

TERRITORIAL CAPITAL AND CULTURAL DEVELOPMENT IN THE CONTEXT OF A BUSINESS ECOSYSTEM – A THEORETICAL APPROACH

Roxana VOICU-DOROBANȚU

Bucharest University of Economic Studies, Bucharest, Romania
rovodo@gmail.com

Abstract:

Starting from the basic concept of territorial capital (all economic, cultural, environmental and social assets that ensure the potential development of the characterized area, i.e. the region), in the context of the development of business ecosystems, in relation to the new Sustainable Development Goals, and in view of the focus on a more sensitive cultural approach, the paper describes these concepts, and their possible connection to regional growth.

Keywords:

business ecosystem, territorial capital.

Introduction

In September 2015, at the Summit of the United Nations are proposed toward appropriation and coveted to be met by 2030 an aggregate of 17 sustainable development goals (SDGs), successors to the Millennium Goals, mirroring the yearning of worldwide confirmation of an ideal presence later on. Of these, five are firmly identified with worldwide competitiveness, and may be measured specifically through the mainstays of the Global Competitiveness Index from the World Economic Forum. Expense is a noteworthy issue for the achievement of these undertakings, as it is assessed at around 2,500 billion (UNCTAD, 2014) every year. Such a methodology is important to conjugate that cooperative energy, imagination and subsidizing to satisfy their parts towards this all-inclusive ideal. In this setting, the requirement for exact focusing on exists so as not to waste time and cash assets.

Industrial approaches for development and/or improvement close by the financial speculations on which they are based have been made basically post-World War II and gave been following the time when at the focal point of monetary and political verbal confrontation. In this connection, after the comrade's breakdown monetary framework in 1989-1990, Stiglitz and Greenwald (2014), assess and give a discriminating review of the Washington Consensus arrangements, concentrated on "static effectiveness without considering the outcomes of advancement and learning". It is along these lines considered that innovative advancement and territorial improvement were frequently controlled by outer variables, without being influenced by the monetary strategies expressly focused on. It is a positive sign that, for a superior comprehension of the development, advancement and connected strategies, the significance of dynamic components is highlighted, such is the situation for "technological progress" (Solow 1956), "learning by doing" (Arrow 1962), "human capital" (Becker 1964), "information asymmetry" (Akerlof 1970), "innovation" (Drucker 1985), "creative class" (Florida 2002), and "knowledge" and "entrepreneurship", etc.

But for a better understanding of the complex phenomena that contribute directly or indirectly to economic growth and development, regardless of scale (local, regional, national, European or global), there is the need to look beyond the classic reductionists factors of production "land, labor, capital" and to start from a minimal taxonomy of factors subsumed to the concepts of "territorial capital" and regional entrepreneurial ecosystem. Special attention should be given to the concept of "entrepreneurial learning" - as a special type of learning, training and self-training, for 'innovative entrepreneurship'.

Be that as it may, for a superior comprehension of the perplexing marvels that contribute specifically or in a roundabout way to financial development and advancement, paying little respect to scale (neighborhood, local, national, European or worldwide), there is the need to look past the reductionists production factors "area, work, capital" and to begin from an insignificant scientific categorization of variables subsumed to the ideas of "regional capital" and local business eco system.

Territorial capital – a fundamental concept

Center, structure and human capital flows, and also abnormal state of training in a district are pointers of the flow of that specific area in its development. Scientists and authorities are key players for advancement and improvement requires high rates of this specific component. Grouping of human capital with abnormal state of training by and large associates with

the level of improvement. Be that as it may, inquire about in the course of the last 20-25 years demonstrates that, especially innovative work endeavors (and firmly identified with these endeavors, in training) did not reliably associate absolutely with local development. Inclining toward this, Capello (2011) underlines the need to augment the exploration's center towards regional capital (as characterized by OECD in 2001), whose segments are gathered by Camagni (2008) in the accompanying nine classes: "Private altered capital stock; Pecuniary externalities (hard); Toll merchandise (excludable); Relational private administrations working on: outside linkages for firms, exchange of R&D results; University spin offs; Human capital: business enterprise, innovativeness, private ability; Pecuniary externalities (delicate) Proprietary systems; Collective products: scene, social legacy (private „ensembles"); Cooperation systems: vital organizations together in R&D and learning; p/p associations in administrations and plans; Governance of area and social assets; Relational capital: collaboration capacity (trust); aggregate activity capacity (investment); aggregate skills; Resources: regular social (dependable); Social overhead capital: foundation; Agencies for R&D exchange; Receptivity upgrading devices; Connectivity; Agglomeration and region economies; Collective activity: traditions; behavioral codes; representations; values". The same creators watched that a noteworthy reason for this inconsistency is bungle of information, deficiently planned with different components of territorial capital.

