1. Creating competitiveness: introduction and overview

David B. Audretsch and Mary Lindenstein Walshok

Competitiveness is a concept that is most readily identified with firms and organizations. A competitive firm can enjoy sustained levels of high profitability. By contrast, a paucity of competitiveness may doom a firm to eroding rates of return and, ultimately, bankruptcy or insolvency. It is not surprising that an entire scholarly discipline within the field of management has devoted itself to understanding what firms and organizations can do to improve their competitiveness, and ultimately their performance.

However, firms are not the only organizational body whose performance is dependent upon being competitive. The varied economic performance of cities and regions, both within a single nation, as well as across nations, during the era of the Great Recession also highlights the need for competitiveness. Those cities and regions that are more competitive enjoy a superior economic performance, while their less competitive counterparts suffer from lower rates of economic growth and increasing levels of unemployment.

During the massive economic expansion of the 1990s, there was a sense that ‘all boats are lifted by a rising tide.’ As long as the overall economy grew so impressively, most cities, states and regions were also able to enjoy an improving economic performance. However, with the stagnant macroeconomic environment that emerged at the beginning of this century, the disparities in economic performance across regions and cities have increased. This is true not only in the North American context but also in Europe and the rest of the developed world.

In particular, the current crisis in Europe is essentially a competitiveness crisis for many cities and regions, particularly in southern and Mediterranean Europe. Prior to the introduction of the single currency, the Euro, those places could maintain their competitiveness and employment levels through a devaluing currency. But with the disappearance of currency devaluation as an instrument to enhance competitiveness, these
Creating competitiveness

places have been unable to find alternative instruments that promote local competitiveness.

In order to provide a systematic analysis for creating local competitiveness, we brought leading scholars, policymakers and business executives from around the world together at a conference in La Jolla, California, December 12–13, 2011. The chapters contained in this volume are edited versions of the most poignant insightful new ideas presented at that conference.

In the following chapter, David A. Wolfe of the University of Toronto explores the way in which the intersection between path dependent trajectories of development and the strategic choices to generate competitiveness made by civic actors in urban settings affects their capacity to deal with external shocks. Efforts to sustain the economic performance of city-regions through periods of disruptive change need to commence with the institutional capacity of those cities to manage their transition. The successful adoption of a ‘strategic management approach’ at the regional and urban level requires not just a new category of policy approach, but a new style of policy development. Among the important factors to analyze are: the ability of regional and local governments to build on specialized regional assets, including public and private research infrastructure, as well as unique concentrations of occupational and labor market skills; the presence or absence of ‘civic capital’ at the regional and local level; and the ability of regional networks to work within and across associational boundaries to support the formulation and refinement of strategic management policies in response to changing economic conditions.

Robert D. Atkinson, in Chapter 3, focuses on ‘Innovation in cities and innovation by cities.’ Atkinson points out that the success of companies and places depends more on innovation than ever before. Despite its luster, many public and private sector leaders cannot really define innovation and therefore stumble when trying to encourage or harness it. In particular, his chapter suggests four challenges sub-national places face when it comes to innovation. The first challenge consists of understanding the integral link between private sector innovation and public innovation policy in economic development. The second challenge involves understanding that innovation comes in many forms and phases of production and development. The third challenge is that of focusing on not just innovation in places, but innovation by places, i.e. states and localities must themselves try new policy approaches. The final challenge involves creating partnerships between places, especially local places and the national government.

In Chapter 4, ‘The strategic recombination of regional innovative capacities: public–private institutions as knowledge bridges,’ Gerald A.
McDermott argues that generating locational competitiveness is fundamentally a problem of organizational diversity and recombination. McDermott analyzes a unique data set and cases from South America, where societies suffer from long-term low-equilibrium traps. His chapter shows how new types of institutions facilitate new forms of firm learning and also how public and private actors can construct such institutions. The chapter first shows how, contrary to conventional wisdom, knowledge is not ‘in the air,’ but rather is diffused through particular types of inter-organizational relationships. According to McDermott, the problem then is that these relationships are not distributed evenly in a region or industry and some may insulate a firm from accessing new knowledge. However, McDermott shows how government can help reshape knowledge networks. In particular, his chapter provides empirical evidence showing that firms can improve their access to diverse knowledge resources by improving their learning capabilities, by having multiple strong ties to, in particular, organizations that act as social and knowledge bridges between previously isolated producer communities. Finally, McDermott’s chapter demonstrates how government can collaborate with relevant stakeholder groups to construct these bridging institutions, which are based on such principles as rules of inclusion and participatory governance.

