

REGIONAL DEVELOPMENT AND ECONOMIC CULTURE

REGIONALNI RAZVOJ I EKONOMSKA KULTURA

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Abstract: *The important starting-point of countries is the culture. Recent research on sources of regional economic differences stresses the crucial role of culture, especially culture of the organizations. The level of development culture, and within it especially the economic cultures, importantly define the development and characteristics of organizations of all societies. The process of organizational development can be defined as entity of phases: Supplying, Efficient, Quality, Flexible, Innovative, and Sustainable Enterprise. Each of phases is based on a specific economical culture. Contribution discusses these: The direction of development of a country is dependent on the influence of the surrounding culture.*

Key words: *culture, development, economic culture, innovation*

Sažetak: *Svakoj zemlji izuzetno je važna njena kultura. Nedavno istraživanje izvora regionalnih ekonomskih razlika naglašava ključnu ulogu kulture, posebice kulturu organizacija. Razina razvoja kulture, a unutar nje posebno ekonomske kulture definira razvoj i karakteristike organizacija u svakom društvu. Proces razvoja organizacija može se definirati kao cjelina koja se sastoji od slijedećih faza: ponude, djelotvornosti, kvalitete, fleksibilnosti, promjene i održivih poduzeća.*

Ključne riječi: *kultura, razvoj, ekonomska kultura, inovacija*



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1. Introduction

A crucial economic culture trend reflects the economic development against the background of competitiveness phases from (1) the production factors phase via (2) technological investment phase and (3) the innovation phase to (4) the affluence phase [1][2][3][4]. The last one is comfortable and therefore aimed at by most humans but it destroys the culture of ambition since in this phase the people have no much more of everything, a situation that inhibits innovation, and this state of affairs causes trouble [5][6][7][8].

Thus, the culture of the third (innovative) phase should be kept alive as long as possible to prevent the culture of complacency of the fourth phase from prevailing. The market pressure can help the culture of innovation become more and more holistic by requiring the development to include these phases: Supplying enterprise, Efficient Enterprise, Quality Enterprise, Flexible Enterprise, Innovative Enterprise, and Sustainable Enterprise. Market pressure does not allow for complacency, this is especially true for the most contemporary forms of enterprise - the sustainable enterprise – where it leaves no room for complacency. It namely requires consideration of cost, business quality, range of “products”, the scope of attributes offered, uniqueness, and care for humankind’s natural environment.

All these are interdependent as a dialectical system of preconditions for competitiveness. They require a dialectical system of preconditions for innovation to be an ongoing action - invention, entrepreneurial spirit and entrepreneurship, requisite holism, management, appropriately motivated co-workers, natural and socio-economic environments, and incidental factors, including good luck in decision making and the ultimate practical realization [4][8].

The trend of market development from the (1) random market via (2) the suppliers’ market and (3) the buyers’ market to the most contemporary (4) government – supported buyers’ market can both reflect and support the economic culture, which presents complacency [5][2][9][10][7].

The prevailing culture, ethics, norms and values of a community or society reflect the economic development and influence it in relations of interdependence, which we will explore here briefly.

2. Trends in the development of the advanced countries

On criteria of the ways of providing means of human survival, one may speak about the pre-industrial times and industrial times. The industrialized period may be subdivided in the early, mature, and post-industrial period. In the post-industrial period the creative class emerges and to a large extent replaces the previously important worker class, which had by then replaced the peasants’ class as the crucial

social groups. The creative class has during this development period become extremely important and large; and it keeps growing.

Florida [11] found in his field research about the reasons for differences in economic prosperity between regions of United States found two basic causes that account for these differences:

- In USA, the creative class has been rising from 5 (five) percent a century ago to 30+ % in 1999, with 12% in its super creative core, while the working class has dropped from 40% at its peak several decades ago to 25% now. The largest remaining sector of the working class is the service class, but it does not earn much, because it only provides preconditions for the creative class to contribute their unique creative inputs.
- In USA, the most prosperous regions have the highest 3T indicator (Tolerance; Talents, Technology) indicator: tolerance for differences between neighbours all the way from being towards traditional families to being tolerant towards gays, etc; talents that are attracted by tolerance and the opportunities to be creative; the scale of technology invested in.

In Europe, tolerance, especially tolerance for risk-taking and related failure, is much less advanced. In literature [12][13][14][4][8] several authors stressed a serious difference. If somebody tries to succeed in the market as an entrepreneur and fails, the person is put on the black list of those, who no longer enjoys the trust of other people, and also black-listed by the bank [15][16][17].

There is a historic background to this difference. The USA was built by the efforts of those most risk-taking part of Europeans who found the European prevailing culture too limiting, and left. They, first, created a few colonies of the United Kingdom on the new continent, etc.; then they gained independence for the USA, and then in the Civil War of 1860 they gave the upper hand to the manufacturing industry along with urban life and political democracy [18][19][20][21]. Many Europeans migrated to the USA. In the four decades before the first World War, Germany and United Kingdom lost 3-3,5% of their population [13][22][23][4][8], while e.g. Slovenia lost 20% [4][8]. Thus, Europe remained short of the entrepreneurial spirit, without which inventions hardly can become innovations: See Figure 1.

