

Urban Aboriginal Economic Development National Network



Could “Clusters” be a Useful Model to Support Urban Aboriginal Economic Development?

Prepared by John McBride
Embree & McBride Consulting

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Author: John McBride

Author Information: John McBride is an experienced community organizer and social enterprise business person. He has been studying, consulting, writing and teaching in the areas of Aboriginal community and organizational development for over 17 years. His major research has centered on how to create a climate of support for Aboriginal entrepreneurs. He has published his findings under the title, “Minding Our Own Businesses: how to create support in First Nations communities for Aboriginal business.”

His other recent publications are, “Our Own Vision: Our Own Plan”, 6 case studies of Aboriginal economic development in B.C., and “Rebuilding First Nations: the tools, traditions and relationships,” a record of a conference on First Nations governance and accountability.

More recently John has researched and written about regional service delivery, housing governance, child and family services, and Aboriginal educational strategies and tools.

He recently designed and tested an Aboriginal organizational assessment tool, and conducted a series of Learning Circles for Aboriginal non-profit organizations.

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About the Urban Aboriginal Economic Development Network: The Urban Aboriginal Economic Development National Network is an open and inclusive multi-stakeholder network of researchers and practitioners working in urban Aboriginal and Métis communities. This includes organizations, universities, federal/provincial/municipal and Aboriginal governments, private industry, community groups, and NGO’s. The network’s focus is on mobilizing economic development knowledge and strengthening organizational capacity.

This paper can be found on the network website: <http://abdc.bc.ca/uaid>

Industry clusters – a mutual support structure of horizontally and vertically linked enterprises - could be an applicable strategy to growing the economy in urban Aboriginal communities. Some research on inner-city business growth and employment in the U.S. attributes success to a ready local labour pool, easy access to government services and programs, government as a valuable customer to those inner-city businesses, and the social capital that fosters partnerships between companies, government, and non-profit organizations in the start up of social enterprise. The clusters strategy applied to Vancouver has also met with success. Such a strategy could be successful in growing the economy in urban aboriginal communities given the factors of available local labour, an active role by government, and the organizational social capital.

The concept

Harvard University professor Michael Porter, in The Competitive Advantage of Nations,¹ describes how competitive and successful industries are not evenly or randomly distributed across an economy. This of course is not a new observation: David Harvey, for instance, has written extensively on this very point, arguing that it is in the nature of capitalist social relations to produce geographically and spatially uneven economic development, particularly in urban areas.² Porter's analysis, however, shows us something important about this uneven distribution, a finding which may have implications for successful Aboriginal economic development in urban areas.

Porter's research shows that this uneven geographic distribution of business success is organized, at least for enterprises in inner city areas, not just by competition or by natural advantage, but by relations of mutual support and inter-connectivity. Porter reports that successful industries are often linked together through common relationships with buyers, suppliers, customers and technology. And, importantly these linkages are not just vertical and instrumental, as in a supply chain, but also horizontal and mutually supportive, in ways that can best be described as a form of a business support group. A second key aspect of clusters is the sharing of information, technologies, and 'market intelligence' such that the supply chains as a whole are successful. Porter labels these as 'clusters', and he suggests that these clusters operate at an intermediate level, playing a mediating role between the individual enterprise and the larger sector or economy those enterprises operate in. Porter argues that this 'clustering' is beneficial and supports the growth of individual businesses and the industry as a whole.

¹ 1990, The Free Press, New York.

² 1982, The limits to capital. New York : University of Chicago.

The inner-city application in the U.S.

The cluster strategy, applied to American inner-cities, was developed with the guidance of the Initiative for a Competitive Inner City (ICIC),³ a not-for-profit agency founded by Porter. Building on The Competitive Advantage of Nations, Porter identified three ways clusters affect business success in the inner city:

- by increasing the productivity of the companies in the cluster,
- by driving innovation in the field, and
- by stimulating new business in the field.

