

RETHINKING CLUSTERS AND SOCIAL CAPITAL IN CROATIA

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Abstract

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In Croatia, as in other transition countries, the concept of 'clusters' is being utilised without any real understanding of its nature, operationalisation or linkage with impeding and impelling development factors. In the context of rapid economic restructuring, the policy of clusterisation, and its institutionalisation in new development agencies, is seen as the organisational solution of choice for local and regional regeneration, linking entrepreneurs into value chains on a local and regional level. Using case examples from Croatia (the Zagreb tourism cluster; the Dalmatian small and family hotel cluster; the Istrian tourism cluster), the paper explores and evaluates clusterisation policy from the perspective of a nuanced, multi-dimensional understanding of social capital, and outlines an embryonic comparative research agenda.

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1. INTRODUCTION: THEORISING CLUSTERS AND SOCIAL CAPITAL

1.1. Clusters

Since the mid-1990s, the concepts of 'social capital' and 'clusters' have attained something of a magical status in the context of social and economic development, especially in so-called 'countries in transition' in Central, Eastern and South Eastern Europe. Both concepts have moved rapidly from the disciplines of social science into the everyday language of policy makers and development practitioners, being seen as 'missing links' for competitiveness and innovation, on the one hand, and social cohesion and regeneration on the other. Both have had their 'champions' promoting this movement and, at times, neglecting the long history of the terms and the ideas behind them (Michael Porter for 'clusters', Robert Putnam for 'social capital'). In the process of this popularisation, many of the complexities and uncertainties surrounding their definition, theorisation, measurement and operationalisation, have been left behind so that the concepts themselves have become ever vaguer and sometimes even vacuous. At the very least, there is a need for a re-thinking of the concepts and, crucially, a more rigorous and complex understanding of their inter-relationship, as well as a rather more sober examination of practices on the ground and wider policy implications. This is not to throw the baby out with the bath water: both concepts point to the continued relevance of Grenovetter's (1985) remark that economic relationships are always embedded in social processes; both concepts have a strong descriptive, explanatory and even analytic capacity, too often elided in a wish to secure their normative policy relevance; and the concepts point towards the complexity of development in transition.

Porter's much cited definition of a cluster as "a geographically proximate group of companies and associated institutions in a particular field, linked by commonalities and complementarities" (Porter, 1998, p.199), has been taken up by key international development agencies as something of a development 'mantra' (Taylor, 2005). For Porter, clusters include inter-connected firms in a particular sector, along with related suppliers and service industries and, crucially, a range of institutions including universities, industrial associations and standards agencies (Porter, 1998, p.197). Cluster theory emphasises the role not of individual firms but of networks and relationships between the various parts of a cluster, and also fits with models of innovation and competitiveness. It contests deterministic notions of globalisation, suggesting that local factors of production remain relevant and can be enhanced in order to build competitiveness. The allure of the concept derives, in part, from its extension beyond the dynamic sectors of the new knowledge economy, having been seen as relevant in terms of the regeneration of 'old' industrial areas, peripheral rural regions, industrial 'hotspots' in developing countries, and as a general panacea in countries in transition in Central, Eastern and South Eastern Europe.

Some elements of recent critiques of the concept of clusters are relevant here, notably the danger of the 'fetishization of proximity' (Taylor, 2005) or the notion that clusters are 'self-contained assemblages of social and economic relations' (Cumbers and MacKinnon, 2004, p.967) in the context of the more complex, multi-scalar relationships of real firms and real people in the global economy. Cluster theory also tends to collapse complex historical processes over long periods of time into a kind of 'institutional instantaneous' (Taylor, 2005) so that current processes in 'successful' clusters are seen as, inevitably, the key to success for

others. Implicit within the concept is a kind of functionalist determinism: successful clusters succeed because they do well that which clusters are supposed to do well.

