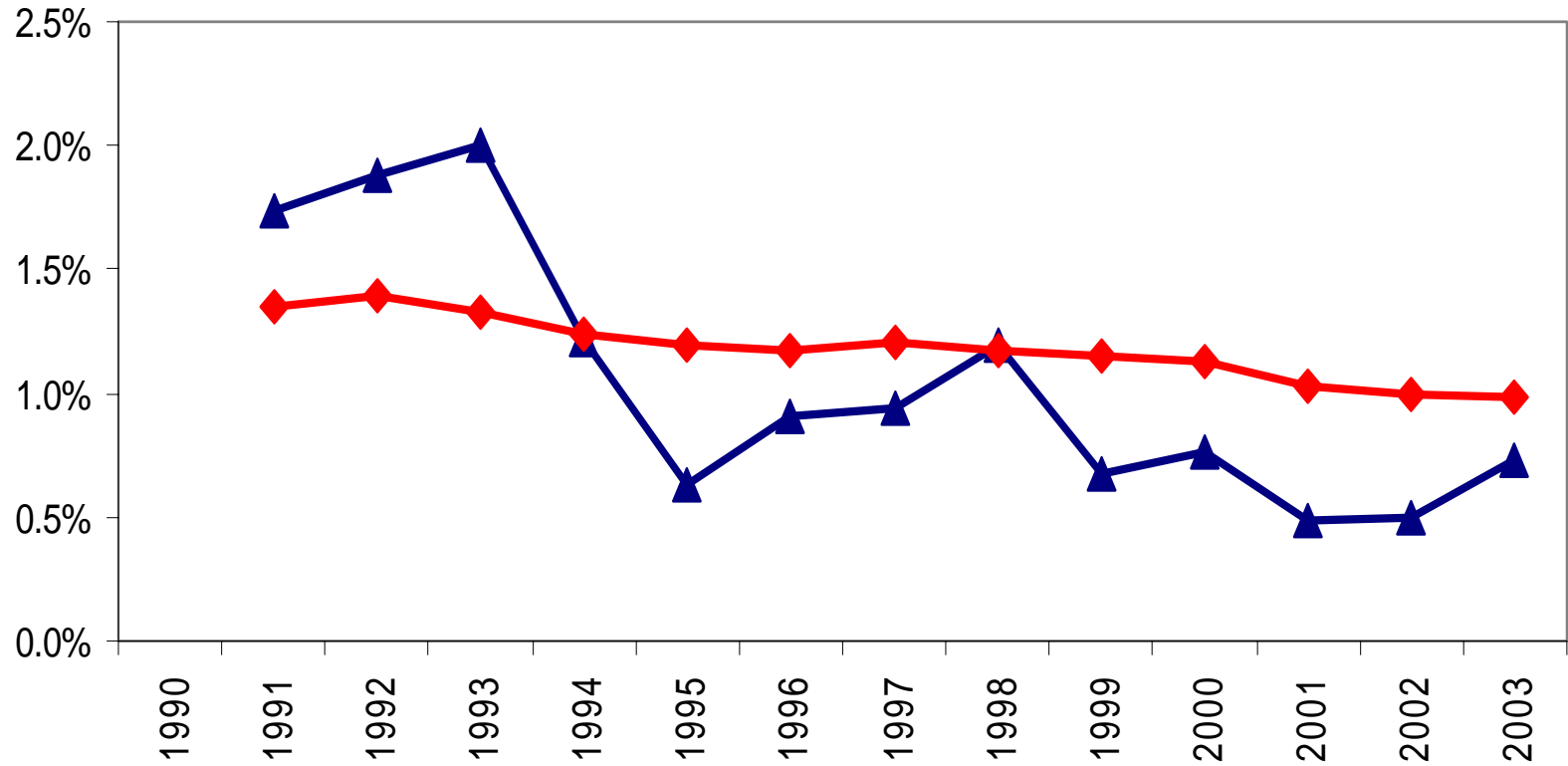
## Manufacturing to Total Employment 1990-2000