The inner-city presents a fertile environment for business growth. Research completed from 1996 to 2007 by ICIC with businesses in the 100 largest U.S. inner-cities demonstrates that supporting existing for-profit businesses located in the inner-city has the best results for inner-city job creation. Given the dense involvement of government in inner city areas, it is not surprising to learn that local inner-city businesses use government inner-city services and programs and have government as a more significant customer for goods and services than is the case for firms operating outside the inner-city.

In addition to this relationship to the public sector, inner-city firms identify the available local labour pool as a significant advantage, and spend twice as much on training as regional and national counterparts. Inner city firms experience lower turnover and higher productivity. Contrary to the stereotype that sees the inner city as a drain on economic resources, this research indicates the U.S. inner-city is often a profitable business climate.

Vancouver inner-city clusters project

Brian Smith, Business and Social Enterprise Developer for Building Opportunities with Business (BOB), shared with me his experience with the clusters program they have introduced in Vancouver's Downtown Eastside. BOB is a non-profit (non-Aboriginal) organization whose mission is "to support an economic development model for Vancouver's inner-city that is inclusive of existing residents and businesses." BOB, using a clusters approach to create social enterprise, invites growth industries to come together, and then facilitates a discussion that hopefully spawns business opportunities, including social enterprises. BOB is facilitating clusters in each of the following areas:

- Tourism & Hospitality
- Construction
- Creative Industries
- Information & Communication Technologies, and
- Green Inner-city Businesses

³ www.icic.org

BOB's industry cluster strategy attempts to bring together private and public sector stakeholders to drive innovation and growth to the benefit of all the companies in the cluster. BOB can bring together at one table: business leaders, all three levels of government, industry associations, business improvement agencies, social enterprises, non-profits, and NGOs. BOB has the backing of VanCity Credit Union, Renewal Partners, and Eco-Trust, three organizations that have a history of supporting social enterprise.

Cluster members meet regularly to discuss the state of their industry in the Downtown Eastside. They identify problems and opportunities as well as developing initiatives to address them. BOB supports these clusters with guidance, facilitation, resources, introductions, and expertise as cluster participants work together for the betterment of the industry as a whole. BOB supports new businesses with loans and grants.

According to Brian Smith of BOB, the most successful clusters have the following characteristics:

- each and every person in the group is valued,
- a clear agenda is well managed by the facilitator and the group,
- facilitators understand the motives of participants and manage so the process doesn't 'go sideways', and
- facilitators have good written and verbal skills.

BOB clusters at work

Below is a short picture of the current activity of the clusters BOB is supporting.

Hospitality and Tourism

The Chinatown Business Association, working as a cluster member, has undertaken the operation of 5 pedi-cabs that transport tourists from the convention centre, thru Gastown to Chinatown. Training is provided to the inner-city bike drivers. This business operates in the warmer months.

Construction

A group of construction contractors, sub contractors, and developers have come together as a cluster to hire Downtown Eastside (DTES) residents and to procure products from the area, or from other companies that employ DTES residents. The benefit to the companies is to be 'in the loop' regarding bids that are coming up, exchanging industry trends, lobbying city hall re city-owned projects, and satisfying their desire to be involved in socially responsible activities, which also helps support staff retention.

Creative industries

This cluster is a collection of artists who network with one another, but so far are only starting to be effective in creating work for themselves.

Greening the Inner City

There is considerable public interest in this sector. United We Can (a street people organization that is a collection depot for bottle returns), itself a social enterprise, is interested in a market gardening business. This cluster is also interested in roof top gardens, energy retrofits, an urban food digester/compost system, and micro wind turbines for street light generation.

Strathcona BIA is a “green BIA” and has launched an energy challenge project designed to stimulate business ideas. The BIA also sponsors an annual conference on sustainability. They have been successful in attracting green businesses – as a few have recently moved to the neighbourhood.

Information & Communications Technology

This cluster is interested in IT opportunities, but so far is limited to investigating web development businesses. This is a very slow moving cluster at this time.

The above processes managed by BOB include a number of Aboriginal organizations, from social enterprises to small businesses.

