A socio-political approach to exploring the innovation culture in post-socialist countries: the case of Croatia

Jadranka Švarc
Ivo Pilar Institute of Social Sciences, Croatia

ABSTRACT
Innovation culture and the social determinants of national innovation capacities have rarely been empirically researched in innovation-weak post-socialist countries despite the fact that innovation is considered one of the main drivers of their economic growth and convergence. Applying an alternative approach to identifying the factors that shape a national innovation culture is challenging as there has been little empirical research in the area. Moreover, the global cross-cultural concepts of national innovation culture hold little relevance for post-socialist countries. The trans-disciplinary socio-political approach employed in this article relies on the qualitative analysis of the dominant concepts used in political economy and sociology to identify the socio-cultural and political aspects of Croatia’s post-socialist transformation into a capitalist country. This is presented as one of the critical formative determinants of innovation culture. Croatia is chosen as a typical innovation-weak post-socialist country, where innovation remains weak. The analysis presented here suggests that transition-induced factors dominated by ‘crony variance of capitalism’ have an equal, if not a greater, suppressive impact on the current innovation culture than standard explanations based on the socio-cultural heritage of socialism and cultural inertia.

1. Introduction
The majority of the post-socialist countries of central and eastern Europe, such as Romania, Bulgaria and the six countries of the former Yugoslavia, collectively also known as the Western Balkans (Bosnia and Herzegovina, Croatia, FyR Macedonia, Kosovo, Montenegro and Serbia), lag significantly behind the rest of Europe in terms of scientific and technological performance (Krammer, 2009; Radošević, 2004), institutional reforms (Sanfey & Zeh, 2012), global competitiveness (WEF, 2013) and overall economic growth. Despite the efforts invested in developing their national innovation systems (Švarc, 2014), it seems that the transition to capitalism has so far been associated with a reduction rather than an improvement in their innovative capabilities (Högsetius, 2003; Radošević, 2014). The sluggish process of catching up with ‘Western’, more developed European countries has convinced many
scholars that post-socialist countries should bear responsibility for failing to embrace the ways of Western-like innovative economies (cf. Noëmi & Stubbs, 2015, p. 448). Efficient market and innovation systems were expected to emerge as a more or less automatic response to appropriate institutional reforms, which usually included the ‘holy trinity’ recommended by the so-called ‘Washington Consensus’: macroeconomic stabilisation, liberalisation and privatisation (Högselius, 2003). However, innovation surveys conducted in these countries still reveal low technological capabilities of companies, a dearth of industrial R&D, low business demand for innovation and inappropriate science-push innovation polices (Radošević, 2014).

Many researchers implicitly presume that post-socialist countries suffer from these deficits in their innovation cultures due to the socio-cultural values and norms that were inherited from the socialist period, and which appear impervious to innovation and resistant to change (Burawoy, 1996; Högselius, 2003; Kornai, 2008, p. 86; 2010; Krammer, 2009). What distinguishes capitalism from state socialism is the former’s tendency to innovate and an institutional environment that fosters risk-taking, that establishes trust, guarantees contracts and promotes confidence in the future (Burawoy, 2002, p. 1107).

However, the socio-cultural factors that hamper the emergence of an effective innovation culture have not been studied in sufficient depth, either on a theoretical or empirical level. This is for several reasons. To begin with, mainstream Western scholars tend to abstain from such investigations as they have difficulty in understanding the functioning of political and institutional environments in post-socialist countries (Verdery, 1996). Furthermore, there is a strong link between a country’s level of innovation development and rate of cultural change (Freeman, 2002), which means that the indicators of innovation capacities for developed countries (for instance patents) cannot be considered as appropriate measures for less developed countries. This automatically excludes the latter from cross-country explorations of cultural determinants of innovation capacities (Efrat, 2014).

Using an alternative and indirect approach to identify the factors that shape national innovation culture in post-socialist countries is difficult as there has been little straightforward empirical research in the area. The socio-political trans-disciplinary approach employed in this article combines qualitative analyses of research in the fields of political economy and sociology to explore the nature of socio-cultural and political transition to capitalism in Croatia. Special attention is paid to how these scholarly concepts can be used to understand the weak entrepreneurial capital and corresponding suppression of innovation in Croatia. This is important because Croatia is in many ways a typical post-socialist country with weak innovation and entrepreneurship capacities and a slow rate of economic growth (European Commission, 2015). Indeed, it has diverged rather than converged with other EU members on a number of measures after gaining independence in 1991, which suggests that some systemic yet subtle socio-cultural and political factors inhibit Croatia’s potential for innovation.

