



# What do clusters have to do with it?

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**PREPARED BY**

SASKATCHEWAN ECONOMIC DEVELOPMENT ALLIANCE



Saskatchewan Economic Development Alliance (SEDA) has been working since 1984 to support communities by enabling them to become investment-ready and by promoting economic, environmental, and social well-being through collaborative development.

Focused on strategic solutions and outcomes, SEDA engages stakeholders to coordinate and innovate. As a systems convener, we drive economic development in Saskatchewan by creating synergies between communities and sectors, promoting transformative change and innovation.



The Saskatchewan Investment Readiness Initiative (SIRI) engages industry and communities to determine investment and growth opportunities, build more capacity through investment readiness initiatives, and identify industrial and commercial sites for business development in Saskatchewan.

Working within designated geographic areas, SEDA assesses economic development and investment attraction opportunities. Financial support for SIRI is provided by PrairiesCan and the Province of Saskatchewan.



With respect and gratitude, we serve Treaty 2, 4, 5, 6, 8, and 10 territories, the ancestral lands of the Cree, Saulteaux, Dene, Dakota, Lakota and Nakoda peoples, and the traditional homeland of the Métis.

# Power of partnership.

Industry clusters support investment readiness by creating environments that attract and facilitate investments.

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Industry clusters are groups of interconnected businesses, suppliers, and institutions that boost investment readiness by creating an environment of shared resources, reduced risk, innovation, and competitive advantage. They attract capital by offering established and efficient ecosystems, and institutional and public sector support, making them central to regional and sectoral economic development strategies.

Clusters generally encompass the coexistence of both competitive and collaborative firms in concentrated areas, creating opportunities for shared competencies and mutually beneficial synergies. These industry clusters play a pivotal role in positioning regions as uniquely competitive for job creation, private investment, and as essential components of infrastructure networks.



It is important to note that the presence of multiple firms does not make a cluster. True clusters are industry collaboratives who are open to working together with their regional ecosystem actors to address common challenges and leverage opportunities.

The fostering of partnerships among businesses, governments, and organizations, enables coordinated strategies that unlock new investments and promote sustainable economic growth. These efforts streamline and de-risk the investment process and strengthen regional competitiveness.

# Building on assets.

Cluster-based strategies help regions build on existing strengths rather than chasing industries unlikely to relocate, leading to smarter, more sustainable economic development and potential benefits for all ecosystem players.

## **Economies of Scale and Shared Resources**

Cluster formations allow companies to share infrastructure, consolidate demand, and enhance resource utilization, thereby reducing costs and improving operational efficiency. This model diminishes barriers to new investments and bolsters the viability of large-scale initiatives.

## **Investment Attraction**

Clusters are attractive to foreign investors because they offer established supply chains, skilled labor pools, and ready-to-use infrastructure. The presence of a cluster signals a mature ecosystem, which lowers entry risks and increases the likelihood of investment success.

## **Risk Mitigation**

Under the right circumstances, an established cluster can help investors commit capital by sharing risks among stakeholders. This is crucial for emerging industries where uncertainty may hinder investment.

## **Catalyzed Innovation and Entrepreneurship**

Clusters enable firms, institutions, and the public sector to collaborate closely, speeding up the development and commercialization of new ideas. This accelerates the success rate of new ventures and technologies, enhancing the return on investment for public and private capital.

## **Streamlined Logistics and Reduced Costs**

Co-location of industries within a market can minimize transportation costs and transit times, making operations more efficient. Strategic infrastructure investments, such as dedicated freight corridors or proximity to rail lines or ports, further enhance investment readiness by improving market access and reducing logistical bottlenecks.

## **Enhanced Regional and Sectoral Competitiveness**

By concentrating expertise, resources, and innovation capacity, clusters boost the global competitiveness of a region or sector. This reputation attracts further investment, creating a virtuous cycle of growth and development.





# Catalyzing Clusters.

Cluster initiatives must involve industry and the supporting ecosystem, reflecting existing strengths, assets, and opportunities.

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Professionals and organizations can act as conveners, bringing together firms, post-secondary institutions, and other stakeholders to foster dialogue, knowledge exchange, and joint initiatives. Designated intermediaries may play a role in coordinating activities, providing shared services, and representing cluster interests. However, clusters must be driven by industry.

Focus on supporting and growing clusters that already have a foothold in the region, rather than trying to attract new industry from scratch. This approach leverages existing industries, skills, and institutional capacity, increasing the likelihood of success.

Integrate cluster development with broader economic development goals, such as sustainability, digitalization, and social inclusion. Encourage cross-sectoral linkages and synergies, recognizing that many clusters cut across traditional industry boundaries.

More than simply identifying existing clusters of firms, scaling and strengthening them requires additional work to determine what is constraining and/or what opportunities there are to enhance cluster competitiveness and to develop suitable responses that are able to draw on the capabilities and resources of the cluster's members.

SEDA has developed a **three-phase roadmap** to guide organizations in assessing and amplifying existing and emerging clusters.