1.2. Social Capital

In part re-working and popularising earlier sociological notions developed by Coleman and Bourdieu, the political scientist Robert Putnam's definition of social capital as 'features of social organization such as networks, norms and social trust that facilitate co-ordination and co-operation for mutual benefit' (Putnam, 1995, p.67) is still the most often cited. Its vagueness resembles that of Porter's cluster concept although, even more worryingly, Putnam himself has tended to assert that one element of social capital, the level of associationality in a society, as measured by the number of 'secondary associations' such as 'amateur soccer clubs, choral societies, hiking clubs, bird-watching groups, hunters' associations, Lions' Clubs, and the like ...' (Putnam et al, 1993, p.91), is crucial. His argument is that such associations model 'horizontal collaboration' and form a 'cultural template', so that they become predictors of levels of economic and political development.

In response to critiques of the vagueness of the over-generalising nature of the category, Woolcock (1998) made a distinction between bonding, bridging and linking forms of social capital. Bonding social capital is 'inward looking and tends to reinforce exclusive identities and homogeneous groups' (Putnam, 2000, p.22). Bridging social capital, reworking Granovetter's original insights into 'the strength of weak ties' (Granovetter, 1973), is more inclusive, and refers 'to the building of connections between heterogeneous groups; these are likely to be more fragile, but more likely also to foster social inclusion.' (Schuller et al., 2000). Linking social capital refers to 'relations between different social strata in a hierarchy where power, social status, and wealth are accessed by different groups' (Côté, 2001, p.3).

In terms which offer striking parallels with critiques of the concept of 'clusters', both Ben Fine (Fine, 2001) and John Harriss (2002) have suggested that the concept is ahistorical, rides roughshod over specific contexts, and lacks analytical rigour. Both suggest that it depoliticises development issues and leaves untouched fundamental questions of power relations. A more nuanced approach can be found in an excellent review by Adam and Rončević (2003), building on Nahapiet and Ghoshal's (1998) distinction between structural, relational and cognitive dimensions of social capital. In seeking to narrow the gap between theories of social capital and empirical research they point to four, interlinked issues:

1. social capital as a catalyst for disseminating human and intellectual capital;
2. social capital as a basis for greater levels of synergy and co-ordination
3. social capital as a lubricant for network or project organisations; and
4. social capital as a facilitator of intermediary institutions (Adam and Rončević, 2003, pp.175-177).

1.3. Clusters and Social Capital

Intuitively, there is a strong case for suggesting that there is a link between clusters and social capital, since the ability and willingness to associate, the existence of shared norms and values, and levels of trust, are all important. The nature of this link, in terms of whether social capital is seen as an input or pre-condition for clusters, an output or consequence of clusters, or rather as 'the glue that holds clusters together' (Wolfe, 2002), remains an open question. Again, in the context of the lack of precision in definition of both terms, concrete empirical evidence is lacking or confusing.

For Klaus Neilsen (2000), adapting a framework developed by Messner (1997), social capital is central to the meta-level of economic behaviour and systemic competitiveness, in terms of the orientation of groups of actors towards learning, especially of tacit knowledge (cf. Lam, 2000); the capacity of groups of actors to engage in strategic interaction; and the social capacity for organization. In a later text (Neilsen, 2003), his conceptualisation of ‘innovation processes’ in general, can also be applied to clusters in particular, since they certainly ‘thrive on trust, networks and norms that decrease transaction costs, increase the quantity and quality of information, facilitates coordination and diminishes collective action problems’ (Neilsen, 2003, p.2). Somewhat more contentious and controversial, as he himself recognizes, is his assertion that ‘trust can be built and networks formed by deliberate steps’ (Neilsen, 2003, p.20), including policy interventions by the state. Even here, there is a level of vagueness in his prescriptions which include supporting networks, particularly those of a bridging nature, both financially and technically; actions which strengthen the virtuous and minimise the vicious externalities of social capital; and the promotion of ‘communicative competence’.