This article is organised as follows. Section 2 of the article outlines the main theoretical approaches to studying innovation culture in post-socialist countries, and explains the alternative approach employed in this article. Section 3 examines the dominant socio-political and cultural phenomena that have shaped the transition to capitalism in Croatia, and which are generally considered to be the primary formative factors of Croatia’s weak innovation and entrepreneurship culture. A final section concludes.
2. Theoretical background

2.1. Socio-cultural aspects of innovation in post-socialist countries

The fundamental idea underpinning research on national innovation systems (NIS) suggests that economic growth and technological catch-up do not result from a spontaneous process, led only by market forces (Freeman, 2002), but rather from a process constructed within a specific socio-economic environment which arises from interaction between organisations and institutions (Edquist, 2001). The social and cultural embeddedness of innovation plays an ambiguous role in post-socialist transition countries of Central and Eastern Europe. On the one hand, the post-socialist countries were in the position to introduce deliberate socio-cultural and institutional changes in order to manage innovation and accelerate growth. On the other hand, they were blamed for social inertia, inherited social defects and bad social habits: corruption, cheating or dishonesty. These inherited cultural habits produced, as commonly perceived, a weak social capital, which is averse to catching up with better performing economic models. For example, the authors of the so-called ‘Berlin experiment’ (Ariely, Garcia-Rada, Hornuf, & Mann, 2015) found that the political regime of socialism had a lasting impact on citizens’ basic morality and concluded that ‘the longer individuals were exposed to socialism, the more likely they were to cheat on [the] task’. They also drew on the studies of other scholars who found that people exposed to socialism (such as East Germans) expressed less solidarity and social trust but tolerated cheating on tax.

Despite the anecdotal nature of the evidence, some scholars tend to ascribe the difficulties of the overall post-socialist transformation primarily to insufficient or negative social capital. Thus they promote the idea that social capital, comprising trust, civic norms and cooperation, would be crucial for the economic development and modernisation of the ex-socialist countries. The disintegration of Yugoslavia, for instance, has been attributed to the lack of bridging (inclusive) and the surplus of bonding (exclusive) forms of social capital (Nielsen, 2003, p. 45), as well as to the instability of trust and civic norms (Knack & Keefer, 1997, p. 1267).

A few economists argued that the innovation capacities of post-socialist countries were systemic in nature, embedded not only in inherited technological trajectories which lacked research-based innovation, but also in the organisational forms and institutional structures of socialist-type economies and innovation systems, such as central planning or the deliberate separation of research from the production sector (Pavitt, 1997). Although Pavitt paid more attention to technological change than to institutions (North, 1990) and social capital (Putnam, 1993), this broader institutional view brought socio-cultural values into the focus of scholars who were interested in how social and institutional change can influence innovation dynamics and systems. The growing recognition of the concept of ‘social capability’ for institutional change (Abramovitz, 1986) and its impact on technological diffusion and catching-up (Verspagen, 1999) promoted the idea that post-socialist countries should build up their social capability for economic catch-up (Dyker & Radošević, 2001).

Escaping the low development trap, however, may be problematic as the concept of social capability is diffuse and elusive. ‘No one knows just what it means or how to measure it’ states Abramovitz (1986, p. 388). Generally speaking, social capability embraces the qualities of people and organisations that influence the responses of people to economic opportunity, but which originate in social and political institutions such as the rule of law or technological and management competences. These features arise from formal institutions but develop through numerous feedback loops with informal institutions. Although the
latter are shaped by the values and norms embedded in the national or organisational culture, the concept of NIS is focused on the structures and ways in which formal institutions drive knowledge production and application. Culture is thus regularly ignored when considering national innovation capacities (Furman, Porter, & Stern, 2002).

The lack of empirical evidence is further aggravated by the implicit presumption that post-socialist countries suffer from deficits in their innovation cultures, which may be considered as a deviation from the ‘best practices’ of successful Western economies (Kornai, 2008, p. 86; Lažnjak, 2011). The backwardness of the ‘East’ and other deviations are mostly ascribed to the totalitarian dictatorship of socialism (Kornai, 2006, 2010), its destructive political tendencies and mistrust of public institutions (Epstein & Jacoby, 2014), the combination of which eliminated competition and entrepreneurship from the centralised, bureaucratically managed civilian economy. The deficit in social capital and innovation culture is usually considered a consequence of innovation-averse traditional values of socialism, such as statism, egalitarianism, collectivism, low trust in institutions, state paternalism and opportunism (Lažnjak, 2011). It is commonly accepted that cultural inertia and path-dependent processes supported these bad habits and values during the ‘great transformation’ (Kornai, 2006) in the post-socialist period. Although these forces negatively affected innovation culture, they were at the time mostly marginalised and overlooked by researchers.

