Motivation: Best Practice & Copycat Behavior

“Presidents, ministers, and dignitaries come in pilgrimage here, in well-publicized delegations that aim to capitalize the visit in social prestige or political votes back home.“

(Castells/Hall 1994, S. 12)
Guiding Questions

- **Diffusion** of cluster policies across time and space
  - How? ⇒ Channels
  - Adaptation? ⇒ Policy Learning
  - What impact? ⇒ Evaluation
- Impact of structural & institutional **variety** on the design, implementation and effectiveness of cluster policies poorly understood
  - E.g. **varieties of capitalism** (Hall/Soskice 2001) ⇒ liberal vs. coordinated market economies
  - Constellations of actors in **regional governance** structures
  - Interdependencies across spatial scales ⇒ **multilevel governance** (cf. Callaghan 2010)
    ⇒ Convergent vs. divergent forces
    ⇒ Determine scope for **policy learning**
- Relationship between **theory, empirical cluster research, policy and practice** ⇒ Public Choice perspective

Comparative Cluster Policy Research: Outline

- Methodology
- Key concepts and findings
  - Stylized facts
  - Diffusion & policy learning (cf. Kiese 2010)
- Taking CCPR forward
Cluster Initiative vs. Cluster Policy

**Cluster Initiative** = an organised effort to increase the growth and competitiveness of a cluster within a region, involving *cluster firms*, government and/or the research community *(Sölvell et al. 2003, p. 31)*

**(Regional) Cluster Policy**

- all efforts of *government* to develop and support clusters (in a particular region) *(Hospers/Beugelsdijk 2002, p. 382)*
- Industrial, structural, technology or innovation policy promoting regional specialisation
- Public efforts to develop concentrations of industry or network structures into clusters, or to promote existing clusters *(cf. Bruch-Krumbein/Hochmuth 2000, p. 69 f.)*

Dimensions of Cluster Policy

- **Governance**: Public to Private
- **Cluster reference**: Implicit to Explicit
- **Complexity**: Single Instrument to Holistic Approach
- **Cluster Orientation**: Low to High
- **Coherence**: Low to High
- **Institutionalisation**: Weak to Strong
- **Maturity**: Embryonic to Completed

1) cf. Fromhold-Eisebith/Eisebith 2005, p. 1256

MOC Network Cluster Research Workshop • Harvard Business School • 12 December 2010
Case Study Regions: Western Germany

- Three **federal states** in West Germany
  - North Rhine-Westphalia ~ mature industries facing structural change
  - Bavaria ~ late industrialisation, high-tech
  - Lower Saxony ~ ‘grey mass’ region

- Regional typology ⇒ structural, institutional & political variance
- Seven **sub-regional cases**
  - 110 semi-structured face-to-face interviews with 134 practitioners, observers & consultants (2006/2007)

A Public Choice Model of Cluster Promotion

- **Conceptual Action Space**
  - Economic
  - Rationality
  - Advice

- **Political Action Space**
  - Political
  - Rationality
  - Implementation

- **Practical Action Space**
  - Bureaucratic
  - Rationality

- **Principal-Agent-Constellation**

Cf. Kiese 2008, p. 133
Public Choice Economics: Implications for Cluster Policy

“Even if the public authority that oversees the cluster is highly competent and attempts to maximise local welfare, an optimal cluster policy looks like something extraordinarily difficult to achieve.“

“Cluster policies that already look fraught with difficulties in a world of benevolent governments look extremely unappealing when political agency is explicitly taken into account.“

(Duranton 2009, p. 26-27; emphasis added)

- Welfare-enhancing cluster policies threatened by
  - multiple information asymmetries
  - political and bureaucratic rationalities
  - lobbying und rent seeking

Understanding of Clusters in German Policy and Practice

- **Porter’s definition** only academic/theoretical reference
  - Cluster = “geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (for example, universities, standards agencies, and trade associations) in particular fields that compete but also cooperate” (Porter 1998, p. 197 f.)

- General scepticism of theory; **practical know-how** and experience-based learning dominates
  - daily duty leaves no time to deal with fragmented theory
  - no recognition of practical value
  - ‘academic’ approach conflicts with mobilisation of firms

- **Technocratic understanding**: clusters are ‘made’ and often equated with organised effort (initiative/policy) ⇒ danger of overlooking / crowding out organic cluster development

- Equation of clusters and networks ⇒ institutionalisation

- Superficial reference to value chains ⇒ selectivity ⇒ rhetoric?!
Stylized Facts on Regional Cluster Policy in Germany

1. **Technocratic** understanding of clusters in policy & practice
2. For simplicity's sake, clusters are understood as **networks**
3. **Spatial mismatch** between cluster and policy ⇒ over-/ underbounding
4. **Temporal mismatch** (short-termism vs. cluster development)
5. **Herd behaviour** (ICT, bio, nano…)
6. From horizontal demonstration effects to **top-down diffusion**
7. **Inflationary use** of cluster term ⇒ meaning, credibility ↓
8. Lack of explicit **theoretical foundation/reference**
9. **Sloppy identification** of cluster potential
10. **Declining cluster focus** over time

Fuzzy Action Spaces of Cluster Promotion

- **Conceptual Action Space**
  - Economic
  - Rationality
  - Advice

- **Political Action Space**
  - Political
  - Rationality
  - Implementation

- **Practical Action Space**
  - Bureaucratic
  - Rationality

Blurred action spaces and rationalities:
- Politics and Bureaucracy govern concept development
- Action purpose-led ⇒ unity of reason? (cf. Willgerodt 1994)