Boari and Presutti’s recent study (2004) of the relationship between start-ups and their customers in a high-tech cluster in Italy is a rare empirical study exploring the importance of what they term ‘the geography of a social structure of personal ties’ for the creation of new firms and the spread of entrepreneurial processes. Their findings, treating localization as a key element of cluster formation and development, show the importance of distinguishing between forms of social capital since localization seemed to build trust and reduce the costs of control (the relational and cognitive dimensions of social capital), but impacted negatively on knowledge transfer and innovation (the structural dimension). Ahedo’s (2004) ‘thick description’ of the policy process of cluster policies, and their role in forming closer industry-government collaboration in the Basque country offers a longer-term historical perspective but offers little in terms of our understanding of the role of social capital.

2. CLUSTERS AND SOCIAL CAPITAL IN CENTRAL, EASTERN AND SOUTH EASTERN EUROPE

As in many other spheres where it operates as an ‘ideational artist’ (Kildal, 2005, p.55) formulating, testing and diffusing new policy ideas, the OECD has played a central role in promoting clusters as a key element of the economic regeneration of post-communist Central, Eastern and South Eastern Europe (henceforth CESEE), and has asserted a strong link between clusters and social capital. In particular the Trento-based centre for the OECD’s Local Economic and Employment Programme (LEED) for CESEE has promoted the concept through a series of workshops and studies, culminating in a flagship publication ‘Business Clusters: promoting enterprise in Central and Eastern Europe’ (OECD, 2005). The text combines theoretical chapters on definitions and on social capital, with five Central European country case studies (Slovenia, Slovakia, Poland, Hungary and the Czech Republic), followed by a set of conclusions and policy recommendations on strategy, programme design and management of clusters.

The text tends to elide clusters with both the development of SMEs and industry concentration per se, riding roughshod over some of the criticisms regarding the cluster concept, and offers clusters as a privileged way of increasing countries’ international

economic competitiveness. Post-communist CESEE countries are, broadly speaking, seen as facing similar problems to those of Western Europe, albeit in the context of rapid transformation, lack of developed policy competences and interdisciplinary thinking and, crucially, the lack of social capital. Ionescu (2005) cautions against seeing social capital as the only factor affecting cluster performance, utilising Enright's (2000) typology of Working Clusters, Latent Clusters, Potential Clusters; Policy-driven Clusters and Wishful thinking cluster, and addressing both the potential positive and negative impacts of social capital on clusters. Post-communist societies, in particular, are seen as facing a 'dual social capital challenge' in terms of a lack of generalised trust and fear of collaboration in formal settings including business, combined with the importance of family and informal personal ties or connections in terms of 'getting things done', supposedly linked to "corruption and opportunistic behaviour" (Ionescu, 2005, p.46). Whilst cautioning that 'designing policies targeting social capital in clusters seems a risky process because social capital building is a self-enforcing, culturally defined and long-term process' (ibid, p.51), the text reinforces a sense that, whilst striking a balance between formal and informal dimensions, policy makers can promote communication across professional boundaries and networking activities, and ends with a list of fifteen policy measures, some of which call for evidenced-based policy ('conduct evaluation exercises of cluster policies that try to influence cluster results by social capital building' (ibid, p.54)), and some of which seem to have pre-judged the issue completely ('encourage public private partnerships' (ibid, p.54)).

In a recent literature review of studies of social capital in CEE, Dimitrina Mihaylova (2004) notes two trends in research, one focusing on macro-level linkages between generalised trust and economic growth, and the other focusing on micro-level studies of informal links and the informal economy. She notes the lack of serious studies which adequately operationalise the concept of social capital. In addition, she hints that the 'growing number of development projects in the region focusing on the 'building of social capital' (Mihaylova, 2004, p.144) is, itself, worthy of research'.

