



Identity of the territory in the knowledge economy

MONTSERRAT PAREJA-EASTAWAY
JOSEP MIQUEL PIQUÉ

Globalisation has made knowledge economy the object of a shift in the production fabric of cities and regions. Talent, creativity and innovation have become the main items of new competitiveness: seizing and mobilising these resources is the basis for a stable and sustainable future.

The territory acquires a double magnitude in this new paradigm. On the one hand, it provides factors to attract business and skilled human capital; on the other, beyond its lure, the city presents an identity and a legacy – based on its own economic record as well as players and policies shaping it – crossing borders and making it valuable and attractive to the global environment. In this respect, the city becomes a node in a global network linked by knowledge, culture and talent transmission flows, playing its role as a soundboard feeding and disseminating what is occurring inside.



New models of territorial competitiveness in the light of change in the global challenge

Cities and regions are a mirror of economic and ensuing social change. Over the 20th century, the territory adapted to emerging needs of new global production modes. The local-global binomial has been the core of many thoughts on how to make compatible what apparently seems contradictory and even excluding.¹ Of the issues this debate is focusing on, the following are especially interesting: How needs the global economic challenge to be articulated with local needs and potentialities? What role does the territory, city or region play?

Knowledge economy and creativity are the basis of the new patterns of competitiveness for cities, determining their position in the urban hierarchy, understood as a dynamic city network – a region at global level – showing a set of interrelations and hierarchical positions beyond a dimensional classification linked to the territory. Within few years, the economic stakeholders have changed their behaviour radically: from the post-Fordian model in which price and cost competition determined the location of business we have moved to a new behaviour pattern in which the ability to create or raise resources like talent are crucial to ensure a stable and sustainable future.

In this respect, largely thanks to improvement in information and communication technologies, society has become highly mobile and dynamic, not only physically but also virtually. Relational and communication forms have changed, as has the magnitude identity itself takes. Today, digital reality is part of everyday life of individuals: we are part of social and professional networks without a physical or territorial component. Interaction with the rest of society has quickly changed significantly; it takes different shapes according to innovative

participatory formulas and new positions regarding what the city has to offer.²

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Paradoxically, although it could have been anticipated that there would be less stimuli for territorial concentration following this change, region cities have become the driver of the **global economy**.³ The key to understand this process lies in the relevance the need for proximity still has, allowing new forms of communication. Both business and individuals seek what cities have to offer, either in the shape of positive productive synergies between different processes or according to the quality of life they provide. In this respect, cities are still attractive for both business done and people living there. Particularly regarding individuals, as Florida et al.⁴ point out, satisfaction for living in a given community and a specific physical space stems from a holistic interpretation determined by convergence of certain factors (economic conditions, quality schools, opportunities for social interaction) among which the beauty of the city itself stands out. According to this rationale, Florida claims that cities also manifest their own personality through their ability to seduce and attract a selected group of skilled labour contributing to popularity and the ability of the city to participate in competitiveness at a global scale.⁵

It is difficult to doubt of the persuasive power of the territory. Cities have historically created mechanisms to attract business by improving connectivity or infrastructures (hard or traditional location factors) as well as offering a high standard of living and an attractive, tolerant and diverse environment (soft factors). The latter have become increasingly relevant from the time

at which beyond wishing to attract companies, cities seek to be competitive by attracting talent and high amounts of skilled human capital.

In fact, there is a direct correlation between the ability of a city to gather highly skilled people and the region's potential for innovation and economic growth. Generating ideas and their processing as innovative tools applied to business does not depend on classical items of business location anymore: the very personality of the city becomes crucial in creating an attraction for certain groups that provide new capacities and growth potentials for the region.

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Urban competitiveness is today a common item to most political agendas of cities that need to take on the challenge of globalisation. There are several magnitudes of competitive cities and they do not always refer to comparable statistic data indicating a similar development in terms of **gross domestic product (GDP)** or labour market. A competitive economy is not just the one having the lowest production costs or the best talent but is also able to improve the quality of life of those living and working in the city.⁶ So other factors need to be considered beyond the merely economic in order to analyse why a given city can be considered stimulating and attractive at international scale while having a good economic record.

