

Cluster Approach for Entrepreneurship Development in India

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ABSTRACT

Clusters are increasingly recognised as an important feature of modern economies. Their presence has become more pronounced in the global economy—not less, as was sometimes assumed. Complementary concepts such as the global value chain point out that strong clusters benefit from strong external linkages and are well positioned to take advantage of them. Although there is still less evidence on the role and impact of cluster approach for entrepreneurship development, the experience and the conceptual framework suggest otherwise. Clusters can enhance the rate of entrepreneurship development and there are different ways to raise economic benefits for entrepreneurs from existing clusters. More complex is the question of how economies can develop new clusters and aid entrepreneurship development. With a case based approach, so this paper discusses and deliberates on the cluster approach adopted for entrepreneurship development in India.

KEYWORDS

Advantages, Approach, Cluster, Development, Entrepreneurship, Grouping, India, Location, Policy

INTRODUCTION

Clusters are increasingly recognised as an important feature of modern economies. Their presence has become more pronounced in the global economy, not less as was sometimes assumed. Complementary concepts such as the global value chain point out that strong clusters benefit from strong external linkages and are well positioned to take advantage of them. Empirical data that has become available in recent years has confirmed the strong link between clusters and economic performance. Although there is still less quantitative evidence on the role and impact of cluster approach for entrepreneurship development, the case experience and the conceptual framework suggest some conclusions for policy makers. Clusters can enhance the rate of entrepreneurship development and there are different ways to raise economic benefits for entrepreneurs from existing clusters. More complex is the question of how economies can develop new clusters and aid entrepreneurship development; this is possible but serious mistakes are often made that have created the misguided impression that cluster development is close to traditional industrial policy or small business policies. Yet, it is important to recognize the distinction between small business policies, entrepreneurship policies and cluster promotion policies. Small business policy is a rather scattergun approach which focuses on increasing the number of business start-ups. Shane (2009) has memorably described this approach as ‘bad public policy’ on account of their limited growth, short survival and high failure rates and high displacement of the vast majority of start-ups. Nevertheless, this approach is deeply embedded in public policy (Nightingale and Coad, 2014). Entrepreneurship policy, in contrast, is concerned with supporting businesses with high growth potential. Such firms are more likely to require relational rather than transactional assistance. Moreover, they are likely to benefit most from peer-based support (Fischer and Mason and Brown,

2013) on account of the greater opportunities for experiential learning and tacit knowledge sharing. Moreover, in view of the “idiosyncratic and unstable” nature of firm growth (Vinell and Hamilton, 1999) such support needs to be time-sensitive, aimed at supporting firms that have experienced ‘growth triggers’ and therefore experiencing systemic changes to their structure and workings (Brown and Mawson, 2012). Finally, policies to promote clusters in high growth entrepreneurship need to recognize the diverse nature growth oriented firms rather than basing them on stereotypes (Mason and Brown, 2013).

Virtually every country has a range of enterprise policies to promote the creation and growth of new business ventures. The key forms of support are typically information and advice for new entrepreneurs (Baporikar, 2013). These policies typically do not differentiate between the types of start-ups targeted (Shane, 2009). Hence, there is a need to focus specifically on encouraging the formation of high-growth start-up clusters within regional ecosystems through: the provision of assistance to entrepreneurs during the pre-start-up, start-up and early post-start-up stages; intensive support and mentoring (Roper and Hart, 2013); and support for start-ups through business incubation which provides business premises, advice, networking opportunities and finance (Miller and Bound, 2011). Adopting a case based approach this paper gives some examples of the cluster approach adopted in India for entrepreneurship development. Much more experience is needed for a full-fledged theory of cluster policy and its implications for entrepreneurship policy and practice. But, already, now such policies are too beneficial to be neglected by policy makers.

LITERATURE REVIEW

“Industry cluster” is a broad concept rather than a precise term. A cluster consists of firms and related economic actors and institutions that draw productive advantage from their mutual proximity and connections. As explained later, there are many different dimensions of clustering and, indeed, different types of clusters. The past 15 years have seen an explosion of interest in industry clusters. Hundreds of cluster studies have been undertaken around the world (van der Linde 2002). A variety of academic disciplines have rediscovered an interest in the subject and at least one new field, “the new economic geography,” has been spawned. This academic interest has been reflected in a wide range of policy innovation and experimentation, as practitioners have adopted the terminology and tried to put it into practice. Much ink has been spilled in a largely futile effort to define narrowly—and in some cases to brand—the term “industry cluster.” Rather than trying to agree on a single definition, theorists and practitioners should focus on more carefully observing and understanding the different aspects of clustering and clusters. This section of the paper begins this task by exploring some, but by no means all, of the competing definitions of clusters. It then steps back to consider the range of concepts underlying this term. To explain the bases for the varying definitions and concepts, it briefly summarizes the wide-ranging academic literature that touches on the cluster concept.

Contending Definitions

The concept underlying industry clusters goes back many years and goes by many different names, including “industrial district,” “agglomeration,” and others. Today, however, the term “cluster” is in wide use. Harvard Business School professor Michael Porter (1990, p. 78), who is widely credited with popularizing the term “cluster,” if not inventing it, defines clusters as “geographic concentrations of interconnected companies and institutions in a particular field.” Porter (1998) sees clusters as including:

Linked industries and other entities, such as suppliers of specialized inputs, machinery services, and specialized infrastructure; distribution channels and customers, manufacturers of complementary

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