3. CLUSTERS IN CROATIA

A focused attention on clusters as an element of government economic policy in Croatia is a fairly recent phenomenon, linked to external actors' support for competition and innovation policies and, most importantly, the fast learning curve necessitated by candidate status for EU membership. The report of the National Competitiveness Council in January 2004 (NCC, 2004), takes 'Regional Development and Cluster Development' as one of its six main themes. Clusters are central to two of the 55 recommendations. Recommendation 41, actually within the theme of 'Strengthening SMEs', is 'Diminish Regional Development Inequalities by Employing Clusters' (NCC, 2004, p.45). Here it is suggested that a cluster programme should be launched based on an analysis of the regional distribution of industries, preparation of participants, and the development of support infrastructure. There is no hint at how this will impact on reducing regional inequalities and produce a more balanced regional development. Recommendation 46 states simply 'Develop Clusters', urging a Task Force to be established within the National Regional Development Agency which would 'analyze potential regions for cluster development, visualise their development, and commence cluster pilot projects by launching public tenders with limited-time State support' (ibid, p.46). Training of cluster managers/network brokers is envisaged which would, somehow, 'change ways of thinking and behaving by cluster management members' (ibid).

Most recently, the draft Strategic Development Framework for Croatia from 2006-2013, produced by the Central State Office for Strategy Development, notes clusters as one form of economic co-operation which can lead to faster growth, but places more emphasis on the local level and on development agencies. It suggests that more efforts need to be made to strengthen both innovative knowledge-based clusters and ‘clusters which enable the merging of the specificities of a greater number of regions into a unique and competitive product (e.g tourism)’ (OSD, 2006; 54, authors’ translation). The document adds to the confusion by listing, presumably as evidence of cluster formation, the number of development agencies, business zones, business incubators, technology parks, and business centres established in Croatia.

The lead role at the central level in cluster policy in Croatia has been taken by the Ministry of the Economy, Labour and Entrepreneurship. It has established a department for investments and export stimulation which includes within it an office for free zones, cluster development and export support. The office is tasked with monitoring and analysis, business development proposals, promotional and marketing activities, and offering support and co-ordination between clusters and state bodies. In line with the NCC recommendations, the Ministry has initiated support programmes aimed at cluster development in Croatia. The two latest programmesⁱ involve public tendering for financial support in cluster establishment. The financial support is grant based, and is aimed at the establishment of clusters, particularly those involving innovation and new technologies. Here, the designated financial resources are clearly separated according to intended use, for instance research and development, patent application costs, and so on.ⁱⁱ The mentioned public tender for support funds, ‘Clusters-alliance to success’ also includes educational programmes, web support and information (in cooperation with international consultants) and the organisation of international conferences.

In total, 13 public tender responses were received by the Ministry in response to tenders in 2005, which resulted in the allocation of 1.67 million HRK (c. €230,000), out of which 1.64 million HRK was allocated for new clusters, and a small amount as support for an existing cluster. The clusters originate from a number of different regions in Croatia, as well as different industries, such as the wood industry, the leather and footwear industry, graphics, construction, IT, tourism, shipbuilding, medical equipment, utility equipment manufacture, food and metals. In total, the Ministry supported clusters which grouped 186 individual businesses with 7.348 employeesⁱⁱⁱ.

In the context of somewhat hesitant steps towards decentralisation in Croatia, support to clusters is increasingly seen as a part of regional and local economic development. Hence, the regional and local authorities (County, City or municipality level) have the guidelines and assistance from the Ministry at their disposal, but are required to use their own resources and initiative to implement these and coordinate their efforts with the local community, and cluster stakeholders. The capacity of these levels of Government to undertake this work, however, is an open question.

The third level of support comes from a range of non-state or quasi-state agencies, including a number of local and regional development agencies. In addition, there are expert associations, and other interest groups or NGOs involved in the promotion of the interests of various business sectors. Examples include the tourist boards, which have an interest in the concept of clusterisation since it provides a model for local and regional development in their

field of expertise. They are more involved at a grassroots level dealing with individual entrepreneurs on a daily basis.

