Regional Innovation Clusters

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Regional Innovation Clusters – a New Planning Strategy

During past 10+ years regional economic planning has become more broadly used by communities.

•Evolving practice where a consortium of cities, counties, states, businesses, educators and community leaders come together to identify smart economic planning and growth strategies for a region

•The regionally-led consortia conduct regional assessments of local industries and generate the "pull" for work force skills, advanced education and other assets that can be leveraged for higher growth.

•Businesses are attracted to a regional strategy

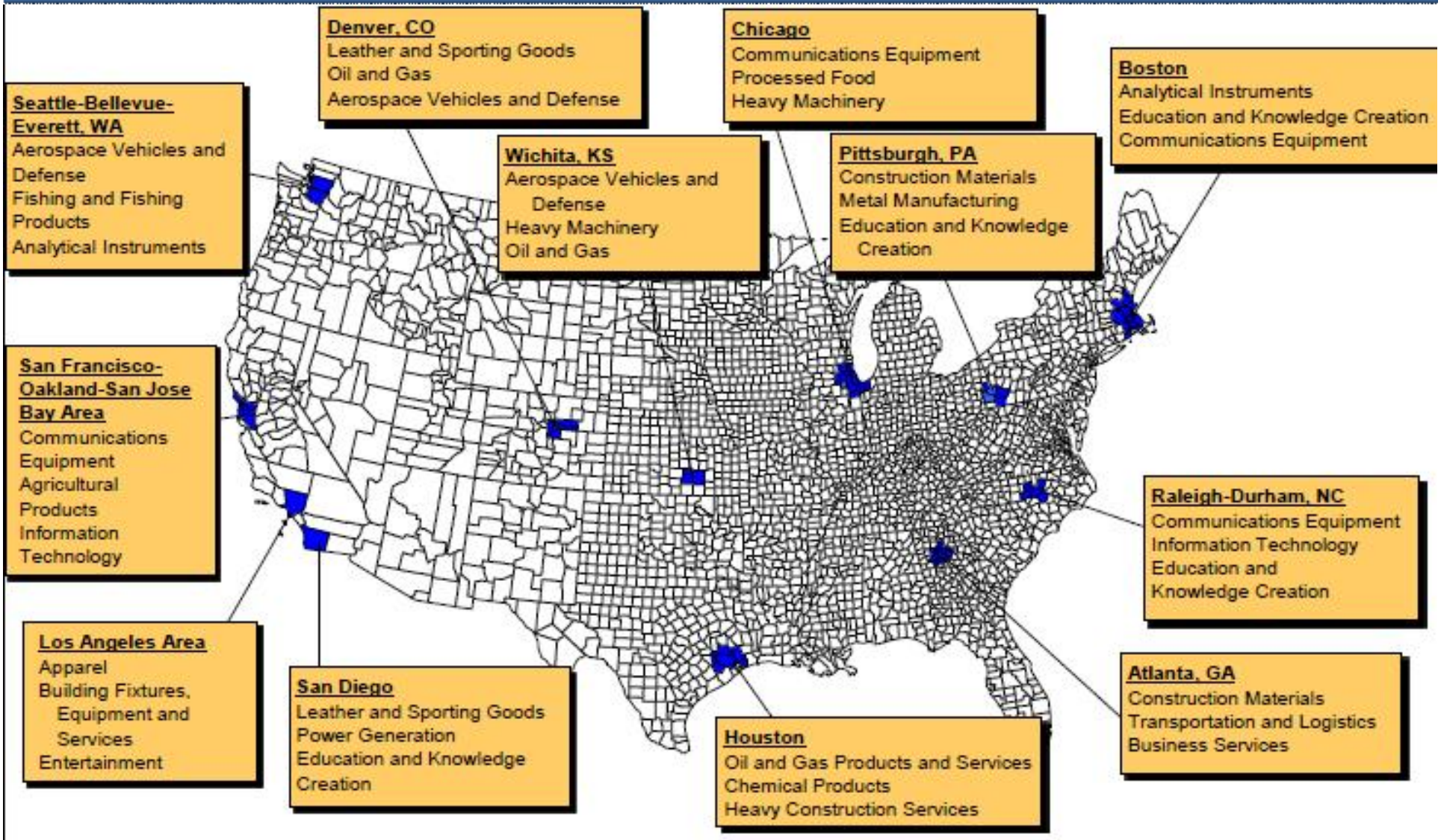
- o They no longer look at just local resources;
- o They look for regional resources that can support scale and growth.

•Employees no longer work within defined city boundaries – they are mobile and sometimes virtual and cross city, county and/or across state boundaries.

Next Generation of Smart Regional Economic Planning Practices

- **Over the past several years, RIC's have developed to:**
  - Identify active channels (industries/technologies) for business transactions, communications, shared specialized infrastructure, labor markets and services
  - Draw on expertise of local universities/colleges, government research centers and other R&D resources
  - Develop a regional economic strategy that integrates tech transfer, commercialization innovation, business growth and job creation
- Economic studies suggest that clusters lead to higher paying jobs; more robust regional economies
- There have been pockets of cluster development in Austin (semiconductor); Corning (optics); Seattle (BioSciences); Kansas (Aviation) – but without formal U.S. policy
- RICs are supported by National Governors Association; Metro Mayors Caucus; Council of State Governments; Association of Public and Land-grant Universities; The Brookings Institution; Center for American Progress

Selected RIC Activities



Note: Clusters listed are the three highest ranking clusters in terms of share of national employment.
Source: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School, 11/2006.

