

INDUSTRY CLUSTERS STUDY GROUP REPORT EXECUTIVE SUMMARY

Aligning Economic Development in Hampton Roads around Industry Clusters

The goal of the Industry Clusters Study Group was to determine the value of industry segment clusters as a strategic component for regional economic competitiveness. From the first meeting the Industry Clusters Study Group expressed an enthusiasm for working toward transforming our regional economy tempered with a desire to create actionable strategies rather than more academic analysis. Therefore, several threshold decisions were made during the initial meetings:

1. We agreed upon a set of Guiding Principles to focus our analysis and recommendations
2. We agreed to use the HRPDC studies as a starting point for our analysis of emerging and mature industry clusters in Hampton Roads.
3. We agreed we would identify those clusters with unique advantages in Hampton Roads but the market would pick winners and losers.
4. We agreed to focus on building the framework for cluster upgrading programs that would be utilized by all of the clusters

These four agreements framed the compilation of the report. After reviewing previous studies and discussing today's market dynamics the group selected the following industry clusters for further study:

- Advanced Manufacturing
- Bio-Sciences
- Coastal Energy
- Cyber Security
- Military
- Modeling & Simulation
- Port & Maritime
- Tourism
- Unmanned Systems

A subset of the Study Group known as the Process Team developed a list of information we needed to know about each industry cluster, using a common set of guidelines to maintain consistency in reporting. Cluster Review Teams were formed and included a variety of individuals with a direct connection to the industry.

Each of the Industry Cluster Review teams identified strategies for growing their cluster. Their analysis, observations and recommendations can be found in the Review Team Reports. During our discussions certain themes emerged. It became apparent that there are clusters that support other clusters. Cybersecurity, Modeling & Simulation, Advanced Manufacturing, and Unmanned Vehicles are what we call horizontal clusters –

ones that cut across other clusters. This idea of horizontal perspectives also became a theme. If we are to succeed efforts and initiatives must cut horizontally across the region – i.e., not be locality specific. Our group agreed that ultimate success would be driven by the self-interest of the players. In other words cities, companies, organizations and individuals must see a personal benefit to participating in the growth of clusters.

The Study Group’s recommendations break down into three broad categories:

- Revising the regional economic development model
- Developing a cluster upgrading program
- Coordinating our efforts among self-interested parties

RECOMMENDATIONS

1) Revise the regional economic development model

We must develop and implement a plan to consciously transform our regional economy and enable it to realize its potential. If we are going to grow the clusters we have identified and studied, the economic development model in Hampton Roads needs to be revisited. For the past several decades the region’s approach to economic development has placed significant emphasis on going out and attracting firms to relocate to the region. While attracting outside investment and jobs to the region should remain a focus, significant energy and resources should be dedicated to growing our existing businesses, incubating start-ups, and commercializing research taking place at our Universities and federal facilities.

Doing so will require a realignment of resources and organizations such as the Hampton Roads Economic Development Alliance (HREDA), Old Dominion University, and the local economic development offices. We must also better understand the supply chains that support the various clusters.

2) Develop a Cluster Upgrading Program

Hampton Roads cannot advance specific clusters unless we advance the individual businesses and ecosystems within those clusters. Therefore, impacting clusters requires business-specific actions. The Process Team identified four areas of focus and specific tools that can drive individual business growth by addressing four issues:

1. Better connecting & collaborating
2. Common measurement, benchmarking & monitoring
3. Fixing things & an innovation focus
4. Access to capital

The group agreed that we should pay particular attention to emerging clusters with a focus on the horizontal clusters mentioned earlier. They include:

- Cyber Security
- Advanced Manufacturing
- Unmanned systems
- Bio-Sciences
- Coastal Energy

3) Coordinate our recommendations with those of the other study groups with the support of the big players - Cities, Hampton Roads Business Roundtable, Hampton Roads Regional Council

Relative to economic development, Hampton Roads has a history of “working in silos.” To succeed we must enhance our coordination and communication. Clusters work when you “connect the dots” between practitioners, users, etc. which can take place in many different ways. What we do must be supported by the key business leaders in the region. If the big players stay engaged after the report is done then this initiative has a chance of working. If not we will muddle along. The big players include the cities because they have resources and the people. Other big players include our universities and federal partners, i.e. military facilities, research labs, NASA, etc. These organizations and our major employers – Norfolk Southern, Smithfield Foods, Dollar Tree, Huntington Ingalls, Sentara Healthcare and others must recognize it is in their self-interest to get involved and stay involved.