

Abstract

We review the literature on clusters and their effects on entry, exit and growth of firms as well on the evolutionary dynamics underlying the process of cluster formation. Our extensive review shows that there is strong evidence that clusters promote entry, but little evidence that clusters enhance firm growth and firm survival. The emergence of clusters is best understood as an evolutionary process of capability transmission between parent firms and their spinoffs, rather than as an outcome of localisation economies that would increase the performance firms in clusters compared to firms outside clusters. From a number of open questions we distil various future research avenues stressing the importance of understanding firm heterogeneity and the exact mechanisms underlying localisation economies.