Given the convergence of competitive city, global world and the undeniable emergence of the knowledge economy as a key focus of value creation, the immediate question to be raised is: If the city still plays a decisive role in the development of business and uses resources within its reach to achieve it, what role does the social, economic and cultural substrate play? How do territorial identity and talent identity combine so the latter maximises its development?

History of cities as a key item for the future

The economic **globalisation** and **location** process is dynamic and complex. The global city concept⁷ is often associated with the new conception of modern metropolises as financial centres, the location of big corporations and increasing social polarisation. London and New York are known examples of this sort of cities. However, those cities wishing to be part of this new international economic order within their possibilities are many and various. Cities are what they are and have limited resources defined by three items: their own economic record, their stakeholders and policies done there.⁸ Adjustment to new requirements will depend on how these items encourage the involvement of the city in the new shaping of the global urban hierarchy.

Although production location may follow certain common patterns like usage of externalities created between companies and synergies between different production processes, the effect of this territorial location takes very different forms depending on the available technology, the market structure and previous industrialisation patterns among others. Turning business attraction into real benefits for the city depends essentially on how the territory internalises and combines it with previous activities.⁹ Particularly economic links created between companies come with proliferation of a diverse amalgam of social interactions based on the industrial fabric yet going further in forging personal and professional empathy, encouraging **spillovers** from this network to the real world. This set of phenomena adapts perfectly to industries related with creativity and knowledge that regard human capital and talent as a decisive input in using the new opportunities of the new economy.

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Economic histories and cultural and political processes created and developed in regions highlight their historical record, their temporal belonging to the market economy, industrial development, geopolitical characterisation and the impact of public policies.¹⁰ To summarise, two magnitudes are relevant in studying the competitive city of today: the economic and the social. Beyond thoughts around economic indicators and their magnitude, the scope of the social and organisational structure of the territory indicates a uniqueness explained through the role represented by certain factors of promoting the city's attractions such as the diverse composition of its society, its political traditions and the whole of stakeholders and policies promoting and stimulating creativity and innovation at regional level.

Everything that is currently occurring in the city in terms of initiatives, policies and results does so based on the past and historical legacy. Ability to understand the dynamics of influences vested from the origin on the present contributes largely to the city's success. Generally speaking, European cities feature different appropriations of historical facts common to them all, by which they react to the ongoing challenge posed by the future in a particular way and with quite differentiated urban development processes. While cities based today on knowledge such as Helsinki and Toulouse are explained by different temporary reactions to break-up or crisis requiring a response redressing the city's record, others like Barcelona and Birmingham settle and evolve out of their industrial past.

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However, historical dependence is not restricted to development of the industrial fabric. One of the key aspects in this interpretation of the present of cities is their capacity of generating a context, an adequate environment for creating ideas, capacities and talent, what Munroe calls «ecology of innovation».¹¹ It is certainly a historical process asserting the city as a landmark in knowledge or skill production. Nevertheless, this ability of the city acquires a new magnitude in the current global setting. The lack of internal talent production is often replaced by attracting external human capital, which should be neither incompatible nor excluding, on the contrary: one of the current challenges for cities and regions going for the knowledge economy is the optimal combination of talent attraction and creation in the city. As is explained further on, the increasingly important role of networks in the new economy creates new challenges for the territory: the capacity of connecting the local with the global becomes relevant beyond the own borders.

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One thing to consider in this thought is the relation provided by the governance mechanism, rooted by definition in the city's social and institutional substrate, the creation of opportunities to attract business and talent. Strategies adopted by public and private bodies seeking to stimulate creativity and knowledge can differ considerably according to some specific items able to change the result of measures taken: the timeframe of initiatives, more or less involvement by relevant stakeholders and consensus reached are some matters to consider

in analysing the contribution of governance to the success of adopted measures.¹²

Evidence shows that cities reinvent themselves successively in order to adapt to the requirements of any time, particularly the knowledge economy, making a big use of public policies. Nevertheless, success or failure in adopting specific measures goes beyond the setup or efficiency of action: the historical legacy and specificities of the territory where the policy is implemented play a relevant role. The revolution brought about by the global economy is analogous to a change in depth of governance structures. Considering a balance between top-down initiatives and those coming from civil society generating social innovation processes is one of the biggest future challenges for many local bodies.

