

The Competitive Advantage of Nations

**A Successful Experience, Realigning the Strategy to
Transform the Economic and Social Development
of the Basque Country**

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Introduction

Why do the new economy and welfare societies recommend a new station on the long journey towards competitiveness initiated within the framework of “The Competitive Advantage of Nations”, published as long as 25 years ago?

A little more than twenty-five years ago, the Basque Country decided to equip itself with its own development strategy, undertaking to meet the challenge of designing its own future. The Basque Country aspired to give itself the maximum degree of self-government as a nation without a State, following its release from a long dictatorship which had plunged it into autarchy and isolation from the Western democracies around it, limiting its ability and responsibility to shape its own destiny and to offer its Society the highest standards of welfare, facing one of the greatest economic, political and social crises of its history and suffering from the ravages of terrorism within an economy castigated by soaring unemployment above 25%, a drop in its GDP, the fall, like dominoes, of its key industrial sectors, locked into the monoculture of the steel and metal working industry, outside the Europe which was being constructed by the then Economic Community of the Six, marginalized as a peripheral area from the future axis and development of the so-called “blue banana” of the London-Milan backbone and with an incipient and inexperienced administration, full of youth and enthusiasm, and a business world undergoing conversion, learning to live with a trade union phenomenon that the former dictatorship had bypassed.

Faced with this complex and exciting challenge, those of us who had the privilege of addressing the aforementioned proposal, interpreting (by means of our analyses, as well as the wish to make our desires and dreams come true) the main keys to explain the state of the world economy, the main trends of change and their foreseeable impact on the Basque economy (“*What the world economy taught us*”), began the task of defining what we call “*A strategy for the modernization and internationalization of our economy and our Country*” trying to give some meaning to the role expected of the new players (States, city-regions, provinces, etc.), a role in which our small Country, with features of a City-Region, a sub-national entity, an invertebrate area on the two sides of the Pyrenees, could assume the figure of co-protagonist and provide society with a prosperous future. We also needed the framework and tools desirable for tackling the success strategy. We identified the gap between the needs that would be generated by the new paradigms and the tools offered by the existing political-economic framework (contents, skills, potential developments), accompanied by our own Country-strategy, with special emphasis on the initiatives, factors and critical vectors our society would demand and its aspirations for well-being and development.

Within this context, the Basque Government approached Michael E. Porter, his ideas and concepts of the moment, and we began a collaborative process (which lasts until this day), constructing much more than our “*Competitive Advantage of the Basque Country*” in a thrilling and unfinished “*Journey towards Competitiveness and Prosperity*”. The Basque Country enjoys the privilege of having been the first nation to apply, in a strategic and comprehensive manner, the concepts which, a few years later, came to light in the prestigious publication we celebrate today, titled “*The Competitive Advantage of Nations*”, which has inspired the design of numerous

policies and strategies throughout the world, which has brought about a proliferation of followers, which has trained instructors and which has generated a large number of new researchers and academics, new policy makers, new instruments for competitiveness and extraordinary levels of prosperity throughout the world.

Since then, we have shared our own particular project which, alive and changing, responds to the new economic and social challenges and conflicts by constructing and applying a Country strategy with distinctive achievements and results beyond our economic environment. It lies within the conceptual framework inspired by the complementary tripod of Michael E. Porter's conceptual movement in his Competitive Advantage (Competitiveness, Shared Value Initiative and Social Progress) and our contributions learned from day to day in keeping with our vocation, identity, will and commitment. It is a never-ending process based on a model and a way of understanding the former pledge to give ourselves a single strategy designed by and for people.

I. Competitiveness and Prosperity for Inclusive Development. Before the New Economy-Society Challenge.

Throughout the past three decades, the concept of COMPETITIVENESS has shaped the horizon and purpose of practically all the strategic agendas of the governments and the economy in general, although it has not always been properly understood or sufficiently analysed and, still less, applied. On everyone's lips, highlighted in all kinds of texts and distributed around the main schools of economics, business and public administration, it has been and remains a subject of debate, generating all kinds of adjectives to "accompany" the basic term, in such a way that their aim is to "incorporate or refine" the elements with which they disagree or to "perfect" the basic model which defines it.

