Cluster vs. Networks: Subtle Yet Important Differences
What is a Cluster?

Clusters
= geographic concentrations of

• interconnected companies,
• specialized suppliers,
• service providers,
• firms in related industries,
• and associated institutions (e.g. universities, standards agencies, chambers of commerce, trade associations…)

in particular fields that compete but also cooperate (cf. Porter 2008: p. 215 f.).
Clusters as Localised Value Systems

Customers

Core Producers

Vertical Dimension

Intermediate goods

(Value Chain)

Suppliers

Institutional Dimension

• Values, norms and rules

Horizontal Dimension

Lateral/diagonal Dimension

• Business Services: KIBS, financial services (Banks, VC…)
• Institutions of education and research ⇒ specialised HR
• Chambers, associations, trade unions…
• Network organisations
• Specialised Infrastructure

Competitors

Spatial boundary

Kiese 2008, p. 12
What is a Network?

Network = group of social relationships

- including at least three actors (individuals or organisations)
- characterised by redundant and incompletely specified relations
- informal and implicit (despite their long-term orientation)
- governance not hierarchical, but heterarchical: all members share in circular mode of governance (see Kiese 2004, p. 35 f., and references therein)

Network = intermediate/hybrid form of governance between markets and organisations/hierarchies

<table>
<thead>
<tr>
<th>Key Features</th>
<th>Market</th>
<th>Network</th>
<th>Hierarchy</th>
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<tbody>
<tr>
<td>Normative Basis</td>
<td>Contract, property rights</td>
<td>Complementary strengths</td>
<td>Employment relationship</td>
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<td>Means of Communication</td>
<td>Prices</td>
<td>Relational</td>
<td>Routines</td>
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<tr>
<td>Conflict resolution</td>
<td>Haggling, courts</td>
<td>Reciprocity, reputation</td>
<td>Control, supervision</td>
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<tr>
<td>Flexibility</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
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<tr>
<td>Commitment</td>
<td>Low</td>
<td>Medium to high</td>
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Adapted from Powell 1990, p. 300
## Cluster vs. Network: Critical Ingredients

<table>
<thead>
<tr>
<th></th>
<th>Cluster</th>
<th>Network</th>
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<tbody>
<tr>
<td>Specialisation</td>
<td>●</td>
<td>●</td>
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<tr>
<td>Agglomeration</td>
<td>●</td>
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<tr>
<td>Co-operation</td>
<td>●</td>
<td>●</td>
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<td>Competition</td>
<td>●</td>
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Clusters and Networks: Conceptual Differences…

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Networks</th>
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<tbody>
<tr>
<td>• Spatially bounded</td>
<td>• No spatial dimension</td>
</tr>
<tr>
<td>• Focuses co-operation and competition</td>
<td>• More than co-operative than competitive</td>
</tr>
<tr>
<td>• Element of networks (external dimension)</td>
<td>• Part of clusters, but usually extending beyond clusters’ spatial confines</td>
</tr>
<tr>
<td>• Policy: Concept</td>
<td>• Policy: Instrument/Tool</td>
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</tbody>
</table>

…but commonly equated in policy and practice!

e.g. Bavaria: Clusters as „Organised state-wide networks of firms and research organisations” (see Stoiber 2006, S. 10)
Cluster Initiatives: Plurality of Objectives and Instruments

Global Cluster Initiative Survey (Sölvell et al. 2003, p. 10; Ketels et al. 2006, p. 13)

Clusters vs. Networks: Subtle Yet Important: Differences
Towards a Clarification of Concepts and Terms

<table>
<thead>
<tr>
<th>Organic / evolutionary</th>
<th>Organised / constructed</th>
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</thead>
<tbody>
<tr>
<td>• Network</td>
<td>• Network management</td>
</tr>
<tr>
<td>• Cluster</td>
<td>• Cluster policy</td>
</tr>
<tr>
<td></td>
<td>• Cluster initiative</td>
</tr>
<tr>
<td></td>
<td>• Cluster management</td>
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</tbody>
</table>
From Network to Cluster Policy

• “Cluster” policies preoccupied with **initiating and managing networks**
  • Networks = instruments, partial approach
  • Decreasing marginal utility
  • Policies tend to ignore businesses’ costs of networking
  • Network promotion = optimisation, not maximisation problem
  • More holistic thinking needed

• Cluster policy = **holistic/conceptual**
  • Accounts for evolutionary forces & competitive dynamics
  • Requires vertical & horizontal policy **co-ordination** + co-ordination with stakeholders
References