## PHASE 1 APPRAISAL

Any cluster-based economic development strategy must be able to answer three basic questions, which cannot be achieved by simply identifying the existence of a cluster.

1. What is the opportunity?
2. What is constraining that opportunity?
3. Does it make sense to address constraints collaboratively?

To conduct a basic appraisal or assessment of the existing or emerging cluster, we recommend the following steps:

1. Using quantitative (secondary data analysis) and qualitative (business interviews) processes to identify and assess existing and latent clusters.
2. Isolate potential opportunities for collaboration by conducting a cluster SWOT (strengths, weaknesses, opportunities, threats).
3. Map existing and potential industry linkages: sector specific and cross sector.

## PHASE II MOBILIZATION

Building on the information gathered in Phase 1, be prepared to focus on the following steps:

1. Problem Mitigation. Identify and discuss potential mitigation of industry challenges identified in Phase I.
2. Collaboration Rationale. As part of a group meeting or individual discussions with stakeholders, identify the benefits and expectations of working collectively. Illustrate potential value impact.
3. First Steps to Strategy. Begin to articulate basic strategy around items identified in the cluster SWOT.

## PHASE III IMPLEMENTATION

In Phase III, the objective is to formalize a strategic plan (or action plan) as well as take further steps to develop a leadership team (governance and management). Fostering an industry cluster requires flexibility and an open, transparent process. Developing guidelines to steer cooperation, communication and sharing of information is recommended.

Any cluster action plans should aim to achieve two main goals:

1. Identified key problems are solved.
2. Social Capital will be built simultaneously.

All activities in the action plan will be joint activities

# Saskatchewan rural cluster development.

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With support from PrairiesCan and the Province of Saskatchewan, SEDA launched a Rural Cluster Development Pilot Project in 2022. Its overriding goal was to illustrate that interfirm cooperation, supported by an engaged regional ecosystem, can impact economic growth and competitiveness in rural areas. A two phase project approach was utilized.

**Phase 1: Opportunity Assessment 2022-23.** This phase laid the groundwork for cluster development, entailing vital economic analysis and extensive industry consultations to evaluate sector trends, challenges, and opportunities specific to five geographic regions. Business interviews were conducted with leading anchor firms in the agri-value, forestry, manufacturing, and mining sectors, providing valuable insights to assess the potential for advancing cluster development. These served as a foundation for strategic engagement with stakeholders in Phase 2, fostering a well-informed and collaborative approach to drive interfirm cooperation and promote economic advancement.

**Phase 2: Mobilization 2023-25.** Phase 2 aimed to strengthen competitiveness and drive economic prosperity within four microregions through the development of strong and thriving industry clusters. It involved active engagement with industry stakeholders and supporting institutions, with a focus on exploring priority challenges and opportunities.

At the conclusion of the pilot in March 2025, four industry clusters were in place, each with detailed one year workplans. With additional 2025-26 funding support from PrairiesCan and the Province of Saskatchewan, these workplans are now being implemented. Congratulations to the following collaboratives for realizing the potential of partnerships:

- Iron Triangle Manufacturing Alliance
- East Saskatchewan Agri-Processors
- Moose Jaw Farm and Food Partnership
- Forest Saskatchewan





# Key benefits of clusters.



## **Access to Specialized Labor and Talent**

Clusters attract and develop a highly skilled labor force, making it easier for firms to recruit talent and for workers to find relevant employment opportunities. The presence of specialized educational and training institutions further supports workforce development.



## **Knowledge Spillovers and Innovation**

Close proximity fosters knowledge exchange, collaboration, and informal networking, accelerating innovation and the diffusion of best practices. Co-location of research and production enhances the speed and effectiveness of innovation, particularly in knowledge-intensive industries.



## **Increased Competitiveness and Market Exposure**

Firms can potentially benefit from collaborative marketing, joint ventures, and collective bargaining power, which can increase their exposure in global markets and improve their competitive position. The presence of a cluster signals opportunity, making it easier to attract investment and new entrants.



## **Systemic Efficiencies and Sustainability**

Aggregated demand for resources (such as energy) can enable systemic efficiencies, and facilitate the adoption of clean technologies, including carbon capture and hydrogen solutions. Clusters can play a pivotal role in decarbonization and sustainability initiatives, generating jobs and improving air quality in underserved regions.



## **Risk Reduction and Investment Readiness**

Shared infrastructure and collaborative relationships reduce individual risks for firms, making investment decisions easier and more attractive. Clusters can help smaller firms overcome barriers to entry by providing access to resources and networks that would otherwise be out of reach.



## **Entrepreneurial Support and Ecosystem Development**

Entrepreneurs benefit from access to established knowledge bases, support networks, and professional communities, increasing the likelihood of successful new ventures. The ecosystem approach encourages the development of complementary industries and services, further enhancing regional economic growth.





# Contact

Jackie Wall

Manager, Special Programs

Saskatchewan Economic Development Alliance

[ecdev@seda.ca](mailto:ecdev@seda.ca) | [www.seda.ca](http://www.seda.ca)