

**THE UNIVERSITY OF TOLEDO URBAN AFFAIRS CENTER  
INDUSTRY CLUSTER STRATEGY UPDATE**

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**INTRODUCTION AND BACKGROUND**

The Urban Affairs Center (UAC) has spent the past two years working with the Regional Growth Partnership, the Toledo Port Authority, Lucas County, the City of Toledo, the Northwest Ohio Regional Economic Development group (NORED), The University of Toledo, Bowling Green State University, and many others to investigate and identify the strengths of our local economy and our local economic development system and propose strategies to improve our performance and outcomes. This effort has brought together economic development practitioners and agencies in an unprecedented way. It has also brought the universities to the table as key partners and leaders.

The partners in this effort have agreed to add a cluster based economic development strategy to our current economic development programming and activities. An industry cluster based economic development strategy builds upon the existing and emerging industrial and institutional strengths of a local economy,<sup>1</sup> Often the goal of any economic development strategy is to “diversify” an economy so that it is not too dependent on a specific industry. The goals of our strategy are to diversify in a strategic way that builds upon our existing and potential strengths; stabilize and expand existing industries with a good growth potential, and build the types of industries that can act as support or infrastructure for all of our industries and economic development efforts.<sup>2</sup>

The overriding goal of our industry cluster based economic development strategy is to improve and grow our regional economy and our regional competitiveness. The strategy is based on the premise that we can realize higher levels of success and competitiveness when our companies look beyond their own limited capacity and develop strategic partnerships with other companies and local support institutions in order to address challenges and solve problems that they are unable to solve on their own.<sup>3</sup> It is an approach that encourages companies who compete to come together and identify ways in which they can cooperate to their mutual benefit. Such a strategy also encourages, indeed requires, that public sector and other support institutions such as economic development agencies and universities make themselves available to assist with collaborative problem solving and solution identification.

It is important to note that while this type of strategy does focus on some specific industries which are targeted because they have the potential to grow and add economic value to our

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<sup>1</sup> Industry clusters are geographic concentrations of interconnected companies who work closely with each other, local suppliers, infrastructure providers, educational institutions, and other relevant agencies.

<sup>2</sup> It is important to note that this strategy does focus on some specific industries which were targeted because they have the potential to grow and add economic value to our local economy, it does not mean that other “non-targeted” industries will be ignored in anyway, in fact, our support of what we refer to below, as cross-cutting industries, will be supportive of not just the targeted industries, but all local businesses. A cluster based strategy simply means that some aspects of our local economic development infrastructure (financing tools, R&D, technology commercialization, marketing, etc.) will be especially supportive and focused on the growth of the targeted industries.

<sup>3</sup> Michael Porter, Michael Porter, Neil Reid

local economy, it does not mean that other “non-targeted” industries will be ignored in any way, in fact, what we have come to refer to as our cross-cutting industries, will/do provide support to all local businesses and industries. A cluster based strategy simply means that some aspects of our local economic development infrastructure (financing tools, R&D, technology commercialization, marketing, etc.) will be especially focused on supporting growth within the targeted industries.

A successful cluster-based economic development strategy will help northwest Ohio expand the number of high-paying jobs, increase the rate of new business formation, and enhance the innovative capacity of local industry. Furthermore, and perhaps most importantly, it will provide a platform for long-term, sustained, economic growth. It is a strategy that will maximize the investment returns of scarce public sector dollars.<sup>4</sup> This is consistent with the Ohio Department of Development’s goals for a “High Performance Economy” and the Third Frontier Program. Those programs aim to build upon Ohio’s traditional strengths while accelerating the expansion of high growth industries, new business formation rates, and product innovation<sup>5</sup> with a special emphasis on specific targeted industries. Our targeted industries are either directly consistent with the Third Frontier goals or are complementary to those goals.

## **CURRENT TARGETED CLUSTERS**

Eight specific industrial sectors have been targeted so far for development into industry clusters. These eight industrial sectors demonstrate the potential to grow and or expand as cornerstones of northwest Ohio’s economy. We have categorized them into the following two broad areas: 1) Cross-cutting clusters (e.g. transportation logistics) are those that provide critical support to the region’s entire economic base and 2) targeted industrial clusters which are more focused on the production or delivery of a specific product or service (e.g. automotive). They include: information technology, advanced engineering, transportation logistics, alternative energies, automotive, plastics, glass, and specialized agriculture (includes greenhouses). These clusters represent a good cross-section of northwest Ohio’s industrial base and include both large-scale and small-scale industries. They also include industries with strong historical ties to the region (glass) and emerging industries that can build upon our historic strengths, like alternative energy.<sup>6</sup>

It is important to note that an industry cluster based economic development strategy cannot be viewed as a static thing. Indeed it must be viewed as a process that includes a careful and regular examination of opportunities within the currently targeted clusters and other clusters that may emerge as newly targeted clusters. In addition, just because an industry is not on the list of targeted clusters doesn’t mean that it is not relevant or important or that it could not become a targeted cluster if there is sufficient interest in pursuing its development.

