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THE IMPACT OF CULTURE ON CLUSTER COMPETITIVENESS: A REVISED DIAMOND MODEL

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ABSTRACT

Many governments in both developed and developing economies are using cluster based initiatives to improve competitiveness at a national or regional level. In reviewing these initiatives it is apparent that many are based on the original Diamond Model of competitiveness as proposed by Porter (1990) in his seminal work "Competitive Advantage of Nations". Many of these cluster initiatives focus on the process of identifying clusters, developing econometric models, and implementing collaborative projects, but miss out the vital elements of company and people dynamics that drive competitiveness at a cluster level. Using apparel based clusters based in Sri Lanka; the findings from this research have shown that despite many cluster initiatives, SMEs in the study group took little advantage from the opportunities afforded to them, indicating that other factors were influencing competitive development.

By using a framework of cultural analysis based on Hofstede (1980) and Schwartz (2003), coupled with a longitudinal analysis of cluster firms, the empirical results show that firm level competitiveness can be correlated with national cultural traits as exhibited by the study group. It is proposed that the national cultural traits have contributed to low levels of innovation and an inability to react to market and technological changes. As such national culture is reviewed within the framework of Porter's Diamond and is considered as a natural factor condition. This paper proposes the "Culturally Enabled Dual Double Diamond Model" (CEDDD) integrating previous extensions the Diamond Model as an approach for analysing clusters. It is proposed that the CEDDD is a more inclusive model when assessing clusters and provides guidance on cluster improvement initiatives where the clusters are subject to international cultural influence. This paper will describe the development of the CEDDD model and how this model can be used for improving competitiveness when designing cluster initiatives.