In this context, there is, in fact, no clear ‘cluster policy’ message, institutional support or structures for communication in Croatia, with no effective means of feedback from the level of local entrepreneurs to the national level. ‘Clusters’ remains a rather vacuous concept, then, with many initiatives reliant on external funding and consultants, so that there are no clear lines of accountability, responsibility or evaluation. There has been a recognition by Government of the importance of fostering SME growth, with clusters identified as one of the means to achieve this goal, Unfortunately, general problems such as bureaucracy and inefficient public administration, are compounded by a lack of joined up strategy and an ineffective system of policy implementation applied in Croatia. Entrepreneurs and local business interests, as crucial actors in the process of clusterisation, are absent from the policy process and do not have a clear communication channel with the relevant authorities. Above all, in the confusion regarding cluster policies, there is no mention or recognition of the possible importance of social capital.

There is no complete picture of clusters in Croatia. Indeed, no ‘mapping’ exercise of the kind recommended in OECD texts, has been undertaken. Nevertheless, the Ministry has stated that the majority of clusters in Croatia can be found in two counties, the County of Međimurje and the County of Primorsko-goranska, in the North of Croatia.^{iv} In addition, the tourism clusters in Istria, on which more information follows, are also significant, and are less reliant on Ministry support.^v Economically, alongside Zagreb city, Istria and Primorska-goranska counties rank in the top three according to regional GDP in Croatia and Međimurje in the top eight (out of 21 counties). They are all areas relatively unaffected by the armed conflicts of the 1990s. The implication here is that there is a correlation between levels of wealth and cluster formation.

4. CASE STUDY: TOURISM CLUSTERS IN CROATIA

Tourism, as an economic sector is often highlighted in official economic and political analyses as strategically vital for future growth of the national economy. It provided an estimated 317,000 jobs in 2004, around 14% of total employment, contributing directly and indirectly to a quarter of GDP. The Government expects tourism to grow at about 6.6% annually in real terms over the next ten years. The number of foreign overnight stays increased from around 16.5 million nights in 1996 to 41.3 million in 2003, but still less than the pre-war 1989 peak of 54.5 million (World Bank, 2006; 3).

By virtue of organisational simplicity and many advantages for the SME sector, which is the largest sector within the Croatian tourism industry, clusters offer a distinct advantage for tourism in Croatia. Therefore, the cluster analysis in this paper focuses on clusters in tourism, since the dynamic nature of tourism meant that this sector was among the first to create clusters, with the important distinction in relation to other sectors of the economy, since tourism clusters were also created with less institutional support and on a regional level, as was the example in the case of the county of Istria.

4.1. County of Zagreb Tourism Cluster

The stimulus for the formation of this cluster was that of a Joint tourist zone which is an organisational model of cooperation between the member countries of the European Union and non-members, aiming to combine available tourist resources, as well as to develop the cross-border, regional cooperation. The tourist zone 'Po Sutli i Žumberku'^{vi} is an example of such cross-border cooperation, covering parts of Croatian and Slovenian territory. The zone is considered to have been started in September 2003, following the signing of a letter of intent by the representatives of the authorities involved.

The most prominent institutions involved in tourism development and promotion in the new tourist zone are the tourist associations and the local authorities. Despite the fact that the County of Zagreb is not formally the establisher of the Zone, it nevertheless had a crucial input in the initiative and activity coordination surrounding the establishment of the Zone. The expressed interest from tourist associations and local authorities from Slovenia led to further involvement of the county in expanding the boundaries of the tourist zone into neighbouring Slovenia and further in the establishment of a tourism cluster in this area. The targeted groups in the creation of the tourism cluster were the entrepreneurs and businesses in tourism and related sectors, with an active role in tourism development in the Zone.