2.2. What is national innovation culture and does it matter for post-socialist countries?

A number of scholars ‘refer to innovative culture as a source of competitive advantage based on knowledge and creativity’ (Sánchez-Cañizares, Ángel Ayuso Muñoz, & López-Guzmán, 2007, p. 427). Culture operates as a source of authority, responsibility and aspiration, which influences the course of technological advancement and may either foster or inhibit technological development (Herbig & Dunphy, 1998). There are many definitions of innovation culture, but it essentially implies norms, values and attitudes toward innovation, technology, entrepreneurial activities, business uncertainty and other categories which shape human behaviour related to innovation (Didero, Gareis, Marques, & Ratzke, 2008; Herbig & Dunphy, 1998, p. 17; Hofstede, 2001).

In sociological research, culture refers to deeper and more enduring values and beliefs which can be traced back to social anthropology and psychological interplay between values, beliefs and behaviour. It is established through socialisation and convergence of a variety of identity groups (Fischer & Poortinga, 2012). This gives culture a great stability and resistance to change, and points to innovation culture as a critical path-dependent factor which prevents the socio-cultural adaptation needed for fostering innovation within continuously evolving socio-economic circumstances.

Innovation culture is usually studied on two levels: the micro level of companies, where it is equated with organisational, business or corporate culture or climate; and the macro level of national or country cultures. In contrast to the large number of concepts and empirical investigations of organisational culture and climate as a primary determinant of company performance and innovation (Cameron & Quinn, 2006), there are only a few conceptual models of national culture which are used for the empirical exploration of cross-cultural differences and direct or indirect relationship between innovation culture and innovation dynamics. The most widespread are the models developed by Hofstede (2001), Schwartz
According to global cross-cultural models, Croatia developed or inherited a number of dimensions of national culture which are not supportive to innovation. Hofstede's influential model of cross-cultural differences outlines six dimensions of national culture (Hofstede, 2011). High scores on certain cultural dimensions and low scores on others are commonly (although not consensually) perceived as indicators of a nation's propensity to innovate. According to Hofstede's data on Croatia (Hofstede, 2017), high scores on ‘Power Distance’ (tolerance to hierarchical, centralised and rigid structures) and ‘Uncertainty Avoidance’ (resistance to changes and new ideas) coincide with low scores on ‘Masculinity’ (the opposite of assertiveness and competitiveness), ‘Individualism’ (a tendency towards protectionism and collectivism) and ‘Indulgence’ (preferences for strict social norms). In other words, Croatian society is highly authoritarian, risk-averse, collectivist and restrained. Its long-term orientation (pragmatism, thrift, perseverance and preparing for the future) is the only characteristic which encourages creativity and innovation.

According to Schwartz’s (2014) three bipolar dimensions of culture, Croatian culture tends to emphasise ‘Mastery’ (ambition, success), ‘Affective Autonomy’ (indulgence and pleasure) and ‘Hierarchy’ (authority). The combination of Mastery and Hierarchy supports the belief that an unequal distribution of resources is legitimate. Moreover, as a result of the preference for Affective Autonomy, self-assertion is welcomed and encouraged (Schwartz, 2014, p. 553). In the absence of deep and complex analysis, however, it is difficult to determine the extent to which these cultural preferences support innovation in the Croatian society. The seven-dimensional cultural model of Trompenaars & Hampden-Turner (2000) also does not provide a conclusive answer. Podrug, Filipović, & Hokman (2012) found that the Croatian national culture has a tendency to values such as ‘Collectivism’, ‘Universalism’ (respect for rules), ‘Orientation to Achievement’ and ‘Future and Internal Orientation’ (individual responsibility for success), but their impact on innovation capabilities requires further elaboration.

