This report on the New Carolina initiative is a study on how private sector leaders in South Carolina embraced the cluster development concept to upgrade their region’s competitiveness.

It provides insights into their motivation, explains what they did, discusses the impact they have had, and lays out the key lessons learned. It also displays real-world examples of how cluster-based economic development works as part of modern economic policy at the regional level. This Policy and Impact Study is the third in a series of four developed as part of the U.S. Cluster Mapping Project, an effort supported by the U.S. Economic Development Administration.

Historical Economic Development and the Challenge to Change

South Carolina is facing a critical challenge to its traditional mode of competing as a place to do business. For nearly 50 years, from the 1950s to the early 2000s, state policymakers used an economic development strategy that centered on attracting manufacturers to the state with its flexible workforce, business-friendly environment, and responsive government. Low-wage, low-tax incentives enhanced South Carolina’s agricultural and textile manufacturing base. From 1950 to the early 1980s, per capita income in South Carolina rose nearly 400 times in real terms and increased to nearly 80 percent of the
national average. But from the 1980s to the early 2000s, per capita income stagnated at this 80 percent level. South Carolina began to see a rise in competition from other countries due to its low-wage, low-tax incentive strategy, which saw the departure of the state’s textile manufacturing base. In spite of this stagnation, economic development used the same recruitment strategies as in the past.

It was in the late 1990s and early 2000s that business leaders began to look for new approaches to transform South Carolina’s economy. The recruitment of BMW to upstate South Carolina in 1992, the loss of the textile industry to overseas locations, and the recognition of the importance of the South Carolina Ports Authority to the state’s economic health triggered a new discussion of how South Carolina should compete in the increasingly global economy.

While the loss of textile manufacturing to foreign competition made embracing globalization difficult, many stakeholders recognized that the Port of Charleston could drive both the inflow of foreign direct investment and the outflow of exports, and enable globalization to have a net positive impact on the state. With a new vision of where South Carolina could sit in the global market, business leaders searched for a new model of economic development that could direct the focus of traditional industry recruitment.

The South Carolina Council on Competitiveness – New Carolina

In 2003, several of South Carolina’s key business and civic leaders launched the South Carolina Competitiveness Initiative, which aimed to bring together relevant stakeholders from around the state, assess the competitive position of South Carolina, examine existing clusters in the state, and build consensus on a shared economic strategy for South Carolina. This collaboration resulted in the 2005 South Carolina Competitiveness Initiative: A Strategic Plan for South Carolina.

The report made eight recommendations for improving the competitiveness in South Carolina:

1. Create new institutions for economic development.
2. Activate and upgrade clusters.
3. Continue to enhance education and workforce development.
4. Invest in research and the university system.
5. Launch internal and external marketing plans.
6. Create an explicit economic development program for distressed areas.
7. Increase support for startups and local firms.
8. Measure progress in raising prosperity.

In order to meet the first recommendation, The South Carolina Council on Competitiveness, a 501(c)(3) organization that later became known as New Carolina, was created to mobilize clusters and improve the business environment for better growth. New Carolina was represented by top business leaders in the state, the governor, the secretary of commerce, and presidents of South Carolina’s three research universities. The initial structure created a board of directors with 50 members and organized many others around task forces. As formal cluster organizations developed, each cluster group formed its own membership criteria and funding structure.

New Carolina initially began its work by spreading the theory of cluster development throughout the state. When it started in 2004, there was one active cluster in the state, which surrounded BMW and the Clemson University International Center for Automotive Research (CU-ICAR). As of 2013, there are 14 cluster organizations in varying stages of development and formality. New Carolina has direct management relationships with five of these cluster groups and provides various levels of support. Other economic development groups, including government agencies, also have started organizing their industry recruitment around clusters.

The second part of New Carolina’s mission—to improve the business environment for better growth—has been done through task force support. New Carolina has task forces that focus on three key factors affecting business growth and competitiveness in the state: education and workforce development, entrepreneurship, and distressed areas. These three factors are relevant to all industry clusters and to the citizens of the state.

The level of support from business leaders across the state has remained strong since the beginning. Private sector business leaders are involved because they see that this adds value to their companies. Collaborating to solve industry problems and building a voice to speak to those problems have made an impact. The level of public support from the state government has fluctuated. Initially, there was tremendous support both financially and intellectually. However, as the state felt the effects of the 2007 recession, financial support from the state government disappeared, and New Carolina became a private sector funded initiative. New Carolina cluster groups and task forces have continued to engage with state government agencies on a working level with positive results. For example, the division of the South Carolina Department of Commerce (SCDoC) that promotes recycling market development has been instrumental in the functioning of the organized recycling cluster.

It is now a new stage in the life of New Carolina, as the organization has eight years of valuable experience to share from the collective knowledge of its board of directors and cluster chairs and managers. New Carolina is again reaching out to the South Carolina legislature to tell the story of the value of cluster development. Private sector cluster leaders are able to speak about the positive impact
that New Carolina and cluster development activities have had on their businesses and on the state. New Carolina has begun to bring together the various cluster groups so that they may learn best practices from one another and discuss effective measures of success for individual organizations and for the state as a whole.

Lessons Learned

1. **Key industry leadership needs to be engaged.** Quality involvement at both the CEO and mid-level is vital to maintaining the momentum of a cluster.

2. **State government officials need to be identified and engaged.** Access to both working-level officials with decision-making authority as well as to the highest-level state officials is beneficial to the business sector leaders as they work to make significant changes in their industries.

3. **Clusters need a focusing goal to serve as a rallying point.** Each cluster must develop new goals to move the group forward.

4. **Dedicated staffing is essential to sustain progress.** The level of structure needed requires adequate funding and private sector commitment.

5. **Not every cluster will follow the same course.** Each cluster will have its own identity just as each industry does.

6. **Clusters find value in collaboration across industries.** This develops a healthy business environment in which related industries are able to collaborate and grow.

7. **Traditional industry recruitment agencies can benefit from existing clusters.** Recruitment agencies should be included in cluster development discussions so that they are informed about existing clusters, can target those industries, and can sell a vibrant industry cluster as an available resource.

8. **Task forces that focus on the cross-cutting factors of competitiveness are essential to improve the overall business environment.** Task forces are well suited to supporting long-term fundamental strategies that promote growth for all industries, but they need input across business sectors to succeed.

9. **Telling the story is vitally important for both cluster growth and motivation for the state.** Keeping cluster supporters informed of the organized cluster’s activities allows both the private sector and the organizing entity to reach out to policymakers.

10. **Competitiveness is global; economic impact is local.** The economic impact numbers are important to make the case for industry influence, but competitiveness is about raising
Conclusion

South Carolina has made significant progress in the last 10 years—eight of those with the help of New Carolina. Business leaders created the organization out of concern that a focus on outside business recruitment was not sufficient for growth and prosperity in a global economy. Now when businesses are considering a move to South Carolina, recruitment agencies can use cluster development as a tool to identify existing networks of companies involved in industry and business environment growth. New Carolina leads the engagement through collaboration within industries, among cluster groups, and across the state on critical areas of focus. The result is a vibrant economy with forward-looking business leaders who collaborate with policymakers on actions to take that increase prosperity in South Carolina. Policymakers and practitioners can apply the lessons learned by New Carolina to their regions. However, each location needs to devise the right competitiveness strategy to leverage its unique mix of industry clusters and business environment conditions and, in turn, increase business growth, productivity, and new business formation.


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