Within this concept, with more or less real or accommodating discrepancy from the academic world, it is difficult to question the predominance of the model and concepts of competitiveness coined and disseminated throughout the world by Michael E. Porter. His model, with a basic framework, "**Determinants of Competitiveness**", aligned with his definition ("a nation or region is competitive to the extent that the companies operating in it are able to compete successfully in the global and local economy while maintaining or increasing the salaries and standard of living of the citizens, creating an integrated area, duly aligned around a unique and distinctive strategy") can be explained in terms of productivity, the macro- and micro-economic conjunction (above all), generating a spatial ecosystem whereby the economic and social strategies have to be applied in a convergent and simultaneous manner in clusterized environments, superseding indirectly-related silos and sectors, beyond the simplified conversion into "chains of production or value". It has been a complex process over the years which, as could not be otherwise, require multiple initiatives and commitments with the involvement of different actors from the public and private sectors. Many tools, designed on an *ad hoc* basis, have been applied to this conceptual scheme to achieve the intended goal: the value chain, the competitive diamond, the five forces, clusterization, etc. (all of them true classics in the world of the economy, the company, public policies and learned society) and, most recently, the movement for the co-creation of company-society value, shaping, in one way or another, the conceptual and contextual ABC of a process spread throughout the world. Thus, **competitiveness, competitiveness and sustainability, innovative competitiveness, social competitiveness, competitiveness in solidarity and inclusive competitiveness are "corrective or evolutionary" terms which permeate strategic literature and economic development.** Today, exactly 25 years after the publication of "The Competitive Advantage of Nations", whose basic recommendations and guidelines were applied to the design of the policy for the development and economic transformation of Euskadi-The Basque Country, prior to the publication of the above book, in my opinion very topical and more valid than ever, within a permanent process of revision, deepening and updating in response to the changes which can be observed in the economy, in the public policies in use, in the social demands as well as in the journey learnt throughout the world, it seems like a timely coincidence with the post-crisis period we are undergoing, demanding new agendas in view of the evolution of the economy, the pledge to new socio-

economic strategies and the need to address new proposals in keeping with the demands of our Society.

Today, from the Basque Country, it seems more than reasonable to move forward into the future hand in hand with this solid, conceptual and practical foundation, which has served for the strategic orientation and design of public policies and programs for economic and industrial promotion which have allowed clear progress in our level of development and generation of wealth and welfare. It is a model which, today, is sufficiently implemented in the Country and enjoys clear international prestige and recognition and a model which, one way or another, receives the approval and interest of governments, learned society and international institutions concerned with economic and regional development. The Basque Case, its model of sustainable human development, is the subject of analysis, study and international recognition and is, therefore, a good benchmark upon which to consider further steps for the future.

In this vein, it is worth going to the aforementioned source, Michael E. Porter, who wonders: *Why are some nations and regions more prosperous than others? What conditions facilitate the innovation and growth of global and local companies? What framework and what kinds of elements, policies and contents allow the obtaining, in a sustainable manner, of new and better jobs, better salaries, a higher standard of living of the population in a given area? Why is COMPETITIVENESS -rarely well understood- the reply to this enormous challenge of economic development?* and reminds us to equipping ourselves with a coherent and complete support framework, which begins by defining the “determinants of competitiveness”, remembering that, although “everything matters” in terms of competitiveness, it is no less true that the real difference is displayed in the micro-economic approach, clusterization, economy and society interaction and competition between companies and between companies and governments, acting in the same area or territory.

Having established the above framework, there is no doubt that the recent changes in the behaviour of the different economies throughout the world, the emerging arrival of new players and the varied internationalization of the economy, the superseders of globalization in their initial definitions with the consequent paradox of internationalization, which leads to increasingly local strength in keeping with the wave of globalization, multilateralism opposed to its uniform extension, the insufficiencies and inequalities amplified by the crisis of recent years, the voices which question the economic and business models (including the company itself) and its blame (in addition to that of the banks and governments) for this serious crisis, the widespread disaffection with politics and the underestimation, in my opinion, of the important role of governments in the performance of the economy, as well as the demand for a new model of inclusive economic development, recommend a return to the current model of competitiveness for the purpose of “unclogging” and revising (and/or redefining) its key elements with a view to relocating competitiveness at the service of prosperity and the welfare of citizens. It is a road on which, as we will see below, the role of governments and society, as well as the inevitable transformation of the companies, is essential and decisive in the success or failure of the proposal. This is, therefore, the path we propose to be rethought in order to identify the new tools

which Euskadi needs to achieve a new and successful development. In other words, we propose: ***“Unlocking Competitiveness: opening up its concepts and essential elements towards true and inclusive development”***.