Networks, mobility and talent

Networks are one of the most relevant items in the global urban system.¹³ It is difficult to understand the own production mode of a new economic order at global level characterised by relocation without considering the role played by connectivity between all economic stakeholders. Beyond becoming financial and commercial centres, cities operate as relational centres making the basis of the network organisation and interdependencies characterising economic and social life in today's world.

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In the globalisation process, connections between different parts of the territory increase, fostering exchange of knowledge and abilities.

Of all stakeholders making this process, those with the highest qualification and those being specialists showing their deep knowledge of certain abilities become the focus of cities. Theories related with generation of specialisation clusters connected with other international networks are directly associated with perceptions pointing at the local history in all its aspects, be they economic, social, institutional or cultural, and **embedding** of participating stakeholders as local historical causes determining proliferation of certain activities.¹⁴

Creating an innovative environment allowing talent exchange, transversal experiences in different value chains and the rise of new ideas is part of the political agenda and one of the strategic goals of most cities and regions across the world. It is here where using the own specialisation provides comparative advantages for the city.

From a business perspective, open innovation processes have replaced R&D generation inside companies.¹⁵ The ways allowing transversal production in knowledge is based on participation of the company in other value-added chains enriched by adopted learning produced in other settings. Cooperation replaces competition and shared efforts in generating innovation and knowledge cause **synergies** and positive externalities to appear, increasing the added value generated by the individual company; knowledge economy, the new economy is based on electronic, physical and psychological connectivity and the ability to attract, create and convey talent.¹⁶ To draw a parallel, the territory is facing today a metamorphose similar to the one production processes underwent; the competitive city becomes an open city and its success is essentially based on providing favourable conditions for promoting interaction of innovation players and maximising the ability to produce and absorb innovative ideas.

Cities thus become innovation clusters, nodes of global networks providing knowledge while benefiting of talent and innovation flows created and developed around value generation processes in the territory.¹⁷ Creating an innovative environment allowing talent exchange, transversal experiences in different value chains and the rise of new ideas is part of the political agenda and one of the strategic goals of most cities and regions across the world. It is here where using the own specialisation provides comparative advantages for the city.

Combining the past with new drives for the future in which creativity and knowledge become crucial is one of the big challenge of competitive cities of the future. This assertion is in accordance with the argument used by Mascarell to explain the emergence of creativity and talent in a city that «needs to arise from the ordinary structures of the city with a continuity».¹⁸ In this respect, artificial processes of seizing or creating talent that are not embedded in the city's fabric are probably doomed to be ephemeral.

Workers, particularly those in creative and knowledge industries, are less mobile in Europe than in the United States. In fact, creative and knowledge workers prefer settled ties in their life and career and do not respond immediately to the call of the city based on its attraction or personality.

Particularly the role played by personal networks adds to the cluster theory and provides a more relational profile (shared rules, social relations) to economic categorisation of agglomeration. When talent enters the stage as one of the most valuable inputs in the value chain, both the academic and the political discussion focuses on issues related with brain drain or loss of human capital in the territory and brain gain or talent gain coming from skilled migration. This view regards cities as

competitors for talent, losing or winning according to their ability to attract and keep skilled workforce,¹⁹ improving their own labour offer. The present invites to overcome this dilemma regarding the acceptance of the city as an entity contributing in itself towards both internal and external talent creation so it becomes a key reference in the personal record of talent holders.

This assertion is corroborated by international studies like the ACRE project,²⁰ which highlights the big influence of personal factors, e.g. being born in a given region, having friends and family living in the same area or using existing personal or professional networks where workers in creative or knowledge industries are located. Ties with the territory are thus a remarkable item in decisions regarding the place of residence and work. Opportunities to find jobs also appear as decisive factors in their location.

