DISSONANCE AND CONSONANCE BETWEEN THE COMPETITIVENESS OF ORGANIZATIONS AND THE REGIONAL COMPETITIVENESS

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Abstract

The aim of this paper is to identify to what extent the notions of organizational and regional competitiveness are similar, in order to be targeted by a comprehensive set of public policy measures. In this respect, we discuss the notions of organizations’ and regional competitiveness and find common factors of influence, namely innovation, networks and regulation. Based on these factors, we search for empirical evidences as regards the mutual impact between the competitiveness of organizations and competitiveness of regions. We present the results using the example of foreign direct investment companies, as their location decision making process is based on assessing both the competitiveness of organizations and the advantages of locations that point to the competitiveness of a location and, extended, to that of a region. While the dissonance is expressed in the differences of interpretation for the two notions, there is a consonant policy that can be employed for supporting both organizational and regional competitiveness: the cluster policy.

Keywords: Competitiveness of organizations, regional competitiveness, cluster, foreign direct investments, innovation

JEL codes: F23, H70, L22

1. Introduction

Increasingly more, the European Union (EU) is emphasizing the role of the regions in the process of developing the welfare of nations and of economic structures: the cohesion policy regards the regions, the policy for smart growth and smart specialization is approached rather at regional level.

At the same time, EU puts small and medium firms at the roots of its economic development, granting them with a level of importance that they have not had until now. This can be seen in the fact that the EU imposed each country to adopt the „think small first” principle in national legislation or in the important financial packages for supporting the companies, not to forget the investment plan of the Juncker Commission.

Both of these interests of the EU are gathered under the umbrella of competitiveness, a notion very much used currently by both theoreticians and politicians. Competitiveness has become a key priority for governments and authorities in Europe due to its impact on regional development and growth.

Taking into account all these European interests, we are interested if there is a comprehensive policy that can be applied in order to enhance the two types of competitiveness – of firms or organizations and of regions – or they must be targeted separately. In fact, the notion of regional competitiveness is similar with the competitiveness of organizations or are they different? We also are interested in finding common factors that influence both types of competitiveness and if there are measures that have been taken in order to enhance such types of competitiveness.

In this respect, we search the literature and provide a comprehensive description of the most important results.

The paper is divided as follows: in the second part, we present some insights in the literature regarding the factors that build the competitiveness of organizations. The third part is dedicated to the analysis of definitions regarding the competitiveness of regions; our main aim is to provide the principal characteristics of the competitiveness of regions and to find if the competitiveness of organizations is also included when explaining this notion. In the fourth part, we search for empirical evidences as regards the mutual impact between the competitiveness of organizations and competitiveness of regions; the pillars on which we conduct the analysis are innovation, the networking structure and the regulation in organizations and regions. In the fifth part, we search for measures aiming to enhance the competitiveness of organizations and regions; we provide support for the development of cluster policies and present the policy measures at the EU level in this domain. We conclude with some insights on the title of this paper, meant to summarize the main findings of this paper.
2. Approaches in the literature on the competitiveness of the organizations

Nowadays, the organizations are trying to maintain the economic profitability and their competitiveness as well. Researchers (Porter, Rivkin and Kanter, 2013) and the Harvard’s School of Business Survey report from 2013 underline the need to transform the core competences and the leadership of the organizations. Therefore, the organizations must provide a work environment for their employees which is inspirational and highly innovative.

More, according to the above mentioned study, the old practices of management must by upgraded in order to integrate communication and the lifelong learning potential for the employees.

According to Zahra and O’Neil (1998), the core competences must also change. This means that leaders must reconsider the way they see profits, structure of achieving goals and empower the subordinates towards common shared objectives, collective learning and appreciation of diversity. Effective leadership also involves motivation, management, inspiration, remuneration and analytical skills (Hurduzeu, 2015). Thus, the key factors for increasing the competitiveness and effectiveness of the organizations is through developing learning organizations, embracing new leadership practices and empowerment.

Other studies (Bach, Sisson, 2000; Orlitzky, 2007) concentrate on the human side of the organizations as important factors for achieving competitiveness. The studies reveal that need to implement efficient procedures when managing their personnel in order to be effective.

A way of promoting the competitiveness within the organization is to analyze its resources and to manage them in a strategic manner ground of the RBV (Resource Based View) (Barney, 1991). Barney’s theory of RBV is an economic theory stating that organizations may earn sustainable returns if they have superior resources which are protected by some mechanism which prevent their diffusion throughout the industry. It emphasizes the fact that the resources of the organization sustain its competitive advantage.