It is a complex challenge which, at a time like the present one, in which the widespread and proclaimed reticence of politics to withdraw and return to the old affirmations of the past which advocated the inhibition of governments in favour of a so-called free, efficient and transparent market and the long-term driving force of welfare, precisely requires, more than ever, a solid policy with capital letters, leadership and public commitment. It is an area which would leave corporate responsibility with the role of a “good citizen”, the responsible creator of employment necessary for its traditional business model.

The world (not only because of the crisis, although accentuated by it), confronts the “homogeneous” models which have been spread as “unique”, based on the majority of international institutions and central governments under a typology of a multinational company barely committed to the communities in which it operates (and increasingly less, too, with his company-origin or parent company), against progress and welfare options and longing for different spaces from those offered. And it does so by providing new, alternative, paths: the federalization and regionalization of strategies and economies, the “return home” of multinational companies from their “multi-local concentration” into low-cost salary spaces and strategies towards spaces of real and sustainable competitiveness, the “democratization of the economy”, the clusterization of economic activity, the “*micro-economization*” of distinct strategies at the service of different communities and societies, the rising current of “*Shared Value*” or *co-creation of company-society value*, making social needs and demands the heart of the business model of the leading companies in the different industries and markets, increasing globalized or “glokalized” interdependence, the redefinition of glokal value chains under the “smart plug-in” of companies, countries and knowledge and the growing importance of talent and its management, optimizing the proper use and application of the relevant technologies. An explosion of ideas and new paradigms an increasingly interrelated economy, more committed to politics in a new cooperative company-company, region-region, company-government and economy-society space.

Today, one of the few benefits of the crisis which has had such an impact on us (especially in the west of the former “white economy”, the majority economy in the world) has been the evidence of an emerging new world, the observation of the inequitable behaviour of different policies, the need to intervene in the economy and the market, to question the effectiveness of single plans and decisions and, above all, the crudeness of new challenges which must be faced with new goals, new horizons and new instruments.

There emerge, with force, different currents of opinion which champion the current economic debate, including those who proclaim the need to “reinvent capitalism”, those who put emphasis on the inequalities generated by the system in a growing and increasing manner and those who go beyond the basics, which have explained, for decades, the distinction (at least temporary) between economic and social challenge

and the importance of growth without the direct accompaniment of social progress and the new current of shared company-Society value. This is the new wind blowing in favour of the demanded social change. Countries and companies able to unlock the competitive model (whose formulation and content will remain in force although they have to be properly understood and applied) will achieve the long-awaited inclusive development: economic and social, for everyone. To speaking of the company today is not to speak about exclusive private independent units, but rather new socio-economic entities, their contexts, the environments in which they operate and the policies and strategies of the governments, at all levels, which account for a large part of their income statements. Social needs and demands are the new generator vectors of the new and successful future business models.

Thus, our old companion, **competitiveness in Solidarity**, requires a new station on its long journey and route. From the Basque Country -and with it, the whole world - accompanied by Michael E. Porter and his reference framework, academic rigour and collaboration in the application of new and different policies suited to the reality of each strategy and Country, we learnt all the elements which were crucial to prosperity, we learnt that the “**network of well-being**” could not wait for a particular economic growth but should be undertaken jointly, we learnt and confirmed that the **real economy** was not a chimera but a source of progress, **innovation** and future. We understood the **value of the company and its strategy**, we broke down the ideas of the past to understand the strength of the “**extended organization and value chains**” playing down the weight of the “autonomous physical dimension” and we strengthened **respectful internationalization aligned with our country strategy** (ours and those of others where we were going to conduct our activity). We understood that the world had changed and the old economic sectors were mere prisoners of statistics and public accounts and we **clusterized our activity** according to the market realities. We understood that the markets and countries want **SOLUTIONS, not products**, they want **long-term partners** and not vendors of opportunities, and that the **public-private relationship is a space for cooperative commitment (competing and collaborating at the same time)** based on differentiated professional rigour and not on a set of influences. We are learning that the circle has to be closed, addressing the next stage of **co-creation of value with and for that Society** which demands to form an active part and be a true protagonist of the development project which is proposed. All this is competitiveness. It all forms part of the old model and all this - renewed and redefined - may form part of the new model. We knew that true entrepreneurship, by definition innovative, strategic and competitive, does not understand incremental improvements and instead demands the reinvention of things, redefining business models, thinking big and appropriating our own future. All these elements which have shaped our learning constitute our particular **journey towards competitiveness. A long journey spread throughout the world which, in our case, Euskadi, we have completed in the last three decades and which has now obtained naturalization papers. Today, “the competitive advantage of nations is no longer a laboratory work, or an unproven academic invention or an instrument which can be simplistically criticized by every candidate for the role of “academician” who disqualifies the work of others by trying to position himself as a distinct kind of author.**

