

Section 5 - Positioning the AFB Cluster for Success

The Madison Region and Driftless Region clearly have a number of comparative advantages in the AFB cluster. Its geographic location provides close access to some of the nation's largest concentrations of consumer and industry demand for food and beverage products. The area is rich in land and water resources. While the area is not immune to changes in growing conditions, it offers more potential stability than many other diverse agricultural areas (as exhibited by the current water crisis in California). Dairy production and processing are clearly a source of specialization, but the region also provides opportunities from many other producers who are varied in their products, ownership structures, and operational scales.

Industry clusters are driven not by the industries in which they compete, but rather how they compete in a given industry (Shaffer, Deller and Marcouiller 2004). One path to develop the AFB cluster would be seeking to compete on a low-cost, large-scale basis and focusing on traditional industry retention and recruitment strategies. In fact, the importance of cost and scale should not be ignored as important factors in AFB industry development. Industrial recruitment and retention efforts should not be discounted either. However, the study area is home to a high level of human capital in the AFB cluster. The knowledge and skills of the region's labor force; its research and support institutions; and its entrepreneurs provide other important means for differentiating the region's AFB cluster from competing food-related clusters in the nation. Consequently, AFB cluster development has an additional path that leverages human capital, drives innovation, fosters new business enterprises, and creates expansion opportunities at existing firms.

While the connection is not explicitly made by *Advance Now*, the region's other key industry clusters also support innovation in the AFB cluster. Information technology, design and advanced manufacturing could advance food science and safety; foster new production methods; create next generation packing and distribution opportunities; engineer new manufacturing and agricultural equipment; and generate information technology that better connects growers, processors, distributors and consumers. In general, the area could be thought of as a *food innovation region* whose focus is creating an economy at the forefront of food production, processing, distribution, and consumption.⁴³

Convening the AFB Cluster

Industry cluster development efforts should be strategically-driven, collaborative and interactive. A foundation for strategy and collaboration is already in place through many existing partnerships and initiatives. A number of these are identified in *Advance Now* and in the recently submitted *Investing in Manufacturing Communities Partnership (IMCP)* application submitted by MadREP to the Economic Development Administration. Both of these documents identify opportunities to support the AFB cluster through workforce development, technical assistance, export opportunities, and entrepreneurial support. While these projects provide a starting point, the AFB cluster initiative must evolve to a long-term, concerted strategy built by stakeholders.

⁴³ The notion of a food innovation region should not be confused with a Food Innovation District as suggested by Cantrell et al 2013. Food innovation districts focus on activities such as regional food hubs, business incubation, retail and restaurants, farmers markets, nutrition education, urban agriculture, and community kitchens. While a food innovation region could consider these activities, a larger focus is placed on export markets, research and development, and the integration of associated technologies.

Unfortunately, engaging potential partners is not always easy. Individual organizations and firms may have different beliefs on the future direction the AFB cluster. Furthermore, stakeholders may not initially see the value in participating in cluster initiatives as they do not see the benefits to their respective businesses or organizations. *Consequently, organization and implementation is perhaps the most challenging component of the cluster development process.*

Developing the region's AFB cluster will require strong organizational development skills. The breadth and geographic distribution of potential stakeholders presents a challenge. Cluster businesses are located across a 14 county region that spans the rural-urban continuum. Industries are diverse in scale and scope.

Organizations may be competing with each other for resources. MadREP already has trust with many potential partners, but it will take time to grow additional buy-in and support from other individuals. The time and process required to build the region's AFB cluster will likely frustrate some stakeholders. However, cluster development is not a short-term activity.

MadREP's precise role in developing the AFB cluster is up to its staff, leadership and board of directors. However, MadREP has a potentially important role in convening the AFB cluster; one that cannot be precisely replicated by other organizations or individuals in the region. Specifically, MadREP's unique role as a regional economic development organization allows it to serve as a convener for diverse cluster constituents across the Madison Region and Driftless Region. No other organization likely has the ability or mission to reach all of these stakeholders. Outreach to individual businesses and organizations will be important, but two broad audiences that should be engaged as part of the AFB cluster development process include: 1) firms in the industry; and 2) other economic development entities, support organizations and academic institutions.

AFB Industry Involvement

As mentioned in the introduction to this abstract, the region does not have a functional industry cluster until a number of firms and organizations agree to engage with each other at some level. Instead, it has a concentration of loosely-related firms. Undoubtedly, many businesses and organizations involved in agriculture, food and beverage industries are already connected and involved. The question is whether these firms are engaged to a degree where the cluster can fully benefit and realize its competitive potential. There may also be portions of the cluster that are not being fully connected. In particular, farm operators, small enterprises, and nascent entrepreneurs are often overlooked in the cluster development process. All of these groups need to be involved.