Rose and Kumar (2006) consider that the human resources should be the target of the leadership, considering them as a strategic pathway in order to promote competitiveness.

In their research D’Almeida and Lihart (2000) consider internal communication as significantly contributing to the organization’s competitiveness. It involves all acts of communication and strategies which are conducted within the organization.

Competitiveness is achieved through building and sharing of the comprehension of the reality of the organization (Kunsch, 2003). It is also significantly connected with the construction of the culture of the organization, its image (Brault, 1992) and its cohesion (Thévenet, 1997).

More, Kunsch (2003) puts forward an Integrated Communication Model which is a framework to understand the content and the development of the competitiveness. The model is made up of four main communication elements:

- Administrative Communication. It refers to the type of communication which is processed. Here, we ensure the organizational structure, the coherence between the mission, values, vision and the image of the organization.
- Internal Communication. It refers to the amount of communication efforts which are meant for the employees of the organization.
- Market Communication. It involves producing messages in order to attain the organization’s product and promotion and services.
- Institutional Communication. It aims the corporate image and identity.

Thus, Integrated Communication supports the leadership purposes of the organization by creating top-down flows of communication which at their turn ensures competitiveness.

3. Approaches in the literature on the regional competitiveness

Recent studies bring into focus the importance of regions in the process of economic growth and competitiveness. The nation is divided into regions that are much more homogenous in terms of culture, history or economic development.

Competitiveness can be defined at company level (company), by sector, region, nation, etc (Balkyte and Tvaronaviciene, 2010). Originally, competitiveness was defined at firm and industry level (Fougner, 2006), only later being translated at national and regional level. The same author warns that the definition of regional and national competitiveness cannot be realized by the simple extrapolation of the competitiveness’ characteristics at the firm level. This leads to the differences between the indicators measuring competitiveness according to the level of analysis.

Currently, theorists fail to establish a universally accepted definition of national competitiveness, according to Smit (2010). Similarly, there is no agreement on the definition of regional competitiveness (Kitson et al., 2004; Snieska and Bruneckiene, 2009).

One of the main differences between the two types of levels which is defined competitiveness lies in the difference between goals at the firm level and at national level. Hatzichronoglou (1996) notes that one of the main factors affecting the definition of competitiveness is the difference between goals at the firm and national level. While
the company's objective is to increase its profit and market share due to international competition, the goal of a nation or region is to maintain or improve the living standards of their citizens.

The difficulty in defining competitiveness at regional level is somehow similar with the difficulty in expressing the same notion at national level, because it implies more than a simple aggregation of notions defining organizational competitiveness. To this already known difficulty in the literature, Cellini and Soci (2002) observe another impediment: that regional competitiveness can be assessed neither in macroeconomic terms, nor in microeconomic terms. Their conclusion is that regional competitiveness is based on the evaluation of clusters. Cambridge Econometrics (2003) finds limits for the definitions of regional competitiveness based both on the microeconomic and macroeconomic perspective. If the definition is formed on the aggregation of firm competitiveness, it will not encompass the wealth of the region as a whole, because the main aim of the firm is increasing the productivity and the profits, while the wealth of a region should be also measured in terms of employment level. If seen as a result of the macroeconomic competitiveness, one should take into account that there are laws at national level that are not applicable at regional level (for example, the lack of regulation as regards the exchange rate at regional level).

Also, the meaning of regional competitiveness is also divided into cities’ and block associations’ competitiveness (Popovici and Calin, 2014a). In this paper, we will refer to the competitiveness of a homogeneous area in terms of economic and social factors.

Kitson et al. (2004) propose, as a definition for regional competitiveness, “the success with which regions and cities compete” (p. 992) in terms of export market shares, capital, workers, or, as expressed earlier by Storper (apud. Kitson et al. (2004), in attracting high-performance firms.

Snieska and Bruneckiene (2009) propose an index of regional competitiveness. In its composition, the authors take into account:
• the conditions of production factors, which are composed by the quality of the human resource, the physical infrastructure including both transport and communication and the geographic situation expressed through the possibility of outer reach by land, air and water, the infrastructure of science and studies (named as knowledge resources) and the attractiveness of the region for domestic and foreign capital.
• the conditions of demand of increasing regional competitiveness comprising the dimension and the structure of local demand, the sophistication of customers, the interest of foreign markets for the regional products.
• the factors increasing the competitiveness of regional firms: the GDP per capita and the Share of GDP created by region of the country, the dimension of the entrepreneurship in the region, the productivity of the labour force.