Cf. Kiese 2008, p. 133
Policy Transfer: Channels and Determinants

- **Channels**
  - **Literature**
    - Academic
    - Best practice case studies
    - Manuals
  - **Mobility of personnel** (dispositive/operative)
  - Consultants as **transfer agents** (Stone 2004)
  - **Knowledge communities**
    - *Epistemic communities* (Haas 1992)
    - *Communities of practice* (Brown/Duguid 1996)
  - Journeys of politicians and practitioners (**policy tourism**)
  - Formal & informal **communication** (secondary)

- **Determinants** (cf. Lütz 2007: 139-141)
  - **Endogenous** = cultural, institutional, socio-economic proximity
  - **Exogenous**: frequency of interaction, networks, transfer agents
  - **Transfer object**: complexity, visibility, potential for conflict

Consultants as Transfer Agents: The McKinsey Case

- International projects, esp. U.S./ Silicon Valley ⇒ knowledge management
- ThyssenKrupp = key supplier to VW
- Lower Saxony ⇒ Hannover region as pilot project for new structural policy approach „regional growth concepts“
- State funding for concept development in Braunschweig region
- McK spin-off designed comparable projects in Wernigerode, Aachen
- 2005 prelim study for Bochum 2015
### Transfer Channels: Summary of Evidence

<table>
<thead>
<tr>
<th>Channel</th>
<th>Occurrence / Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Literature</td>
<td>low (limited to Porter’s definition, manuals hardly known nor used)</td>
</tr>
<tr>
<td>Personnel mobility</td>
<td>Some cases in cluster management for transfer of procedural knowledge</td>
</tr>
<tr>
<td>Knowledge communities</td>
<td>Low, limited to regional/national scene</td>
</tr>
<tr>
<td></td>
<td>German practitioners hardly participate in international KCs</td>
</tr>
<tr>
<td>Journeys</td>
<td>Common, but doubts about transferability</td>
</tr>
<tr>
<td>Consultants</td>
<td>Widespread</td>
</tr>
<tr>
<td>Personal communication</td>
<td>Informal exchange btw state ministries, otherwise rare</td>
</tr>
</tbody>
</table>

⇒ Overall low degree (inspiration, sometimes combination), path-dependent learning by doing tends to dominate
⇒ McKinsey projects = notable exception (copying, adaptation), but influence fading over time
⇒ Unilateral policy shopping as dominant mechanism

Cf. Kiese 2010

### Interregional vs. Path-dependent Institutional Learning

- Decontextualisation
- Codification
- Path-dependent learning (incremental, cumulative)
- Local-specific tacit
- Accumulated experience, learning by doing („Laboratory“)
- Regional cluster concept
- Cluster approach
- Generic explicit

Interregional learning is embedded in path-dependent local learning processes.

Based on Hassink/Lagendijk (2001: 69), also cf. Nonaka/Takeuchi 1995
Cluster Policy and Varieties of Capitalism

**Liberal Market Economies**
- More CIs initiated by companies
- More focused on export growth

**Coordinated Market Economies**
- Stronger role of government in CIs
- More national cluster policies
- More focused on upgrading innovation
- More CI staff
- More trust across groups

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Global Cluster Initiative Survey (GCIS II), Ketels et al. 2006, p. 22
1) Hall/Soskice 2001

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Case Study Regions in the U.S.

- 3 states + 2 sub-regional cases each
- 2007/2008: 87 interviews with practitioners, advisors and observers

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Stockinger 2010, p. 66 (Cartography: Stephan Pohl)
Cluster Policies in Germany vs. U.S.: Selected Differences

<table>
<thead>
<tr>
<th>Institutional setting</th>
<th>Germany</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperation and consensus</td>
<td>Institutional thickness, neo-corporatism (chambers, associations)</td>
<td>Individualism and competition</td>
</tr>
<tr>
<td>More collective agency, trust, social capital</td>
<td></td>
<td>Less institutional thickness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Collective agency less formalized, less trust and social capital</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>National System of Innovation</th>
<th>Germany</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on incremental innovation, perceived problems with commercialization of scientific breakthroughs</td>
<td>Strength in radical innovation, high-tech industries, commercialization aided by strong VC base</td>
<td></td>
</tr>
<tr>
<td>Dual system of vocational training supports diffusion and absorptive capacity through human capital</td>
<td>Diffusion and absorptive capacity limited by skills constraints.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Policy area</th>
<th>Germany</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal &amp; state governments: innovation policy ⇒ regional networks of science and industry to accelerate commercialization</td>
<td>Federal government, focus on workforce development and disadvantaged regions (reactive)</td>
<td></td>
</tr>
<tr>
<td>Regions: economic development, structural policy (holistic)</td>
<td>States: Locational marketing and workforce development</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Implementation</th>
<th>Germany</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural: Public &amp; collective actors</td>
<td>More private agency &amp; reliance on individual leadership</td>
<td></td>
</tr>
<tr>
<td>Institutionalization, more political top-down initiation</td>
<td>Flexible framework, but lack of strategic coherence</td>
<td></td>
</tr>
<tr>
<td>Higher organizational capacity, but technocratic (⇒ stylized facts)</td>
<td></td>
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</tr>
</tbody>
</table>

Comparative Cluster Policy Research: Towards an Agenda

- **Horizontal expansion**: Including more countries to increase variety (e.g. Kiese 2009)
- **Perspectives** proved useful
  - Institutional (VoC, regional & multilevel governance)
  - policy diffusion/transfer and learning
  - Public Choice
- **Conceptual broadening** through new perspectives and tasks, e.g.
  - Isolated best-practice case studies ⇒ common framework for systematic CCPR
  - Increase interdisciplinary research
  - need for independent scholarly evaluation
- **ECRP** (European Collaborative Research Programme) as an opportunity, but 2011 call has been cancelled due to organizational transitions ⇒ new funding opportunities sought
References (1/3)


References (2/3)


References (3/3)