Prior to the establishment of the cluster within the zone, the relevant institutions have used the resources provided by the EU and surveyed the businesses and entrepreneurs in the area in order to establish the infrastructure and requirements of the parties involved in cluster creation.^{vii} The survey found that the available tourist resources were not commercialised to a sufficient extent, due to a lack of infrastructure and maintenance, insufficient accommodation capacities, a lack of tourist services in the proximity of the tourist destinations and a modest sports and recreational offer. In addition, regional differences were identified within the zone, in terms of tourist resource exploitation and the integration of tourist attractions into the overall offer. There were more tourist resources in Croatia, while it was clear that tourism infrastructure in Slovenia was more developed and better promoted.

In addition, the area which is encompassed by the tourism cluster is overall, relatively less developed economically, particularly on the Croatian side, with small and medium enterprises and firms as the predominant economic group. The differences which were identified were seen as a threat for the cluster, but also a strength, since the creation of a cluster is expected to improve the overall level of tourist infrastructure among other things, through a catch-up effect, and therefore have a positive impact on long term economic development.

The main advantage of the creation of the cluster was the fact that the survey identified a clear lack of cooperation between firms, and a desire to expand their offers and exchange ideas with their competitors. Hence, in the case of the tourist cluster in the County of Zagreb and Slovenia, the following can be concluded:

- There is significant development potential in the cluster, but it is not exploited sufficiently
- There is no 'integrated tourist offer', based on the principle of merging tourist attractions, physical and communication infrastructure, accommodation capacities and other supporting services into a single, recognisable offer

- These identified weaknesses stem from the lack of cooperation between entrepreneurs and a lack of institutional support

Hence, the establishment of an international tourism cluster was the solution of choice of local authorities and, to an extent, entrepreneurs, to the uneven development and lack of co-operation, networking and co-ordination within the sector. Despite the fact that the cluster has only been established relatively recently, the results so far do not appear to have resulted in anything more than intensified promotional activities by authorities.

4.2. The Association of Family and Small Hotels in Croatia: Dalmatia

Legally, there is no provision for the formal registration of a cluster. If they are established, they are simply groups, with no legal binding rights, and no binding obligations towards their members. The simplest method in the Croatian legislative is to form an association, which is recognised as a legal entity and allows for the creation of a set of rules and norms for its members, including punitive actions.

Different clusters have therefore followed different routes. For example, the Croatian wood cluster did not form a formal association, but has merely grouped manufacturers into an informal cluster, mainly for promotional purposes. In addition, this cluster has developed its own design, and has actively promoted these products in international expert fairs. However, the nature of this cluster and the extreme competition in the sector meant that there were not many members of this cluster and its future remains uncertain, with no institutional support.

A more positive example is the tourist cluster in Dalmatia, the Association of family and small hotels of Croatia. The cluster differs from other examples in the fact that this cluster existed prior to the national promotion and recognition of clusters by the government and NGOs alike. Namely, a few owners of small and medium hotels have decided to join together with the aim of creating a united front in the process of searching for development financial resources for its members. At the time, the government focus was on large hotels and the privatisation process, so they had no institutional support. Therefore, the members of the then informal cluster decided to seek support, which they found with the National competitiveness council, which was in turn supported by USAID^{viii}. Consequently, they formed the cluster as an association, with common goals, including value added through better service and product standards, and the prolongation of the tourist season. The support they received enabled the promotion of their ideas across the main tourist regions in Croatia, which attracted many new members, effectively making this cluster one of the first national endeavours. In addition, the expertise in logistics and organisation came from the academic community, namely the Tourism institute.

The cluster has clear and defined commercial goals, which are constructed in a way which benefits not only consumers, but also the members of the cluster. In addition, the cluster expanded to include other entities involved in the hotel accommodation value chain, such as tour operators, and transport companies. One of the main priorities of this cluster is the creation of a unique brand, setting the standards of products and services offered by cluster members. This includes specialisation of specific forms of tourist products, such as wine and food tourism, religious tourism, etc. The members have to provide a standard level of services and environment and promotion and food quality, which is branded and promoted by the cluster^{ix}.