It is a journey on which, as Porter explained then, his main attention in previous years had been the company and his great successes endowed us with frameworks for analysis and study, not only still valid today but essential for any approach or understanding of the company, the industries and the markets in which they operate, as well as their different interactions in what was already described by him as global industries and firms. His “*Value Chain*”, his “*Competitive diamond*” his “*Five forces*” scheme and his strategic business differentiation seem to have come to stay, upon whose essential foundations new teachers, entrepreneurs, leaders and strategists can build alternative “nuances” and new models, frameworks and proposals. Until then and with that huge and distinguished background, Porter's work had given little prominence to governments and a limited commitment to their primary and essential role in the face of a certain negative and widespread view of those who, until then, considered “industrial policy” as a game of winners and losers at the discretion of the political election, with a certain interference in the “good practice” of the free markets, bringing with it a confused interpretation of the concept of competitiveness, a poor measurement of its impact on economic development and territories and countries, reinforced by zero commitment among the academic, political, business and labour silos.

Based on this work, Porter grants an essential role to the now so-called “*business ecosystems*”, highlighting the enormous importance and influence of governments and their policies, the essential collaborative economy, the organizations extended beyond the company itself, the clusterization of economies with the essential preponderance of the local kind as an irreplaceable platform for the differentiated and prosperous result. On this journey, Porter anticipated a new framework of analysis, the “*Competitive Diamond*” (of Nations), in which the different levels of government had a bearing, in an uneven but always relevant manner, on each of the four convergent vertices which contained it (the importance of demand factors, the decisive orientation towards the markets and the way of addressing them, the strategies, rivalry and configuration-behaviour of the companies in a given space and the degree of integration of the necessary constellation of values chains into the territory in question), subject to the double impact of public policies (existent or otherwise) and those of the moment (luck, a chain of external events affecting strategy, etc.). Then, the relevant significance of the social policies did not take on the importance which, over time and today, more than ever, is clear and essential. In Euskadi, however, “building a network of well-being not only for justice and equity but as a determining factor in our competitiveness and cohesion was always an indispensable element. Our strategy did not distinguish between two timeless planes (first the economy, then social assets) but rather a unitary strategy.

Today, as we celebrate this twenty-fifth anniversary and remembering in and from Euskadi the enormous impact of those ideas put into practice, we can only congratulate ourselves twofold: 1) for being the first place (non-state nation, moreover) in which his new theory and paradigm were applied strategically and completely, anticipating his own publication on the basis of his research and initial recommendations, with his expert personal advice, and 2) for having maintained, furthered and contributed throughout these long years to redrawing strategies and

policies for competitiveness in solidarity and welfare, with a successful outcome which has been widely recognized throughout the world.

In Euskadi we have learnt (and continue to learn) a great deal from Porter. In turn, he has also learnt, he believes, from our joint work. Together we have strengthened the role to be played by governments in different stable models of public-private and public-public cooperation; we have understood the true role and permanent organization of the clusterization of the economy, breaking open the classicism of the industrial sector determined by the market-product concepts of the past and giving way to varied, multi-disciplinary, multi-industry and differentiable market-to-market concepts; we have understood the competitive impact of identity and the sense of belonging; we have furthered and achieved the joint development, in turn, of the welfare policies and networks (education, health, social services, etc.), as well as economic policies and the importance of not separating their execution over time, leaving the distribution of wealth to the surplus results of the good “economic” work; we have understood the true meaning of the defined business dimension and size, not the business of each economic unit, but rather the value of the network with which it interacts, overcoming at this point the transition from fixed analogue to dynamic digital concepts; and we have been able to anticipate the reality of the difficult balance between an increasingly globalized economy and the differential effect of its location in the complex local dialogue, attending the real and legitimate demands of governments, countries and regions for a greater role in their own strategies without the complex of those who assimilate protectionism and reductionism, with the appropriate differentiation of policies for the different realities serving the prosperity of societies...

