

Competitiveness of Places: the Remaining Methodological Problems

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Abstract. Despite having to this day accumulated an impressive body of works concerned with competition and competitiveness of cities, regions, and countries, this field of regional studies still lacks a more or less widely accepted understanding of the concept of regional (territorial) competition. We identify two main existing approaches to interpreting regional competitiveness: expressed through quantitative differences between regions and viewing regions as pseudo-corporations. We investigate problems and possibilities created by either approach and note that in practical terms this field is dominated by the quantitative comparative analysis using integral indices of competitiveness. We note the methodological problems with the existing situation and propose a methodological approach which combines the “regional concept” with territorial marketing as a way forward.

1 Introduction

Despite having to this day accumulated an impressive body of works concerned with competition and competitiveness of cities, regions, and countries, this field of regional studies still lacks a more or less widely accepted understanding of the concept of regional (territorial) competition.

M. Porter, having noted the lack of an accepted definition of competitiveness goes further, stating that “an even more serious problem has been that there is no generally accepted theory to explain [competitiveness]” (Porter 1990).

A decade later Cellini and Soci state that “the range of definitions available in the literature is bewildering” and believe (not without grounds) that “competitiveness is a concept that resists definition” (Cellini, Soci 2002).

We then see two possible approaches to devising a methodology of the study of regional competitiveness. The first – radical – approach is to agree with P. Krugman’s assessment that “competitiveness is a meaningless word when applied to national economies. And the obsession with competitiveness is both wrong and dangerous» (Krugman 1994).

The second approach, which we prefer, starts with the acceptance of the fact that “there is considerable confusion as to what the concept of regional competitiveness actually means and how, if at all, competitiveness can be applied to regions” (Bristow 2010), and then proceeds to further accept the existence of many theoretic constructs explaining this complex phenomenon. Both facts need to be accepted as such and not viewed as problems to be overcome.

2 Regional competitiveness: main methodological approaches

The number of competing theoretical constructs striving to explain the meaning of regional competitiveness is large enough to defeat an attempt at investigating all of them in our limited format. We shall therefore limit our exhibition to the two main approaches shared by most of the interpretations of regional competitiveness.

The first of these approaches proceeds from the assumption that differences between regions and countries are mostly quantitative, not qualitative. Under this approach national (or supra-national) economies are compared between each other using quantitative measures of their efficiency. These measures include the obvious macroeconomic indicators such as exchange and interest rates, budgetary balances, inflation, foreign reserves, unemployment. Alternatively, the economies’ endowment with



natural resources is also commonly used as a measure of competitiveness. In recent decades much is being said about innovation, institutions, and human capital in connection with economic competitiveness. In other words, competitiveness of a nation or a region is defined by how efficiently the relevant institutions and technologies are combined there to enable the utilization of national or regional resources.

It is needed to note that institutions – the state being foremost among them – are increasingly becoming the agency primarily responsible for ensuring further increases in the public's livelihood. And the state's ability to achieve such increases is conditional on the efficient use of the nation's resources. And according to Porter that is the only basis for a viable concept of competitiveness on the national level (Porter 1990).

There are other – more complex logical constructs that fall under the same approach to measuring competitiveness. For instance, the so called “systemic paradigm” proposed by Kornai (Kornai 2002) which introduces into the traditional comparative method outlined above a set of new factors, among which most notably are “mentality” and culture. This introduces clearly non-economic factors into economic analysis. The main problem with this is the lack of workable (quantifiable) definitions of “mentality” and “culture”.

An even more extravagant concept belongs to M.I. Gelvanskyi who proposes that “security is the most basic factor of competitiveness. Therefore, the formula: COMPETITIVENESS = EFFICIENCY + SECURITY is foundational for the understanding of the nature of [competitiveness] as well as its' proper estimation.” (Gelvanovskyi 2012). This assertion is based on the understanding of competition as conflict.

