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Localised learning in the Malaysian rice cluster: proximity, social capital and institutional dynamics

This paper takes a clustering approach as it attempts to investigate localised learning within a rice cluster in Malaysia and to examine the role of institutions, social capital and geographical proximity in helping promote localised learning. The paper argues that the development of social capital within a cluster needs to take place in its institutional context, and that development policies must address the 'soft' elements of the cluster in fostering cooperative relationships and 'social contracts' among the cluster actors. Evidence shows that learning processes and gains from learning in a cluster occur mainly in the form of informal learning – in which the effects of social cohesiveness, trust and connectedness are particularly important. Geographic proximity also plays an important role when it comes to the regional embedding of knowledge and learning processes. This paper shows supporting evidence that social proximity is the main dimension that should be embedded within the geographical and institutional proximity for agricultural cluster development. Geographical proximity improves social capital: a top-down policy approach in cluster development can therefore often be unsuccessful, given the failure to understand the dynamics of the cluster–actor interactions.

Keywords: innovation systems, trust, agricultural innovation, Sekinchan, Malaysia

Introduction

Regional cluster development literatures emphasise that geographical proximity promotes localised learning as a path to attaining competitive advantages (Porter, 1996; Asheim, 1999; Morgan, 2004; Balland, 2012). Localised learning improves productivity and further assists each stakeholder to benefit from the process. Within innovation studies, cluster innovation activities are studied within the lens of geographical proximity by examining the key actor interactions of the cluster, emphasising the critical role that proximity plays (Asheim and Isaksen, 2002; Binz et al., 2014). Nevertheless, promoting learning is difficult, especially when it involves critical know-how that serves as the firm's trade secret (Graves and DiBoise, 2006). Therefore, linkages via co-operations (internal and external) along with trust and other social capital are of paramount importance (Fukuyama, 1995). In addition, better institutional settings are required to foster the learning process among actors for collective gains (Cooke

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et al., 1997). Scholars have classified institutional and social capital as different types or dimensions of proximity (Boschma, 2005; Letaifa and Rabeau, 2013; Balland et al., 2015), linked to geographical proximity that explain innovation activities (Mattes, 2012). Despite the importance of proximity, social capital and institutional setting, the interlinkages between these remain under-explored, especially with respect to the localised learning within agricultural clusters. Literature has focused on manufacturing and service sectors, as well as 'knowledge-based' industries, especially information and technology services. Therefore, a greater understanding of localised learning within the agricultural cluster is required.

In this paper, we attempt to integrate the broader clustering approach, focusing on geographical proximity and the role of institutions, as well as how social capital features within the location and existing institutional setting. We argue that development of social capital within a cluster needs to take place in its institutional context, and that development policies must address the 'soft' elements of the cluster development in fostering cooperative relationships and 'social contracts' among the cluster actors. Evidence shows that a cluster's learning processes and gains from learning occur mainly in the form of informal learning, in which the effects of social cohesiveness, trust and connectedness are particularly important.

The paper documents the types of learning experienced within the agricultural cluster under examination. We then explore how learning is shaped within the regional cluster due to geographical proximity and social capital, especially within the context of agricultural clusters in developing countries. Specifically, we contribute to literature on agricultural cluster development, given that past studies have concentrated on manufacturing clusters (such as Ng et al., 2012). Unlike manufacturing sectors, agricultural sectors in developing countries are more localised with learning occurring primarily in the local context. Proximity thus plays an important role, particularly if it involves local crops, in this case, rice paddy. Therefore, using a case study approach we capture the dynamics and evoltuion of learning and systematically show how a learning process builds up in the Sekinchan rice cluster in Malaysia.

The Sekinchan rice cluster serves as an interesting case study for several reasons. In 2013, with an annual average rice production of 7 to 8 tonnes per hectare, Sekinchan rice cluster production was more than twice the national average yield of the nation's rice paddy production (3.8 tonnes per hectare) (Department of Agriculture Malaysia, 2014). Our case study provides additional evidence to the literature on cluster production and innovation in the context of labour intensive clusters in developing economies. In addition, the study allows policymakers to understand critical predicaments of development that are geographically and culturally specific which can then be applied to other clusters, especially in promoting learning within the agricultural clusters. At the heart of the discussion is the fact that institutional settings such as culture, norms and routines embedded within local communities shape the dynamics of production and innovation systems of a cluster.