

**The Development of Industrial Cluster and Firm-Level Strategy:
A Case Study of the Taiwanese IC Industry**

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Abstract

The main purpose of this paper is to shed light on interaction between inter-firm relationship in an industrial cluster and firm-level strategy. Existing cluster studies mention various merits of clustering and try to examine the existence and impact of these merits through case studies of various industries in various regions. However, they rarely pay attention to firm-level strategic intents. Although some of cluster merits may be realized passively, the principal suggestion of this paper is that the full potential of clustering is brought out only when many of local firms intentionally adopt an appropriate strategy to enhance and mobilize local business resources for their growth. Conversely, a specific set of local resources may promote a particular type of firm-level strategy which is advantageous in a certain industrial sector. The mere presence of a cluster and the textbook-like examination of cluster merits do not fully explain why firms of a specific region are especially competitive in a certain industry. Local business resources consist of relational as well as physical ones, and the former is critical for continuous regional development. Therefore, in this paper, based on a detailed analysis of the Taiwanese IC industry which is one of the most successful cases of the latecomer development relying on a cluster, I will examine how inter-firm relationship (including both cooperative and competitive aspects) in the cluster facilitates firm-level strategic efforts and vice versa, and how a favorable interaction between these two elements brings the growth of Taiwanese firms and the regional development dynamism.

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