

*Danuta Strahl**

IMPROVED REGIONAL COMPETITIVENESS AS A GOAL OF AREA DEVELOPMENT STRATEGIES

The article presents the determinants of the efficient implementation of one goal of area development strategies, that of improved regional competitiveness. The following six determinants are discussed: recognition of competitiveness, well-defined vision of regional competitive capacity, involvement of regional authorities, co-ordination of regional activities, support process, and implementation efficiency indicators along with their significance for an objective implementation.

Moreover, much attention is paid to the problems related to measuring regional competitiveness, including a presentation of M. Porter's approach based on the competitive advantage quadrangle, and to the principles of EU regional policy which formulates an area development strategy to increase regional competitiveness.

INTRODUCTION

The objective of this article is to highlight the role of area development strategies that account for the need of improved regional competitiveness. The background is a presentation of selected methods to quantify regional competitiveness, including M. Porter's approach based on the competitive advantage quadrangle. The article also presents the principles of EU regional policies that make the basis for constructing area development strategies to support regional competitiveness. Furthermore, the author lists success determinants for the implementation of a strategic task in area development which is improved regional competitiveness.

1. FEASIBILITY OF REGIONAL COMPETITIVENESS QUANTIFICATION

The 1990s saw a real outburst of researchers' interest in the issues of competitiveness. The focus is on the macroeconomic aspects of competitiveness in the context of various countries as well as the medium scale

* Department of Regional Economy, Wrocław University of Economics

of regional economy. Large empirical research output concerning regional competitiveness has been obtained in Great Britain (Brooksbank, Pickamell 2000; Huggins 1997) and Australia (Porter 1994).

The beginning of the theory of competitiveness as a separate field of economics related to market studies can be traced back to the first half of the 20th century. This theory was surely influenced by the economic freedom of 19th-century North America and some European countries as well as by the gradual market concentration of the 1940s and 1950s. The globalization of economic processes has definitely transformed the original sense of competitiveness. Changes from price competitiveness related to market survival and developing market share (also through price manipulation) towards non-cost competitiveness brought about the development of know-how, innovation and general welfare.

The basic notion of absolute competitiveness is related to a market where all actors behave in a competitive manner. At the same time, a company has an ideal competitive situation when it is deprived of, among other factors, any influence on product price (see Łyszkiewicz 2000).

It was just this trend that transposed the notion of competitiveness from the sphere of individual businesses to regional economy. Beside individual companies, in the new conditions of the world organization system regions have also joined the competition within the development process. It is recognized that the subjective nature of regions makes them undertake the role of state in some circumstances. Regions compete for labour markets, human capital, and – primarily – for innovative investments. This results from the prevailing opinion among both the regional decision-makers and analysts that regional development will be determined by modern know-how, innovative entrepreneurship and highly qualified human resources (see Bieńkowski 2000; Brooksbank, Pickamell 1999; Chmielewski, Trojanek 1999; Gorzelak, Jałowicki 2000).

Even though the definitions of competitiveness are numerous, they usually refer to the capacity for supplying products (goods and services) to meet the needs of national and international markets, which in turn guarantees the supplier's long-term market position. The definitions evolve towards generalization, achieved through focusing on effects of competitiveness that make a permanent basis for increasing the living standard of a society.

The notion of competitiveness additionally includes a visible emotional load, as it is a qualitative factor denoting a highly desirable situation. In this context it is worthwhile to mention the definition provided by Brooksbank and Pickamell (1999) which states that “competitiveness is a way to discuss relative

economic results within benchmarking". The definitions of regional competitiveness focus on its two aspects (see Gorzelak, Jałowicki 2000, p. 8):

- competitiveness of regional businesses,
- competitiveness of territorial arrangements.

Since there is no generally accepted definition of competitiveness, the methods of measuring it also become disputable. It seems necessary to apply two approaches: a static and a dynamic one (Bieńkowski 2000). The static approach should quantify the competitive position of the analysed object at the given time, while the dynamic one should involve an assessment of the region's competitive capacity in the long-term perspective and the sustainability of its competitive position.

The essential element of a region's competitiveness measurements is the determination of its driving forces. The major ones are usually believed to include:

- research and development potential,
- human capital,
- innovation and organization potential,
- efficiency of small and medium-sized businesses.