Creating trust and encouraging collaboration is difficult. Cooperating with other cluster firms may seem counterintuitive, as it may appear to undermine a company's internal strategy and sales potential. In fact, many economists are doubtful that appropriate arrangements will emerge as firm cooperation is limited by incomplete information, rivalries, and opportunistic behavior. *Accordingly, a consensus for promoting joint cluster benefits will only occur when the total gains are expected to be large and when the distribution of costs and benefits are clear to firms in the cluster (Barkley and Henry 2001).*

The potential benefits of cluster engagement can be discovered by identifying and addressing issues that commonly face cluster firms (e.g. what issues keep a business operator awake at night?). MadREP can help identify cross-cluster needs and build trust by exploring issues such as:⁴⁴

- *Human capital development* – Are there opportunities to develop specialized training programs for the cluster’s major occupations? Does the industry itself invest in training? Are there opportunities to better partner with workforce development intermediaries? Do nascent entrepreneurs need mentoring or other support?
- *Supply chain issues* – Are primary inputs and primary support industries available locally or do they require importation from outside the region? Are there notable gaps in industry supply chains? Do logistics or transportation-related opportunities or challenges exist?
- *Capital availability* – How well does the region’s lenders understand the capital needs of the industry? Do local lenders meet the needs for various forms of capital required at different business stages?
- *Intensity of relationships and competition* – Do firms in the cluster already collaborate to some degree or does existing competition preclude cooperation? Are there opportunities to connect with other organizations or individuals not traditionally associated with the cluster?
- *Innovation* – How does the innovation process within the cluster operate? Are there greater opportunities to partner with other firms or educational institutions on technology transfer or research?
- *Shared vision and leadership* – If they choose to do so, how can firms develop a collective identity, create a plan, or determine shared goals for the cluster? Are there individual leaders or institutions that can maintain a cluster’s collective competitiveness and keep it organized?

Again, efforts to identify some of these issues are already underway. However, MadREP and its partners can further these efforts by fostering additional networking opportunities. The social networks of cluster industries play an important role in identifying other businesses, individuals or issues that should be part of the initiative (Reid, Smith and Carroll 2008). Social network analysis, formal networking opportunities, or informal conversations can better identify these potential cluster members and opportunities.

Importantly, networking should not be dismissed as a minor or unimportant means of cluster development. Surveys of manufacturing networks suggest that establishments engaged in networking find significant advantages through cooperation with their counterparts. Networking firms also report that their competitiveness and profitability are enhanced by inter-firm cooperation and collaboration (Barkley and Henry 2001). While government can provide a venue and resources for making these connections, local business champions, MadREP, and its partners will likely need to drive these efforts. Furthermore, cluster network development opportunities should occur with no formal expectations of commitments from firms (especially financial commitments).

⁴⁴ These are issues identified by Rosenfeld (1997):

AFB Support Organization and Institution Involvement

In addition to private-sector firms, numerous organizations and institutions are potential partners in the AFB cluster. As many of these entities are identified in the *Advance Now* economic development strategy and the aforementioned IMCP application, they are not repeated here. In fact, many of the supporting organizations mentioned in the IMCP application are already engaged in the cluster development process. However, other organizations and institutions not mentioned in these documents are potentially part the cluster and should be included.

Cluster industry owners and operators certainly have their own ideas about the future direction of the AFB cluster. Support organizations and institutions have ideas as well, but may be more likely to represent a specific agenda. For instance, the Madison Region and Driftless Region are home to organizations that support the interests of small growers, larger producers, local food movements, international exporters, organic production, genetically-modified organisms, small entrepreneurs, large corporations, labor, and a host of other food system stakeholders. Furthermore, economic development organizations also represent many diverse communities in the region. Some stakeholders will fully embrace the cluster process. However, the MadREP and its partners should be prepared to confront the following challenges:

- *Self-interest and suspicion* - Economic and cluster development is sometimes considered to be a win-lose proposition. That is, the cluster must overcome the mindset that for one community, organization or business to win, another must lose.
- *Producing results that are driven by industry/economic cycles rather than election or funding cycles* – The cluster development process requires a long-term effort. Support organizations and economic development practitioners often must answer to funders and elected officials who want to demonstrate short-term positive change;
- *Differing levels of available resources* – Not all cluster partners will enter the initiative with the same level of capacity. If organizations and institutions do not enter the relationship as equal partners, trust issues may surface;
- *Fear of change* – Changing the status quo, if necessary, is difficult for individuals and organizations.

Overcoming these potential challenges is not easy. One new tactic to engaging AFB organizations and institutions could be the use of a *Collective Impact approach*. Collective impact has its roots in organizations addressing social issues such as poverty alleviation or school achievement. Specifically, groups of funders and non-profits often believe they are working on the same social issue. However, a closer examination of these groups frequently finds that is not the same issue at all. Each organization may have a slightly different definition of the problem and the ultimate goal it is working towards. Such differences are easily ignored when organizations work independently on isolated initiatives, yet these differing opinions can splinter the efforts and undermine the impact of the field as a whole (Kania and Kramer 2011).