EA 74 Huntsville-Decatur United States

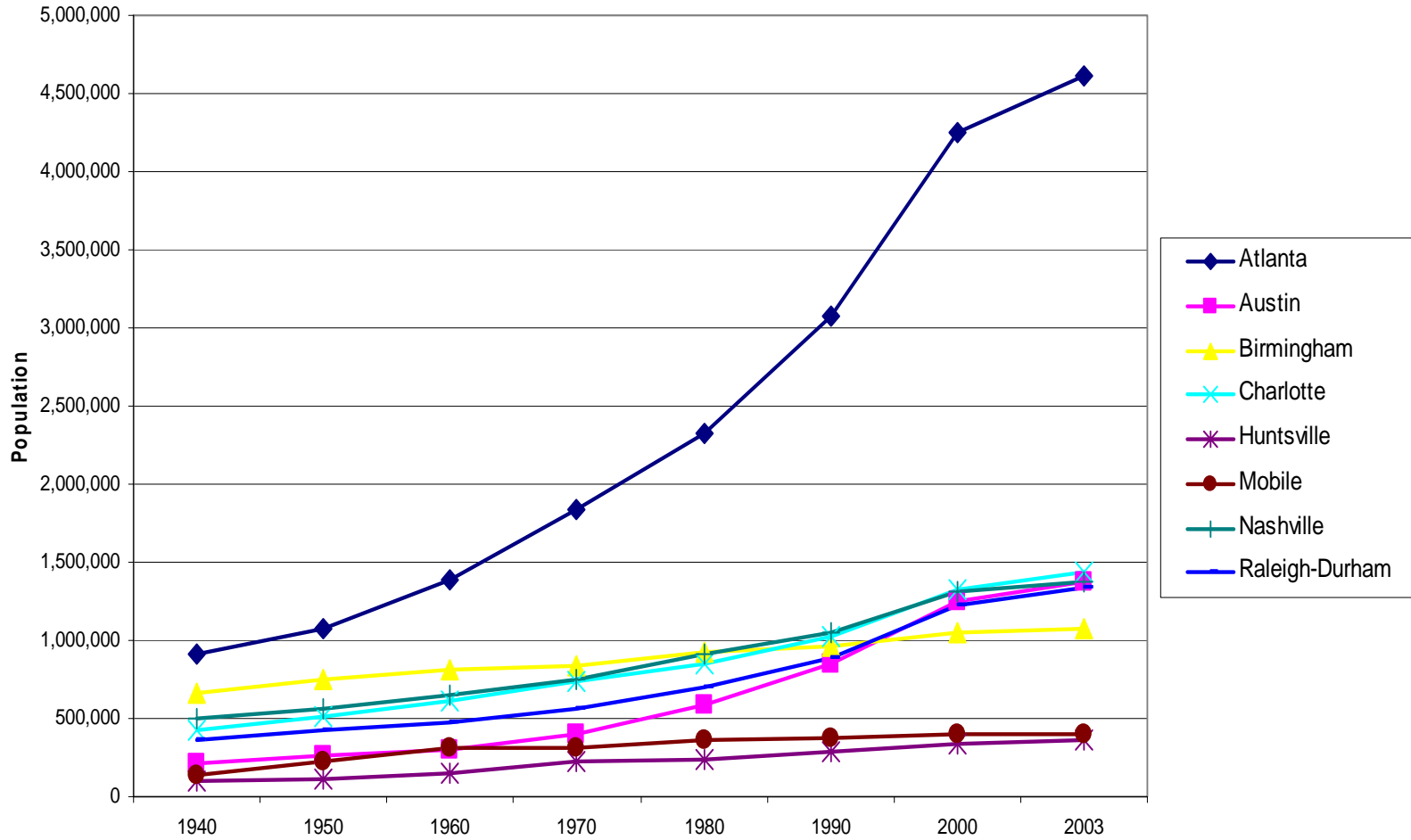


## EA 74 & U.S. Population Growth 1990-2003

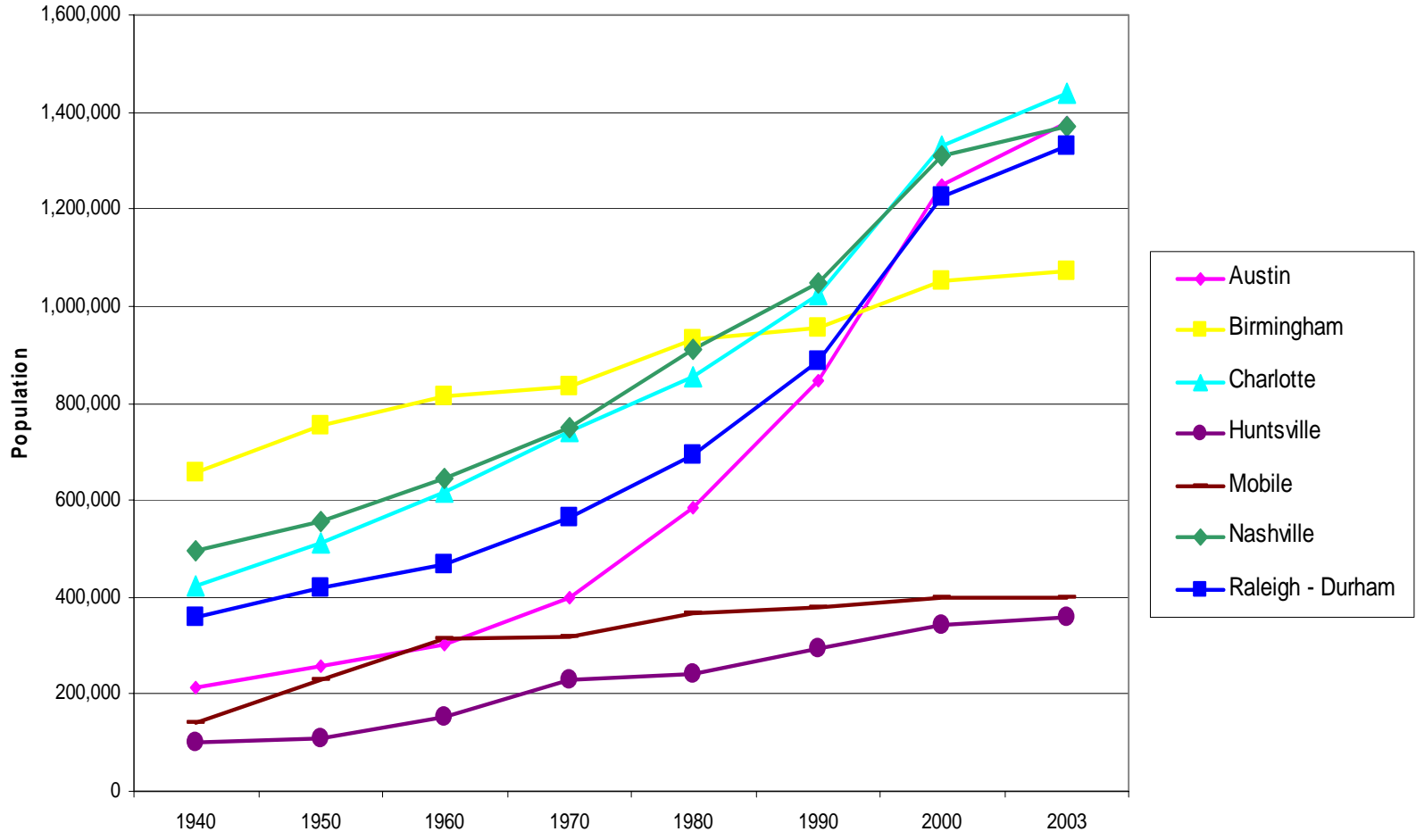
EA 74 Huntsville-Decatur United States



## Population By MSA 1940 - 2003



## Population By MSA 1940 - 2003 (excluding Atlanta)



### Earnings Per Job

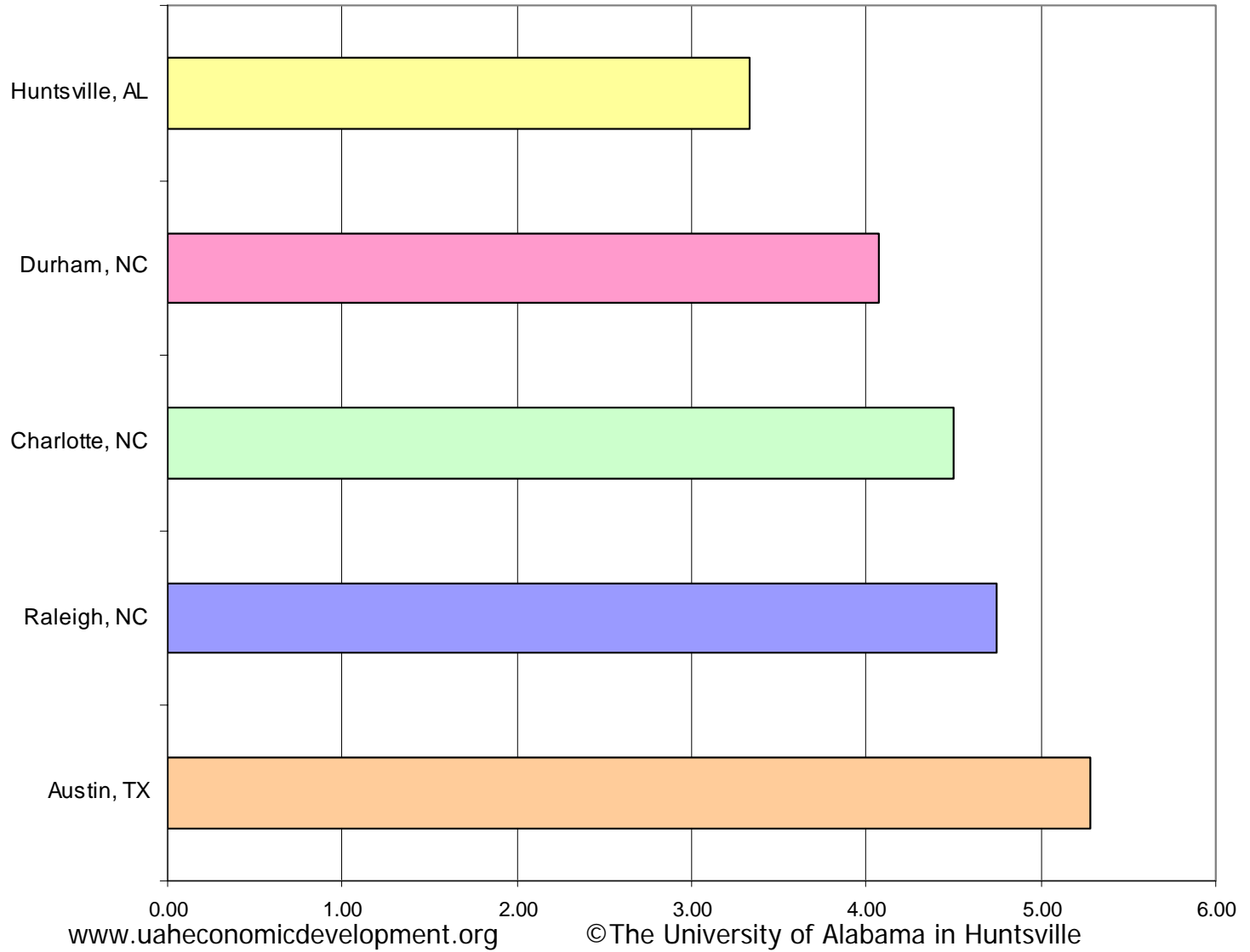
Peer Metros	1995	1996	1997	1998	1999	2000	2001	2002	2003	Annual % Change 95 - 03
Austin	\$29,152	\$30,594	\$32,811	\$37,180	\$40,754	\$42,814	\$43,383	\$42,451	\$43,988	5.28
Raleigh	\$29,054	\$29,970	\$31,180	\$32,463	\$34,672	\$37,005	\$40,070	\$40,846	\$42,105	4.75