Innovation = (invention X entrepreneurship and entrepreneurial spirit X requisite holism X management X co-workers X innovation friendly culture X customers X competitors X suppliers X natural environment X socio-economic environment and other outer, i.e. objective conditions X random factors

Figure 1. Equation of preconditions of innovation

The creative class is typical of an innovative society, while it is a minority, which is more or less in trouble therefore, in the more traditional societies. In the West, they ascribe this difference to their entrepreneurship and so-called market society. Potocan

[8][10] found data clarifying this difference: before the industrial revolution China and India contributed 80% to the world economy, now they do under 10%. How has the market been changing from a simple place in which suppliers and buyers meet and negotiate a price, to the social, political and economic power of the most innovative people, organizations, and peoples in the modern global economy?

3. Trend from scarcity to affluence and complacency

Figure 2 presents basic characteristics of development process from random market to State/Government supported buyers' market [1][15][2][6].

Viewpoints ----- Type of Market	Basic relation/s between production and consumption	Prevailing economy Style	Prevailing culture
RANDOM MARKET	Producers' own consumption and occasional exchange of random surpluses	Self-sufficient agricultural, collecting and hunting, with modest life	Self-sufficiency, rare contacts with foreigners, traditions are more crucial than chances of learning from each other
SELLERS' / PRODUCERS' / PREVAILING POWER = PRODUCERS' MARKET	Growing production for poorly considered, known/unknown, customers, who lack impact over suppliers	Guilds' monopoly and non- innovative production; church's monopoly over thinking with no permission for innovation	Tradition matters more than opportunities for better life. Specialization and narrow thinking grow and so does the monopolists' detrimental impact over society and economy
BUYERS' / CUSTOMERS' / PREVAILING POWER = BUYERS' MARKET	Growing impact of customers requiring satisfaction / total quality of products and services, and conditions of life	Free market with right of everybody to take risk for own account in production and market. One- sidedness should receive correction from market	Entire life is subordinated to entrepreneurs' and their stock holders profit; innovation is a tool for profit by pleasing the customer more than competitors do

STATE GOVERNMENT SUPPORTED BUYERS' MARKET	/	Increasingly organized / legalized impact of customers demanding total quality of products, services and conditions of life	Growing awareness of the terrible impact of humankind's one- sided impact over e.g. nature and its dramatic consequences for humans' survival	World-wide official documents and actions urge governments, businesses and humans to think and act requisitely holistically; so does a part of customers = market
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Figure 2. Development of market relations and culture

We next offer a new view of the phases of economic development [10; 4; 7; 8]. See Figure 3.

PHASE	ECONOMIC BASIS FOR DEVELOPMENT	RESULTING CULTURE
Natural factors	Natural resources and cheap labor, providing for a rather poor life for millennia	Scarcity and solidarity, collectivism, tradition rather than innovation
Investment in modern technology	Foreign investment into the area's economic development; hardly any/poorly developed competitiveness in international markets	Growing differences, local competition, individualism, ambition to have more, be rich
Innovation based on local knowledge	Nation or region lives on its own progress and attains an increasingly better standard of living by becoming internationally competitive	Growing differences and standard of living, global competition, ethic of interdependence, social responsibility, ambition to create
Affluence	People have finally become rich, which makes them happy	Complacency, no more ambition, consumerism

Figure 3. From scarcity via complacency to the danger of a new scarcity

Obviously, the affluence phase in Figure 3 is not the highest development phase only, but also the phase of growing problems of employment, of supporting everybody, etc. [10][4][7][8].

More attention must be paid to holistic preparation, definition and realization of goals including long-term development in order for humankind to overcome its ongoing and costly economic crises and to survive. Holistic enterprises and their innovative and requisitely holistic culture must prevail for humankind to survive. How can enterprises and other organizations at the present stage in their development become modern/innovative enterprises?

We are offering a further new promising model. It includes important non-economic predictors for new economic culture, such as social capital, democratic governance, and human rights; all of them influencing work satisfaction and productivity to a great extent. Supportive social relations are necessary for new economic culture; culture on its part also leads to good social relationships with crucial economic policy implications. Desirable outcomes, even economic ones, often result from culture rather than the other way around. People high in culture tend as a consequence to earn higher incomes and perform better at work than others. They also have better relationships, are healthier, and live longer lives.

We also state that happiness is the permanent goal of humans and an inclusive indicator of economic culture, culture-functioning, and the physical, psychological, and social health of an individual. This may mean that the affluence phase might be an empty one, if people lose ambition for creation and thus become alienated from their human essence as the most creative living beings. People therefore need either a prolonged innovation phase based on requisitely holistic invention-innovation rather than one-sided processes.

4. Conclusion

Over the recent decades, business conditions have changed dramatically. They require more holism from more people and organizations than ever before. For those reasons, organizations must change their way of working and behaving. And important part of these innovations is innovation of organizational culture.

Organizations need a new culture, for supporting holistic thinking, decision-making and action, which are profitable and socially responsible. A new development and at the same time holistic economic cultural of organizational working and behaviour excels in efficiency, quality, range, uniqueness, and care for the natural environment.

Above mentioned findings are bringing us back to statements we have started from: if the culture in an area allows people to feel comfortable there, talents and investment in technology will accumulate in that area. Talents go for creativity rather than complacency, because a complacent culture is not supportive for innovations; it lacks tolerance for differences, varieties, and novelty, including innovations. These indicators should be added to the ones of the creative society and to the ones of sustainable enterprise for making economic policy to better fight complacency.

5. References

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Photo 150. Tourist sign / Turistički putokaz