For Lithuania, the most important factors in defining the competitiveness of the regions are the conditions of production factors.

Buckley et al. (1988) have an integrated vision over competitiveness and propose a definition that can be applied both at the organizational and regional level. An appropriate measure of competitiveness should envisage:
• the performance generated by competitiveness;
• the sustainability of the competitiveness process;
• the management of the competitiveness process.

Therefore, based on the analysis of the literature, Buckley et al. (1988) conclude that an appropriate assessment of competitiveness is given by the dynamic interaction of the “3P”s: competitive performance, competitive potential and the management of the competitive process. While the potential is related to the inputs of an operation, the performance regards the outputs of the operation and the process measures the management of the operation thus implying rather quality indicators than quantity indicators. The authors consider that the role of the management is to transform the competitive potential into performance.

Chikan (2008) considers that firm’s and national competitiveness have reciprocal influence over each other. A competitive nation is based on competitive companies, while the public policy’s measures at national level strongly influence the behaviour and the decisions in a company. This is also true at the regional level. Therefore, the author proposes a definition meant to make a connection between the two types of notions, based on a similar structure:
• Defining competitiveness in terms of capacity;
• Focusing on both sociological aspects (consumer requirements or wellbeing of citizens) and technical skills (profit or productivity factors);
• Including the notion of strategic governance: top management for companies or governments in case of a nation (or regional policy representatives);
• Mentioning the specific activities to be carried out in order to create the capacity to compete;
• Suggesting the adaptation to exogenous factors (competition with other companies, namely the international framework in which states are integrated).
• Including the idea of sustainability.

Therefore, for Chikan (2008, p.25), “national competitiveness is a capability of a national economy to operate ensuring an increasing welfare of its citizens at its factor productivity sustainably growing. This capability is realized through maintaining an environment for its companies and other institutions to create, utilize and sell goods and services meeting the requirements of global competition and changing social norms”. The definition is easily adaptable to the regional level.
Kharlamova and Vertelieva (2013) also refer to the concept of national competitiveness, but propose three characteristics of the new paradigm of the competitive advantage, as influenced by the global competition:

- The continuous need for innovation;
- The requirement for creating competitive advantages that cannot be easily replicated by competitors;
- The strong need to overcome the low level of technological development and managerial culture to become a member of international society.

Sepic (2005) puts the process of regional economic development under the dynamics of the capacity of innovation (both technological and in organizations), the networking capacity and the regulation as regards innovation and spatial networks.

4. Empirical evidence regarding the mutual impact between the organizational competitiveness and the regional competitiveness

We have chosen to provide examples pointing to foreign direct investment companies as their location decision making process is based on assessing the three advantages proposed in the eclectic paradigm of Dunning that comprises both the competitiveness of organizations and the advantages of locations (that point to the competitiveness of a location and, extended, to a region) to which we are talking about in this paper.

In brief, in the eclectic paradigm, the internationalization of production is decided by three parameters: the ownership advantages, the location advantages and the internalization advantages (Dunning, 1980). The ownership (O) advantage refers to the company's both tangible (natural resources, the available workforce and capital) and intangible assets (technology and information, managerial and entrepreneurial skills, organizational systems, patents and brand awareness). The internalization (I) advantage represents the company's capacity to produce and market goods through the branch network. The location (L) advantage is given by the differences between the home and the host country in terms of endowment with production factors, market structure, legislative, political and cultural environment such as the easy access on the market etc.

The competitiveness of companies and the competitiveness of the location are two different concepts, but in relation to each other. Locations compete based on productivity considered as business locations; the companies compete in competitive advantages in terms of productivity, but they may choose between several locations. So a company's competitiveness depends on its internal capabilities and the results of the selection of the location.

To register a successful economic development, companies must improve the way to compete; they must pass from the competition based on the factors of production to create competitive advantages inherited to the creation of effective and distinct products and processes. The elements considered strengths in an earlier stage of development become weaknesses in a higher stage of development because the level of productivity must be increased.

Therefore, the regional competitiveness is influencing the competitiveness in organizations and vice versa. The mutual impact can be easily noticed if looking at the location decision-making process of a foreign direct investment company. A foreign company seeks to establish in regions that provide access to natural or created resources, such as a developed infrastructure, an attractive business environment, skilled labour force etc. Also, the location is chosen based on the motivation of company – if it is resource-seeking, markets-seeking, strategic assets or efficiency-seeking. States and regions are interested in attracting such companies due to their positive impact on the economic growth (Negriţoiu, 1996).