Some important dimensions of this model requiring further analysis are:

- The initiative is characterised by the willingness of the entrepreneurs present in the region to seek assistance in the implementation and organisation of the cluster idea which they recognised as beneficial – it was demand-driven, therefore.
- Notably, the involvement of expertise in the organisation and implementation has facilitated the growth of the cluster, in addition to a lack of active involvement by the national government representatives
- The legal problems in terms of registration of a cluster as a legal entity were avoided by the creation of an association, overcoming, at least partially, the lack of responsiveness of cluster policy at the national level

Significantly, this fully functioning, and by all accounts, successful cluster, exhibited significant stocks of social capital present in the early stages of development. Clearly the desire to cooperate and seek opportunities for the benefit of the members has facilitated the expansion of the cluster and the fact that expert and institutional help was sought in order to expand the capabilities of the cluster only adds to this argument. This two-way interaction between willing entrepreneurs and experts, academia and the authorities, seems to have provided the crucial catalyst for further development.

4.3. Istrian Tourist Clusters

Istria has a long tradition of entrepreneurship and tourism, and in addition to the many tourist attractions and an attractive cultural heritage, it has been one of the most developed regions in Croatia. One of the characteristics of the region is the fostering of a communication culture between the county administration, local administration, institutions and entrepreneurs in the region. Historically, tourism has expanded from the mass tourism model into more specialist attractions, but according to the county authorities, the situation can be summarised as ‘a lot of similar attractions with average quality levels’.^x

In light of this analysis, the county administration commissioned the development of a tourism ‘master plan’ for the period 2002-2010 aimed at organising and structuring the future development of Istrian tourism and the consequent creation of diversified and different groups of clusters, which are individual, distinct but complementary entities. The strategic document included a series of analysis, surveys, public debates and workshops with the councils, entrepreneurs and other stakeholders in Istria. The result was the creation of six coastal clusters and a mainland cluster in the interior of the region.^{xixii} The Briuni islands are a separate cluster, oriented towards elite tourism. The master plan included strategic development plans, or business plans for each cluster separately as well as a strategic development plan for the whole Istria region.

Importantly, the creation of this document and the consequent cluster establishment involved extensive consultation with stakeholders across the region, including the main tourist companies in the private sector and institutions, mainly tourist associations. In fact, almost all of the tourist associations in the region were involved in the project, and the representatives from the private sector included the largest tour operators and hotel resorts. In addition, the implementation of the strategy laid out by the master plan has been sub-contracted to a foreign consultant, in partnership with other national and foreign consultants, which ensures a degree of independence and is meant to guarantee the effectiveness of the project in the implementation stage.

The extensive consultation with the private sector and the creation of detailed implementation activities, including promotional, organisational and other activities for the members of the cluster, including architectural models, is something of a novelty in Croatia, as such an implementation initiative has not been done on this scale before. Indeed, it needs to be set in the context of a lack of a participatory culture in regional and local planning per se (Đokić et al., 2005). In addition, the administration has provided extensive support in terms of incorporating the master plan in local development plans, which should facilitate the communication between members of the cluster as well as reduce the unnecessary bureaucracy.

Despite the fact that the formation of these clusters is still in the early stages of development, the model applied has several distinct characteristics which are indicative for the purposes of this analysis. These include:

- Financing, organisation and administration has been initiated and managed from the regional level, with little interaction with the central state institutions
- The involvement and the willingness to cooperate by key representatives of the private sector indicate a high level of social capital, as there is extensive „two-way“ communication between the experts, authorities and the private sector
- The creation of clusters has been incorporated into the policy initiatives on local and regional levels, indicating a more flexible administration approach to regional development, which has facilitated implementation and development of the model, and consequently increased the effectiveness of the policy

The Istrian example demonstrates an alternative approach to the nationally recognised development model embodied by clusterisation policy. Limited coordination with the central government, responsiveness to regional requirements and the specific nature of the region as well as the need for effective communication with stakeholders have been the key characteristics of cluster creation in Istria. This is an indication of the weakness of the national policy in place, as well as the importance of social capital as a pre-condition for clustering, demonstrated by extensive communication at all levels of the community.

