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FROM VENETO (ITALY) TO TIMIŞOARA (ROMANIA): THE BIRTH OF AN INDUSTRIAL CLUSTER

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Abstract: At international level, industrial clusters have drawn the attention of researchers and policy-makers through their role in revitalizing local economies and generating regional growth. This article analyses the way in which the Italian footwear and textile companies have transferred the concept of Marshallian district from the "Third Italy" to Western Romania. Empirically, the study explains why and how the Italian shoe and textile-makers have relocated their basic production activities to Timişoara. The analysis reveals the development path of the cluster in Timişoara in the context of important barriers to innovation and lack of visibility for local and regional authorities.

Key words: Industrial cluster, Internationalization of production, Innovation system, "The eighth province of Veneto", Romania.

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Introduction

The concept of industrial districts dates from the late 19th century when it was used to describe the geographical concentration of small specialized companies bound together by subcontracting relations (Marshall, 1890) and drawing its development from external economies of industrial localization. One hundred years after, Porter (1990) revisited the concept and turned it in one of the most influential tool of scientific inquiry and policy making. According to Porter and his "competitive diamond" industrial clusters are geographical concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, associated institutions (for example universities, standard agencies, and trade associations), in particular fields that compete but also cooperate. Since then, the relevance of clusters for raising productivity and innovation and enhancing economic development has been revealed through an extended literature on their competitive advantages: *collective efficiency* (Schmitz, 1995), *trust, social milieu and transaction costs* (Brusco, 1990; Markusen, 1996), *networks of firms* (Camagni, 1991), *flexible specialization* (Pyke, Sengenberger, 1992). A rich body of case studies has documented clusters, their characteristics and their evolution over time (Beccattini, 1989; Saxenian, 1994) as well as their typologies (Garofoli, 1991; Amin, 1994; Pederson, 1997).

"The Third Italy" represents one of the archetypes of industrial districts at the global level which, due to the changing nature of international competition and the openness of Central and Eastern Europe to the world market, has transferred massively productive activities to new locations. The process of internationalization for Italian business "has begun much earlier in the 1960s when cluster-based activities started to exploit the benefits of international integration (benefits of currency convertibility and trade liberalization were beginning to pay-off in the export-led growth pattern" (de Arcangelis *et al.*, 2003). More recently, "advanced clusters from Italy outsource the more labor intensive stages of production toward low-wage areas (such as South Eastern Europe) reproducing in the periphery cluster like structures similar to those that were active in the center two decades back. Evidence on Italian clusters confirms such a pattern (de Arcangelis, 2003, p. 7).

The Italian shoe and textile district in Timisoara is an example in this respect. Recent literature (Ferrari, 1999; Majocchi, 2000; Montagnana, 2005; Constantin *et al.*, 2006; Isbăşoiu, 2006; Mariotti, Montagnana,

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2008) argued on the link between the delocalization-relocalization of Italian firms and the theory of international trade trying to identify the new mechanisms at work ("district effect", "imitation effect") and their role in recreating the networks of production. The spontaneous emergence of the new "buyer-driven value chain" took place in early 1990s despite the lack of an institutionalized strategy on internationalization. Instead, the Italian SMEs followed a strategy characteristic to multinationals based on spatial dissociation of production stages. Another important contribution unpacks the changing role played by Italian firms in their district of origin and in that of destination, from marginal to central, and their subsequent capacity to trigger innovative learning and local development.

In that context, the paper focuses on how an industrial cluster is re-constructed and work in a foreign location within the framework of globalization. Building on the example of the Italian district in Timişoara, this contribution offers insights into the changing position of the relocated companies (suppliers and subcontractors in their home district and leader companies in Timişoara "the eighth province of Veneto". The local entrepreneurial spin-off is in a close relation with this change. In addition to the understanding of district and imitation effects previously described by Italian scholars, the article extends the discussion from the productive to service activities, focusing on the role of geographical and cultural proximity in creating informal networks. Special attention is given to the analysis of innovative capacity of the new cluster. Its organizational poverty, partially inherited from the Italian cluster, is responsible for reduced chances to promote local collaboration, learning process and transfer of knowledge. The scale of setting objectives is down-sized from cluster to company level as a result of the shift of productive activities. The article highlights the way the re-creation of a cluster in a new context fundamentally changes the initial convergent objectives related to a competitive cluster formation with acquired divergent objectives of firms in their attempt to stay competitive on the international market.