The other approach to understanding regional competitiveness sees the region as a mega-enterprise (Territorial competition... 2011). Here a region is seen as an economic actor with its own “territorial” economic interests. A region's competitiveness is viewed as an indicator of its ability to achieve economic goals in a given institutional environment or its ability to use its specific competitive advantages to achieve economic goals while minimizing costs. This approach normally considers a region as a territorial administrative unit of a certain level, such as a subject of the Russian Federation.

3 The regional concept as the methodological platform for the study of regional competitiveness

We believe that both approaches outlined above have a right to exist, however, we favor a different concept of a region – one where a region is considered as a set of interacting (and competition is a kind of interaction) spatial economic systems. We call this view of a region a “regional concept” although the term “concept of economic regions” is traditionally used in the Russian literature. We use both terms interchangeably in this paper.

Applying the regional concept to problems of regional competitiveness, in our opinion, opens a new approach to methodological issues discussed earlier. As Porter notes (Porter 1990), while studies of economic competitiveness and development usually focus on the nation and its policies and qualities, the regions within practically any nation significantly differ among themselves. The existence of regional differences suggests that many important drivers of competitiveness and development exist primarily on the regional level.

Nikolay Kolosovsky viewed an economic region (rayon) as a basic concept of economic geographical analysis. However, both Kolosovsky and all of his contemporary elders, most notably Ivan Alexandrov, Alexander Chelintsev, and Boris Knipovitch, viewed a rayon as a territorial unit that is planned and created by the state. In their view, enterprises working in different industries within the same rayon would be connected on the technological level by shared access to the rayons resources (natural and human). To enable such technological connections the planners envisioned a unified infrastructural network (transport and energy) and a unified system of human settlements in a rayon. This planned system was supposed to alleviate the problem of competition for resources among enterprises in a single rayon, however that goal was never fully achieved and competition persisted indirectly.

Leaving the problems of competing spatial systems in a planned economy aside, we return to the issue of the basic element of economic spatial analysis which, in our opinion, should be represented by a location rather than a region. A location is place where an agent or an object (or both at the same time) is situated (Bourdieu 1995). Of course, Pierre Bourdieu was discussing location in a social and not a physical or geographical context. However, we contend that his general method for the analysis of social spaces translates fairly well to the physical one, since, according to Lefebvre, the latter contains the former and serves as a source of the social processes, and physical, natural specificity of places forms the basis from which springs the originality of places in the social space (Lefebvre 1990).

But regardless of how large an influence the physical space exerts on the social, when discussing competition between places we are primarily speaking about social places and competition between them as a process occurring in the social space. We are much less concerned with competition based on natural endowments of places. We therefore require some way to define this “social space”. After Lefebvre, we define a social space as a space occupied by and belonging to society (Lefebvre 1990). This space is abstract and is constituted by an array of subspaces or spheres (economic sphere, social sphere, etc). These subspaces are shaped by the uneven distribution of specific types of capital and can be imagined as this specific distribution (Bourdieu 1995).

Competitive advantages of places within a social space stem from the properties of these places. Specific sets of properties both set the places apart from each other and position them inside a specific social space. Competitive advantages obviously have their own characteristic properties: their magnitude (how large an advantage is), uniqueness, sustainability. Finally, competitive advantages can have potential which needs to be actualized and this actualization is achieved through the work of institutes and organizations. The latter implies that specific spatial configurations of places depend on the structure of political power.

Places in the social space are described by sets of properties which, in their turn, create potential competitive advantages of places. Institutions and organizations (both formal and informal) actualize the potential advantages of place, making it attractive for residents, businesses, and tourists. And these organizations act within the existing framework of societal and legal norms and traditions. At the same time, places exist in a “marketplace of locations”, where they engage with each other both competitively and cooperatively.

An important property of places to remember is also their “internal cyclicity of development and regress”, noted by Philip Kotler et al. As well as the influences exerted on places by outside forces and events beyond their control (Kotler et al 1999). In other words, we can think of places as having a life cycle which implies a non-linear evolutionary process for places, as well as possibility of “revolutionary” breaks or jumps in that process. And we can fully apply to places Porter’s view of competition between firms as something more than a struggle between existing competitors (Porter 1980).

