REGIONAL COMPETITIVENESS, CONCEPTUAL ELEMENTS*

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Abstract
In a general sense, competitiveness is conveyed as the ability of a nation to lay the foundations and ensure an economic, social and political environment capable of sustaining the creation of added value, enabling the positioning of a country within global economy, from the perspective of comparing the performances obtained and the growth potential over time. The paper highlights the importance of increasing competitiveness of regional economy and the perspectives for their development. There are exhibited numerous aspects of the competitiveness concept expressed by definitions, formulated by experts that outline features of the phenomenon, as well as the interaction between knowledge and competitiveness. Finally, there are also shown some methods for measuring regional competitiveness.

Keywords
regional competitiveness; ability; competition; innovation; knowledge; measuring

JEL Classification
F63; R11

1. Introduction

A successful economic development implies an ongoing upwards process, where a nation's business environment is evolving in order to support and encourage complex and productive means of competition.

The dependence of company competitive advantages on local conjunctures, in the context of a global competition, has led to an increased interest in studying and assessing the concept of territorial competitiveness.

In a general sense, competitiveness is conveyed as a complex phenomenon, regarding the ability of a nation to lay the foundations and ensure an economic, social and political environment capable of sustaining the creation of added value. This process enables the positioning of a country within global economy, from the perspective of comparing the performances obtained and the growth potential over time**.**

The increase of competitiveness of regional economies is an essential step in achieving a sustainable development, the existing competitiveness discrepancies representing, according to the opinion of the European Union, one of the main reason for regional disparities.

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2. Conceptual elements of regional competitiveness

Initially deemed by Porter as the ability of a nation to innovate in order to achieve an advantageous position compared to other nations (Porter, 1990), the concept of competitiveness was subsequently extended at a regional level, by perceiving the role of microeconomic determinants of prosperity and well-being as, for example, understanding the conditions that determine the competitiveness of a company- its ability to innovate. (Porter, 2000)

The possibility of innovation diffusion is encouraged by the fact that it occurs and is developed within networks, interposing in the cooperation activities of various entities, and also taking into account the regional abilities.

The regional innovation abilities depend on a series of elements, represented schematically, in the figure below:

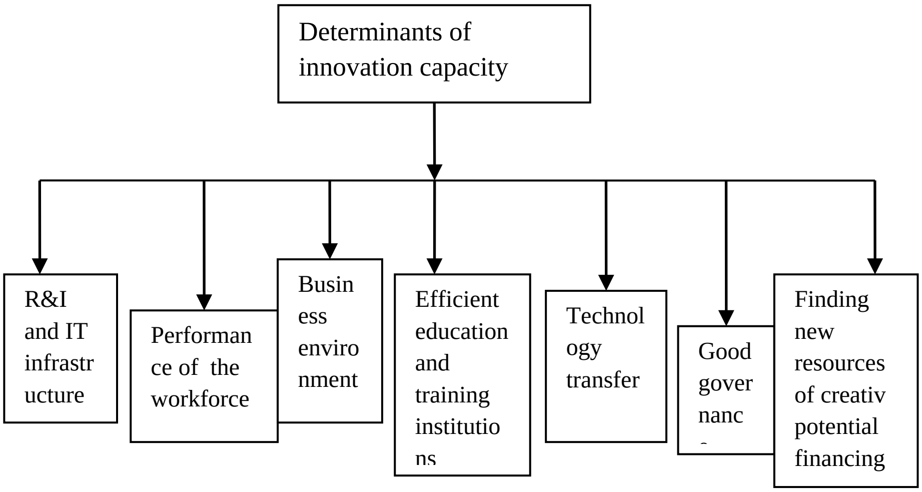

Figure 1 Determinants of innovation capacity

Source: Adaptation from Mempel-Śnieżyk, A. (2013), „Smart Specialisation and Clusters in Economic Growth

The innovation may thus be influenced by the performances of R & D activities, the labor skills, the efficiency of education and training institutions, good governance.

