Can´t compete with costs? Use culture instead

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Cultural activity has a potential impact on a country's competitiveness. For that to happen, what's needed is an active cultural policy.

"Competing in quality and innovation is the strategy of the future for industries affected by outsourcing and growing competition from surrounding countries", says IESE Prof. Xavier Vives in his article written for the magazine Cultura, published by the Catalonian Government Department of Culture and Media.

So, what role does cultural policy play with regard to competitiveness?

Today, the more advanced nations compete with emerging countries, and the end result is outsourcing of the more labor-intensive production activities to areas with better resources. In this situation, the more developed regions can compete horizontally, offering a unique combination of features in terms of the variety of resources, quality of life and culture, while also competing vertically, in quality, by offering better services and infrastructure.

The goal is to help bring about and develop competitive agglomerations with regard to both innovation and corporate headquarters.

To be successful in this task, important intangible cultural factors come into play, such as openness to change, entrepreneurial capacity and risk taking - things that can only be changed over the long term and which constitute part of a given region's particular offer. In a strategy where quality of life is a fundamental part of the offer for bringing in qualified workers and talent, cultural heritage and the policies for preserving and developing it

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become crucial.

Culture and competitiveness

Competitiveness is the ability of a nation's companies to compete and is linked to the productivity of the economy. Competitiveness comprises a variety of elements, among which the key factors include the provision of infrastructure; physical, human and technological capital; and other elements such as the entrepreneurial capacity of production and the social landscape.

A country's culture is the way in which it goes about things, a set of customs and knowledge that permeates all of its activities, including economic ones. A country's cultural heritage involves material aspects (buildings, works of art) as well as nonmaterial ones (traditions).

Cultural activities can affect competitiveness in any number of ways. They can have a direct effect, such as through the cultural industries that export its products. A good example is Catalonia's successful exportation of culinary creation and innovation, which is currently enjoying prestige and has become a sort of international benchmark.

It can also make an indirect impact on competitiveness, given that cultural creation can raise the general creativity level of a population and affect its ability to innovate.

A country's culture determines its capacity for taking on risks and thus its entrepreneurial capacity as well. In fact, people talk about "company culture" to refer to the set of values, ways of doing things and attitudes in the management of companies.

Meanwhile, cultural activity enriches cultural heritage and can add to the attractiveness of a geographical area for tourism, especially quality tourism.

Lastly, it is a deciding factor in attracting qualified human capital, and for retaining creative, innovative talent.

Three competitive strategies

Globalization makes knowledge - especially tacit knowledge, which is dependent upon direct contact and is not able to be codified - become one of the primary sources of competitive advantage. Globalization and the revolution brought on by new information technologies have given rise to the geographical separation of the functions of management and manufacturing on one side, and activities involving the creation and exploitation of new ideas

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on the other. These phenomena have also led to the geographic concentration of functional activities with greater requirements for tacit knowledge, as these need face-to-face contact among participants.

The end result is that large metropolitan areas are now specializing in the following functions:

Headquarter city: Becoming a control center for all financial and management activities, and offering specialized services for companies. This function requires good international connections, good infrastructure and a broad market for highly qualified labor.

Innovation city: This consists of serving as a center for incubating and exchanging knowledge and expertise, a place for experimentation and a platform for new products and services. It requires diversified production, excellent research and training centers, a sufficient critical mass in human and technological capital, an entrepreneurial, risk-taking culture, and high quality of life, so as to recruit and hold on to creative, innovative talent.

Leisure c**ity**: Capitalizing on being a residential center specializing in tourism and personal-assistance services. This requires a high quality of life (in terms of climate, security, public services, environmental quality), sufficient cultural heritage and activities, as well as adequate hotel and communications infrastructure.

Cultural heritage is a direct competitive factor in the leisure city dimension and an indirect factor for the other two, given its influence on quality of life and the ability to attract a highly qualified workforce.

When comparing the specialization functions of Barcelona with those of other metropolitan areas around Europe, the results indicate that it is below its potential in the three dimensions. The same for innovation, due to a chronic lack of investment in technological capital and advanced research centers, a problem that is now being addressed.

"This is worrying since the metropolitan area of Barcelona, and Catalonia on the whole, is noted for its industrial specialization", explains the author.

One possible strategy for dealing with this situation is to use quality of life as an enticement for attracting the business functions of innovation and headquarters. This would not only directly reinforce quality tourism and protect the sector from the competition of countries with low costs, but would also help attract highly qualified human capital.

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