Competitive Advantage and Rural Industrial Clustering: The Case of Steel Measuring Tape Production in a Chinese Village

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Abstract

Existing literature on industrial districts has paid little attention to rural industrial clusters, especially those in transitional economies. This study examines the factors of competitive advantage that are responsible for the formation of a rural industrial cluster in the village of Nanzhuang located...
in Henan Province, China that specialises in the production of steel measuring tapes. It is found that while some of the competitive advantages of the cluster are general and can be found in other clusters, there are competitive advantages that are unique to the village and the area in which it is located. Among the commonly found positive factors that have affected the emergence of the cluster are the economies of scale, the economies of the division of labour and the benefits flowing from the networks of linkage. On the other hand, the growth of the village cluster is also related to imitative innovation, the influence of the capable persons and specific local culture, strong institutional support and low production costs. The close social networks and linkages embedded in the local culture have facilitated production and affected firm structure and operation. The findings are significant as they demonstrate that rural industrial clustering can promote the growth of the underdeveloped economy of rural China.

Introduction

Industrial clusters have recently drawn much attention in geography, economics and business management.\(^1\) One of the debates in this research theme concerns the sources of competitive advantages in industrial clusters.\(^2\) Following the intellectual legacy of Marshall, the economies of scale generated by agglomeration have been considered by many scholars as an important advantage pursued by relevant firms.\(^3\) While some scholars believe that specialisation and the division of labour are the main factors promoting firms to join clusters,\(^4\) others emphasise the role of flexible production in cluster formation.\(^5\) Still others suggest that “institutional thickness” and “high levels of interaction amongst the institutions in a local area”\(^6\) may generate strong local networks. A recent study further argues the significance of external networks in the formation of clusters driven by transnational corporations.\(^7\) All those factors have their contribution to the competition of industrial clusters, notwithstanding, the particular social, economic and spatial circumstances are crucial in examining the combination of their competitive advantages.\(^8\)

Studies from Eastern Asian economies and particularly Chinese experiences support many of the findings in the Western context,\(^9\) but these studies tend to emphasise relatively large and often city-based clusters, with very little attention paid to clusters in rural areas. Few exceptions either draw on evidence from coastal China,\(^10\) or focus on the relevant large inland areas.\(^11\) However, industrial clustering in China in general is