The more refined researched the provincial structure of human capital and its advancement as a regional's component capital, the best the look into the flow status and the genuine conceivable outcomes of improvement as far as endogenous development hypothesis (Lucas 1988, Romer, 1990) and the hypothesis of endogenous improvement. These identified with the local advancement strategy as a reaction of neighborhood on-screen characters to the difficulties of globalization, underlining the unequivocal part of society and nearby foundations on seeing interest in human capital situated towards key exercises to fortify nearby financial activities and draw in additional provincial monetary exercises (Capello, 2007).

One viewpoint deficiently or just possibly treated in these late methodologies in light of the idea of territorial capital is that the era and obtaining of learning can't achieve its full financial potential and along these

lines advantage development without business people ready to change advancements into new items or essentially enhanced contrasted with the benchmarks of a business sector progressively focused.

Despite of what Thomas Friedman implicitly said in his well-known book *The World is Flat*, the "territory is not flat" both literally (there are different mountains, hills, rivers, vegetation, animals, climate, ecologies, tangibles, towns, cities, artefacts, etc.) and metaphorically (there is a diversity of cultures, languages, intangibles, rhythms, spirituality, knowledge, ideal, etc.).

Any development (economic, social, cultural, spiritual) takes place into a "specific territory" and not into a "general space".

Also, contrary to the dominant economic growth theories, "the success of a territorial system does not today depend solely on the quantity and quality of the material resources deeply embedded in the local territory: intangible elements connected with culture and innovative capacity accumulate through slow processes of individual and collective learning fuelled by information, interaction, and investments in research and training. These intangible elements are therefore intrinsically localized and cumulative, embodied in human capital and local relational networks, in the labour market, and in the local context – and they are consequently highly selective in spatial terms "

In the globalized knowledge-based economy of nowadays, regions compete mostly on "competitive advantage" (Porter) and less on "comparative advantage" (Ricardo). So anytime, anywhere, a good regional policy, especially for those less-developed, is badly needed (if the best one is difficult to reach).

In a knowledge-based economy the development key driver is knowledge, or, if we regard it from an active perspective, "knowledge capital".

As Camagni & Capello showed, "*the central role played by spatial elements in the creation and diffusion of knowledge, both evidenced by empirical analyses or deductively derived from theoretical elements. Different reasons were given for the importance of space in the creation of a knowledge-based economy: externalities stemming from urban environment, knowledge spillovers subject to strong and visible distance-decay effects, collective learning based on a relational space where economic and social interactions take place and are embedded into geographical space.*"

So knowledge capital is not "something abstract" that can flow easily across the whole globe over the internet from a person to another, or from a firm to another, or from a region to another, etc., but it "develops and accumulates through slow individual and collective learning processes, and grows through information, interaction and local knowledge". Further, the knowledge generation is first of all "a local process, rooted in the historical development of the area, accumulated over time through experience, local culture in local labour market and local context, and therefore difficult to transfer to somewhere else".

As information, data and knowledge of a person are "embodied and interwoven into a brain and/or body", also the data, information and knowledge of a human space (locality) are "embodied and interwoven into a territory and/or a geography".

Also, as we know from Michael Polanyi (his books Personal Knowledge and The Tacit Dimension) there are two basic kinds of knowledge, codified or explicit knowledge and tacit knowledge. The former is easily transmitted between people directly (orally) and/or mediated by paper (books, reviews, etc.) or electronically (radio, tv, internet, etc.), the latter, can only be revealed through practice in a particular context and transmitted and shared into a community or through social networks.

Mutatis mutandis, we may say that for a "territory" (region) there are an "explicit capital" – the classic factors in a supply-side economic vision: capital and labour, local resources, and infrastructure endowment – and a "tacit capital" - intangible, atmosphere-type, local synergy and governance factors, interpreted differently by different authors as "knowledge assets, social capital, relational capital, etc.", according to endogenous development visions. Going further we observe that "explicit capital" components (aspects) of the territorial capital are easily replicated in another region. On the contrary, the "tacit capital" components (aspects) of the territorial capital are difficult to replicate. So the true competitiveness of a region lies active or dormant in "tacit capital".

In a globalized competitive economy, the main drivers for developing competitive regions are local assets, on the first plane being "territorial tacit capital", the intangible, non-material components, and the way in which they are exploited. As Roberta Capello, Ugo Fratesi and Laura Resmini showed in their excellent book Globalization and Regional Growth

in Europe, the strategic elements of this "territorial tacit capital" separate out winners and losers among local economies through a cumulative and self-reinforcing mechanism that feeds local economies with opportunities to turn threats into growth possibilities, and strengthens local assets with which to compete.

