

## Chapter 15

# Cultural Capital and Industrial Cluster Competitiveness: A Case Study of the Cibaduyut Footwear Cluster

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### ABSTRACT

*This chapter explains how cultural capital affects the competitiveness of Indonesia's Cibaduyut footwear cluster. Cultural capital are norms and values affecting community behaviour that in turn affect cluster innovation, market share, and productivity. Small family businesses with a long tradition of stability and pursuing family interests dominate the cluster. Consequently, despite strong norms and values emphasizing working hard and honesty, (in)formal cluster rules promote self-interest rather than collective action. This results in a non-innovative business-as-usual attitude, hampers collective investments in human resource development and the adoption of new production technologies, leaving the cluster with low productivity and inferior product quality, restricting it to domestic markets. It also leaves the small business vulnerable to large trading companies on which they depend for international market access. The pursuit of low prices rather than quality plays small firms against each other, thus further hampering innovation and restricting the cluster's ability to expand internationally.*

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## INTRODUCTION

Since its conception in the early 1990s, the cluster concept has enjoyed popularity among economic geographers because it connects the competitiveness of geographically clustered firms to regional economic development (Krugman, 1991; Maskell, 2001; Porter, 1990). The criticism of the cluster approach notwithstanding, it has proved a useful way of thinking about the relation between local economic activity and place-specific advantages on the one hand, and competitiveness of firms and the regions where they are located on the other hand (Asheim et al. 2006). Building on Marshall (1919), the general idea is that geographical clusters are a potential for local economic development owing to agglomeration economies (Djojodipuro 1999), which reduces production and transaction cost. Moreover, clusters benefit from specialized regional pools of labour. Research on industrial cluster competitiveness has highlighted among others, the functional role of spatial proximity (Yang 2004), flexible specialization in regional production networks (Prabatmodjo, 2001; Scott, 1988), innovation (Mytelka & Farenelli, 2000; Moreno et al., 2005; Kuchiki, 2007; Porter 1990, 1998), knowledge exchange (Malmberg & Power, 2005; Mei & Nie, 2007), productivity (Pitelis et al., 2006) and social capital (Chen, 2002). A common thread through this diverse research is the increasing importance given to 'soft' and 'immaterial' factors, such as norms, values, trust, culture and social capital (Asheim et al., 2006). However, while the cluster vocabulary has been enriched with concepts such as tacit knowledge, embeddedness, local milieu and local culture, much uncertainty remains on how soft and immaterial factors affect the cluster competitiveness and regional economic development (Bathelt et al., 2004; Spencer et al., 2010). In response, this study explores the concept of 'cultural capital' as a source of cluster competitive advantage. The discussion of cultural capital focuses on culture as a physical form or a symbol presented by cultural-

based industries such as local handicraft and local creative industry (Bayliss, 2004; Lee et al., 2004; Wherry, 2004). This study will research cultural capital defined as norms and values and their effect on entrepreneurship and cluster competitiveness in local creative industries. The relevance of this study lies in the fact that culture is still often treated as a residual variable because culture is difficult to measure for researchers and difficult to manipulate for entrepreneurs and policy makers.

This study contributes to the cluster literature by exploring how culture affects clusters. Clusters are often very dynamic and are affected by both internal and external factors and by the interaction between local resources and global competition. Local resources may take form of monetary capital (money), physical capital (natural resources) human capital and social capital but also cultural capital in the form of shared norms and values and immaterial factors. Cultural capital is an important driver behind collective action in clusters and can thus be a source of cluster competitiveness that connects other form of capital from a 'deep layer'. This is visualized in Figure 1.

This study elaborates, first, the concept of immaterial cultural capital, i.e. norms and values affecting the behaviour of entrepreneurs in the clusters; second, the concept of cluster competitiveness and; third, connects cultural capital to cluster competitiveness. The object of study is the footwear industry cluster in the Cibaduyut district in Bandung, Indonesia. The footwear industry in this district is characterized by small-scale craft production in family business and there is a strong sense of community in this cluster. Consequently, immaterial culture is an important element of the cluster and helps to understand the behaviour of entrepreneurs in this cluster and the strong relational potential in this cluster.

The Cibaduyut footwear industry is part of Indonesia's growing manufacturing industry, which accounted for 24 per cent of the country's gross domestic product in 2010 (Schwab, 2011). The Cibaduyut cluster has been recognized as a key

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