The textile and footwear Italian cluster in Timişoara

Several European studies analyze the textile and footwear cluster in Timişoara. INCLUD (Interreg IIIB Cadses, 2003-2004) has identified potential clusters in the textile and software industry in the West Region, Timiş County. According to this study, textile and footwear industry is recording the highest specialization indexes, but the input-output analysis shows that there are not enough inter-company relations. Nevertheless, the textile industry, among other industries with major potential in forming clusters, has the advantage of having a homogeneous structure in company sizes. WEID (FP5, 2001-2004) defines a cluster in the footwear industry in Arad-Timişoara which included more than 300 companies and 32 thousand employees in 2001. The cluster is mainly made out of companies with Italian or German capital, and also Romanian companies resulted from the privatization of former state enterprises by subcontracting in the local productive system. The Italian presence is widely spread throughout Romania, but in the last few years there has been noticed a trend to concentrate in certain regions; the largest number of Italian investors is found in the West of Romania and especially in Timişoara (Rompress, 2005). In 2007, in Timişoara there were 420 Italian companies registered, with a capital of more than 2 million euro, which placed Italy on the first place in number of foreign companies and in the second place in invested capital (Starea economică, socială şi de mediu a Municipiului Timişoara, 2008, p. 54). In a previous study, the analysis of Italian exports in 1960-1970 has led to the simulation of the way in which clustering companies can generate the growth of exports in Bulgaria, Romania and Slovenia. According to the formulated scenarios (de Arcangelis *et al.*, 2003), Romania distinguished itself through opportunities to increase the exports, taking into consideration the former evolution in the sectors with the highest potential in forming clusters and that already had a good exporting performance. Romania had a special status among the other analyzed countries because of the great number of companies that came from Italian districts at the beginning of the 1990s. Almost half of the companies in Timişoara come from the industrial district of Veneto (Mariotti, Montagnana, 2008), that is why some authors consider that Timişoara is the "eighth province of Veneto" (Isbăşoiu, 2006). The agglomeration of footwear producers in Timişoara includes more Italian producers than Romanian (Montagnana, 2005).

Timişoara "the eighth province of Veneto" and the internationalisation of production

Companies from industrial districts Veneto and Marches play an important role in the economy of the "Third Italy". Industrial cluster dominated by SMEs have an organizational structure based on subcontracting relations inside the vertically disintegrated productive chain. Veneto had almost 300 thousand active companies in 2000, accounting for 20% of the Italian textile companies, 10% of the leather-footwear companies, 15% of the industrial machinery companies and the biggest industrial cluster in the world for medical optics (Isbăşoiu, 2006). Italian industrial districts are described by researchers as being closed SMEs systems which traditionally interact with the exterior through the two ends of the value chain