Case Study: Kansas and Aviation

- Employs 17.8% percent of all Kansas manufacturing employees and contributes 26% of manufacturing wages
- In 2006, the average annual wage for all industries in the U.S. was $40,000. The average annual wage for an employee in the KS aviation cluster in 2006 was more than $63,000
- Expected to gain 4,450 net new employees from 2004 to 2014 (when taking retirement and turnover into account this number grows to 10,000 total net new jobs)
- Largest need will be for bachelor's degree holders
- Sedgewick County employed 89.8 percent of all aviation manufacturing employees in the state of Kansas in 2006

Source: "Kansas Aviation Manufacturing". Center for Economic Development and Business Research, W.Frank Barton School of Business. Wichita State University, September 2008

Why is the White House Interested in Promoting RICs?

Encourage regional (state, county and local) entities to collaborate

- Create companies and jobs
- Take advantage of scale and robust supply chain of vendors/suppliers
- Stimulate long-term economic growth based on innovation

Sallet, Paisley, Masterman, "The Geography of Innovation". Center for American Progress. 9/2/09

- Leverage federal programs to "get more bang for the buck" and create a multiplier effect – Stronger regional economies contribute to stronger national economy

- U.S. model is based upon a "bottoms up" effort by regional leaders

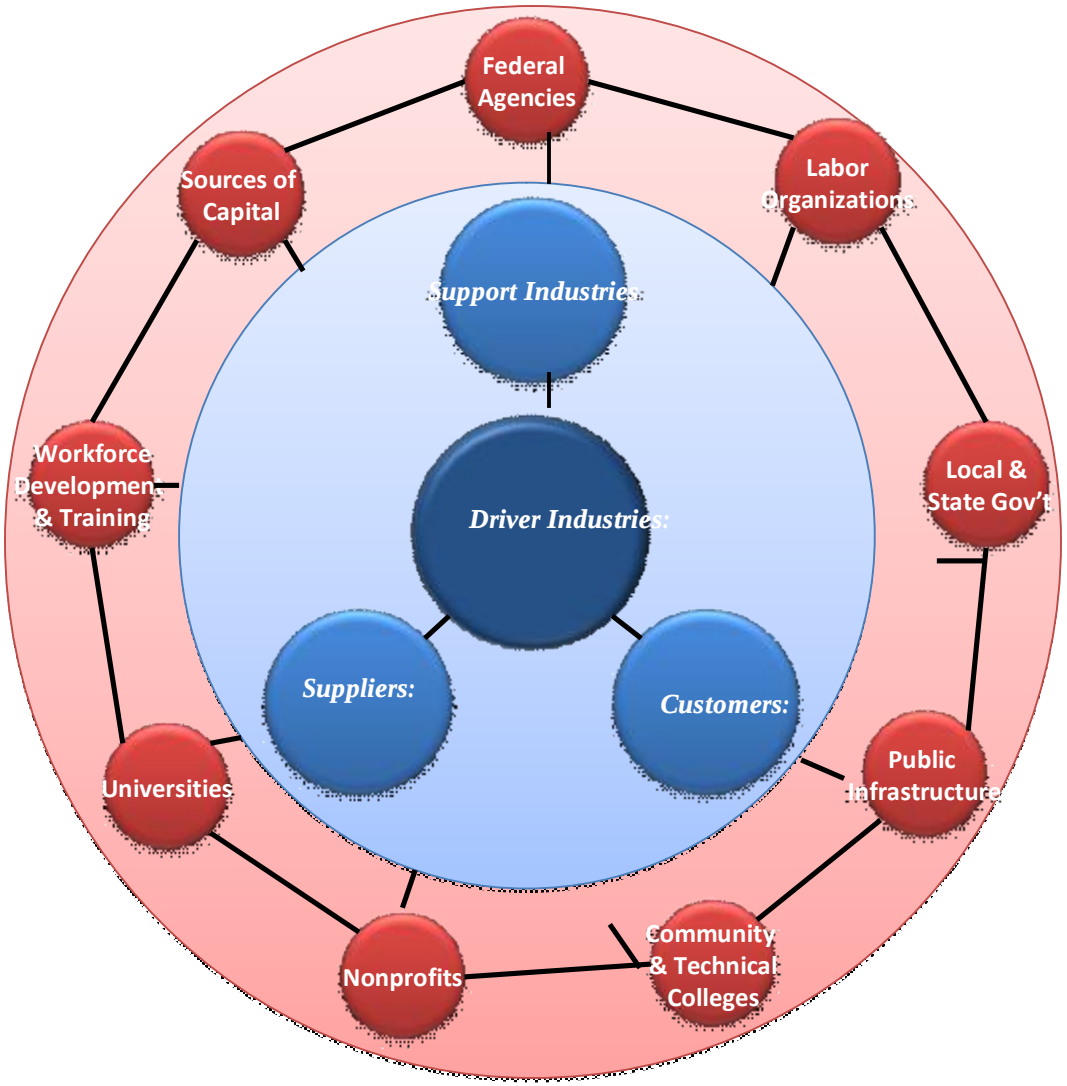
- Promote more efficient grant making; more closely align federal research dollars and opportunities to commercialize

- Identify holistic integrated solutions to build regional economies – whether its sustainable neighborhoods; expanding existing business base; support new industries

RIC Projects

- Energy Regional Innovation Cluster (E-RIC); co-planning between EDA, MEP, SBA and regional partners; linking supply and demand with the job cycles of the cluster
- USDA Regional Innovation Cluster NOFA – issued in April. Will award up to 12 planning grants to rural regional communities
- SBA – to support 5 commercialization/tech transfer
- DOC – I6 Challenge Grants
- President's FY2011 budget has $300M+ RIC funds for EDA, SBA, DOL, and USDA.
- America Competes

Anatomy of a Cluster



Building the 21st Century:

U.S. - China Cooperation on Science, Technology, and Innovation

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