

Industry Cluster Analysis Methodological Framework

Phase 1 – Quantitative Analysis

This phase involves the development of a set of quantitative data on potential clusters in the Region.

The first step is to identify industries in which York Region has a high concentration of activity. Identification of these industries will enhance the understanding of the Region's cluster strengths and areas of specialization. A Location Quotient (LQ) analysis is the approach that is best suited for this research. It is commonly used in regional economic analysis to assess the concentration of economic activities within an area relative to the larger region of which it is a part. In this case, York Region is benchmarked against the Province of Ontario. The second step is an analysis of the growth in the number of enterprises within each industry sector in the Region over time, compared to the growth for Ontario for the same time period. With the identification of industry concentration and enterprise growth, the sectors are classified or mapped using the two criteria of Location Quotient and enterprise growth. This classification system will help towards identification of sector strengths and opportunities.

Phase 2 – Qualitative and Competitive Analyses

A qualitative analysis through interviews and focus groups with key industry leaders will be undertaken as part of the Study's second phase. The purpose of this analysis is to gather intelligence about the industries, as well as the linkages between affiliated industries. The results of the interviews will help to identify clusters with lead firms, support industries, geographic concentration, export and entrepreneurial activities, internal and external forces driving the clusters, challenges, etc. The qualitative analysis will provide insight into the extent to which firms work together and are connected to each other through formal or informal networks. Networks are the vehicles for information sharing and knowledge exchange that have an impact on a cluster's competitive advantage. The interviews and focus groups may require a more detail analysis of selected clusters in order to arrive at a more comprehensive understanding of the workings of these clusters.

As part of this phase, a competitive analysis will also be conducted to obtain information about the relative competitive advantage of an industry cluster compared to similar clusters in other jurisdictions. A Shift-Share Analysis will be conducted to examine the differences between growth in the local economy and growth in the provincial economy. This approach provides a dynamic account of total regional growth that is attributable to the overall provincial growth, and allows for isolating the effect of local influences on growth from effects that are industry-wide or at the provincial level. Findings of Phase 1 analysis will be examined to determine if cluster growth and development within the Region reflect the context of the national economy. Other factors such as labour force, land supply, transportation and energy infrastructure, as well as funding sources will also

be considered. The competitive analysis is a key component in the development of a cluster strategy that will differentiate the Region and its clusters from its competitors.

Phase 3 – Action Plan Development

Findings of Phases 1 and 2 will provide the Region with information on how firms and industry sectors are connected to each other, as well as identify gaps in cluster relationships. A mature and growing cluster indicate that the industries within the cluster are well established in the Region, and are capable of creating or delivering competitive products and services. An emerging cluster, on the other hand, show evidence of growth but interactions between firms within the cluster are not yet well-defined or developed. Understanding cluster dynamics will provide better insights into the economic performance of the Region, and will facilitate the development of an action plan that will address the deficiencies and support the growth and development of clusters in the Region.

While government has a role to play in supporting, nurturing and facilitating the development of clusters, it is important that key industry leaders and stakeholders be engaged throughout the action plan development process. At the same time, consultations will be held with Area Municipal staff and other Regional departments to gain insight into the supply side of the equation to determine how demands from industry can be met. This process will enable the Region to obtain ongoing feedback and support on the cluster initiative, as well as on other related issues such as transportation, land use, and workforce.