So contrary to the dominant standard economics, there is plenty of place for industrial and/or innovation policy at the regional (local) level.

Business ecosystems – the road ahead

The examination between the business environment and natural structures is in no way, shape or form another issue, in spite of the fact that the first development of a like idea in writing is Moore's 1993 distribution of 'Predators and Prey: a New biology of rivalry'. Moore's exploration in authoritative conduct, organizations together and rivalry, with an attention on Internet biological communities (contextual investigations on innovative commercial ventures) has opened the path for the phrase's utilization as a trendy expression of the financial matters dialect of the previous decades. Along these lines, there is an in number development of subjects, for example, 'modern biological systems', 'advanced business environment', 'entrepreneurial biological community' which come up short much of the time to legitimately and unmistakably characterize the current issue, and in this manner include a wide range of issues, related either firmly or freely.

To begin the investigation from Moore's introductory definition, the umbrella term 'business ecosystem' is:

"An economic community supported by a foundation of interacting organizations and individuals—the organisms of the business world. The economic community produces goods and services of value to customers, who are themselves members of the ecosystem. The member organisms also include suppliers, lead producers, competitors, and other stakeholders. Over time, they coevolve their capabilities and roles, and tend to align themselves with the directions set by one or more central companies. Those companies holding leadership roles may change over time, but the function of ecosystem leader is valued by the community because it enables members to move toward shared visions to align their investments, and to find mutually supportive roles."

Starting here of perspective, the similarity with natural biological communities is clear: there is a system of specialists, acting to their greatest advantage, or the group's enthusiasm, existing around one or a few attractive energy focuses, which act together, gain from one another keeping in mind the end goal to give quality to all. The issue about business biological communities is however the limits' defining of a like structure. "Where is the end of one environment stop and start of the following one?" is a question that depends on the way of an "amplified web structure" of the 'biosphere'. (Kauffman, 1993, 255) or of a 'without scale chart' (Callaway, cited in Strogatz 2001, 271). The same parts of connected hubs and associations between these hubs can be found in all structures. The hubs' extent, the quantity of associations each of these conveys, the quality and nature of those associations has decided the conspicuous correlation between the distinctive theoretical structures. In any case, paying little mind to the undeniable theoretical associations and the buzz's effect expression in expert reports of the previous decades, the scholastic writing on business biological communities can be viewed as rather shallow and unmistakable and in 'its early stages' (Anggraeni, Hartigh, & Zegveld, 2007).

It is evident that the requirement for a larger amount of investigation past the smaller scale level of an individual association has decided the full scale's utilization lens of analogies, and henceforth the business' conceptualization 'biological community'. The systemic methodology is an available exploration instrument, which permits inside and out investigation, quantitative and subjective examination, concentrate on segments and linkages, allows a reasonable investigation of the cooperation's' impacts, specifically in cases in which said communications are non-straight and less unsurprising because of an extensive number of deciding variables. By correlation to a systematic methodology, the systemic methodology may seem less thorough, yet it in any case speaks to a dependable answer for a worldwide perspective of the issues, and in this regard, an imperative choice making device. Subsequently, including the quantitative and logical abilities of the intricacy and system speculations, there is additionality between the two methodologies rather than resistance, proposing an incorporated perspective that permits scientists and directors alike to get a more extensive handle of reality in its progress. The systemic methodology, with its

included systematic apparatuses and organic analogies, turns out to be therefore an essential instrument in the business' investigation surroundings.

The idea's significance in strategic management theory (Lengnick-Hall & Wolff, 1999, as cited in Baghbadorani & Harandi, 2012) has been underlined in a few works of examination, specifically in connection to the advancement and co-development of multi-sided organizations (Parker & Van Alstyne, 2005, Eisenmann, Parker, & Van Alstyne, 2006;). Then again, the idea has stayed, as beforehand expressed, rather ineffectively examined as an incorporated worldwide idea.

