

Home > Business

Schafer: Cluster strategy could work with water

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A collection of water technology businesses in the Twin Cities is here only because of serendipity and certainly not strategy, but economic development leaders in the state have figured out the right thing to do with it.

They are calling it a "cluster" and making it a centerpiece of economic development efforts.

The state's Department of Employment and Economic Development has a slick water technology brochure, and now so does the Twin Cities region's economic development group, Greater MSP. After a little more research and thought in the past year, Greater MSP now has water solutions together with food as one of its five key areas of focus, and some of this thinking will be presented at the state's first water technology business summit hosted by [Ecolab](#) next month in [Eagan](#).

Clusters have been shown to be a key driver for job growth, with businesses in the cluster tending to outperform their competitors. That makes promoting an emerging cluster a simple and effective strategy for economic developers.

The region is actually a little bit late in figuring that out. Milwaukee has been holding a symposium on water technology since the summer of 2007.

As Greater MSP CEO Michael Langley pointed out, the Twin Cities area has just under 12,000 people employed directly in water technology-related jobs and Milwaukee has only about half that number.

"I know my counterparts in Milwaukee," he said. "We can't let them get away with thinking they have more water technology than we do."

The headliners in the Twin Cities lineup of water technology companies are Ecolab and Pentair, the latter based in Switzerland but run out of its "main U.S. office" in Golden Valley. Pentair's longtime CEO, Randy Hogan, is quoted in Greater MSP's brochure saying the Twin Cities region "is really the Silicon Valley of water."

Greater MSP has a far longer list than just Ecolab and Pentair in the cluster, of course, including a unit of General Electric Co., [3M](#) Co., Aeration Industries and about 20 others.

Ecolab chairman and CEO Doug Baker said his company's water technology businesses post about \$9 billion in annual sales, but he wryly observed, "We got there the old-fashioned way; we acquired it."

That puts most of Ecolab's research and development operations in water-related businesses outside the Twin Cities region, but Baker is a champion of having water technology as a key part of the area's economic development efforts. He makes a simple case: The Twin Cities have a nice lead on other regions, and selling products and services to treat, clean, move and store water is a huge and long-term growth industry.

"I happen to believe in climate change," Baker said. "You don't have to believe in it to believe you have a water problem. It's not as simple

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as saying the Earth is going to run out of water. There's plenty of water. There's just not plenty of fresh water where many humans need it."

As an economic development plum, a water technology employer makes as much sense as any. The water technology businesses already in the region employ a lot of people in high-wage jobs. According to Greater MSP, the 1,750 jobs in the electronics engineering field of the water-technology segment, as of 2012, had a median hourly wage of \$42.48.

Just having a lot of employers in the same basic industry, however, doesn't make it a cluster. To be a cluster means the related companies have developed formal and informal ties to each other, even though in some markets they may compete.

The positive effects from these ties come largely from personal relationships, which is why proximity still matters in an era of Skype and video conferencing. As it turns out, even with noncompete provisions and staff members with the common sense to not talk to competitors about the really cool stuff that's going on, information does leak from one company to another.

It makes all of the companies in the cluster more productive, particularly in creating new products and processes, making it tougher for a competitor located in an isolated spot a long way away from a cluster to match the pace of innovation.

Innovation is also spurred by experienced people electing to become water technology entrepreneurs. And once open for business, the upstarts benefit from having more established firms to go to for distribution agreements, technical help and even capital.

When things really pick up steam, the companies start working together to develop things they all could use, such as many more highly skilled job candidates. That leads them to contact university deans and professors, who are always open to the prospect of more research money and topics as well as a place for their students to go work after graduation.

Greater MSP's Langley described a typical progression in clusters, as what starts as a few companies grows up to become a fully functioning cluster characterized by a lot of cooperation. He and his colleagues at Greater MSP are looking forward to seeing the water technology group arrive at what he called the "third stage" of development, with strong ties between the companies along with much greater awareness, both inside and outside of the region.

"Certainly we are in Stage III with medical devices," Langley said. "We need to get there with water."

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