Twenty-five years later, we can celebrate, with gratitude, the success and contribution of such an important active legacy. And, above all, we can enthusiastically observe that this, far from being self-contemplative history, constitutes solid strength for facing the future. Today Michael Porter champions a whole new paradigm by means of the *“shared value and social progress initiatives”*. The new Index of Social Progress he leads, his co-leadership of the *“Shared Value Initiative”* with Mike Kramer, his continued work as a “trainer of trainers” for competitiveness and prosperity in the MOC (Microeconomics of Competitiveness) network, with the extensive involvement of 120 universities on five continents (a network which, in the case of the Basque Country, occupies a prominent place in his study material at his prestigious Institute for Strategy and Competitiveness at Harvard, the umbrella of his work), and his different contributions to the “new” *“Health Value”* (the Value of Health for the patient) in his long and intense commitment to new health systems for everyone represent the vector axes of what he calls *“the new stage of Competitiveness”*, a stage which, in his own words, predicts that *“the successful business models in the future will be those which meet the social needs”* of the world.

In Euskadi today, twenty-five years later, we can see his extraordinary legacy and enjoy his guide and driving force in the new initiatives and currents of the future. Twenty-five years ago, in scenarios of crisis and ruin, we needed a new paradigm. His *“Competitive Advantage of Nations”* helped us to take a new path towards

prosperity. Today we believe we understand and know why nations, like companies, industries, institutions and societies, thrive. The road is long and complex but we know the path ahead. We have the ideas, resources and commitment needed to “unlock” all the keys, padlocks and obstacles which block our competitiveness. It is time to open them.

Twenty-five years ago, one of the great masters of strategy and Nobel Prize-winning economist Robert M. Solow, from across the Charles River, “a more than physical border” separating his M.I.T. (Massachusetts Institute of Technology) and its competitor, Harvard University, presented Porter's book, emphasizing that the *“new paradigm he proposes is based on the classical way of formulating them: solid research, proven academic and practical rigour, travelling companions responsible for designing and applying his recommendations”*. Just that.

The current challenges further intensify the value of his contribution. Today, his concepts remain valid and the world is better prepared for understanding his past proposals as a simple natural development of his theories. Reality has placed before us the evidence of the results and, above all, the process. Today Euskadi is a reference in this field and a subject of global study, not because it has copied an extraordinary text but because it has interpreted it properly, integrating it into its own needs and reality, incorporating it into its identity and culture and accepting it as a basis for a complex process forward, which will hopefully become permanent, after the clear statement: ***“Building a country and a prosperous society. A complete model for competitiveness in solidarity”***.

Today, the EU itself, the main international organizations and a certain “generalized and globalized” consensus recognize as strengths and success vectors the main pillars on which the aforementioned “change” has been constructed (pillars already highlighted in the first Competitiveness Report of the Orkestra-IVC in its first Report on Competitiveness in Euskadi, laying the foundations for interpreting and furthering the key elements of the transformation of the economy of our Country following the approval of the Statute of Gernika and the formation of the first Basque Government in 1980. The Lee Kuan Yew World City Prize for the City-Region of Bilbao-Euskadi includes these points as a motivation of the jury), elements which, recently, in an article published in the T.C.I. Newsletter, Christian Ketels described as the *“Basque Flavour”* or the “magic of the process”, as I have described it in *“Clusterizing and glokalmazing the economy”*¹.

¹ Jon Azua: *Clusterizing and Glokalmazing the economy: The magic of the process*

Euskadi: Key Differentials of the Success

1. A relatively defined **vision**, towards the creation of a space of well-being, with its own voice, **within a new Europe under construction**.
2. A **public-public and public-private commitment-complicity**, based on public leadership and involvement within a scheme of **“shared” planning**.
3. Commitment to the **CONDUCTIVE CORE: INDUSTRY**, valuing its capacity to generate wealth in the long term.
4. **Uniqueness of microeconomic and social strategies and solutions** towards a space which becomes understood as **“Competitiveness in Solidarity”**.
5. Conviction of the **Glokal need/reality**.
6. **Self-government: Our ability to decide**.
7. Based on a **COOPETITIVE CONFEDERAL MODEL: BASQUE GOVERNMENT + PROVINCES + MUNICIPALITIES**.