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<sup>4</sup> Michael Carroll, Neil Reid

<sup>5</sup> This comes from the ODOD publication “Ohio’s HIGH PERFORMANCE Economy” available through the ODOD website.

<sup>6</sup> Our first step was to identify the industries that currently drive our local economy and assess them and other potential and emerging clusters.

## Cross-Cutting Clusters

- Information Technology
- Advanced Engineering
- Transportation Logistics
- Alternative Energies

## Targeted Industrial Clusters

- Automotive
- Plastics
- Glass
- Specialized Agriculture (includes the Greenhouse Industry)

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### Cluster Status Report

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#### Information Technology

Staff: RGP  
Champion: Pilkington, Inc  
Status: CIO forum meets and is selecting their first joint activities.

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#### Advanced Engineering

Staff: RGP  
Champion: UT College of Engineering  
Status: In March 2005 we will begin to identify cluster organizational strategy and focus and identify industry leaders to take a leadership role in the cluster.

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#### Transportation Logistics

Staff: UT Intermodal Transportation Institute (ITI)  
Champion: Toledo Port Authority  
Status: This is led by the ITI which has an executive committee and a larger advisory committee, made up of industry leaders and public and institutional partners, which are currently working on developing their business plan, marketing plan, and implementation strategy.

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#### Alternative Energies

Staff: RGP  
Champion: The University of Toledo  
Status: April 2005-begin to identify cluster organization strategy, work with UT

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### **Automotive**

Staff: RGP  
Champion: UT College of Engineering and the Toledo Port Authority  
Status: Automotive is a dominant and well organized established industry in our region. Our efforts to organize it into a cluster will likely focus on Tier 2 and Tier 3 suppliers and may well overlap into the glass and plastics clusters listed below. We anticipate putting together an organizational strategy for this cluster in the Spring of 2005.

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### **Glass & Plastics (to be combined into an Advanced Materials or Automotive Cluster)**

Staff: RGP  
Champion: UT College of Engineering  
Status: We anticipate putting together an organizational strategy for this cluster in the Spring of 2005.

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### **Specialized Agriculture**

Staff: UT  
Champion: Industry Based Champion is being identified  
Status: This is one of our most advanced clusters with most organizing efforts currently focused on the Greenhouse industry. Greenhouse growers are organized and have been surveyed regarding their needs. FDA funding has been supporting this effort. In addition, a community based effort is putting together a proposal and business plan to develop an urban food producing greenhouse on a brownfield in central Toledo. This effort will augment and compliment existing businesses within this industry. Beyond the greenhouse industry, the University of Toledo has been selected as the site for a multimillion dollars USDA supported Federal R&D Laboratory which will be built on campus. This facility will likely be a key resource that will contribute to the advancement of this cluster overall.

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## **Immediate Next Steps for Industry Cluster Project**

- 1) Hold training session for all individuals who are staffing or championing clusters as well as any others who are playing or will play a major role in cluster facilitation.
- 2) Develop website and marketing materials for each identified cluster
- 3) Hold "What Works" Workshop, bringing in experienced cluster facilitators (Wolverhampton, England)<sup>7</sup>

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<sup>7</sup> We have learned that while many communities and states in the US claim to be pursuing a cluster based economic development strategy, not have fully implemented a truly comprehensive cluster based strategy that engages Higher Education and other local economic development agencies and support institutions (both public and private). Most cluster based strategies stop with the identification of geographic concentrations of firms. We are taking our project much further