4 Methods of estimating regional competitiveness

The contemporary mainstream of measuring competitiveness of regions and cities consists of various ratings. As Bristow notes, the love of benchmarking and obsession with competitiveness had created an insatiable demand among politicians and researchers for indicators of regional competitiveness (Bristow 2010). This desire to measure competitiveness, in the absence of certainty in the matter, had resulted in growing popularity of various integrated indices, combining sets of indicators which could be argued to have a direct or indirect impact on a region’s competitiveness level.

However, here we run again into the multidimensional nature of city and regional competitiveness (Malecki 2004). As Kresl and Singh pointed out: competitiveness is not a definite trait which can be measured directly, all we can hope to do is measure it through the “shadow” it casts (Kresl and Singh 1999). This elusiveness is not something unique to competitiveness – it is a basic characteristic of many economic phenomena.

For instance, we might point out the similar elusiveness of comparative advantage in trade, which is routinely measured as “revealed advantage” by assuming that the existing patterns of trade are formed (at least in large part) by comparative advantages and using these patterns as a measure of ad-

vantage. In other words, it is assumed that trade patterns are a “shadow” of comparative advantage. So while rarely attempts are made to “disassemble” the integral measure of comparative advantage into its constituent factors, due to their extreme complexity, researchers commonly set out to do just that for competitiveness. Despite comparative advantage being far better theoretically grounded than competitiveness.

So what is the established balance of pro et contra of integral indices of competitiveness? Итак, каковы достоинства сводных индексов, используемых для оценки конкурентоспособности регионов? Bristow (Bristow 2010) finds these indices generally useful from the perspective of a politician or analyst who are looking for “quick and dirty” comparative measures of competitiveness or want to tell a story of their own region’s success in its struggle with its presumed competitors. Such measures normally come in the form of a table pooling together indices for several regions or cities and allowing for a fast interpretation of their relative performance. They find a lot of traction in the media due to their descriptive (even if deceptive) power and visual appeal.

A list of advantages of a specific kind of integral indices of competitiveness – innovation ratings – is given by Malecki (Malecki 2004) (originally from The State Science and Technology Institute (SSTI)).

Firstly, these ratings give the society a better idea of what is required to allow the economy to prosper through greater reliance on knowledge, greater levels of technological sophistication and global competitiveness.

Secondly, the ratings help identify areas requiring additional attention and must be targeted by relevant development programs.

Thirdly, long time series composed of these ratings give a sense of the general direction the economy is taking and predict the shape of its trajectory of path dependency.

A comprehensive review of counter-arguments for the usefulness of integral indices can be found again in (Bristow, 2010).

Firstly, integral indices tend to chaotically mix indicators which are often nonlinearly interrelated. This obviously results in measuring the wrong thing or things.

Secondly, too often the choice of indicators included in the index is guided by the simple consideration of data availability and the entire methodology in that case (and it would appear to be the average case) collapses to choosing parameters with relevant sounding names. This problem can be alleviated only by further advances in methodology behind studies of competitiveness and developing statistical indicators to reflect that methodology.

Thirdly, the weighting of particular indicators in the index is often arbitrary and subjective.

Fourthly, comparative tables of competitiveness, GDP, and productivity often gloss over spatial inequalities and their sources, rather than uncover them.

Fifthly, regions are usually taken in their administrative boundaries and no attempts are made to account for possible inconsistencies between those boundaries and economic realities on the ground, where the shapes of regions are often fluid over time.

5 Conclusion

The discourse regarding the issue of competitiveness of spatial economic systems (places) of different levels continues to grow. Despite the attention paid to this issue many methodological questions remain unresolved, including even the obvious and foundational issues of “object – subject – method”. We find the practice of using administrative spatial units as objects of analysis especially problematic. However, a close second is the mostly arbitrary use of available statistical indicators of competitiveness, chosen simply for their availability. Solutions to these most immediate problems lie in taking a more “methodologically honest” approach to measuring competitiveness. This approach should proceed from subdividing the economic space into analytically meaningful entities (regions) and continue through the synthesis of the regional concept and territorial marketing outlined above.

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