In short, the non-profit sector frequently operates using an approach called *isolated impact*. This approach is tilted toward finding and funding a solution embodied within a single organization. The isolated impact approach also hopes that the most effective organizations will grow (or replicate) to extend their impact more widely. *Despite the prevalence of this approach, little evidence suggests that isolated initiatives are the best way to solve complex and interdependent issues.* Collective impact requires that organizations discuss and resolve differences. Importantly, every organization does not need to agree with every other participant on all dimensions of the problem. In fact, disagreements often divide participants in collective impact initiatives. However, all participants must agree on the primary goals for the collective impact initiative as a whole (Kania and Kramer 2011).

A similar, but modified approach could be extended to building the AFB cluster in the region. *The primary goal of the approach could be to grow AFB industries in a manner that maintains the region's quality of life.* In particular, the AFB cluster initiative could benefit from adopting the five conditions for success prescribed by the collective impact approach: These include: 1) creating a common agenda; 2) developing a shared measurement system; 3) identifying mutually reinforcing activities; 4) fostering continuous communication; and 5) designating backbone support organizations. More information on these five conditions is provided in Figure 5.2. A detailed description on collective impact is worth exploring and is available in the Stanford Social Innovation Review at: http://www.ssireview.org/articles/entry/collective_impact

Finally, MadREP and potential partner organizations should consider researching how other food-related clusters organize and operate. Several examples are found in Figure 5.1. These other food-industry cluster initiatives may provide insights into best practices. However, not all similar clusters will be successful. Instead, the region's AFB cluster may learn from their mistakes or failures.

Figure 5.1 - Other Examples of Food Industry Cluster Initiatives:

- *City and County of San Francisco Food Industry Cluster-*
www.sf-planning.org/index.aspx?page=3541
- *Oregon Business Council – Food Processors*
www.oregonbusinessplan.org/Industry-Clusters/About-Oregons-Industry-Clusters/Food-Processing.aspx
- *Cleveland-Cuyahoga County Food Policy Coalition - Sustainable Foods Business Cluster -*
cccfoodpolicy.org/document/sustainable-foods-business-cluster-roadmap-final-report
- *Sacramento Metro Chamber Agriculture and Food Cluster –*
www.metrochamber.org/agriculture-and-food.html
- *Finger Lakes (NY) Food Processing Cluster Initiative –*
www.rit.edu/gis/flfpci/
- *Rockford (IL) Area Economic Development Council –*
www.rockfordil.com/industries/food
- *Southeast North Carolina Agri-Industry & Food Processing –*
www.ncse.org/industry-clusters/agriculture-food-processing

Figure 5.2 - Collective Impact – Five Conditions of Success

Common Agenda – “Collective impact requires all participants to have a shared vision for change, one that includes a common understanding of the issue, and a joint approach to solving it through agreed upon actions. Often, a group of organizations believe they are working on the same issues. However, each organization often has a slightly different definition of the issue and the ultimate goal. Differences are easily ignored when organizations work independently, yet these differences splinter the efforts and undermine the impact of the field as a whole. Collective impact requires that these differences be discussed and resolved. Every participant need not agree with every other participant on all dimensions of the problem.”

Shared Measurement Systems – “Developing a shared measurement system is essential to collective impact. Agreement on a common agenda is illusory without agreement on the ways success will be measured and reported. Collecting data and measuring results consistently on a short list of indicators not only ensures that all efforts remain aligned, it also enables the participants to hold each other informally accountable and learn from each other’s successes and failures.”

Mutually Reinforcing Activities – “Collective impact initiatives depend on a diverse group of stakeholders working together, not by requiring that all participants do the same thing, but by encouraging each participant to undertake the specific set of activities at which it excels in a way that supports and is coordinated with the actions of others. The power of collective action comes not from the sheer number of participants or the uniformity of their efforts, but from the coordination of their differentiated activities through a mutually reinforcing plan of action.”

Continuous Communication – “Developing trust among nonprofits, corporations, and government agencies is a monumental challenge. Participants need several years of regular meetings to build up enough experience with each other to recognize and appreciate the common motivation behind their different efforts. They need time to see that their own interests will be treated fairly, and that decisions will be made on the basis of objective evidence and the best possible solution to issue, not to favor the priorities of one organization over another.”

Backbone Support Organizations – “Creating and managing collective impact requires a separate organization and staff with a very specific set of skills to serve as the backbone for the entire initiative. The expectation that collaboration can occur without a supporting infrastructure is one of the most frequent reasons why it fails. The backbone organization requires a dedicated staff separate from the participating organizations who can plan, manage, and support the initiative through ongoing facilitation, technology and communications support, data collection and reporting, and handling the myriad logistical and administrative details needed for the initiative to function smoothly.”

Source: Kania and Kramer 2011, pp. 39-40.

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