- 4) Develop “play-book” to identify steps necessary for development of clusters
- 5) Develop a cluster progress/status report template
- 6) Develop strategic plan for each cluster
- 7) Develop marketing plan that includes branding, promotional/marketing materials, and website. We will work with a marketing firm partners would likely include: RGP, TPA, Greenhouse Project, UAC, ITI, etc.
- 8) Identify and address research/information needs of each cluster (UAC RFP has been issued to UT faculty 2-05). One key question for each cluster is “What is the first issue/concern that must be addressed for this business sector to grow here in this region?”
- 9) Hire a Cluster Project Manager at UAC
- 10) Research Needs Identified effective February 2005
- 11) Benchmark each cluster
- 12) Identify site requirement needs for each cluster and match to local industrial land and site inventories. Develop for website. (Develop methodology and model for the Specialized Agriculture/Greenhouse Industry)
- 13) Needs assessment for each cluster (Specialized Agriculture/Greenhouse Industry is done)

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and have found that the best example of such a comprehensive strategy is in Wolverhampton, England. Over the past year we (UT, BGSU, the RGP) have been developing a supportive working relationship with the Wolverhampton project.) Travel has been supported by the RGP, the University of Toledo, and others.

## APPENDIX 1--PROJECT YEARS 2004-2005—GOALS AND STATUS

A FY 2004-2005 State of Ohio budget allocation supported our efforts to develop and implement a cluster based economic development strategy for Toledo and our region. This was achieved through a partnership made up of The University of Toledo (led by the Urban Affairs Center), Bowling Green State University, The Regional Growth Partnership, The Toledo Port Authority, The City of Toledo, and Lucas County. We have recently expanded to include the Local Initiatives Support Corporation (LISC), the Northwest Ohio Regional Economic Developers (NORED), the Chamber of Commerce, and others. The original goals of this project are listed below. As noted below, we have successfully completed our discrete tasks and are also successfully implementing all of the tasks that are more ongoing in nature.

### Goals and Status

2004/2005 GOALS	STATUS
Create an integrated university partnership with BGSU to conduct research in support of a regional economic development strategy based on strategic industry clusters.	In effect
Develop an appropriate methodology to 1) identify the current drivers of our local economy and 2) to identify future potential drivers of our economy. <sup>8</sup>	Completed
Provide technical assistance and research to support to the efforts to evaluate and re-organize our local economic development delivery system. Our emphasis would be on ensuring that that system was equipped to implement an economic development strategy based on targeted industry clusters.	Completed with ongoing input and assistance. The Regional Growth Partnership has reorganized its staff assignments to support implementation of a cluster based economic development strategy. We have also been successful in integrating the cluster strategy into the recently adopted Lucas County workforce development plan.
Partner in the development of a local economic development plan (in part to serve as the update of the Lucas County Community Economic Development Strategy Plan (CEDS) required by the U.S. Department of Commerce)	In progress. Anticipate completion Spring 2005
Work with our partners to implement an ongoing economic development strategy(ies) based on targeted industries.	In progress (see above) plus currently developing strategic action plans for each cluster. Plan to develop strategic plan for UT participation in each cluster. Our key University researchers have sought information and assistance from other successful cluster projects, most notably in Wolverhampton, England.
Identify and support ongoing research needs of the clusters by UT researchers. Research would be designed to facilitate cluster formation, cluster maintenance, and ongoing identification of opportunities for new/potential cluster formation.	Ongoing and in progress. Strategic plans will further identify cluster needs.

## APPENDIX 2--PROJECT YEARS 2006-2007- PROPOSED GOALS

We are at a critical point in our project; we are in the beginning stages of implementation and are about to fully launch our cluster based economic development strategy in a more public way. Our basic goals for the next two years include continuing to grow the clusters described in achievements section below, as well as the following:

<b>2006/2007 GOALS</b>
Maintain and expand partnership with BGSU to conduct research in support of the cluster strategy.
Continue research focused on selected clusters and monitor and report on emerging opportunities within the selected clusters and emerging or potential clusters.
Continue to provide technical assistance and input to our local economic development system service providers with an emphasis on ensuring that the system effectively implements and integrates the cluster strategy.
Complete the local economic development plan (in part to serve as the update of the Lucas County Community Economic Development Strategy Plan (CEDS) required by the U.S. Department of Commerce) and ensure implementation.
Continue to work with our partners to implement an ongoing economic development strategy(ies) based on industry clusters.
Continue to identify and support ongoing research needs of the clusters by UT researchers. Research would be designed to facilitate cluster formation, cluster maintenance, and ongoing identification of opportunities for new/potential cluster formation. This would include securing technical assistance and conducting workshops and training seminars as needed.
Develop and implement strategy to involve and engage small businesses in the cluster strategy. Efforts would focus on ensuring that small firms are able to respond to the opportunities presented by the pursuit of a cluster-based strategy.