He starts by defining clusters, by giving examples around the world and by pointing out three ways in which they affect competition:

1. By increasing productivity of companies based in the area, through a better access to employees, suppliers, specialized information and through complementarities (a cluster allows each member to benefit as if it had a greater scale or as if it had joined with others, without having to sacrifice its flexibility).

2. By driving the direction and pace of innovation, which underpins the future productivity growth (peer pressure and pride spur executives to outdo one another)

3. By stimulating the formation of new businesses, which expands and strengthened the cluster itself (insights and skills from various fields merge, sparking new business)

He later argues that in the new economics, modern competition depends on productivity, not on access to inputs or on the scale of individual enterprises. Productivity rests on how companies compete and not on the particular fields they compete in. This in turn is strongly influence by the quality of the local business environment.

His argument is the following: with globalisation, anything that can be efficiently sourced from a distance, via global markets and corporate networks, is available to any company. One therefore expects that more
open global markets and faster transportation and communication will diminish the role of location in competition.

However the author reveals how the enduring competitive advantages in the global economy lie increasingly in local things (knowledge, relationships, motivation) that distant rivals cannot match. More important to ongoing competitiveness is the role of location in innovation. He does not deny that what happens inside the company is important, but emphasizes that the immediate business environment plays a vital role. The way clusters operate in this context suggests a new cluster strategic agenda:

- As Global competition nullifies traditional comparative advantages and exposes companies to the best rivals from around the world, a growing number of multinationals are shifting their home bases to more vibrant clusters

- To maximize the benefits of cluster involvement, companies must participate actively and establish a significant local presence.

- Upgrading the technology and labour force of the cluster should be part of any management agenda

- Clusters offer a constructive way to change the nature of the dialogue between the public and private sector by revealing how businesses and government together create the conditions that promote growth