(Becattini, 1989; Pyke *et al*., 1990; Markusen, 1996; Coro, 2000; Tattara *et al*., 2006). The crisis of Fordism and the progressive changes in the structure of demand oriented to high quality goods, as well as exchange policies have contributed to the transformation of industrial districts in Italy (Becattini, 1998). As a result, Italian companies have transferred production activities in Romania (and in other east-European countries) through foreign trade, cooperation agreements and direct foreign investments. The cooperation agreements were dominant in the 1990s; on their basis, Italian companies were exporting raw materials and intermediate products to Romanian subcontractors who processed them in finished products and exported them back to Italy. These cooperation agreements decreased drastically after 2000 and were replaced with foreign direct investments (Mariotti, Mutinelli, 2006). Only simple and standard operations are made in Romania, the more complex ones, requiring advanced equipments and machines, are made in Italy. The Veneto companies have gradually transferred to Romania the bottom phases of the production process, developing a "buyer-driven value chain" (Isbăşoiu, 2006). According to the Italian Institute of Exterior Commerce, 4,000 companies were operational and were hiring directly or indirectly 500 thousand people in Romania (Isbăşoiu, 2006). The transfer of activities took place despite the lack of an institutionalized strategy on internationalization (Tattara *et al.*, 2006). Highly qualified work force was a vital factor, thanks to companies like Guban, Filty, Banatim, especially that in the footwear industry, the cost of work force represents a significant part of the final production cost. Textile and confection factories have equally had an important role in the city economy and generated specialized work force (Uzinele Textile, Garofiţa, Pasmatex). Although the specialization in textile and footwear industry maintained itself in Timişoara in the second part of the 20th century, there is a lack of vocational schools, which generates a deficiency in work force specialized in design or technology and reduces the ability of Romanian companies to take over activities with higher added value. The delocalization process was massive in the 1990s through "vertical investments" and the relocalization of the value chain due to low costs in the West of Romania (Majocchi, 2000).

Relocation, production decentralization and spatial dissociation

The delocalization mechanisms took two major forms: the "imitation effect" and the "district effect" (Isbăşoiu, 2006). According to the first mechanism, the companies from the Italian district relocated in Timişoara, were successful in the new location and became an example for the other companies. According to the second mechanism, small companies followed the leader-companies in order to maintain the collaboration relations and to reduce the uncertainties by retaining their membership to the production network. The small companies, once settled in Romania, extended their production and became leaders as well (Majochhi, 2000). Most of the delocalized companies had a spontaneous development, without coordination or planning strategy. Companies have relocated their production activities and tried to recreate the specific conditions of the Italian industrial district of origin.

Italian companies have developed a network of Romanian subcontracting companies to whom they cooperate in production. The relations are supplying relationships, where the Italian leader-companies play a coordination role (Majocchi, 2000). In some cases, the relationships are very flexible, without a signed contract, which suggests an environment based on trust between the Italian and the Romanian companies. Leader-companies offer technical consultancy by sending personnel sometimes on the long run, or by leasing equipment. Leader-companies put their supplier networks in a competition concerning prices and product quality standards, but this competition is also placed in a context of intense collaboration. Very intense relationships bring advantages to both sides: on one side, the leader-companies can ensure the quality standards in terms of market demand, and on the other side, partners can ensure the market outlet thanks to the stability of the relationship with the leader-company, through technical consultancy and the possibility to obtain human resources.

Although considered spontaneous, the internationalization of the companies from Italian industrial districts followed a strategy characteristic to multinationals based on spatial dissociation of production activities. The Italian SMEs borrowed the same model of production decentralization, holding only the strategic marketing activities, business relationship management, design, research-development, prototypes (Sammarra, Belussi, 2006), - while the basic production was moved to Romania. The leader-companies from the core of the production networks were not the only ones successful in the industry delocalization, but also the ones that had a marginal role inside the Italian district. The latter replicated the logics of the district and the behavior of leader-companies. After relocation, these companies maintained their strategic relationships with partners from Italy and became in the same time an example for Romanian companies. In their new location, many of these companies play the role of leader, a role that they could not have in the original district. By maintaining the relationships with the Italian district on one hand and gradually developing the internationalization process on the other, companies diminish the risks and uncertainties concerning decision-making and access to information. At the end of the 1990s, the company agglomeration became stable which gradually created external economies that led to a cumulative process of cluster development. External economies result from a network made out of suppliers and specialized services companies, generated through vertical disintegration of production. The development of the production network helps reduce joint input costs because the economies resulted from the production costs of specialized suppliers are transferred at client level. Cost cutbacks also result from a highly qualified work force. All these are exclusive advantages for the companies inside the cluster and are not, usually, accessible for isolated companies. The footwear cluster in Timişoara is a satellite cluster made of various SMEs that cluster around one or more multinationals with a small endogenous growing potential due to the dependency on the core represented by MNEs; the textile cluster is a canonical one, with characteristics similar to the Marshallian Italian district dominated by SMEs from the same industry located in geographical proximity (according to classification provided by WEID, 2001-2004).

