

Social Capital and Clusters- Literature Review

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Context/Background

- Link between economic growth and clusters - clusters facilitate knowledge generation (hypothesis)
- Key aspect of cluster success is the existence of facilitative social networks, social capital and institutional structures. (Porter, 1998)
- Policy makers and researchers in transitional economies of South East Europe (SEE) have largely focused "Washington Consensus" reforms to foster growth
- But, cluster policies are gaining importance in SEE.
- Given challenges specific to transitional economies and limited empirical research on clusters and social capital in SEE countries- need to better understand clusters and social capital in SEE specific context.
- Need to better understand how SEE transition countries can develop capabilities to assimilate and generate technical change and learning - the role of clusters and social capital

Literature review:

Cluster research expanded in many branches to include economic sociology, industrial economics, regional economics, development economics, international business theory.

- ❖ substantive body of research on clusters and social capital in USA and Europe
- ❖ some research on clusters in former transition economies- new EU member states
- ❖ But research on clusters and social capital in SEE (depending on country) is either non-existent or very scarce.

Cluster- definition

The (only) agreement is on the lack of agreement on the definition of clusters...

"The cluster concept has been defined in multiple ways by researchers and therefore they also tend to come up with different selection of characteristics according to the premise that you find what you are looking for" - Van Dijk and Sverrisson (2003)

"The concept of cluster has become a "chaotic" concept too fuzzy to be pinned down"- Martin and Sunley (2003)

"The prominence of clusters is helped by definitional vagueness"-Perry (1999)

Social capital-definition

- social capital as "the information, trust and norms of reciprocity inherent in one's social networks".

(Woolcock (1998), drawing on Coleman, Bourdieu, Burt, Loury, Putnam, Portes)

- social capital refers in short to social connections and the attendant norms and trust", (Putnam, 1993)

three aspects : social networks, social norms and sanctions

Clusters and social capital

- clusters differ from the agglomeration model in that clusters reflect not simply economic responses to the pattern of available opportunities and complementarities, but also exhibit an unusual level of embeddedness and social integration". (Gordon and McCann, 2000)
- clusters are 'social technologies' that enable and support knowledge generation and diffusion between economic actors. (Steiner and Hartmann, 2006)

Clusters and knowledge generation

Several potential sources of higher productivity growth for firms operating in clusters (Belussi, 2004, Baptista and Swann, 1998):

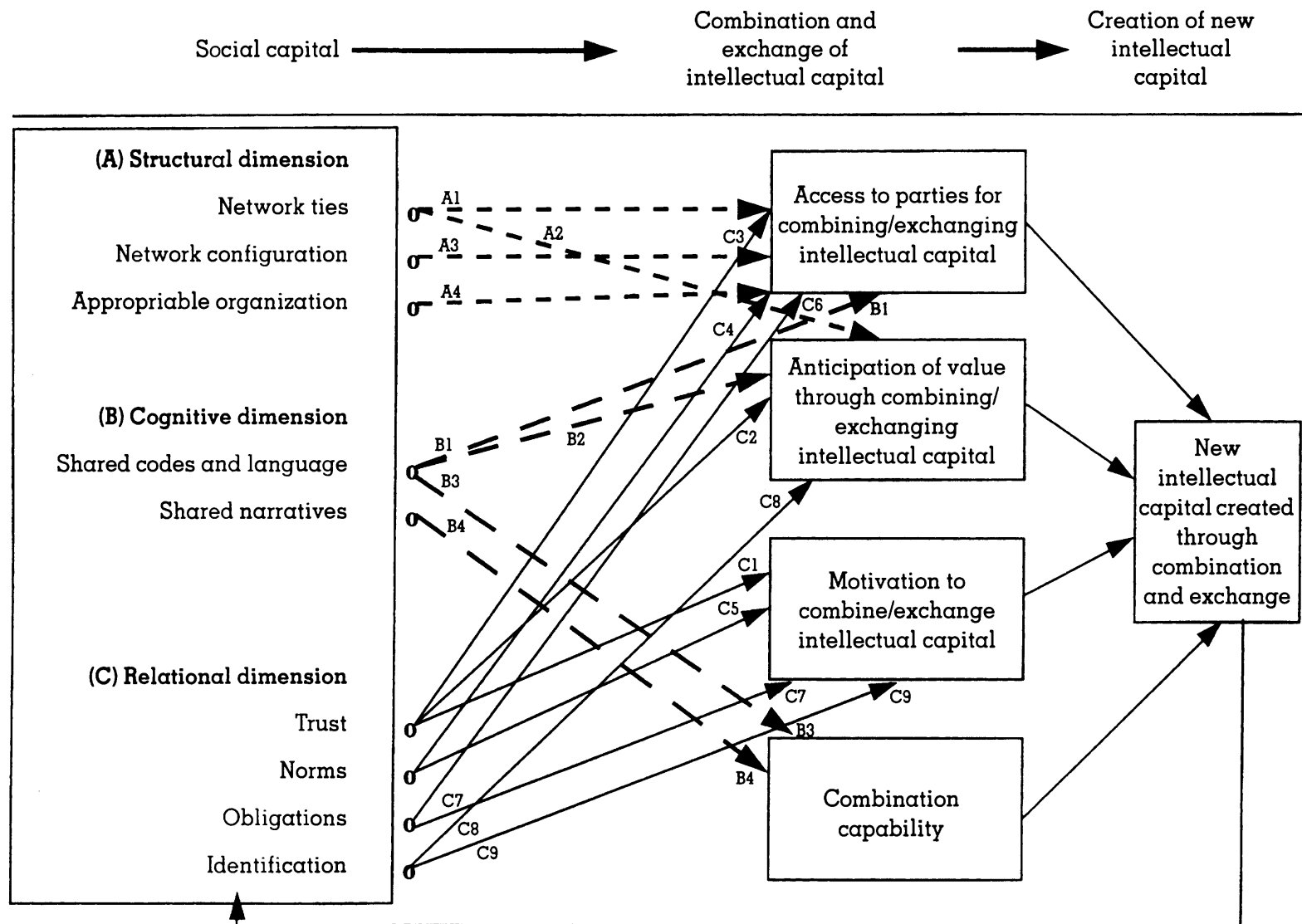
- localized external economies-MAR externalities
 - access to specialized labour
 - access to specialized network of suppliers and customers minimizing search costs
 - localized knowledge spillovers (LKS); effective learning, innovation and technological development.
- reduction in transaction costs
- systemic properties embedded within the local systems
 - first mover advantages from the initial territorial specialization
 - advantages to being customer driven organizations