Besides, there is no consensus on what constitute the dimensions of pro-innovative cultures (Dabić, Tipurić, & Podrug, 2015). This makes the interpretation of pro-innovation cultural dimensions highly contextual and contingent. The same dimensions can either foster or inhibit innovations in different cultures. However, the relevance of these cross-cultural comparisons is most dubious when it comes to post-socialist countries. What can these cross-cultural concepts tell us about the innovation culture in post-socialist countries? Can they explain the social determinants of low innovativeness such as high corruption, inclination to state paternalism or a lack of entrepreneurial spirit? Cross-cultural comparisons do not take into account the specific features of transition to capitalism in European post-socialist countries. As a result, they can hardly capture the specific socio-cultural and political factors that shape the post-socialist reality and influence the development of innovation culture. How could the ensuing recommendations help to change the innovation-adverse cultural dimension, stimulate pro-innovation behaviour of people and firms and promote innovation culture?

3. Innovation culture in Croatia: a socio-political approach

We propose that the social determinants of Croatia's national innovation culture might be identified from a review of the existing literature derived from several disciplines. First, studies
in political economy that focus on crony capitalism that is often embedded in predatory privatisation and widespread corruption. Second, sociologists have described the genesis of the disappointing and morally dubious process of transition towards a market economy. Their analyses include the concept of ‘situational reaction’, the aberrant socio-political processes related mainly to criminal privatisation. Moreover, sociologists write about path-dependent processes which rely on cultural inertia, that is, inherited socio-cultural values or the ‘egalitarian syndrome’, lack of socio-cultural capital and the concept of semi-modernism. Although the observed phenomena are closely related, mutually determined and partially overlapping, an effort is made to present them in a more systemic way, to distinguish between path-dependent and transition-induced factors as well as to determine their relationship to innovation culture (Figure 1).

3.1. Political economy: the Croatian road to capitalism

The interest in studying socio-cultural factors as determinants of social capital and socio-economic development was initiated by the slow and disappointing pace of economic growth and the accompanying dissatisfaction with the process of transition towards a market economy after the collapse of socialism and establishment of the independent state in 1991. The interest was later renewed as a result of the prolonged economic recession that has persisted to the present day as a result of the deep structural deficiencies within the Croatian economy.

Political economists have used a wide range of terms to describe the specificities of the Croatian path to capitalism. Many specific forms of ‘political’ or ‘national’ capitalism were identified: peripheral capitalism (Rogić, 1998), tycoon capitalism (Franičević, 2010), wild capitalism (Županov, 2001), predatory capitalism (Kregar, 1999), un-democratic capitalism (Ivanković & Šonje, 2011) and crony capitalism (Franičević & Bićanić, 2007; Cvijanović & Redžepagić, 2011). These phenomena were generally perceived to have led to social and political regression rather than to progress.

The dominant theses in the field of political economy were formulated by Bićanić & Franičević (2003) and Franičević (1999). They perceived the Croatian variety of capitalism as ‘crony capitalism’, a term which is used to describe a capitalist economy based on cronyism,
clientelism and populism. It appeared as a systemic and endemic phenomenon (Franičević & Bićanić, 2007), embedded in the specific forms of instrumentalisation of the state for particular interests of privileged social groups. It eroded the ‘moral economy’ and derogated the values of social fairness, justice, honesty and merit (Franičević, 2010). Moreover, crony capitalism failed to ensure sustainable economic growth, real democracy, and full respect for the rule of law and civil rights, which are fundamental prerequisites for innovation-based competition. Crony capitalism has created a high degree of social, political and economic uncertainty and a business climate adverse to risk-taking, innovative behaviour and creativity.

These phenomena inherent to crony capitalism are increasingly recognised in the advanced economies since the global financial crisis of 2008–2009 (Lewis, 2013). Nevertheless, capitalism in many European post-socialist countries had similar characteristics (Farkas, 2011; Lane & Myant, 2007) which are recognised as distinctive from the standard varieties of liberal and coordinated capitalism (Hall & Soskice, 2001). Depending on the perceived main features they were labelled differently. Labels include: ‘variety plus capitalism’ (Matyas Kovacs, 2008), ‘oligarchic/clientelistic capitalism’ (Drahokoupil & Myant, 2015), ‘dependent market capitalism’ (Nölke & Vliegenthart, 2009), ‘cocktail capitalism’ (Cernat, 2006) and so on.

Crony capitalism practised in Croatia implies a non-market relationship between actors (companions) chosen on the basis of close family ties, ethnic origin or socio-economic connections between political and management elites. The actors are bound by a common interest or nepotism, and the connection provides companions with benefits that cannot be achieved through market and innovative ventures.