How the cluster is born?

Mariotti and Montagnana (2008) showed that in Timişoara there were 350 companies in the footwear and textile-garments industry. A detailed survey of 90 companies has clarified the way in which they were created: 37.7% through Italian investments, 35.5% through entrepreneurial spin-off, 16.6% through relocalization and 11.1% through the privatization of former Romanian state enterprises. Almost half of the analyzed companies are the result of the production internationalization process from the Italian northeastern district. The intense agglomeration of companies in the 1990s was followed by local competition, which generated innovation and entrepreneurship. More than a third of the companies analyzed were the result of entrepreneurial spin-off and showed a business environment open to managerial learning. The capacity to innovate is in direct relation with companies' characteristics and strategies. The branches of Italian companies are in their majority in the footwear industry. The Italian mother-company controls all the corporate processes and has the power of decision. Cooperation with Romanian partners is institutionally limited, reducing its impact upon the creation of local productive networks and the capacity of insertion in the social and economic environment. The companies created through entrepreneurial spin-off are owned by former employees of Romanian or Italian companies, especially from the textile industry. In general, they produce for the national market under their own brand; they have a simple organizational structure and a low technological level. The invested capital is reduced and in a large part the work is manual, mostly in the footwear companies. The majority of the entrepreneurs do not have the management abilities required to develop the companies. These companies do not have a stable production plan, but produce on demand; this makes them vulnerable due to production and income fluctuation.

The relocated companies are owned by Italian entrepreneurs who were suppliers or subcontractors in the Italian district. Their main buyer has relocated in Timişoara, and the partners followed him in order to maintain the production network. Romanian privatized companies are subcontractors of Italian multinationals or, in fewer cases, produce under their own brand. The innovation capacity of the companies is relatively low, being limited to the innovation of products through imitation, taking into consideration that almost half of them are subcontractors, and the rest of them, Italian multinationals. The characteristics of Italian companies are at least partially responsible for the limited transfer of knowledge. Two categories of companies are distinguished: relocated companies or branches of medium-sized multinationals that develop a strategy based on the reduction of work force costs, ready to relocate in more favorable economic and social contexts; and large size Italian branches that are interested in making changes and improving the level of work force because they produce high quality products, but they are interested only in exploiting the advantages given by the low cost of work force (Mariotti, Montagnana, 2008).

WEID (2001-2004) considers that there are two types of learning processes in business: internal learning by developing knowledge "step-by-step" and external learning by transferring knowledge into subcontracting relationships. Timişoara has an important potential in developing clusters (INCLUD, 2001-2004) and in transforming the local economy in an innovation-based economy. To this end, the economy in Timişoara has to take three steps: in the first phase of development, foreign direct investments have contributed to the creation of an entrepreneurial culture, although the local economy was not very clearly structured; the second phase marked the strengthening of investments flows, but the capacity to innovate was still premature; in the third phase, the development priority referred less to quantity and more to the quality of the investments (OECD LEED, 2004). It is necessary to cover all these developments phases especially in the context of long and medium term competition with other developed regions from Romania or the European Union. Timişoara has the advantage of being a "West-gate" city, with a high quality urban environment, universities with tradition (The Polytechnic University, the West University), scientific research centers and relatively attractive for foreign investments.