Clusters and social capital

Four effects of the social capital:

- ❖ reduces the general uncertainty in the specialization and division of labour;
- ❖ reduces the transaction costs;
- ❖ affects the coordination costs
- ❖ affects the innovation process by shaping the amount and diversity of knowledge achievable by the actor.

Social Capital in the Creation of Intellectual Capital



social capital facilitates the development of intellectual capital by affecting the four conditions necessary for the exchange and combination to occur (Nahapiet and Ghosal, 1998)

Empirical evidence -literature review:

- Cooke et al (2005)- SMEs in 12 UK regions -innovative firms tend to make greater use of collaboration and information exchange, be involved in higher trust relationships and make greater use of non-local networks
- Greene and Brown (1997) -firms with low rates of growth and innovation tend to use family-based social capital rather than an individually developed networks of contacts
- Molina-Morales (2005) -Spanish tile industry -small size of firms is as one of the key reasons preventing firms from gaining direct access to external networks.
- Boari and Presutti (2004)-start-ups in an industrial cluster in Italy, Rome -strong incidence of the local factor can only *partially* help start-ups; it has a positive influence on the relational and cognitive dimension of social capital.
- Steiner and Hartmann (2006) study five clusters (149 firms) in an Austrian province -social networks seem to be rather unimportant for firms learning.

Empirical evidence -literature review ctd:

- Hauser et al. (2007) -relation between innovation and social capital, sample of European regions-social capital does have considerable impact on production of knowledge
- Cappello and Faggian (2005) - sample of 217 firms in the Veneto region, Italy -empirical support for the importance of relational capital on innovation activity
- Laursen et al (2007 est.) - importance of regional social capital for firms' innovative capabilities; a sample of 2,464 Italian manufacturing firms-being located in regions characterized by high levels of social interaction leads to a higher propensity to innovate
- Ostergaard (2007 est.) - to what extent social networks are channels for sourcing knowledge between firms and the local university, wireless communication cluster in Denmark-university-industry informal contacts are less frequent.

Measuring social capital- issues highlighted:

- social capital is multidimensional
- distinction between behaviour outcomes of social capital and social capital itself important
- social capital needs to be analyzed in its institutional context
- important to understand local variation of social capital and local impact of social capital
- But as seen, literature review-no empirical studies for South East Europe (SEE)

Clusters and Social Capital in transition economies of SEE

Challenges specific to region's socialist history:

- ❖ in socialism, proximity was not an asset; former socialist economies were deprived of agglomeration economies (Radošević, 2000)
- ❖ low level of social capital
- ❖ pressure from the speed of transition
- ❖ lack of qualified interdisciplinary development practitioners
- ❖ disparities due to uneven distribution of FDI
- ❖ technological capability asymmetries between small firms and international investors

Even in Slovenia highlighted as prime example-companies lack the most important element for successful cooperation-mutual trust (Rebernik et al, 2004).

Cluster Policies-SEE transitional

- transition and EU accession – key is development of policies to support cooperative networking
- But, knowledge and skills needed to run networking programs efficiently are largely missing
- importance of exchange of tacit knowledge
- trust building key for the development of networks
- But, to what degree can institutional support produce trust in the SEE region ?

Conclusion:

- Literature stresses the importance of understanding the local variation of social capital and local impact of social capital and context.
- “one size fits all” policy approach to social capital building not feasible; rather policies that take into local variation of social capital and local impact of social capital.

Conclusion:

- Literature review -no published empirical research on the role of social capital in clusters, networks and for learning in SEE.
- Implication of this paper - need for field work to understand the underlying mechanisms related to social capital that foster firm learning in the SEE-specific environment.

Thank you for your attention !