M. Porter (see Brooksbank, Pickamell 1999; Porter 1994) defines the region-specific competitive advantage quadrangle. In his opinion it is determined by:

- production resources, i.e. qualified workforce and economic infrastructure,
- demand conditions,
- supporting companies,
- economic environment.

In the research on competitiveness of British regions (see Brooksbank, Pickamell 1999), the following four characteristics of competitive advantage quadrangle were adopted:

1. Production resources:

- employment in services, in k-th region, employees with tertiary education,
- employment in services, in k-th region, employees with secondary education,
- employment in industry, in k-th region, employees with tertiary education,
- employment in industry, in k-th region, employees with secondary vocational education,
- employment in industry, 19-year-olds with vocational education,
- apprenticeships,
- R&D departments in companies,
- university R&D institutions;

2. Demand conditions:

- income per capita in households,
- discretionary income per capita in households,

- expenditure per capita in households,
- discretionary expenditure per capita in households, other than for essentials or condiments.

3. Supporting companies:

- increase in the number of VAT payers in industry,
- increase in the number of VAT payers in services,
- gross value added of companies employing 1-99 staff.

4. Economic environment (conditions for business establishment, organization and management)

Employment structure includes:

- industry sector, with regard to its inner structure.
- services sector, including public utilities, civil engineering, distribution, hotels and catering,
- specialized services like transport, storage, communication and financial services,
- sole traders' share in industry,
- sole traders' share in services.

These characteristics were used for quantifying the competitiveness of British regions (see Brooksbank, Pickamell 1999).

There is also a new approach visible in the assessment of innovation locations, which is generally considered to be an essential determinant of regional competitiveness. The problem is of primary importance to regions that, along with governmental agencies, are responsible for the harmonious allocation of economic activities. The determinants of modern technology locations include (see Gorzelak, Jałowicki 2000):

- 1) workforce,
- 2) existence of research institutions and universities in the region,
- 3) landscape values and living standards,
- 4) transport infrastructure,
- 5) services and political atmosphere for economic activity,
- 6) agglomeration benefits.

These factors give rise to distinct spatial segmentation and increase the chances of regions that are sites of significant research and education centres, specialized services, financial centres and local authorities to create a favourable environment for economic activity. Of course not all the regions thus favoured are capable of using their chance to have a high competitive position. This is a source of tasks for area management strategies.

2. OBJECTIVES OF EU REGIONAL POLICIES AS THE BASIS FOR IMPROVED REGIONAL COMPETITIVENESS

The article does not tackle the principles of creating area management strategies, just indicates the basic underlying concepts. The European Union has a wide experience in establishing and implementing area management strategies. The "Europe of regions" considers its strategic objective to be levelling development discrepancies between countries and regions. The subsequent European treaties (*Single European Act* of 1987, *Maastricht Treaty* and *Amsterdam Treaty* of 1997, and *Berlin Summit* of 1999) invariably stressed this strategic objective, even though with passing time there arose some disputes leading to reforms in its implementation policies.

The basic instruments of European regional policy are Structural Funds. They have been established to balance regional differences resulting from market economy and the ensuing area competition. The work of the Structural Funds is based on four principles:

1. concentration of measures on the priority objectives for development,
2. programming, which results in multi-annual development programmes,
3. partnership and complementarity,
4. additionality.

Until the end of 1999, the structural actions of the European Union concentrated on six priority development objectives, some of them of a merely regional nature, and some others of a horizontal nature. The Structural Funds reform of 1999 reduced the number of objectives to three, which includes:

Objective 1: Development and structural adjustment of regions whose development is lagging behind.

During the next six years the eligible European regions will be those where GNP per capita does not reach 75% of the Community average, as well as outlying regions and regions eligible for the former Objective 6 in the years 1995-99. It should be remembered that Objective 6 referred to regions where population density did not reach 8 persons per square kilometre.

Objective 2: Economic and social conversion of areas facing structural difficulties, i.e. regions of declining industry and problem rural areas as well as economically weak centres of fishing industry.

This Objective generally covers areas formerly eligible for the former Objective 5b and Objective 2, which concerned problem regions identified on the basis of the following criteria:

- regional unemployment rate above the Community average during the three preceding years,

- equal or higher percentage of jobs in the industrial sector than the Community average during the three years preceding region's eligibility,
- permanent decline in industrial employment.

