Chapter I

Small Business Clustering Across Disciplines

Ann Hodgkinson, University of Wollongong, Australia

Abstract

The literature on clusters is vast and growing rapidly. Moreover, it is truly multidisciplinary with researchers from all perspectives borrowing heavily from each other’s works. This chapter summarizes the theoretical approaches that have defined the concepts and relationships used in the applied cluster analyses that follow. The perceived benefits from participating in clusters are now well established at a theoretical level. It is argued that this theoretical basis was developed within regional economics by using the concepts of agglomeration economies, which originated with Marshall (1890); industrial input-output analysis, since developed by Porter (1990), and social networks based on the works of Williamson (1985) and Saxenian (1994). As technological change has become more important, ideas related to regional innovation systems also have been incorporated into cluster analysis. Now the challenge is to put these ideas into practice.
Introduction

The concept of clusters has been adopted with great enthusiasm by analysts from a range of different disciplines and with interests in a variety of issues. Clusters have been used in studies of industrial development, regional development, and entrepreneurship in both developed and developing countries. Despite these different foci, most of these studies have common elements in terms of definitions, concepts, perceived interactions and processes, and expected outcomes. While perceptions may vary with the discipline of the researcher, similar interrelationships are identified and evaluated in most of these studies. This commonality of approaches means that there is a large multidisciplinary literature on the topic that borrows heavily from each other. This chapter examines the essential concepts used in cluster analysis and analyzes how they are used in the different disciplines covered in this book.

It can be argued that the earliest analyses of cluster activity are based on economic concepts such as agglomeration economies, input-output relationships, and transaction costs. Nevertheless, all these concepts have been developed in a multidisciplinary environment so that it is now extremely difficult and rather pointless to present analyses of clusters from a purely economic perspective. In particular, the importance of geographic proximity in firm location decisions to the whole analysis of clusters prevents a pure economic analysis, which is innately spaceless, from being presented. Further, the importance of entrepreneurship in explaining small business behavior cannot be ignored, considering that clusters often are comprised of small and medium-sized enterprises. While entrepreneurship originally was an economic concept, management discipline analysts substantially have developed this element of cluster study.

As demonstrated in this book, the literature on clusters is vast and growing rapidly. These studies have a strong conceptual element. The theory of clustering, although developed in the 1980s, has gone through a continuous process of refinement. Theoretical interest in clustering of firms stems from the inherent logic of this approach, which, if applied in practice, offers substantial rewards to policymakers pursuing national, industrial, and regional development objectives. Interfirm cooperation provides the means to overcome a range of barriers that have been identified as inhibiting growth at all levels. Most studies attempt to support their theoretical framework with empirical research, either as original case studies or based on databases of secondary material. In this chapter, a review of theoretical material is presented. We then will review how these concepts have been used by the authors of this book.

The term cluster has been defined in various ways. Some analysts use a simple definition such as sectoral and spatial concentrations of firms (Schmitz & Nadvi, 1999). However, the collocation of a number of firms in the same industry in one region will not generate in itself the external benefits that form the basis of a cluster’s contribution to economic growth. Most definitions require spatially concentrated firms in order to interact with each other in a range of ways that generate these external benefits or economies. One documentation of the relationships that can be expected in a cluster includes the following:

- Positive external effects emanating from the existence of a local pool of skilled labor, which can move among the member firms.
- Forward and backward linkages among firms within the cluster.
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