The management of European potential takes into account the basic contribution of regions in the innovation processes, as the main partners of institutional relations, in the case of universities, R & D institutions, including SMEs, with an essential role in the Europe 2020 Strategy perspective.

In regional terms, the competitiveness implies the possibility thereof:

• to provide conditions, and markets respectively, which allow companies to compete; (Beg 1999, Huggins, 2003);

• to attract and maintain the active status of companies with stable and continuously developing market shares;

• to maintain the living standards and foster its evolution (Storper, 1997).

Regions play an important role in organizing and managing economic growth, regional competitiveness is associated with competition in order to win market shares

(Kitson, Martin, Tyler, 2004). At the same time, one also notes *distinctions* between the two situations – competitiveness and competition.

At a national or regional level, *competitiveness* refers to the existence of conditions which enable companies to compete on the local, national markets, while the regions *compete* in order to provide the best operation spaces, in order to obtain a high rate of productivity, with some refinements (Malecki, 2004):

•”*Low road*” competition is characterized by low salaries, hard work, reduced taxes, the consequence being a decrease in the ability of a region to perform towards a high skill and good salary economy;

•”*High road*” competition promotes entrepreneurship encouragement policies and economic development based on knowledge, featuring positive results, to the benefit of institutional economic and social activities, capable of leading to well-being.

The competition among regions is different from the direct competition occurring between companies. As Turok (2004) shows, for the latter, the competition holds both the role of *selection mechanism* (a company’s strength on the market depends on the production quality and effectiveness), as well as of *stimulation* (technological increase – competition endurance condition).

With regards to the two processes – competitiveness and competition, the specialists Kitson, Martin, Tyler (2004) deem competitiveness as “a complex concept which increasingly focuses on the long term indicators and prosperity dynamics, of the region or city, rather than on the more restrictive concept of competition over market shares and resources”, while “competitive regions and cities are places where both companies and people want to settle and invest.”

The competitiveness expresses the ability to adapt to an environment by gaining the upper hand in the competition among entities, while a competitive region also means the territory where the relation between production factors, the changing conditions are used to raise the standard of living for citizens, to attract investors and to encourage area development.

Within a *micro-economic* approach, the competitiveness expresses ”the ability of a company to compete, develop and be profitable (Sepic, 2005.”

Usually, however, the process is deemed as a *macro-concept*, the regional competitiveness being associated with national competitiveness (Sepic, 2005), a complex notion which implies numerous aspects expressed by definitions, formulated by experts, as well as by documents issued by European institutions:

•”the ability of companies, industries, regions, nations and supranational regions to generate, in terms of international competitiveness, revenue and relatively high employment levels (Lengyel, 2002);”

•”the ability to generate a capital yield, to increase employment opportunities and to ensure good salaries (Krugman, P. 2003);”

•”assesses the manner in which nations and enterprises use their powers in pursuit of profit and prosperity (Garelli, 2006);”

• “the ability of the regional economy to optimize its indigenous wealth in order to compete and prosper on the national and global markets and to adapt to the changes of these markets (Martin, 2003).”

• ”the ability to produce goods and services complying with the requirements of the international market and, concurrently, maintaining high and sustainable income levels, and more generally, the ability (of regions) to generate high levels of revenue and employment when exposed to external competition. In other words, in order for a region to be competitive, it is important to ensure both job quality as well as quantity. The definition implies the notion according to which, despite the existence of highly competitive and uncompetitive companies, the exhibition of some common traits within each region, affects the competitiveness of all firms located there.”

- ”a field of economic theory which assesses the facts and policies accounting for a nation’s ability to create and maintain a favorable environment for generating value for enterprises and for increasing the prosperity of citizens (Porter, Schwab, 2008).”
- ”expresses a sustainable increase in the standard of living of a nation or region and, to the extent possible, a decrease in the level of involuntary unemployment. In the industrial sectors, the maintenance and improvement of the global market position represents the main competitiveness criterion.”