In Chapter 5, ‘Enhancing economic growth? University technology commercialization,’ Shiri M. Breznitz and Neela Ram examine the role of technology transfer and commercialization by universities in promoting locational economic growth. In particular, this chapter suggests that there is no silver-bullet method suitable for university technology transfer everywhere and, therefore, notes the importance of history and environment through a critical case study of commercialization at one university, the Georgia Institute of Technology. Breznitz and Ram conclude that, as a public university serving its state, this successful newcomer to technology commercialization fundamentally designed and organized its technology transfer activities around its local environment and historical strengths, unlike other universities that tried to follow a general trend in technology commercialization.

Donald S. Siegel, in Chapter 6, ‘Academic entrepreneurship: lessons learned for university administrators and policymakers,’ focuses on the locational impact of university generated entrepreneurship. Siegel points out that, in recent years, there has been substantial growth in academic entrepreneurship. A concomitant trend is that many cities and regions are increasingly viewing the research university as an engine of new firm creation and economic growth. These trends have important implications for university administrators and policymakers. In his chapter, Siegel examines the antecedents and consequences of academic entrepreneurship and
Chapter 7, by Charles W. Wessner and Sujai Shivakumar, is concerned with ‘Driving regional growth: the growing role of policies to promote clusters.’ In this chapter, Wessner analyzes specific public policy approaches to creating clusters. As Wessner emphasizes, ever since Silicon Valley and Boston’s Route 128 gained global attention as fountains of dynamic new high-technology companies, state and local governments across the United States have tried to create innovation clusters of their own. These innovation clusters are regional concentrations of large and small companies that develop creative products and services, along with specialized suppliers, service providers, universities, and associated institutions. To this end, state and local governments have sought to attract a critical mass of skills and talent. Seeking to promote a high level of interaction among entrepreneurs, researchers, and innovators, they have invested in science parks, business incubators to nurture start-ups, and an array of research collaborations between universities and private industry. Wessner’s chapter identifies a rich array of policy instruments that have been effectively implemented to generate local competitiveness through fostering a cluster.

Thomas Andersson focuses on ‘Evolving technologies and emerging regions: governance for growth and prosperity’ in the eighth chapter. Andersson provides an analysis of how technical progress and its diffusion offer access to new tools that bring radical change around the world. Centuries of economic dominance by the West are broken. The Far East and the Middle East present some of the rivaling models. As Andersson points out, these models of technical change and economic development are not without their problems. In particular, Andersson’s chapter addresses the wider context of natural resource-based economies entering the knowledge-based era. Natural resource wealth has been viewed as a curse rather than a blessing for some time, but that is now changing. The natural resource rich economies, notably in the GCC, have made headway in some respects. Yet there remain excessive rigidity embedded in prevailing culture and institutional context, rent-seeking and distortions favoring incumbents, and bias towards tangible rather than intangible investment, quantity rather than quality.

In Chapter 9, ‘Collective entrepreneurship: the strategic management of Research Triangle Park,’ Dennis P. Leyden and Albert N. Link analyze how local competitiveness was created in one particular place, Research
Triangle Park in central North Carolina. Leyden and Link propose a new and unique theory of ‘collective entrepreneurship,’ where the creation of Research Triangle Park was the result of many individuals each exhibiting their own entrepreneurial ability along the way. Thus, this chapter proposes the new and compelling concept of collective entrepreneurship. Leyden and Link suggest that collective entrepreneurship might be a critical ingredient to a recipe for generating local competitiveness.

In Chapter 10, Mary Lindenstein Walshok and Abraham J. Shragge provide an analysis of how policy generated the ‘Invention of San Diego’s innovation economy.’ In particular Walshok links key policy decisions as fostering the shift of San Diego from having a competitive advantage based on natural resources to an innovation driven economy.

The Conference held at La Jolla in 2011 and chapters contained in this volume were supported by Indiana University’s School of Public and Environmental Affairs (SPEA) and by the University of California at San Diego. We would like to express our thanks to Dean John Graham of SPEA, Chemain Slater and Betty Fiscus of the Institute of Development Strategies at Indiana University, and Alla Resiner of the University of California at San Diego for their capable assistance with the Conference. We are particularly grateful to Adam Lederer for his editorial contributions in helping to bring the manuscripts from initial drafts to the final edited versions appearing in this volume. Finally, we thank Fran O’Sullivan of Edward Elgar for her encouragement and support of this book.