Durham	\$33,709	\$34,690	\$36,351	\$37,948	\$40,675	\$44,892	\$44,459	\$44,774	\$46,376	4.07
Charlotte	\$32,487	\$33,752	\$34,900	\$37,203	\$38,942	\$41,073	\$42,865	\$44,617	\$46,194	4.50
Lexington	\$28,885	\$30,256	\$31,401	\$33,263	\$34,784	\$36,146	\$36,879	\$38,393	\$40,369	4.27
Birmingham	\$30,778	\$31,819	\$32,503	\$33,750	\$35,375	\$37,130	\$39,286	\$41,024	\$42,769	4.20
Nashville	\$30,502	\$31,172	\$32,222	\$33,517	\$35,284	\$37,004	\$39,029	\$40,885	\$42,737	4.31
Macon	\$27,899	\$28,567	\$29,629	\$30,486	\$31,445	\$32,006	\$33,594	\$34,761	\$35,297	2.98
Knoxville	\$28,191	\$28,899	\$29,994	\$31,342	\$32,182	\$33,560	\$34,667	\$35,947	\$37,553	3.65
Montgomery	\$28,037	\$28,725	\$29,482	\$30,517	\$31,776	\$32,891	\$34,744	\$36,474	\$38,252	3.96
Chattanooga	\$28,022	\$28,753	\$30,169	\$30,773	\$32,305	\$33,407	\$34,072	\$35,468	\$37,072	3.56
<b>Huntsville</b>	<b>\$34,900</b>	<b>\$34,833</b>	<b>\$35,529</b>	<b>\$36,625</b>	<b>\$37,292</b>	<b>\$38,921</b>	<b>\$40,492</b>	<b>\$42,805</b>	<b>\$45,360</b>	<b>3.33</b>
Peer Average*	\$29,701	\$30,654	\$31,877	\$33,495	\$35,290	\$37,084	\$38,459	\$39,604	\$41,156	4.16