The district effect is felt not only in the productive system, but also in the company service activities, especially in the financial ones. Italian banks localized branches in Timişoara: SanPaolo IMI, Banca Italo-Romena, Unicredito, Banca Intesa, Monte dei Paschi di Siena, Banca Popolare di Vicenza, Banca di Roma. Two causes arise: on one hand, in Romania there is an adverse credit system for SMEs, and cost of credits and the access to capital are mentioned among the main obstacles in doing business in Romania (OECD-BERD, 2003); on the other hand, the Italian cooperative credit system, with a tradition of more than 100 years represents an adequate scheme for financing the SMEs (OECD LEED, 2004) members of the industrial cluster (geographical and cultural proximity between banks and local companies is reflected in the creation of informal networks that reduce risky credits, support mutual development solutions, contribute in creating capital, having joint purposes and problems). The limited access to financing sources is another explanation for the low innovation capacity of the companies belonging to the cluster in Timişoara. Although before 2007 there were different financing programs and schemes available under the EU pre-accession funds, and after 2007 structural funds were available for Romania, the Italian and Romanian entrepreneurs claim that there is a lack of information regarding financing mechanisms and a lack of interest of commercial banks to collaborate more with business associations in order to create a reliable environment between banks and entrepreneurs and to contribute more efficiently in financing SMEs especially in the start-up phase, when they hold little assets. An important Italian community in Timişoara (3087 immigrants were registered between 1994-2008, from which a significant part are Italians) reflects in twin cities agreements between Timişoara and Italian cities (Faenza, 1991; Treviso, 2003; Palermo, 2005) and in the intense air transport relations between Timişoara and eight Italian cities, most of them having six flights per week: Venice, Bologna, Rome, Florence, Verona, Bergamo, Ancora, Bari (Starea economică, socială şi de mediu a Municipiului Timişoara, 2008). Besides a possible deficit in specialized work force, the footwear and textile cluster is confronting with the lack of an institutional framework that promotes inter-company cooperation in order to use the comparative advantages. The studies on emerging clusters have emphasized the fact that although national institutions are relevant, the local and regional political actors are more important. Municipality, the regional development agency and the chamber of commerce and industry play an important part in developing the public-private partnership. WEID (2001-2004) concluded in saying that public institutions should be more present and should improve their services, if the majority of the companies included in the Timişoara cluster did not know what their offer for the business environment was. That is why companies' access to information and diffusion of information was one of the most important aspects of industrial policy, besides the education and specialization of work force. In perspective, companies and institutional actors preferred policies that developed the physical infrastructure, business incubators and professional abilities of the work force. Although in the middle of the 2000s the footwear cluster was already consolidated, its future developments depend on: technology transfer (companies inside the cluster developing vertical relationships by forming partnerships with foreign companies), specialized services for companies (entrepreneurs argue that a business incubator and a business support center are needed in order to raise the performance of local companies), internationalization strategies (cooperation agreements with other clusters in order to extend the joint learning processes).

Why in Timişoara?

All in all, the business environment in Timişoara is successful: the number of SMEs has increased by 80% between 2000 and 2006, and their turnover increased by 160% (Concept strategic de dezvoltare economică şi socială a zonei Timişoara 2000-2007). One of the explanations for this performance refers to an anti-bureaucracy program developed by the municipality at the end of which Timişoara was the first city in Romania to receive the "Timişoara-a 5 star city" certificate, which means that it is a city "open to investments" (idem, p.3). Through local development policy, Timişoara should become a center with high added value, well paid and highly qualified work force, knowledge transfer and intense business relationships. It needs a stable and simplified legislative framework and active dissemination of information regarding programs that support SMEs (OECD LEED, 2004), and not radical interventions from national policies. Moreover, sectoral policies become efficient if they are better prioritized and based on public-private partnerships.

The "successful story" of Timişoara is reflected also in the fact that, as opposed to other major cities in the country, Timişoara registered a positive net migration (57,868 people) between 1990 and 2008, which proves the capacity of demographic attraction and economic polarization of the city (Starea economică, socială şi de mediu a Municipiului Timişoara, 2008). Despite this inflow of population and implicitly work force, the economy of Timişoara was able to create job opportunities in response, so that in 2007, the unemployment rate of 3.5% was the lowest in the country (Concept strategic de dezvoltare economică şi socială a zonei Timişoara, 2000-2007, p. 19). The footwear and textile cluster has a major contribution in balancing the demand and offer on the local labour market: in 2006, the footwear industry was the main employer in Timişoara, with 6,660 employees, followed by the textile and garments industry with 5,850 employees. Moreover, at a national level, although it was after a year of economic crisis, the footwear industry is the only one that registered a production increase of 25% in 2009 compared to the previous year, and to the textile and confection industry that has suffered a downfall (Financiarul, August 5, 2010).