According to Croatian scholars, two processes crucially contributed to the rise of crony capitalism. First, the tycoon or predatory privatisation (Kregar, 1999) laid the foundations of the new nation-wide ownership structure based on quasi-rents (Cvijanović & Redžepagić, 2011; Franičević, 1999; Štulhofer, 2000; Županov, 2001). Second, political corruption destroyed social trust, confidence in public institutions and business partners, and placed a considerable burden on entrepreneurial spirit and economic development (Budak, 2006; Budak & Rajh, 2014; Franičević, 2010; Kregar, Sekulić, & Šporer, 2010).

Companies were privatised according to the ‘empty shell model’ (Županov, 2001), which term means that the company’s substance is sucked out by tycoons and corrupt managers for their own profit. Privatisation regularly ended in the devastation of company assets, turning the company into an empty shell. Possible losses were regularly remedied by the state or the society as a whole. The political capitalism hidden behind this privatisation allowed a new class of businessmen, so-called ‘rent-seekers’, to profit from legal robbery under the protection of the state (Franičević, 2010). Croatia experienced an estimated illicit outflow of $15 billion during 2003–2012 as a result of crime, corruption and tax evasion (GFI, 2014, p. 30). The corrupted and criminal businesses crossed national boundaries, spreading to other Balkan countries, and involved a number of ‘Western’ banks in money laundering activities and money ‘re-allocation’ for tycoon privatisation (Schneider, 2011). Consequently, the new businessmen were not interested in innovation, technology accumulation and industrial development. They have not only appropriated socially-accumulated property but also blocked the reforms in order to preserve their privileged position. The tycoon empire collapsed in the 2000s, and its social and economic consequences have exerted a devastating impact on the economy to the present day. As a result, Croatia is presently struggling with unemployment, a dearth of opportunities for the youth population, huge economic emigration and stagnant economic growth.
The perception of corruption in Croatia is very high and appears as one of the essential factors that hinder innovation culture (CEPOR, 2015, p. 42). It helps legitimate lawlessness and generates social uncertainty, disorganisation and anomie, all of which strongly undermine the development of innovation culture and entrepreneurship. According to the latest global research of corruption in large companies (EY, 2015), Croatia is topping the list of 39 countries with 92% of respondents expressing the view that corrupt/bribery practice is widespread in the country. By contrast, the average perception of corruption across all countries reaches the level of 52%.

Corruption is usually defined as an abuse of public power or authority for private benefit (Rodriguez, Siegel, Hillman, & Eden, 2006) or, more broadly, as the moral decay of society (Sajó, 2003). Both definitions represent rather a simplistic view of the political corruption characteristic for new democracies, such as Croatia and other Western Balkan countries (Budak & Rajh, 2014). In contrast to bureaucratic corruption, which is usually limited to individual bribery, political or grand corruption has the systemic effect on all socio-economic structures and thus becomes a 'structural (constitutive) phenomenon of society’ (Sajó, 2003, p. 171). In post-socialist countries, political corruption is embedded in clientelistic structures established in the transition period. The corruptive mechanism is used to maintain social and economic power irrespective of a post-socialist country’s history, level of economic development and geographic location (Sajó, 2003, pp. 171 and 183). Corruption has many negative impacts on entrepreneurship and innovation by its focus on corruption rent instead of production, the derogation of the judicial system, nepotism and weak governance (Budak, 2006).

Although the origin of such socio-economic deviations is as a rule attributed to the socio-cultural heritage of socialism, the above analysis of the works of Croatian scholars suggests that crony capitalism is primarily a result of the transition to capitalism itself, and that the legacy of socialism and cultural inertia plays a secondary role. In Croatia and other post-socialist countries, capitalism did not emerge from a spontaneous process which involved a natural evolution of institutions, but is instead a result of a revolution from above, a social engineering project run by global elites according to the Washington Consensus. The top-down construction of socio-economic changes with no opportunity to adapt the orthodox principles to local cultural patterns (Štulhofer, 1998, p. 198) resulted in a mere simulation of a Western type of capitalism (Matyas Kovacs, 2008), in a transition without transformation or ‘involutionary degeneration’ (Burawoy, 2002). Radical free-market advisors prescribed the so-called shock therapy reform package and expected an irreversible shift to a market-based economy. The transition policy thus consisted of a simultaneous implementation of rapid economic liberalisation, stabilisation and mass privatisation of state-owned enterprises. For example, 80% of businesses in Croatia changed their owners in a short period of time. In many countries, shock therapy as an instrument of restructuring in the industrial research sector as a part of a broader innovation system led to its weakening (Radošević, 1996), while in Croatia the sector collapsed (Švarc, 2006). Designed in this manner, the transition was a period in which all structures and institutions collapsed, including the technological and innovative competences and company ownership built in the 45 years of socialism. In line with the required neoliberal doctrine, the new institutions were essentially built up in a legal, institutional, economic and normative vacuum caused by the collapse of economic and political institutions of the socialist regime and its ideology (Štulhofer, 2000). In essence, crony capitalism had no regard for the legacies from the past while it followed
a particular pattern of the ‘first capital accumulation’. It appeared to be a ‘once-in-a-lifetime opportunity,’ largely free from any kind of ideology (Štulhofer, 2000, p. 153), driven by political and economic voluntarism and ignorance, and fuelled by the opportunity to liquidate political opponents.