Today, the competitiveness of organizations lies increasingly more in the capacity to rapidly react (Reeves and Deimler, 2011). This adaptability refers not only to changing products and services, but also business models, processes and strategies by building skills. For example, an actual tendency in the marketing activity is to include the environmental aspects – therefore, to adjust to the so-called notion of “green marketing” (Mogoş, 2015). Also, online advertising has a growing impact in the strategy of organizations; still, one must take into account that online advertising is very dynamic and it involves a high degree of customization (Acatrinei, 2015).

Based on the factors that influence the competitiveness of regions proposed by Sepic (2005) and mentioned above, we provide some results found in the empirical analysis that support this affirmation.

a) Mutual impact as regards innovation between the competitiveness of organizations and regions

Innovation has strongly marked the current economic development. Not only it represents a key in the global trade flow (Moroianu and Belingher, 2011), but Avram (2010) considers that the innovation pressure generated by the globalization impose the innovation of the whole management system at the organization level. Similarly, in their paper, Schienstock et al. (2009) start from the assumption that an increased innovation competition at international level acts as a pressure tool for companies to adopt new organizational models or new knowledge management practices. The results of the survey conducted on low-tech and medium-tech companies in Finland during 2007 confirm this expectation.

The result is similar if assessing the regional impact of foreign direct investments. Peters (2009) considers that the low level of competitiveness in the Mexican companies is the main impediment for their lack of involvement in achieving innovation. Also, the absorptive capacity of companies in India and the competitiveness of the business
environment are responsible for the increase of the companies’ efficiency (Mondal and Pant, 2014). When companies are highly absorptive, foreign investments are preferred to the mere acquisition of foreign technology.

b) **Mutual impact as regards networks between the competitiveness of organizations and regions**

The alliance capitalism is a new theory in the FDI field meant to signal the importance of the relational assets in the location decision making process of multinational company. Dunning (2003, p.31) describes these assets as „a firm’s willingness and capability to access, shape and engage in economically beneficial relationships; and to sustain and upgrade these relationships“. This definition points to a dual obligation for both the multinational company (MNC) and the location region: the organization must hold such assets, but the success in developing a fruitful cooperation is also enhanced by the availability of the partner (of the region) to stimulate and promote such a relationship. This type of cooperation is a result of the special features of the actual global economy based on knowledge (Dunning, 2003). An older version of the alliance capitalism can be seen in the well-known “keiretsu”, namely the groups of enterprises in various fields organized around major banks and companies, with suppliers and distributors connected to the major manufacturers in the fields of automotive, electronics and other industries, specific for Japan.

One should take into account that an excessive agglomeration of companies in a region is not sufficient for creating the competitive advantage that a cluster is supposed to offer. The key factor for the success resides in the possibility of cooperation among organizations, in the networking structure (Avram, 2010).

c) **Mutual impact as regards regulation between the competitiveness of organizations and regions**

In general, more attractive public policies lead to a growth in a nation’s competitiveness (Popovici and Calin, 2012a) and this improvement is seen in the increase of foreign investors’ presence in that country (Popovici and Calin, 2012b).

This evolution is also supported by theory, which emphasizes that policies for attracting FDI should focus on different levels: the macro level (comprising the supranational and national level), the meso level (where regional clusters are included), the micro or industrial level, the subsector level and the firm level (Serbu, 2005). A proactive country in attracting foreign investors will act in improving its ability to develop clusters and economic agglomerations in order to exploit their competitive advantage.

Also, the theory of the new economic geography in explaining FDI points to the importance of core regions in attracting foreign companies based on their capacity to create virtuous circles of advantages. For a deeper understanding, see Popovici and Calin (2014b).

A study of Liu (2011) finds that, in order to support the development of the networks among the organizations, public policy must be designed for improving regional institutional environment; the initiation of the intra-firm innovation networks rest in the behalf of the companies.

**5. Stimulating the growth of the competitiveness of the organizations and regions. The importance of the clusters**

Given the definitions of the competitiveness of organizations and regions found in the literature, we identified a series of measures that foster the increase of competitiveness at the regional and organizational level.