Source: Own preparation. Comparison with OECD reports, with EU Regions, Lee Kuan Yew World City.
JON AZUA - ENOVATINGLAB, www.enovatinglab.com

The key differentials of success, recognizable within the conceptual and general framework of the basic proposal of Michael E. Porter, a proposal which has enabled the aforementioned valuation and been reinforced by the “new proposals” which, given the EU, the leading world THINK TANKS and the strategies of the major countries in the leadership of competitiveness and sustainable human development, are moving towards an “inclusive industrial thought.” Euskadi is going in this direction. Thus, the once criticized strategy against the current and in favour of a country and industrial economy with significant public intervention, resources and differentiated policies, now witnesses the universal confirmation of a better performance in the long term and in crisis situations, than those economies which opted for simple models of industry-services exclusion. Today, in America, the EU and the outstanding China, the “Industrial Revival” which is inspiring the new European policies is underpinning the basis of our economy and country.

II. Towards a New Area of Prosperity, Wealth and Employment. New Needs, Instruments and Aspirations of our Economy?

Regardless of the fact that any Development Model or Country Strategy has to have the drive, determination and a significant proposal from the institution, its legitimately elected leaders of the moment will have to interpret the aspirations of the Society they represent, taking into account the current situation, the time and the determining factors of changing settings and policies, and there seems no doubt that the Basque stage and horizon for the next two or three decades will be determined by a set of areas of action which compare the need for the design of a *“Complete Country Strategy”*.

Such a strategy (my interpretation of the explanation of the series of plans, strategic attempts, change-guiding vectors, etc.) has been endorsed by a long work process which, with successes and failures, with a greater or lesser intensity of resources, wills and policies and programs, has been proposed, promoted and controlled by the Basque Parliament and Government. Certainly, the levels of modernization, economic development, progress and social cohesion achieved by Euskadi can be described as positive. However, the success of the past (assuming, for the moment, that we agree to describe it as such) is not enough, nor is it a guarantee of the future.

It is a success process which, undoubtedly, does not mean that its past significance allows us to feel comfortable about the future and that it does not require changes for facing the future.

Consequently, like any strategy (personal, business, territorial, governmental) we need to appropriate our future and bring about a distinct, desirable, shareable scenario for our Society, a strategy which responds to the situation offered by the new challenges, mega-trends and economic, social and political attitudes. This general framework must be endowed with the key tools for addressing and overcoming the changing obstacles and difficulties (and opportunities) we are faced with. In this way we can identify what we could call “the main paradigms which can be associated with the new reality, opportunities and demands of the economy”, new paradigms and paradoxes which combine the opportunity-challenges binomial.

They can thus be summarized as follows:

Adapting to the new Concepts and Pardigms

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| The paradox of Internalization | <ul style="list-style-type: none"> • Grow, export, global expatriates and employees. • Employment at and outside the home. • Co-CREATION of VALUE. |
| The deceptive sweet of Globalization | <ul style="list-style-type: none"> • The market as an efficient assignee of resources and evidence of good practice. |
| The fallacies of the single thought towards the “Society of services, knowledge” | <ul style="list-style-type: none"> • Escape from the single thought. • Return to industry. |
| The poorly-understood COMPETITIVENESS | <ul style="list-style-type: none"> • The time advantage of the denominator: low salaries, impoverishment, reduction of employment. • PUTTING emphasis on the NUMERATOR: added VALUE. |
| The fear and discomfort of responsibility and leadership | <ul style="list-style-type: none"> • “Escaping our own decisions”. |
| Employment and inclusive growth | <ul style="list-style-type: none"> • Education, migration, employment. • Economic and social development. • Co-creation of value. • Prevision, protection and social services. |
| Social needs and their role in generating wealth and employment | <ul style="list-style-type: none"> • Health Sciences. • Tech Health. • Housing, Social Services, Ageing... |

Source: JON AZUA - ENOVATINGLAB, www.enovatinglab.com

They are new inputs to be incorporated into the conceptual model with a view to shaping the new station of competitive advantage pursued by each nation. In my opinion, from our extraordinary and privileged position (not without its challenges, dangers and weaknesses) we have to turn our problems into opportunities and sources of wealth, employment and welfare. Beyond the labels which may appear similar to the challenges of any other country in the world, the socio-economic and territorial reality and the human and institutional capital and starting point of Euskadi direct its vectors of growth and welfare. The social demands, a reflection of the difficulties and problems we are suffering, are the new sources of solutions, wealth and employment upon which we have to build our space of opportunity. We need to view the changes and opportunities the future offers us with spirit and a real commitment to innovation.