An intriguing component added to the exchange is the utility of a like environment, the "why" of its capacity, the point of convergence of any business structure: esteem creation. Beginning from the Value Chain model, trailed by the Value Network model (Porter, 1985, Allee, 2002), the idea of quality creation has extended from a smaller scale approach, at firm level, to a full scale methodology, investigating functionalities and implications in the multidirectional interrelations of organizations with governments, people, common society, and different segments of the group on the loose. The attention on quality at a business biological system turns out to be in this way on making it for all individuals from the system, utilizing externalities and valorizing the social capital issued from the communications with a solitary motivation behind building towards basic welfare (Andriani, 2013; Battistella, Colucci and Nonino, 2012; Durlauf & Fafchamps, 2004; De Toni & Nonino, 2010). Quality turns out to be along these lines a typical objective, and keeping up it depends on every individual from the system turning out to be 'less replaceable' (Jacobides, 2013). The key component in the making of worth in a business biological community is Social capital, practically characterized as: "the foundations, connections, and standards that shape the quality and amount of a general public's social collaborations", the paste that merges the environment as a feasible maker of quality (or a worth system, characterized by Allee, 2002 as "any web of connections that creates substantial and immaterial quality through complex element trades between two or more people, gatherings, or associations") from assets, in whichever mix suitable.

Conclusions

The conclusions of this paper related for the most part to a generally cynical situation, the universal best practices on the improvement of biological systems are still in 'great expectations' stage, without numerous dynamic steps towards the potential regional capital advancement at territorial level. In this regard, the paper answers an arrangement of

inquiries concerning the actualities, saw impartially (through quantitative and subjective conclusions deciphering the assessment of right on time stage business people and potential business people), yet brings up another issue, in particular: how to defeat the present status of the decrease in human capital? It is evident that the response to such an inquiry can just originate from broad exploration led on different planes included complex interrelationships between human capital and different sorts of capital that give consistency and potential to regional capital. Be that as it may, even without such research, a few game-plans can be drawn.

To start with is the requirement for a like across the board exploration, set up on an adequately far reaching vision, which can just originate from the improvement of strategic decision makers.

Furthermore, it is important to consider the lessons gained from the way that a positive relationship between examination exertion and development or financial improvement not programmed, but rather just if information administration arrangements are firmly organized with other integral approaches, concentrating on vital administration of different parts of regional capital.

Thirdly, any arrangement would stay at a theoretical level, if the business enterprise biological community is not arranged and streamlined to withstand such a radical change.

Fourthly, arrangements to change the exploration and business enterprise preparing are required keeping in mind the end goal to guarantee a nearby connection with expert preparing approaches. Therefore, vital learning era may be all the more promptly abused locally and broadly.

Fifthly, EU structural funds allocation and contracting and other money related assets ought to be made on the premise of effect models (social, ecological, systemic), painstakingly created from a developmental viewpoint, encouraging the rise of cooperative energies and achievement adjusted to neighborhood specificities, like the normal natural progression and restoration mediations in light of their activating, for example, trophic falls. This requires former choice receiving a dream of Smart Specialization at nearby, territorial and national level, options an underlined interdisciplinary examination hidden the examples of effect.

Sixthly, dynamic measures ought to be given to produce the same number of cases of fruitful inventive business people, including the

development and effect business people. As such they ought to be seen likewise as regional capital resources, vital to enhance state of mind and disposition towards learning and procuring information and entrepreneurial aptitudes.

At long last, it is important to begin from the perception that the dissemination of regional capital is not heterogeneous and it tends to spread unevenly, making focuses of mastery (which may be rising or astute). Between these hubs of excellences are those recognized in the neighborhood improvement procedures as the ones that have the best risks of progress and advancement arrangements must be separated/adjusted to their quirks. For instance, in Romania, Bucharest is the most encouraging post from which to begin with unmistakable results a quicker advancement methodology towards a maintainable information based material.

Acknowledgment:

Part of this work was financially through the project “Routes of academic excellence in doctoral and post-doctoral research- REACH” co-financed through the European Social Fund, by Sectoral Operational Programme Human Resources Development 2007-2013, contract no POSDRU/59/1.5/S/137926. An initial part of this work was supported through SNF-funded project IZERZO_142306/1 and the author would like to thank Aron Jinaru, Ph.D. and Alexandru Caragea for all their support.

References

AKERLOF, G.A., 1970, 'The Market for 'Lemons': Quality Uncertainty and the Market Mechanism', in: *Quarterly Journal of Economics* (The MIT Press).

ANDRIANI, L., 2013, *Social Capital: a Road Map of Theoretical Frameworks and Empirical Limitations* (No. 1). Birkbeck Department of Management., <http://www.bbk.ac.uk/management/our-research/wp/WP1.pdf>, accessed 31 March 2015.

ANGGRAENI, E.; DEN HARTIGH, E.; ZEGVELD, M., 2007, Business ecosystem as a perspective for studying the relations between firms and their business networks, in: ECCON 2007 Annual meeting. <http://www.chaosforum.com/docs/nieuws/bes.pdf> accessed 31 March 2015.