The same criteria apply for industrial areas (NUTS-III). Rural areas (NUTS-III) become eligible if they meet the following two criteria:

- population density of less than 100 inhabitants per square kilometer or a rate of agricultural employment equal to or higher than double the Community average;
- unemployment rate higher than the Community average or a decline in the population.

Eligibility of areas dependent on fisheries is determined by the criteria of:

- substantial percentage of the population employed in the fishing industry
- significant reduction in employment in this sector.

Eligibility criteria for other areas are presented in detail in Pietrzyk (2000, p. 146).

Objective 3: Combines the former Objectives 3 and 4 of the 1994-1999 programming period, addressing the development of human resources.

Objective 3 is to support the measures aimed to:

- enhance employment opportunities through lifelong education and training programmes,
- promote measures which enable social and economic changes to be identified in advance and the necessary adaptations to be made,
- promote active labour market policies to reduce unemployment,
- improve access to the labour market, with a special emphasis on people threatened by social exclusion,
- promote equal opportunities for men and women.

The above objectives of regional policy are the ground for improved regional strategy competitiveness within the European territory. They are also a suitable springboard for the presentation of a competitive position of Polish regions and their situation within the structure of Europe.

Poland's aspirations for European integration should lead to the simulation of EU regional strategy, as exemplified in two situations:

- **situation one** assumes that Poland becomes an EU member country and its regions (considered NUTS-II units as per the Nomenclature of Territorial Units for Statistics) are classified in accordance with the criteria applied in EU regional policies,
- **situation two** assumes that during the pre-accession period, Polish area management strategy adopts identical region classification criteria, e.g. for the allocation of Polish Regional Fund resources, but with national parameters, i.e. average figures for Poland (in line with criteria adopted).

An example of the possible classification of Polish regions (provinces) regarded as NUTS-II units for Structural Funds Objective 1 is presented in Table 1.

Table 1
Regions eligible for Objective 1

Classification I - EU parameters	Classification II - national parameters
All Polish provinces	Provinces: Lubelskie Podkarpackie Podlaskie Świętokrzyskie

Source: Own calculations based on Strahl (1990).

The above table shows that all Polish regions suffer from limited competitive potential when regarded in the light of EU regional policy criteria. At the same time, the national criteria indicates that four out of the total number of 16 regions – namely the regions of Lublin, Podkarpacie, Podlasie, and Świętokrzyskie – have the poorest competitive position. Improving the competitive position of Polish regions is a strategic objective of the National Regional Development Strategy. Another is combating the exclusion of the weakest regions in order to facilitate the long-term economic development on a national scale and enhance the social, economic and territorial cohesion in view of European accession.

Development strategies for individual regions must be integrated into the national area development strategy, with no detriment to their own development objectives or priorities.

3. SUCCESS DETERMINANTS OF IMPROVED REGIONAL COMPETITIVENESS

The area development strategies may refer to regions, sub-regions (e.g. districts), or municipalities. Methods of creating regional or local development strategies have already been well developed (see e.g. Klasik 2000). However, while the core principles of strategy construction are supported by guidelines from experts on regional and local development (Gorzelać, Jałowicki 2000; Klasik 2000), the theoretical basis is relatively poorly developed, especially with reference to regional practices concerning the assessment of implemented strategy. Sole monitoring, suggested to make an indispensable element of any

strategy, will never be a sufficient assessment instrument or a guarantee of successful development unless it is supported by area management efficiency indicators.

Despite extensive experience in creating regional or local development strategies, improved regional competitiveness is rarely seen as a strategic objective. On the other hand, this objective is very often integrated into company development strategies. Hence if competitiveness is considered an important issue in regional practices, it must find its way into area development strategies. The formulation of the strategic objective of improving regional competitiveness should include:

- assessment of the current competitive position of a region, comprising both operational and system competitiveness and its static and dynamic aspects. Such an assessment should determine the position of the region in relation to the regions included in the strategic group and to other comparative sets (e.g. to European regions). *Operational competitiveness* is the condition of companies of various sectors active within the region, while *system competitiveness* denotes the region's global product, including its innovative potential, openness to contacts, market sensitivity, social assets, education development, etc. (see Chmielewski, Trojanek 1999; Gorzelak, Jałowiecki 2000). *Static competitiveness* determines the region's position against the regions making a traditional comparison base. Professional literature includes several approaches to the quantification of the issue (see Brooksbank, Pickamell 1999; Porter 1994; Roberts, Stimson 1998; Strahl 1990). Finally, *dynamic competitiveness* analysis is aimed at determining the future development chances of a region. This aspect of analysis is the most difficult to tackle as it should describe the current situation of the region in question. It should be expected that the poor position of the region will indicate poor development possibilities and the necessity to start transformation measures aimed at improving its competitiveness.