Nicolescu (2003) presents a series of positive developments in the economic environment that help increase the organizational competitiveness. This is, firstly, the increase in the design and implementation of scientific and technical advance expressed by the rapid growth of the number of patents for products and technologies, the proliferation of computer software packages, many with higher quality parameters. As a result, the managers of the organizations have a wide range of options, being in a position to devise innovative strategies offensive based on scientific and technical potential. Another positive development is the increase of competitiveness of the organizational training of the human resources due both to the population growth in the education process and the longer average schooling period as a result of the adoption of the principle of lifelong learning. It contributes substantially to improving the management, the adoption of better decisions and their implementation with improved efficiency. A positive effect is the wide proliferation of computers and computer science. The superior processing speed and of information, while reducing prices, the development of numerous applications is irreplaceable support for increasing rationality management processes. The state interventions to create an enabling environment national enterprises, by legal, economic, administrative and private firms both on the public and the state (through incentives and trade facilitation, taxation, environmental education) provides a favourable environment for companies competitive activities at national and international level. Finally, the development and the internationalization of economic activities, the regional integration and worldwide globalization increase the access to the global market, the flexibility of the international transfer of information, labour, capital and technology.

Currently, an increasing importance at European level is granted to encourage the emergence of clusters as sources of positive externalities and synergies between companies. The EU efforts in this direction aim to establish policies for the creation of clusters involving the representatives from national, regional and local level, along with managers and representatives of small and medium enterprises. Considering the capacity of clusters to revive the
compétitivité des régions (Mills et al., 2008), la déclaration du but des activités européennes est de soutenir les États membres et les régions dans la création de spécialisation stratégiques et de groupes, de soutenir des organisations à développer de nouvelles compétences et avantages concurrentiels globalement en tant qu‘effet de la participation au groupe, afin de renforcer la rôle du groupe de politiques de réindustrialisation au niveau européen, tel que défini par la stratégie Europe 2020. De plus, l'augmentation du développement des clusters conçus par les recherches a été considérée comme un enjeu pour l'Europe pour renforcer sa position concurrentielle, du fait que les clusters régionaux positivement renforcent la performance de l'innovation de la région (Commission européenne, 2007).


L'Union européenne a également fourni d'autres initiatives soutenant le réseautage entre les clusters, telles que la PRO INNO Europe Initiative, Regions of Knowledge, Europe INNOVA und European Technology Platforms (Avram, 2010). Cette initiative a abouti à la création de l'European Cluster Alliance qui permet un coopérative permanent entre les représentants régionaux et nationaux et les représentants de l'UE dans l'objectif de mettre en œuvre un programme cohérent de cluster. L'une des mesures les plus récentes pour le soutien de la collaboration entre les clusters à l'échelle européenne et les centres de technologie a été lancé en avril 2014, qui fournit un budget total de 500,000 pour de tels projets (Commission européenne, 2015).

Pour une meilleure surveillance des clusters en Europe, l'Union européenne a également créé le European Cluster Observatory. Son objectif est principalement statistique – à fournir une mappage des clusters en Europe, mais il fournit la base pour un programme cohérent de cluster à l'échelle européenne.

6. Conclusions

La compétitivité des organisations et de régions peut être évaluée seulement séparément. Même si les deux sont concernés par la compétitivité, nous sommes en accord que les deux conceptions sont dissonantes. Nous nous plaçons dans la catégorie des théoriciens qui soutiennent des types différents de compétitivité selon le niveau d'analyse.

Même si nous trouvons des similitudes entre les deux notions – où le concept de consonance. Les facteurs qui ont un impact sur la compétitivité des organisations et régions sont similaires, même s'ils peuvent être traduits en différents types de mesures quand appliqués à chaque niveau de l'analyse. Par exemple, pour deux types de compétitivité, l'innovation a un rôle majeur.

La façon dont le processus de décision de localisation est développé dans une MNC est en train d'épouser le besoin d'coopération entre les organisations et régions et le moyen de comment la compétitivité peut être renforcée de manière conjointe. Nous avons noté plusieurs facteurs qui ont un impact mutuel sur la compétitivité des organisations et régions, tel que le développement d'innovation, de la structure du réseau et de la réglementation. Dans ce respect, nous pouvons conclure que le développement de compétitivité des organisations et de la région compétitivité demande un background commun, qui est actuellement fourni par les clusters. Heureusement, l'Union européenne fournit un cadre politique fort pour renforcer le développement de cluster; plus d'intérêt sous ce niveau devrait être accordé par les régions et les nations.

Et finalement, la meilleure preuve de la consonance entre les deux notions est que les forces externes qui façonnent la compétitivité des organisations sont fournies par les uns qui créent la compétitivité de la région.

Acknowledgment

La publication de Raluca Elena Hurduzeu (Rotariu) et Oana Cristina Popovici était cofinancée par le Fonds Social Européen à travers le Programme Opérationnel Spécialisé pour le Développement Humain 2007-2013, le numéro de projet POSDRU/159/1.5/S/134197 "Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain".

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