

MICHAEL PORTER: Preaching the CLUSTERS GOSPEL  
Connecticut's cluster system  
"The Microeconomics of Competitiveness."

By Henry McNulty

Some 90 students, the cream of tomorrow's business leaders, crowded a lecture hall at the prestigious Harvard Business School this April. The professor was Harvard's Michael E. Porter, one of the world's foremost experts on global economic strategies. The class was meeting to discuss a case study, and to be quizzed by Porter on many of its important points.

It was a familiar scene. Only the subject of the case study was unusual: Connecticut's system of economic clusters.

"I think this was quite an honor for our state," says James F. Abromaitis, commissioner of the state Department of Economic and Community Development, who had traveled to Harvard along with Gov. John G. Rowland for the occasion. "I saw it as an affirmation of Connecticut's actions that Dr. Porter wanted to make a case study of our experience."

#### PREACHING THE CLUSTERS GOSPEL

In a way, Connecticut's cluster system was a natural subject for Porter's class in "The Microeconomics of Competitiveness."

It was Porter who, for at least the past 15 years, has preached the gospel of clusters in many places, including Connecticut. It was at his suggestion that the idea of clusters finally took hold here about five years ago. It was Porter who guided Connecticut business leaders in establishing the economic blueprint for the industry groupings.

Porter defines a cluster as "a concentration of companies and industries in a geographic region which are interconnected by the markets they serve and the products they produce."

And it is in Connecticut that the cluster theory has shone brightest, says William J. Kaufmann, chairman and CEO of CERC.

"There is no other state, no other location in the world, which has implemented the industry cluster strategy on such a broad scale, with such top-level commitment. Connecticut is way out front."

Kaufmann, who also sat in on the April lecture, says the class began with an economic history lesson reaching back more than 200 years.

"The graduate students in this class come from all over the world: Asia, Eastern Europe, South America," he explains. "So the case study had to explain to these people about Connecticut's background. It started from the earliest days of manufacturing and went right up to the hard times of the late 1980s and 1990s, which is called The Great Recession."

According to Kaufmann, a system of clusters works in part because it brings together private and public interests. “For a region to maximize its potential,” he says, “increasing levels of knowledge and specialization have to occur in all sectors. So, for example, the government has to know what the key economic drivers are and what drives those industries, if it wants to be an effective supporter of those industries.

“Causing a forum where that interchange can take place in a disciplined way, that’s the power of clusters.”

## CONNECTICUT’S CLUSTERS

In the spring of 1998, the state Legislature unanimously authorized the spending of \$7 million for cluster activation and development.

As the case study background made clear, Porter had tried to bring clusters to Connecticut as long ago as 1992. But, at that time, other matters, among them the newly-instituted state income tax and Gov. Lowell P. Weicker’s decision not to seek a second term diverted public and private attention from the plan. It wasn’t until several years later, with Rowland in office, that the cluster idea clicked.

“One of the things the students discussed was why clusters would work in one administration and not in another,” says Webster Bank Chairman James C. Smith, another invited guest at Harvard.

“I don’t want to get into the political side of this,” Smith says, “but I think at the heart of the difference is that Rowland engaged the business community, made it collaborative and bipartisan, and then participated very directly himself in the process.”

In the class, Porter lectured and quizzed students for about 90 minutes. After a break, Rowland addressed the class, giving his view of the cluster initiative, and answered questions for about 40 minutes. Smith also made some brief remarks.

“The students asked some tough questions,” Smith says. “One of these was, Do you worry about having the political side of this overwhelm the economics, by virtue of favoring certain industries or businesses over others?”

“Our response was that we don’t worry about that, because we’re not in the business of choosing the winners. We’re in the business of supporting all of the clusters that meet the guidelines.”

An important part of the Connecticut process, Porter told the students, was the creation in 1998 of the Governor’s Council on Economic Competitiveness and Technology, which Smith co-chairs with Rowland. It is the council that steers the cluster initiative.

Each of Connecticut’s eight industry clusters, among them bioscience, aerospace, tourism and information technology involves already-existing businesses.

“When you’re a relatively high-cost state to start with,” Smith explains, “partly because you have the highest per capita income in the country, you can have some built-in disadvantages to further growth. What you need to do is to build natural growth engines by building on the strengths you already have.”

Porter’s case study didn’t so much draw conclusions about Connecticut’s economic strategy as it raised questions for the students to discuss. Among them: “Why did Connecticut become the most prosperous US state, and sustain its position for so

long?” “What issues faced Connecticut coming out of the deep recession?” “Why did some clusters move faster than others?”

The study covered events only through 2000, leaving open a discussion of the state’s economic health since then.

The students were asked, “What should the Governor have done in 2000 and 2001?” Kaufmann says. “Of course, we all know what’s happened in the past two years with the clusters. It’s the only time in my life that I was in a class where I knew all the answers.”

Porter’s work will not stop at Harvard, Kaufmann says.” The Connecticut case study will be taught in 20 different universities around the world next year. “So if there’s anybody who doesn’t know what’s happening in Connecticut, and the uniqueness of it, I’d be surprised.”