3.2. Sociology: socio-cultural studies of transition and cultural inertia

The deficit of socio-cultural capital is considered as one of the fundamental problems of post-socialist transformation and modernisation (Rimac & Štulhofer, 2004; Štulhofer, 2000; Županov, 1995, 2002). It encompasses both the ‘situational reaction’ deficit and ‘cultural inertia’. The former explains the origin of new socio-cultural values that resist modernisation while the latter refers to path-dependent values, norms and socio-cultural capital related to the persistence of institutions inherited from socialism, albeit in distorted form.

The situational reactional model developed by Štulhofer (2000, pp. 149–177) predicts that the perception of and reaction to the current negative economic, political and social aspects of major social changes will establish the dominant value orientation as an obstacle to modernisation. In the case of Croatia, such negative situational reactions arise from the negative public image of privatisation as an abuse of political power and an excess of clientelism (Štulhofer, 2000). Both breed widespread cynicism, opportunism and tendencies towards corruption, which in turn suppress entrepreneurship, creativity and innovativeness, and thwart the capacity of the society for change. There is a real danger, Štulhofer (2000, p. 93) concludes, that economic crime and other social deviations will not be morally condemned but ‘copied’ as successful strategies.

The models of cultural inertia include two path-dependent concepts developed by the Croatian sociologist Županov. The concepts explain the socio-cultural determinants of slow economic progress and distorted implementation of market economy in the Croatian variety of (clientelistic) capitalism. The first is the ‘egalitarian syndrome’, an original and widely popular term which explains how socialist cultural legacy hinders social change towards modern capitalism. The second is the theory of semi-modernism, less known but highly illuminating when it comes to understanding the character of the Croatian society in the first decade of transition and its far-reaching consequences for future socio-economic development.

Županov considered the egalitarian syndrome as a battery of collective attitudes towards distribution processes in a society. The processes include eight components: the perspective of limited resources, a redistributive ethic, the norm of egalitarian salaries, an anti-entrepreneurial attitude, ‘the obsession with private businessmen’, intellectual regimentation (levelling), anti-professionalism and anti-intellectualism. Since egalitarianism was proven to be dysfunctional in an industrial society, it is plausible to assert that it is also dysfunctional for innovation and technological progress.

Štulhofer (2000, p. 107) proposed that the egalitarian syndrome comprises three complex factors: economic traditionalism (risk avoidance and aversion to competition), economic collectivism (a preference for redistribution instead of the creation of resources) and state paternalism (reducing business risk by delegating own responsibility to the state and seeking government protection). They represent a socio-cultural legacy of the socialist regime and contribute to the lack of Croatia’s socio-cultural capital in the 1990s, as demonstrated by the low levels of civicness and inclination to opportunism and state paternalism. In our opinion, these factors contribute to the lack of innovation culture as well. The specific norms adopted
in socialism – collectivism, egalitarianism, distribution and preference for state paternalism – constitute the cultural matrix and socio-cultural capital that resists the development of innovation culture as it essentially rests on the opposite premises: individualism, cooperation, competition, self-initiative and responsibility.

Finally, the concept of semi-modernism is coined to describe the mixture of modern and traditional elements of the Croatian society which shape the general mindset, policy strategies and day-to-day governance during the transition period. Semi-modernism in Croatian society arose through the domination of the so-called ‘deindustrializing political elite’. It refers to four mutually interconnected socio-economic processes that frame the socio-political context and dominant values and norms of the transition process in Croatia. The first of these processes is re-traditionalisation, which was believed to have disappeared during the industrialisation and urbanisation processes after the Second World War. However, it has re-emerged as a process of strengthening of religiosity and ‘moral and social renewal’. National euphoria was one of the reinstated nineteenth-century ethical values. It appears as a new normative integration that enables political authoritarianism and crony capitalism. The second is the already described process of privatisation by the ‘empty shell model’. The third process is de-scientisation, which describes the marginalisation of science by both the political and business elites, creating a climate of anti-intellectualism and anti-academism with plausibly negative implications for innovation culture. Finally, there is the inherited ‘balkanised’ irrational administration. Instead of establishing an efficient development framework, the frequent rotation of political parties resulted in a multitude of irrational internal re-organisations.

