



AN INQUIRY INTO THE TRANSFORMATION PROCESS OF VILLAGE-BASED INDUSTRIAL CLUSTERS: THE CASE OF AN IRON AND STEEL CLUSTER IN NORTHERN VIETNAM

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This paper investigates the determinants of the transformation of village-based industrial clusters, taking an iron and steel cluster in Dahoi village in northern Vietnam as an example. The empirical analyses based on data collected from a survey of 204 enterprises that produce various iron and steel products show that the proprietor's human capital acquired through formal education and experiences in marketing and management and social capital measured by family ties with blood siblings play an important role in the transformation process of the cluster.

Using the Heckman-two step estimation method to estimate the determinants of the innovations in products, production organization, and marketing channels and the performance of the enterprises, the paper finds that:

- 1) The proprietor's formal education is important to produce more modern and higher-quality products, to increase the direct transactions with the outside traders, to improve the management of labor, and to achieve better performance.
- 2) The proprietor's experience in marketing contributes to the increase in the product quality, the direct transactions with the outside traders, and the operation size of the enterprise while his experience in management is essential to improve the management of labor and the productivity of the enterprise.
- 3) The proprietor's parents and parents-in-law influence his decision on the production of more modern products while his blood siblings play an important role in the multifaceted innovations and the improvement in the performance of the enterprise.