5. CONCLUSIONS: TOWARDS A COMPARATIVE ANALYSIS

This descriptive overview has highlighted a number of similarities and differences between the three cases. In terms of similarities, all of the cluster formations are relatively recent, although tourism has been well-established over a longer period in all areas. More detailed qualitative and historical research is, clearly needed, however, to understand the legacies of co-operation and competition over time. Secondly, and crucially, the same broad actors are present in each study, the entrepreneurs, administrative authorities, and experts and consultants, although the nature of each group, and the interactions between them, clearly differs.

In terms of differences, four appear most striking. Firstly, whilst some were demand-driven, only seeking external assistance later, others were much more supply-driven in terms of the existence of donor funds and/or EU programmes. Secondly, and crucially, the quality and quantity of communication flows differed considerably, and the attention paid to participatory processes was very different. The role of the central level differed considerably,

also. Finally, whilst some appear to be more ‘bottom up’ initiatives, others appear to be more ‘top down’.

The analysis here has only scratched the surface of a very rich comparative research agenda which could take sectors, regions, and/or countries as the level of analysis. Above all, research needs to disaggregate forms of social capital and types of clusters and trace these relationships over a longer time period using a triangulation of qualitative and quantitative methodologies, supplemented by documentary material. Whilst the extant literature provides a starting point in terms of these disaggregations, more conceptual and theoretical work is clearly needed here.

Studying cluster policy, and the recognition or absence of social capital as a factor, is also important comparatively, exploring the problems of policy transfer which does not pay sufficient account to context. Above all, a notion of ‘one size fits all’ will, almost certainly, need to be replaced by more flexible policies, appropriately sequenced, with diverse timings, aimed at promoting a more efficient and effective role for clusters, as one part of economic development in the context of participatory regional development strategies.

Endnotes

ⁱ ‘Clusters-alliance to success’, published 19th April 2006, and ‘Innovation manufacturing cluster – knowledge centre’, published 17th of May 2006, www.mingorp.hr

ⁱⁱ Ministry of the economy, labour and entrepreneurship, public tender details, ‘Innovation manufacturing cluster – knowledge centre’, published 17th of May 2006, www.mingorp.hr

ⁱⁱⁱ Department for free zone and cluster development and export support, Ministry of the economy, labour and entrepreneurship, www.mingorp.hr

^{iv} Croatia is administratively separated into 20 counties and the capital city, Zagreb.

^v Information from the Ministry of the Economy, Labour and Entrepreneurship, The department for investments and export stimulation.

^{vi} In the Croatian language, this title literally translates into ‘in Sutla and Žumberak’, the regions which form the tourist zone.

^{vii} Rabatić, G., Šare, G. (2005) ‘Izvješće radne grupe 2, Uspostavljanje turističkog klastera u zajedničkoj turističkoj zoni po Sutli i Žumberku’, survey results, The County of Zagreb.

^{viii} The role of external assistance in the formation of clusters is under-researched. USAID has assisted in the creation of three clusters in Croatia – tourism, the wood industry and IT. The goal of such initiatives is the promotion and the creation of clusters, while the implementation phase is left to consultants, or to the clusters themselves.

^{ix} The brand has been named ‘Genuine Croatian Hospitality’, promoting and improving top service quality, whilst maintaining regional and individual characteristics of each specific hotel. The plan is to promote the brand internationally as a original Croatian tourist product, a step away from mass tourism, and many negative connotation related to this term.

^x <http://www.istra-istria.hr/masterplan/okvir.htm>

□ The clusters are the following: Cluster Umag – Novigrad, Cluster Poreč, Cluster Vrsar – Funtana, Cluster Rovinj, Cluster Labin – Rabac, Cluster Istra interior, Cluster Pula - Medulin.

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