- proposed measures aimed at improving region's competitiveness,
- specification of strategic success determinants involved in the strategy for increased regional competitiveness.

The strategic success determinants include:

- making regional leaders recognize the importance of improving regional competitiveness; this task may be called "regional leaders' recognition of competitiveness",
- formulation of the region's vision in the perspective of reaching a competitive capability,
- involvement of regional authorities (Marshal's Office, Regional Parliament, Provincial Office) and regional leaders in the regional

transformation process. This involvement should include both measures aimed directly at increasing regional competitiveness and those indirectly stimulating development processes and building conditions for increasing regional competitiveness,

- co-ordinating all regional players' activities aimed at increased regional competitiveness,

- facilitating the process of increasing regional competitiveness through relevant institutions and structures, e.g. business supporting institutions (regional development agencies, financial institutions, business councils, chambers of commerce, etc),

- defining success indicators for the process of increasing regional competitiveness. This is a difficult and ambitious task, since the professional literature does not offer a rich scope of proposals. The already quoted studies on the competitiveness of British regions (Brooksbank, Pickamell 1999; Huggins 1997) may surely be helpful here, as well as the experiences of the Institute for Market Economy Research (Gawlikowska-Hueckel 2000).

Efficiency indicators for strategic measures aimed at improving regional competitiveness should cover both dynamic aspects, comparing specific regional parameters with parameters obtained during other stages of strategy implementation, and structural aspects to compare the region's performance with competing regions - but also within a dynamic approach.

Only an integrated approach, including the above determiners, can secure the successful realization of the strategic objective, i.e. increased regional competitiveness. Lack of even one single determinant may have a negative impact on the competitive strategy implementation, which is presented in Table 2.

The first determinant of the successful realization of the improved regional competitiveness objective is "recognition of competitiveness". It should be recognized that in case all the players of regional development (particularly regional authorities and leaders, as well as regional society) are not convinced there is a need for constant improvement of the region's competitive position, the region's vision and strategy may prove a mock document never to become reality. Recognition of competitiveness means awareness that changes leading to improved regional competitiveness are unavoidable. It must also be known why these changes are unavoidable and what scenario will develop in case the changes are not implemented. The ability to manage these changes is also necessary to improve regional competitiveness efficiently. If the need for competitiveness is not recognised, regional management may become a passive one. This - confronted with the activities of competing regions - might bring about a permanent lack of competitive edge, resulting in an impaired market position of the region, even if all other success determinants shown in Table 2 are in place.

Table 2
Strategic determinants of successful realisation
of the strategic objective of "increased regional competitiveness"

Recognition of competitiveness	Well-defined vision of regional competitive capacity	Involvement of regional authorities	Co-ordination of regional activities	Support process	Implementation efficiency indicators	Consequences
-	+	+	+	+	+	Lack of regional competitiveness capacity becomes permanent
+	-	+	+	+	+	Possibility of region's error
+	+	-	+	+	+	Strategy is implemented slowly, with no certainty of its relevance
+	+	+	-	+	+	Narrow approach to the strategic process
+	+	+	+	-	+	Only outward appearance of change
+	+	+	+	+	-	Error risk
+	+	+	+	+	+	Success

Source: Own research.

Improvement in regional competitiveness primarily means a clear-cut vision of the region to include gaining a permanent competitive advantage over other regions. The advantage should expose the region's strong points through utilizing the chances implied by regional environment and the elimination of weaknesses and threats. A well-defined vision of the region's competitive capacity will not allow mistakes and dead ends, thus excluding any possible waste of time whilst implementing both particular goals and overall strategic objectives.

The efficiency and tempo in implementing the objective of improved regional competitiveness definitely depend on the involvement of regional authorities. This involvement is usually transferred to middle and lower levels of regional management. A sign of regional authorities' care for improved competitiveness should be lobbying activities, co-operation with regional leaders, rewarding the pioneers of change, and the neutralization of contesting actions. In case the authorities involvement is just a mock or indecisive one, implementation of the objective of improved regional competitiveness will be delayed and slack. This might increase the chances of the vision's opponents.