These definitions outline, as the basic feature of competitiveness, the fact that it represents the ability of nations/regions to mobilize and use the powers at their disposal, at a national/regional level, mainly aimed at:

- creating and maintaining an environment conducive to the competitiveness of companies in order to achieve added value and profit and to improve the position thereof on the internal and global market;
- ensuring a dynamics of economic growth at a national/regional level, as well as sustainable nature thereof;
- producing goods and services compliant with the needs of the internal and international market, increasing market shares in specific areas;
- the ability to generate high levels of employment and revenue and, consequently, the decrease in unemployment, while the quality and quantity of jobs represents a significant milestone for a region’s competitiveness;
- ensuring prosperity, achieving a high standard of living.

According to Porter (1990), the main source of competitiveness is productivity, respectively, the effectiveness of converting inputs into goods and services, the key features being represented by the increase in creativity and knowledge.

2.1. The knowledge – competitiveness connection

There is a direct connection between *regional entrepreneurship, knowledge and innovation* and *growth potential*, the fundamental element of the competitiveness concept.

The endogenous growth theory emphasizes the *role of knowledge and innovation*, a determining factor of productivity and economic growth in relation to the accumulation of *physical capital*.

Both the competitiveness and the endogenous growth underline the essential role played by knowledge and innovation (technical progress) in economic development, as sources (together with the other factors of production and distribution) of economic growth and performance.

Given the relation with competitiveness and the theories of endogenous growth, knowledge is deemed as *innovative* and consists of the information and skill capital regarding the creation of new ideas and the connection thereof to commercial values, which would lead to the development of new products.

Schematically, this interaction is expressed as follows (Figure 1):

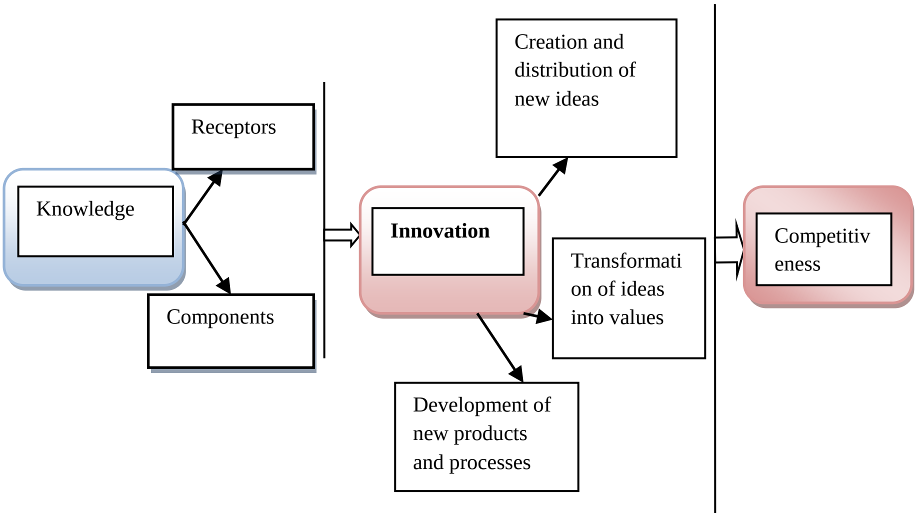

Figure 2 The knowledge – competitiveness connection
Source: Adaptation from Robert Huggins, Hiro Izushi, Piers Thompson (2013), "Regional Competitiveness: Theories and Methodologies for Empirical Analysis

The ability of organizations within a region and their efforts to access knowledge, to use it for economic activities, represents the determining factor of regional growth.
Given the direct relation with economic performance, regional competitiveness depends on the assets of the business environment in the region (Malecki, 2004, 2007), namely, the human capital, innovation potential, quality of local infrastructure, as well as other resources in the area, thus outlining the region's *competitive potential*. Their impact on company competitiveness is felt by the prosperity of regions, the ability of the same to attract innovative population, to supply high quality cultural elements, an expression of *competitive advantage* (Kitson, M., Martin, R., & Tyler, P. , 2004). At company level, the competitive advantage implies a better adjustment to the environment compared to the competition, while in regional terms; it implies additional special factors and conditions held by the region compared to competing regions.