It is an achievable framework and scenario, suited to the social challenge of responding to needs, on the basis of principles and models of inclusive development. It is a model which is only possible by aligning objective commitments and business-society-government-society responses. It is a long and complex process which requires from all of us a real change in attitude (individual, joint and collective at the same time) starting by the company itself and by each of us who has to work on “**designing our own new framework** to appropriate our future”.

It is a whole new framework allowing us to make Euskadi a space for competitiveness and welfare, in keeping with the City-Region models which are already emerging as

leaders in welfare and sustainable development. They are Spaces of Progress and Development, Co-Creating Company and Society Value, in a world in which the city-regions are forcefully emerging as the new players and the new protagonists of the meeting between global and local, demanding the provision of a number of key pillars to ensure their differentiated advantage in a competitive world.

III. The Keys to the New Basque (...and World) Economy.

The crisis of recent years, with the black mark of growing inequality, is forcing us to contemplate new paths. Alternative thoughts, ways and (also) dreams towards a new, desirable, space.

For example, the message and mantra of innovation seem to have settled in as if it were the magic label which solves everything. If innovation, entrepreneurship, competitiveness and internationalization, as well as the construction of “specialized and intelligent regions” seem to be the interchangeable pillars of any successful economy, it would seem more than reasonable to open up to the contents and principles which inspire them to transfer them from the business world to the social and political world and strive to shape new spaces of innovation, competitiveness, welfare and governance which respond to the changing challenges of the economy, politics and society and make it possible to achieve a successful future at the service of communities, peoples and persons. We need to overcome the fixed frameworks we endowed ourselves with in the past and adapt them, in a permanent manner, to the changing demands of each moment. If we call upon the creativity and innovation of the different collectives and protagonists of the business, trade union and university worlds to break down barriers, reinvent the future, overcome inertia, think “outside the box” for Society, **why not apply this attitude to the inevitable search for new frameworks which respond to the new social demands and agendas, facing the new directions that competitiveness demands?**

Like twenty-five years ago, the roles to be expected roles of each of the actors in a space of competitiveness and welfare have to recompose themselves and incorporate the new inputs mentioned above.

Let's start with a resounding NO to the determinism to which each “globalizing” current, insufficiently measured and even worse explained, appeared to condemn us, an old thesis which would rubber stamp the universal management of the crisis and its “homogeneous” distribution throughout the world and perpetuate (especially in the Eurozone) the income inequalities between countries and people, the unsustainability of the welfare state, the impossibility of growing and doing so in a cohesive manner, guaranteeing forms of development and social inclusion, along with the inability to generate dignified employment in the next 25-30 years. This mindset, this attitude, this way of facing the future, would approve the inevitability of giving sole command, together with the management of disasters, oceans, the climate, energy, the environment and territory organisation, the capital markets, defence and security, the management and regulation of liberties, employment-migration-education, fiscal policies, social forecasts and security to a technocratic and global government,

making the tactics of the day and the distant bureaucracy the only way of solving our problems and social demands. **This global line fortunately, clashes, increasingly powerfully, with alternative evidence which sees the “political energy” based on trust, credibility, citizen participation and control, as legitimacy for decision-making, assuming personal, subsidiary and collective commitments for the social demands.**

Euskadi needs a new way of responding to a series of impacts which will determine our future:

- **We live, in fact, in an increasingly glocalized NEW ECONOMY.** Its profile is determined by a growing globalization and internationalization of goods and services, an increase in world trade, the simplification of concepts and management on the one hand and, on the other, the revival of the local factor as a differential element of competitiveness, in which speed (from the idea to the market), technology (especially information technology and its use), the convergence of industries, technology and knowledge and the generation of new spaces towards the so-called “creative economies or those of ideas and knowledge”, with an urban population and a growing prominence of city-regions demanding new social behaviours, better governance and inclusive development.
- **A new economy which demands cooperative attitudes and actions. No company, region, government or person is able to face the future alone. It requires the articulation of “schizophrenic” strategies allowing competition and cooperation (mostly with the same ones) at the same time.** They are relationship frameworks and modes throughout their constellation of “value chains” (in the case of companies) around the world. Internationalization has changed dogmas and paradigms and requires generous and supportive multi-directional competition and not an old “flea market” in which there are winners and losers.
- **New communities in a network, connected to the forefront of knowledge and, in turn, duly based on their own original spaces.**
- **A growing duality of the increasingly interrelated developed and developing worlds, which demand shared strategies and commitments** for the eradication of poverty, the promotion and transformation of “inclusive capitalism”, active attention to climate change and its impact, a commitment to a kind of sustainability which requires shared strategies, all in a global and local dual space.