Application to Aboriginal Enterprises

It appears that the core impact of the cluster process lies in its ability to both create and then mobilize social and business relations and knowledge amongst participants for their mutual benefit. As noted above, the evidence from BOB indicates the importance of a clear and well managed process for the cluster discussions. What this tells us is that the value of the cluster process may also lie in its ability to lower transaction costs for participants, on the one hand, and on the other to create a certain form of social capital that can be put to profitable use by the participants in their business interactions.

If this is so, then there are interesting implications for Aboriginal communities. First, Aboriginal urban enterprises already exist in a dense network of social relations amongst community members and community organizations. As other research tells us (Proulx, 2003)⁴, these networks are important sources of mobilization, identity formation, and capacity development for community members. This means that, if the research (and the practice) on business clusters is any guide, urban Aboriginal communities are well situated to take advantage of this strategy.

But we also know that Aboriginal communities, their members, and their organizations are often outside of the economic mainstream. That is, the Aboriginal enterprises may be well connected to other Aboriginal organizations, but may well remain disconnected, or only partially connected, to the non-Aboriginal business sector. Another way to put this is to understand Aboriginal peoples and non-Aboriginal peoples in a particular urban area as occupying different social and political geographies, even while their business interests may occupy a shared geographical space. This overlap in geography, compounded by the potential overlap in markets, suppliers, and customers can lead to a view that Aboriginal and non-Aboriginal peoples in urban

⁴ Proulx, Craig (2003). Reclaiming Aboriginal Justice, Identity, and Community. Saskatoon: Purich Publishers.

areas share, in some important sense, the ‘same city’. But of course, they do not. It would be the work of another paper to describe how this fallacy arose, and in what ways it is wrong. But for our purposes, it is enough to say that the difference in the political, social, and economic circuits occupied by Aboriginal and non-Aboriginal peoples not only reduces the ability of Aboriginal entrepreneurs to identify opportunities (ie, more efficient suppliers, new purchasers, cheaper financing), but by virtue of the limited social capital available for the Aboriginal entrepreneur, it also raises the transaction costs for Aboriginal enterprises. In clustering with other Aboriginal enterprises, not only might they draw upon collective knowledge, but they may find connections for reaching outside of the Aboriginal community, or even outside of the governmental and social services sectors.

Finally, we know that Aboriginal community members face significant personal hurdles in their attempts to start a business or social enterprise. These barrier are well known, and do not need elaboration here. Less well recognized is the finding that engagement in support networks is an important source of strength and capacity for community members who are starting or expanding a business, particularly for Aboriginal women. So, while research shows us that the barriers are very real for Aboriginal enterprises, it also shows us the potential for various forms of collective action to overcome those barriers.

We have then, the following situation. Aboriginal enterprises in urban areas face challenges of exclusion – that is, lack of social and financial capital – and as a result, higher transaction costs and higher opportunity costs. But communities also bring well developed skills, practices, and strategies to the task of social networking and social support, and those networks and social supports are effective in encouraging urban Aboriginal entrepreneurs, particularly women.

With this in mind, we can see the potential impact of applying the business cluster strategy to urban Aboriginal communities. First, if it is combined with or inclusive of the non-Aboriginal business sector, using clusters can act to reduce the cost of transactions, increase opportunities, and in addition build social capital for Aboriginal participants. Second, the strategy of business clusters can take advantage of the existing capacities in urban communities for collaboration, knowledge mobilization, and networking.

Challenges to the use of clusters in urban Aboriginal economic development:

One key challenge of course is to have communities and community members adopt this strategy at the level of practice. There are numerous issues here, ranging from understanding the local politics at play in any particular community to understanding the systemic cultural and political barriers that make this step problematic in general.

The policy and program challenge here is find ways to encourage this step, for while some communities are well organized and have effective working relations between the Aboriginal and non-Aboriginal community, some do not. The research question that follows from this is obvious: to determine, in a rigorous way, the actual impact of ‘clustering’ for Aboriginal enterprises.

Either way, the business cluster idea is worth examining as a potential step in the direction of improving urban Aboriginal economic development.