ARROW, K.J., 1962, 'The Economic Implications of Learning by Doing', in: *Review of Economic Studies* (The Review of Economic Studies) 29 (3): 155-73.

ARROW, K.J., 2009, 'Some Developments in Economic Theory Since 1940: An Eyewitness Account', in: *Annual Review of Economics*, Vol. 1: 1-16 (June 2009).

BATTISTELLA, C.; COLUCCI, K.; DE TONI, A. F.; NONINO, F., 2013, „Methodology of business ecosystems network analysis: A case study in Telecom Italia Future Centre”, in: *Technological Forecasting and Social Change*, 80(6), 1194-1210.

BECKER, G.S., 1964, 1993, 3rd ed., *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*. Chicago: University of Chicago Press.

CAMAGNI, R.; CAPELLO, R.; CHIZZOLINI, P., 2008, *Regional competitiveness: towards a theory of territorial capital. Modelling regional scenarios for the enlarged Europe: European competitiveness and global strategies*, in: Chizzolini P and Frasati R (eds), Berlin: Springer-Verlag.

CAPELLO, R., 2007, *Regional Economics*, London: Routledge.

CAPELLO, R.; CARAGLIU, A.; NIJKAMP, P., 2011, „Territorial Capital and Regional Growth: Increasing Returns in Knowledge Use”, in: *Tijdschrift voor economische en sociale geografie*, 102: 385-405.

DINGA, E., 2007, *Sisteme disipative, Entropie și Sustenabilitate*, http://www.edinga.ro/files/studii/9_ro.pdf Accessed 31 March 2015.

DRUCKER, P., 1985, 'The Discipline of Innovation', in: *Harvard Business Review (HBR)*, May-June, 1985.

FLORIDA, R., 2002, *The Rise of the Creative Class: And how it's transforming work, leisure, community and everyday life*, New York: Perseus Book Group.

IANSITI, M.; LEVIEN, R., 2002, *The New Operational Dynamics of Business Ecosystems: Implications for Policy, Operations and Technology Strategy*, Division of Research, Harvard Business School.

IANSITI, M.; Levien, R., 2004, 'Strategy as ecology', in: *Harvard Business Review*, 82(3).

IANSITI, M.; Levien, R., 2004, „The keystone advantage: what the new dynamics of business ecosystems mean for strategy, innovation, and

sustainability”, in: Harvard Business Press.

IANSITI, M.; RICHARDS, G., 2006, *Information technology ecosystem health and performance: Division of Research*, Harvard Business School.

IANSITI, M.; RICHARDS, G. L., 2006, *Information Technology Ecosystem: Structure, Health, and Performance*. *Antitrust Bull.*, Division of Research, Harvard Business School, 51, 77.

ISENBERG, D.J., 2011, *The entrepreneurship ecosystem strategy as a new paradigm for economic policy: Principles for cultivating entrepreneurship*. Dublin: Institute of International European Affairs.

ISENBERG, D.J., 2010, ‘How to start an entrepreneurial revolution’, in: *Harvard Business Review*, 88(6), 40-50.

JACOBIDES, M., 2013, Creating and Capturing Value in Your Business Ecosystems – TedXTalks: [http://www.tedxthessaloniki.com/index.php/talk_video/creating-and-capturing-value-in-your-business-ecosystems/#s\(hash.wUfQjITZ.dpuf](http://www.tedxthessaloniki.com/index.php/talk_video/creating-and-capturing-value-in-your-business-ecosystems/#s(hash.wUfQjITZ.dpuf), Accessed 31 March 2015

LUCAS, R., 1988, ‘On the mechanics of economic development’, in: *Journal of Monetary Economics*, 22, 3-42.

NISTOREANU, B. G.; GHEORGHE, G., 2014, ‘The Perception of the Academics and Students Regarding the Entrepreneurial Education in Economic Education’, in: *The Amfiteatrul Economic Journal*, 16 (37).

OECD, 2001, *OECD Territorial Outlook*. OECD Publishing.

PAMFILIE, R.; Giusca, S.; Bumbac, R., 2014, ‘Academic research—a catalyst for the innovation process within companies in Romania’, in: *The Amfiteatrul Economic journal*, 16(37).

ROMER, P., 1990, ‘Endogenous technological change’, in: *Journal of Political Economy*, 98, S71–S102.

SOLOW, R. M., 1956, ‘A Contribution to the Theory of Economic Growth’, in: *Quarterly Journal of Economics* (The MIT Press) 70 (1): 65–94

STIGLITZ, J.; GREENWALD, B., 2014, *Creating a Learning Society – A New Approach to Growth, Development and Social Progress*, Columbia University Press.