3. Some methods for measuring regional competitiveness

In short, the competitiveness of regions is expressed by the ability thereof to generate an increase in revenue, the level of occupancy (ensuring both the number and the quality of jobs), while taking into account the terms of competition on the external market.
In order to assess the national or regional economic performance, economy theorists use several *variants for measuring competitiveness*, as exhibited by Robert Huggins, Hiro Izushi, Piers Thompson (2013) in the work: "Regional Competitiveness: Theories and Methodologies for Empirical Analysis":
–The establishment of an **innovation index** for the innovative character of a nation (Furman, Porter & Stern, 2002, Porter & Stern, 1999);
• *advantage*: benchmarking operation;

• *disadvantage*: the subjectivity of the relation between the chosen variable and the innovative character measure of the elements on which economy is based.

–*Defining the knowledge dimension* by establishing an **index** for each of the economic phenomena assessed (Castellacii & Archiebugi, 2008).

• *advantage*: creates the perspective of a knowledge base assessment of the economy and the avoidance of representing such with a single variable;

• *disadvantage*: does not ensure a benchmark index.

– The study of several economy aspects and the issuance of *a single composite benchmark index*. The studies differ depending on the method for sub-index aggregation (which derives from the various aspects analyzed) into a composite index;

– **World Competitiveness Yearbook**, IMD (2012) studies competitiveness based on *the quantitative and qualitative data,* classified as *sub-factors*; each sub-factor being granted the same weight in the composite index: *quantitative criterion* – two thirds, *qualitative criterion,* one third; the method implies subjective elements to establish the weights used in aggregation.

– *Competitiveness measurement* from two perspectives (Aiginger, 2006):

• ***Result*** *competitiveness* – measured as *function of well-being*:

Competitiveness = W (Y, S,E), where:

Y – per capita income;

S – social and distribution indicators;

E - ecological indicators.

• ***Process*** *competitiveness*– a form of the *production function*

Competitiveness = F (K, L, TFP, C, I, T),where:

K- physical capital;

L – labour

TFP – Total Factor Productivity – technical progress

C – capacities;

I – institutional effects;

T - trust

The emergence of the new theory of growth - the theory of economic endogenous growth - which takes into consideration other growth hypotheses compared to the ones of the neoclassical model (technological progress – endogenous factor, increasing capital returns, imperfect competition of markets), led to a change in the perspective on the determining factors of competitiveness. The following are considered among the key influence factors: research – development expenses, improvement of technologies and the increase of innovation capacity, education level, human capital investments, all such factors having significant implications for regional competitiveness. (Ronald L. Martin, 2003.)

4. Conclusions

Regional competitiveness is directly related to the growth theories, the basic element being the presence of companies, entrepreneurs, capable of generating knowledge and innovation, evolution markets, new jobs, to the extent to which the conditions of competition occurrence on chosen markets are ensured.

The knowledge of mechanisms and factors determining a growth o competitiveness may constitute a source of performance enhancement, of finding solutions adjusted to the global economic context, in order to develop strategies leading to a sustainable economic growth for states and regions.

The endogenous approaches regarding regional development, determined by factors such as human capital, education, innovation, are consistent with the opinion according to which regional competitiveness is manifested when a sustainable growth and an improvement of the living standards are achieved.
In order to increase economic performances, the EU's concerns are directed towards creating an environment capable of ensuring increased competitiveness, which implies essential elements, such as: entrepreneurship, human capital, access to financing sources, innovation, information and telecommunication technology.

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