The next success determinant shown in Table 2 is the co-ordination of regional activities aimed at improved regional competitiveness. This is to

ensure an integral and complex approach to problem solving, while a lack of co-ordination may lead to a limited perception of the region's weaknesses and consequently to limited chances of their elimination.

An important success determinant for improving the regional competitiveness is the activation of structures to support changes. The supporting structures should include a system to monitor the objective implementation and a network of supporting institutions like regional development agencies, entrepreneur incubators, and services. This wide-range support process should guarantee permanent and authentic changes in the region, leading to an improved competitiveness and to oppose mock changes.

Professional literature puts very little emphasis on the implementation efficiency indicators to be applied for regional strategies. This results from difficulties in quantifying regional competitiveness, mentioned in paragraph 2 above. The identification of implementation efficiency indicators for the "improved regional competitiveness" objective is crucial for its successful implementation, since it requires a precise defining of the vision of competitiveness, its goals and relevant measurement methods. However, a lack of such indicators may lead the strategy into a dead end due to the impossibility of verification and monitoring.

Therefore all determinants included in Table 2 must be in existence for the objective of "improved regional competitiveness" to become an efficient instrument of area development strategy implementation.

REFERENCES

- Bieńkowski, W. (2000): *Konkurencyjność gospodarki polskiej w przededniu wejścia do Unii Europejskiej. Czy rząd może być bardziej aktywny?* [Competitiveness of the Polish economy on the eve of accession into the European Community. Can the government be more active?] in: *Unia Europejska wobec procesów integracyjnych. Wyzwania dla Polski* [European Community and the integration processes. Challenges for Poland]. WSHiFM, Warszawa.
- Brooksbank, D. J., Pickamell, D. G., *Regional Competitiveness Indicators. A Reassessment of Method*. Local Economy, vol. 13, no. 4, February 1999.
- Chmielewski, R., Trojanek, M., *Czynniki określające konkurencyjność układów przestrzennych (regionów i miast)* [Determinants of Competitiveness of Spatial Systems (regions and towns)], in: Domański, R. (ed.), *Podstawy gospodarczej polityki miasta. Studium Poznania* [Basics of Municipal Economic Policies. The Study of Poznań Case]. Part II. Bulletin of PKPZK of Polish Academy of Sciences, Issue 187, Warszawa 1999.
- Gawlikowska-Hueckel, K., Umiński, S., *Mapa konkurencyjności województw* [A Map of Regional Competitiveness], in: *Gazeta Samorządu i Administracji*, no. 18/19 of 28 Aug.–24 Sept. 2000.
- Gorzelał, G., Jałowiecki B., *Konkurencyjność regionów* [Regional Competitiveness]. in: *Studia Regionalne i Lokalne* [Regional and Local Studies] no. 1, 2000.

- Huggins, N., *Regional Competitive Specialisation*. Development Agency Sector Initiatives in Wales. Area, vol 29, no. 3, 1997.
- Klasik A., *Strategia rozwoju regionu [Regional Development Strategy]*, in: *Studia Regionalne i Lokalne [Regional and Local Studies]* no. 3, 2000.
- Łyszkiwicz, W. (2000): *Industrial organization. Organizacja rynku i konkurencja [Industrial Organization. Market Organization and Competition]*. WSHiFM, Warszawa.
- Pietrzyk, I. (2000): *Polityka regionalna Unii Europejskiej i regiony w państwach członkowskich [Regional Policy of the European Union and Regions in Member Countries]*. PWN, Warszawa.
- Porter, M. E. (1994): *Strategia konkurencji. Metody analizy sektorów i konkurentów [Strategy of Competition. Methods of Analysing Sectors and Competitors]*. PWE, Warszawa.
- Roberts, B., Stimson, R. J., *Multi-sectoral qualitative analysis: a tool for assessing the competitiveness of regions and formulating strategies for economic development*. Regional Science, Springer-Verlag 1998.
- Strahl, D. (1990): *Metody programowania rozwoju społeczno-gospodarczego [Programming Methods for Socio-Economic Development]*. PWE, Warszawa.
- Strahl, D. (2000): *Żarys procedury budowy zintegrowanego modelu oceny konkurencyjności regionów [Outline of Procedures for Construction of Integrated Model of Regional Competitiveness Assessment]*, PN AE no. 874, "Taxonomy" no. 7, Wrocław.

Received: Feb 2001; revised version: Jan 2002