Creating a stable network of producers and generating external economies are the premises for creating organizations and associations to promote local collaboration, the learning process and transfer of technological knowledge. These ensure abilities in areas like strategy, technology, market development that small companies cannot acquire, but that are necessary for important innovations. The Association of Italian enterprises in Romania was created in 2003, at the initiative of the Sistema Italia Romania Foundation. It has 300 members organized in branches in Bucharest, Timişoara, Cluj Napoca, Oradea and Iași and it has the purpose of representing Italian companies in Romania. One of the reasons for Italian entrepreneurs to accede to this professional association is the limited access to information and support services delivered by the local institutions involved in the development of the business environment. For example, the Chamber of Commerce and Industry of Timişoara through the Business Center offers consultancy to members, which are mostly medium or large companies (OECD LEEED, 2004). Small companies, as a large part of the companies from the footwear and textile cluster, do not benefit from access to these services.

From "Marshall's Trinity" to "Triple Helix"

The textile and footwear cluster represents essentially a replication of a traditional Italian district that respects the "Marshall's trinity", formed by labor market pooling, supplier specialization and knowledge spillovers. The cluster has a critical mass of Italian companies that have built themselves a network of Romanian suppliers and subcontractors. The lack of cultural barriers and the open multicultural environment at local level have generated a business environment based on trust with effects on the reduction of diverse uncertainties to which are confronted usually the small companies. In many cases, companies engage into transactions without signing formal contractual agreements; in exchange, they rely on mutual trust and social institutions, like traditional conventions that describe the quality and form of products, rules that regulate financial transactions, socially imposed sanctions against opportunistic behavior. From this point of view, the network of Italian and Romanian companies is based on morality that promotes the reduction of opportunistic behavior and other forms of uncertainty by supporting good reputation and emphasizing the feeling of belonging to a community. The result is a social and economic network that stimulates competition but also social accountability. Knowledge transfer is reflected on one hand in the formation of the value chain, and on the other, in the creation of new companies by entrepreneurial spin-off. The presence of Italian companies is a development opportunity, allowing local companies to have advantages from the transfer of abilities and technology. Nonetheless, this opportunity appears not to be put forward enough, by lack of a policy to support the development of a network of local companies in order to obtain a better technological and market autonomy and to create downstream and upstream connections within the production chain (Constantin *et al.*, 2006). The cluster is confronting with a few obstacles that impede companies from forming innovative systems or function efficiently.

Firstly, the objectives are fragmented at the level of individual companies and do not appear to belong to the cluster objectives in their whole. The majority of the Italian companies exploit the conjunctural advantages related to the cost of work force, which reduces the pressure for innovation and investments upon companies. According to the logics of "Porter's diamond", the footwear and textile cluster has the availability of resources and the access to information as strong points and the strategies of companies and the pressure to innovate and invest as weak points. The insertion of Italian companies in the local network is limited, their objectives being mostly different from the local and regional development objectives.

Secondly, the cluster is confronting an organizational "poverty" which results from not having enough knowledge infrastructure to stimulate joint learning. The constitutive companies have a reduced ability to build organizations relevant for innovation stimulation because of spread decision-taking power, insufficient financial resources and lack of cluster development objectives. Industrial specialization and spatial proximity create a potential of interaction that leads to dense local relationships, but does not necessary lead to an innovative regional system. Recent studies have identified in the West Region eight potential clusters: car parts, technology of information and communication, constructions and materials, publishing and editing, tourism, agro-alimentary, car and textile production. Among these, only two of them, the car parts and the IT&C clusters met the criteria concerning cooperation relationships and supplying innovative services (Guth, Coșniță, 2010). According to this cluster mapping exercise, the footwear cluster seemed to lack visibility and the textile cluster was invalidated when applying the cooperation and innovation criteria.

