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Seven perspectives on regional clusters and the case of Grand Rapids office furniture city

Vipin Gupta^{a,*}, Ram Subramanian^{b,1}

^a School of Management, Simmons College, 300 The Fenway, Boston, MA 02115, USA

^b School of Business, Montclair State University, Montclair, NJ 07043, USA

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ABSTRACT

The globalization of the value chain puts older regional clusters characterized by local, vertical value chains across multiple connected sectors, at a significant risk. Firms operating within the local regional clusters need to develop new generic strategies and new bases of competitive advantage in response to the growing outsourcing within the regional cluster. We review Krugman's geography, Porter's diamond, and European regional innovation system perspectives, as well as three extensions of those perspectives, to identify relevant generic strategies and bases of competitive advantage in regional clusters. A seventh transnational value chain perspective is also discussed. Then, we contextually analyze the historical furniture cluster of the Greater Grand Rapids region, Michigan, USA, and highlight the shifts in the generic strategies and the bases of competitive advantage in response to globalization. The findings have critical implications for the theory of regional clustering, and for the policy decisions.

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1. Introduction

During the recent years, the liberalization of world trade, the innovations in information and communication technologies, the speed and magnitude of access to world markets (Yeniurt, Cavusgil, & Hult, 2005) and the development of international value chains have fundamentally transformed the ways in which firms create, capture and sustain value. In this article, we investigate the impact of these forces on the regional clusters, defined by Porter (1998a, p. 78) as “geographical concentrations of inter-connected companies and institutions” and “critical masses—in one place—of unusual competitive success” in particular fields.

Many studies suggest that in response to the ongoing globalization and technology shifts, firms are becoming less integrated into their local clusters, and are re-locating and out-sourcing big chunks or modules of their value chains to one or more other nations (Audretsch & Feldman, 1996; Dicken, 1992; McKendrick, Doner, & Haggard, 2000). The spreading of the value chain is driven by the prospects of leveraging differences in the factor cost and skill advantages of different nations, as well as by the related and supporting sectors, demand conditions, and the tactics and strategies of the local and global rivals (Ernst, 2002). Not only in the new age industries such as electronics, but also in the traditional industries such as textiles and furniture, there now exist both low-wage, low-skill value stages, as well as high-wage, high-skill activities; enabling a greater geographical differentiation and value chain specialization under globalization (Ernst, Ganiatsos, &

* Corresponding author. Tel.: +1617 521 2409.

E-mail addresses: vipin.gupta@simmons.edu (V. Gupta), subramanianr@mail.montclair.edu (R. Subramanian).

¹ Tel.: +1973 655 7692.