They are new spaces and times which demand, day by day, new ad-hoc tools to plan, manage and control the new spaces to come. **It is governance fully-rooted in a genuine and duly legitimized participatory democracy.**

And obviously, if the “expected benefit” appears evident, its distribution is not. The “global benefit” is only attainable region by region, company by company, person by

person. These are the times of the microeconomy, which allows the engaging of agents (in the aforementioned cooperative model) at the service of a strategy beloved by the people involved, territory by territory, space by space.

This is the economy which is coming. Not an economy erroneously described as global and antithetical to natural local development, but at the service, first and last, of the people. We live in an economy in crisis, full of opportunities but within a gloomy setting of increasing inequalities and unsustainable unemployment. Of course, both require global solutions but, above all, local ones attached to the land, “regionalized and/or local and specialized strategies”, micro-economic and based on a real interpersonal, public-private, inter-institutional commitment, in close coexistence with radical changes in the educational, demographic, fiscal and social worlds.

New, unequal, challenges, with their own differentiated responses.

In this vein, if we look which are the leading countries in the world in terms of human development, competitiveness and innovation, we will find a number of common features:

- Highly decentralized countries with governmental models of a confederal nature with comprehensive and coordinated “schemes and policies”, whose execution can be measured and directly controlled, NOT at a great “statistical distance”.
- Sufficiently stable policies and strategies, the result of direct interaction between the different institutional levels and companies in long-term projections.
- Regionalized spaces supported within an institutional framework suited to the close sociological reality.
- With a clustered and specialized economy, an unconnected facilitator at the forefront of both knowledge and the main global value chains.

New Players - New Solutions

At every changing moment the world, Europe, Spain, Euskadi need to adapt to a desired and provoked reality. This does not entail renouncing any principles or aspirations, “perennial pragmatism” or accommodation or paralysing “possibilism”.

Today, in turn, the context of economic globalization strengthens local communities within a new order of relationships, promotes economic interdependence, based on free decision and membership, as appropriate, makes it essential to weave together new common frameworks, fosters and demands new management tools and administrative political frameworks beyond the historical and existing structures, requires new forms of administrative innovation and government and new kinds of political participation and allows the redesigning of new, lesser, entities, perfectly viable from an economic and well-being point of view.

IV. ... And a New Station.

Thus, twenty-five years later, Michael E. Porter is promoting a new station on this long journey towards competitiveness. It is not an alternative path, quite the contrary, but rather a complementary phase which allows us to close the circle and go back to the beginning. We started by looking for the prosperity of people and their territories by addressing the challenges of competitiveness and we have come back to the same people. The Shared Value and Social Progress initiative is the proposal endorsed by the initial proposal. We found company-society, prosperity and the essence of competitiveness in the co-creation of value. Companies are precisely the most skilled entities, able to make their business models on the needs and demands of society. They are models which require, for their success, the redefining of the products and solutions to be offered to the market (and, above all, to society), rethinking their extended organization (their whole value chain) and promoting ad hoc clusters to ensure, with the differentiated and specialized participation of each player, the establishment of cooperative and global strategies, guarantors of the success of the model. This process and this station entail the provision of value for multiple players, weaving together public-private and public-public partnerships, incorporating the inestimable value of the NGOs, the educational world and learned society and, of course, with a clear local and community commitment, facilitating endogenous development throughout the world. This is, quite simply, competitiveness.

So, with the help of Michael E. Porter and his *Competitive Advantage of Nations*, we have completed an exciting journey which has allowed us to transform our Country and improve the prosperity of our citizens and the competitiveness of our companies, governments and provinces, while we have not only learnt, but we know that we have helped to strengthen and enrich the Base Model and worked in its dissemination and extension throughout the world.

It is rare that an anniversary like this not only allows us to recognize his value and thank him for the work done until now but, above all, to view a huge, exciting and successful path to follow. A great journey towards competitiveness.

Mila esker Mike. Thanks Mike.

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