The evolution towards the "Triple Helix" model imposes the elimination of anti-innovation barriers generated by organizational poverty, a certain kind of fragmentation (decisional and concerning objectives) and institutional, cultural and social "lock-in" of the business environment. The Italian companies come from clusters with different characteristics: for example, the cluster from Verona (relocated in Timişoara) produce traditional footwear by using "low-tech" machines and equipments. Process and product innovations are more frequent, and the most popular knowledge source is "learning by doing", by drawing knowledge from suppliers, clients and other companies. In opposition to this, the companies from Montebelluna are specialized in ski and sports footwear which rely mostly on process, product and infrastructure innovations. Most of the companies have research-development departments that produce a few hundred patents every year. The high innovative level of the production was in fact the main factor in the development of companies inside the cluster and attracting foreign investments. Companies from both clusters also have a common characteristic: they have developed and grown without a relevant support from local or regional institutions. Most of the entrepreneurs and institutions do not think that they share many joint interests. In the case of the two clusters, there are few institutions to play a direct part in supporting the creation and diffusion of knowledge (WEID, 2005). Italian companies have the same approach towards local and regional institutions of Timişoara.

Conclusions

This study has explored the different dimensions of industrial cluster as a result of the internationalization of production and how it can be understood through the analytical lenses of vision, cooperation and regional development policy. The shoe-makers and textile producers in Timişoara, both Romanian and Italian, although they retain their influence on the local economy, they do not share the same vision. In order to trigger growth, the firms of the cluster have to create a vision based on a common purpose and joined efforts and, in our particular case, a shift to a higher level of organization is needed. But, apart from the relations of production, the companies seem to have divergent objectives. According to this, they can be classified in three categories. Medium-sized Italian firms following an investment strategy based on labor cost reduction are ready to relocate if wages in Timişoara will increase, therefore they are not interested in change and in sharing a vision. Small-sized Romanian firms following a survival strategy are not particularly empowered with change-inducing capacity (they are rooted in the area and produce for the local market but have low level human resources and lack innovative power).

The only category of firms able to produce change are the big Italian and Romanian companies, MNEs branches or former state-owned enterprises, supplying the international markets with high quality products. They promote professional skills and technological innovation, but are poorly embedded in the territory, either because they exploit lower labor cost or take advantage of the international trade opportunities. One of the consequences is that each company promotes its own vision rather than share a common vision of the cluster. The companies do not show any interest in constructing an identity and creating a sense of belonging to the same business community. Furthermore, they cooperate and form business networks but they do not involve in social processes and networks. They are weakly related to the educational and research-development infrastructure and the technological knowledge they have does not nourish the local economy. The innovative and knowledge management capacity at company level is at its lowest. Under these circumstances, Italian scholars raised this question on several occasions: is this a cluster or a concentration of firms based on geographical proximity? The answer is that despite its already long existence, the cluster is still potential (or emergent) and to become a fully-operational one it should enhance the local entrepreneurship supporting training for knowledge diffusion and spillovers and creating spin-off of new firms specialized in more value-added productive stages.

Apart from the divergent objectives of the companies, another reason explaining the lack of vision is that the cluster does not have a leadership. Although it has a critical mass of about 350-400 Italian companies and a consistent network of Romanian suppliers and customers, promoting leadership is not an easy task to do. The business organization of Italian entrepreneurs could be a substitute but was not able to play this role up to now. In the same time, the lack of vision generates the lack of visibility, the absence of a self-image of the cluster is projected at the level of local and regional authorities. Traditionally, the Italian entrepreneurs do not value the cooperation with local government. Consequently, they brought this practice from their district of origin to that of adoption. On the contrary, local authorities in Timişoara acknowledge the role of footwear and textile sectors as the most important job-generating industries for the local economy. The local authorities act as powerful catalysts to encourage inter-firm relations and joint projects and to monitor information flows and the construction of the mutual trust and to support the organization of business networks. This seems to be a lesson-learned by local authorities and would be a valuable help for the further development of the shoe and textile cluster in Timişoara.

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