Source: Bureau Of Economic Analysis

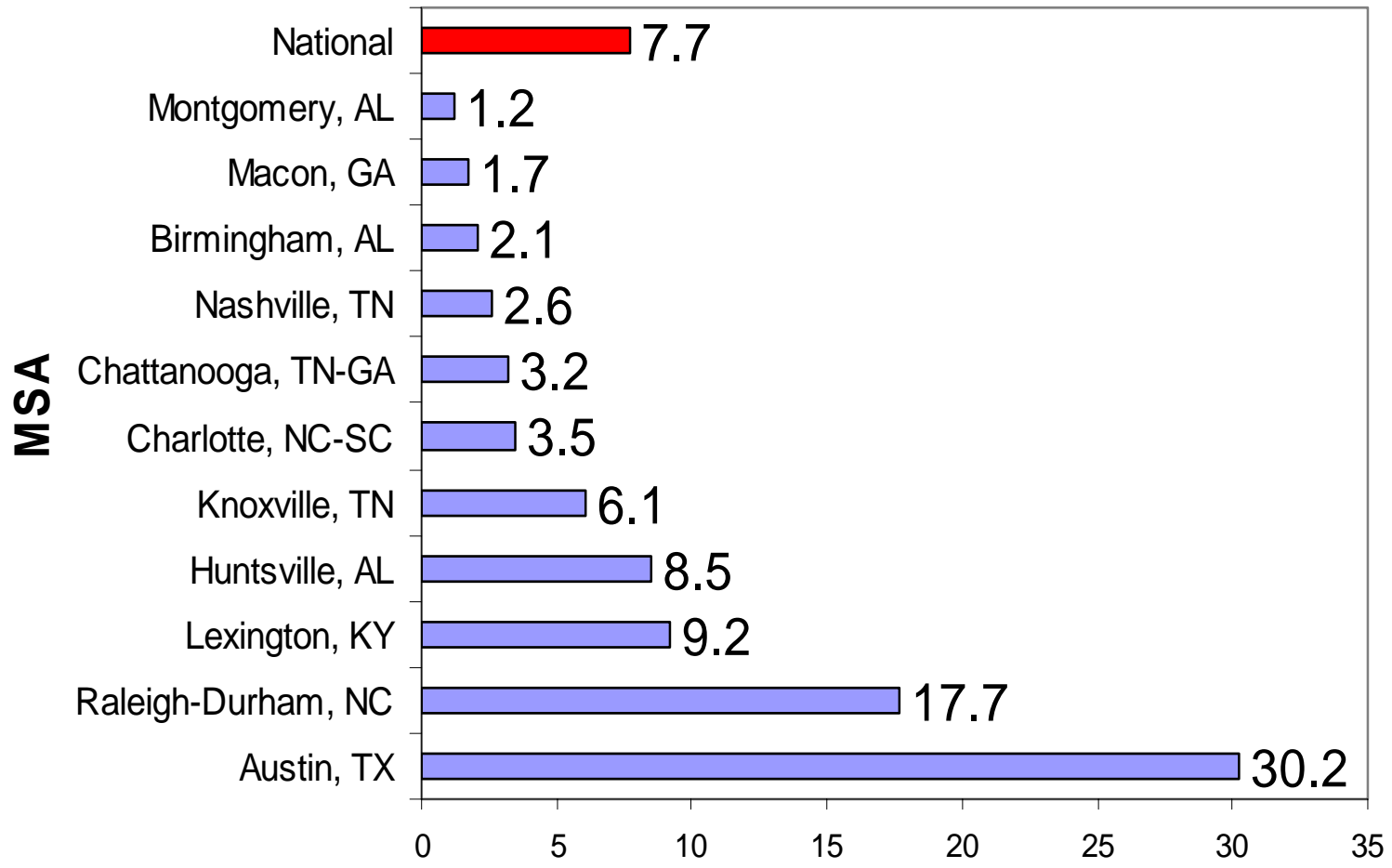
Table CA30-Regional Economic Profile, Local Personal Income

\* Huntsville not included

## Earnings Per Job Annual % Change 1995 - 2003



## Patents per 10,000 Employees, 2001



## Summary & Next Steps

- Understand the collective strengths of the region;
- Identify gaps in our innovation support network;
- Inventory and build the talent base for today and tomorrow;
- Think in terms of economics not political boundaries;
- Invest in research;
- Strengthen infrastructure;
- Create a regional visioning organization to focus beyond the horizon.

Adapted from the Regional Innovation Guide, Council on Competitiveness ©2005