The specific socio-cultural and political heritage of socialism (the egalitarian syndrome and semi-modernism) as well as the situational reaction to the negative phenomena of transition (among others, abuse of privatisation) resulted in a chronic economic, political and social backwardness. A low propensity to innovative and a weak innovation culture are just other outcomes of this situation.

### 3.3. Implications for innovation and entrepreneurship culture

The attitudes towards entrepreneurship and the level of entrepreneurship activities as measured by the rate of newly established firms are considered to be one aspect of national innovation culture (Didero et al., 2008). It was expected that, after the collapse of socialism, the massive and inefficient industrial companies (‘socialist mastodons’) would be replaced by flourishing entrepreneurial activity and efficient small businesses. However, the low number of new business ventures (TEA³ index in 2013 = 8.27) (CEPOR, 2015, p. 18) and fast growing companies, the domination of necessity- rather than opportunity-motivated entrepreneurship and low innovation capacities of companies (Singer, Šarlija, Pfeifer, & Oberman Peterka, 2012, p. 12) suggest that this never occurred (Cvijanović & Redžepagić, 2011).

Although entrepreneurial activity has increased enormously due to the demise of socialism (Thurik, Stam, & Audretsch, 2013), entrepreneurial capital (Audretsch, 2009, p. 252) in Croatia remains rather weak (Franičević & Bičanić, 2007; Čengić, 2014). The lack of entrepreneurial capital mainly derives from the still low social acceptance of entrepreneurial behaviour and the low image of entrepreneurship in the society (Singer et al., 2012, p. 88; Zrinščak, 2001, p. 230), sometimes derogated to ‘proprietorship’ (Čengić, 2014). This is mostly the result of the fact that privatisation of companies during transition is still perceived as an abuse of political power (Štulhofer, 2000) and a legal form of robbery (Horvat, 2010, p. 50).
A recent analysis (EIZ, 2014) shows that citizens prefer employee status to taking risk and running their own business. It could be interpreted as a lack of ambition, but also as a ‘situational reaction’ to socio-economic uncertainty, a high rate of unemployment and a discouraging business environment. Both broad cross-country comparisons (for instance, GEDI, GCI, GEM) and nation-specific analyses identify a long list of constraints to entrepreneurship and innovation in Croatia such as the lack of financial resources, red tape, an inefficient judiciary and weak education in the field of entrepreneurship (CEPOR, 2015, p. 40). The failure of business environment reform is still embedded in informal constraints in a post-socialist socio-economic system and confirms the persistence of personal ties and interests over organisational forms and norms (Šimić Banović, 2015). Moreover, almost all international and national analyses emphasise the fact that corruption and organised crime remain a significant problem even after Croatia joined the EU (Vachudova, 2014).

The impact of crony capitalism rooted in tycoon privatisation, rent-seeking companies, political clientelism and corruption on innovation culture is rather straightforward: if business success, profit and individual welfare are gained through clientelism, the very foundations of innovation and pro-innovative behaviour will be shaken. The liberal market ideas of equal opportunity through free market competition, innovation, creativity, entrepreneurship and own achievement are suppressed by the negative social capital in the form of clientelistic bonds and corruption. A recent survey (EIZ, 2014) indicates that over 40% of the respondents believe that hard work is not crucial for business success while 30% think the same for education. The survey confirms our assumption that Croatian citizens might perceive other factors, such as clientelistic bonds, as more important for success than work and knowledge. As a result, the rate of entrepreneurship in Croatia is too low, especially when it comes to innovation-driven entrepreneurship, which is risky and not prone to corruption.

Crony capitalism has had a disastrous impact on innovation dynamism and pro-innovation culture as speculative (often criminal) entrepreneurship crowded them out. In such a socio-economic environment, innovation has lost its plausibility, social value and economic legitimation. Croatia’s innovation culture is, therefore, best described as a ‘suppressed’ innovation culture. It has been replaced by more lucrative and efficient methods of business success.

Furthermore, the suppressed innovation culture is a situational reaction to the criminal privatisation which started in the 1990s. Even if the high levels of opportunism, tolerance and acceptance of unlawfulness declined after the 2000s, these transition-induced factors exerted a strong, negative, formative impact on Croatia’s socio-cultural capital and thus suppressed its innovation culture. The effects are felt to the present day.

The widespread avoidance of social norms during more than 20 years of exercising the Croatian variety of capitalism resulted in the lowest level of trust in the national institutions (parliament, judiciary, public administration) in respect of other European countries, which is disastrous not only for a good political climate but also for business performance (Nikodem & Črpić, 2014, p. 303) and social welfare (Stubbs & Zrinščak, 2015).

Finally, egalitarian syndrome and semi-modernism (see Section 3.2) can also be considered as important negative formative factors of Croatia’s innovation culture. They can be seen as a legacy of socialism perpetuated by cultural inertia and path dependency. The anti-entrepreneurial attitude, intellectual flattening, anti-professionalism, anti-intellectualism and tendency to state paternalism, to mention only a few, shape values and norms inimical to innovation, such as state paternalism, economic traditionalism and collectivism.
4. Conclusion

This article has assessed the dominant socio-cultural and political factors that shape innovation culture in post-socialist, innovation-weak countries by focusing on the case of Croatia. The analysis suggests that, from an interdisciplinary perspective, innovation-weak, post-socialist countries such as Croatia developed a special variety of capitalism – clientelistic or crony capitalism – that acted as a unique cause of economic backwardness, defeatism and weak innovation culture.

The combination of social norms inherited from socialism (‘egalitarian syndrome’, ‘semi-modernism’) and the values and norms established by the transition processes (clientelistic bonds, situational reaction) functions as a cultural matrix that supports crony capitalism and suppresses both innovation culture and its precursors: individualism, competition, self-initiative and responsibility. Croatian political economists perceived crony capitalism as the central political-economic model that emerged in the first phase of transition to market economy, the era characterised by institutional and economic collapse, social anomie and cultural vacuum. Crony capitalism, which was propelled by the ‘top-down’ transition to a market economy and a lack of natural evolution of capitalistic institutions, is perceived as the primary factor impeding innovation. The socio-cultural legacy of socialism seems to have played a secondary role.

Many scholars from post-socialist countries hesitate to emphasise the adverse effects of clientelism on socio-economic progress in their countries because they consider it as shameful. Scholars from advanced Western countries tend to treat crony capitalism as a remnant of the past and something their economies had nothing to do with even if crony capitalism is presently a growing phenomenon in advanced economies. It is widely believed that a system of clientelistic bonds and the related cultural matrix will be easily overcome by establishing proper capitalistic institutions and building an ‘incentive business environment’. The truth is, as this study has also shown, just the opposite.

If we are convinced that the cultural matrix of crony capitalism has not developed accidentally as a result of unfortunate circumstances during the transition, then there is no reason to assume that crony capitalism is only a temporary state that will be easily solved by the spontaneous evolution of genuine capitalistic institutions. On the contrary, the analysis suggests that the already established set of clientelistic institutions and the system of embedded norms and values tend to continuously reproduce themselves. The legitimate innovative entrepreneurism, a driver of long-term growth, will be permanently threatened by the state of crony capitalism in which innovation is neither economically valued nor socially appreciated. This situation leads to the suppression of innovation culture as a socially and economically irrelevant, unwanted and essentially irrational behaviour. Only a small proportion of innovative entrepreneurs (e.g. exporters in creative industries) who are mostly independent from the existing socio-political set up can possibly prosper.

Clearly, all social and political stakeholders need to engage in energetic and concerted actions in order to overcome the innovation-averse cultural matrix. The most promising way to rebuild and encourage innovation culture in the post-socialist countries affected by crony capitalism is to establish the economy on moral principles. For example, the strong demands of the Croatian public for establishing ethical principles in the business sphere led to the prosecution of illegal business activities in Croatia (especially since 2010), which resulted in the recent signs of a slight but steady economic recovery. This suggests that moral economy is the right path to revitalising innovation and entrepreneurship.
Note

1. The TEA (Total Early-Stage Entrepreneurial Activity) Index represents the proportion of individuals in the working age population who are actively involved in business start-ups, either in the phase of starting a new firm (nascent entrepreneurs), or in the phase spanning 42 months after the birth of the firm.

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References