These conclusions come with a second statement: workers, particularly those in creative and knowledge industries, are less mobile in Europe than in the United States. In fact, creative and knowledge workers prefer settled ties in their life and career and do not respond immediately to the call of the city based on its attraction or personality.²¹ This view must not be confounded with arguments typical of restrictive provincialism, on the contrary: as is argued later on, the city becomes a node in a global network connected by knowledge, culture and talent transmission flows. The identity of the territory reaches an international magnitude feeding on the ability of the city to have a global echo.

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Extending this argumentation, if there is a will of making a city competitive based on knowledge

and creativity, this association between territory and society must not be set aside. On the contrary, it requires the necessary infrastructures (education, capacity-building, venture capital, services, etc.) strengthening and improving human capital and talent created in the region city and helping it become innovation. Besides, these provisions should serve to attract those seeking mechanisms in the city fostering talent production and improvement. All in all, talent management and enhancement policies should be focused as a result of long-term strategies addressed at many citizens.²²

Identity and territory in a new economic setting: creating a new city model

Cities are reinvented in time, seeking models and forms suiting best existing requirements. Although one might think that the urban magnitude²³ loses strength in change and globalisation started in the last century, territorial identity is today as much as ever a strength in the new competitiveness patterns. The local is prominent in numerous academic references in determining urban competitiveness. They identify knowledge rooted in local and regional cultures as a key item in the ability to attract business and making cities more competitive. It is the local setting and its particular identity what allows a city to be different from the others. In fact, as Scott²⁴ points out, in the specific circumstances of modern capitalism, cities are not only reemerging but they also adopt dynamics and physical shapes unknown so far. Good conditions in traditional location factors like transport or connectivity are of course a necessary item yet not enough, as has been mentioned. Using the city history together with inherent local qualities has become a key for the future of cities.

Cities and regions trying to raise their competitiveness by attracting and developing concentrations of creative and knowledge activities benefit from theories on cluster creation and promotion. However, these concentrations cannot exist



▲ The global city concept is associated with the new conception of modern metropolises like London (on the picture) and New York.

unless they include aspects related with the city's **path dependency** and prove to be attached to the territory and the players and institutions by which it is characterised.

Territorial identity is a strength in the new competitiveness patterns. The local is prominent in numerous academic references in determining urban competitiveness.

The record of the city, its setting, stakeholders and institutions, its past and its future drive singularise the territory and make it different and peculiar. The analysis needs to be thought over to go a step further: it is not just about attracting



▲ The ACRE project analyses the necessary conditions to form creative regions.

and keeping talent, but providing out of the very territory a legacy able to go beyond the city, making it valuable and attractive on the global stage.

Perhaps beyond necessary proximity, the city reaches a new milestone turning past conceptions upside down: the territory becomes important as a soundboard, as an entity feeding and disseminating what is occurring inside. Borders make no sense anymore, competition gives way to the possible footprint the city leaves with those working and living there. In this respect, the efforts in building knowledge cities need to take network linkages existing among themselves as a starting point, leading towards global growth models in which cities become information nodes accumulating this knowledge.

It is not just about attracting and keeping talent, but providing out of the very territory a legacy able to go beyond the city, making it valuable and attractive on the global stage.

MONTSERRAT PAREJA-EASTAWAY

Economist

Professor at the University of Barcelona and coordinator of the «Creativity, Innovation and Urban Transformation» consolidated research group. She leads the Barcelona team at the European research project ACRE – *Accommodating Creative Knowledge. Competitiveness of European Metropolitan Regions within the Enlarged Union.*

<http://www.ub.edu/teco/usuaris/montserratparejaeastaway.htm>

**JOSEP M. PIQUÉ**

CCEO of the 22@Barcelona Society.

Telecommunications Engineer from La Salle and UPC and master degree in Business Administration and Management from ESADE. Diploma from the Massachusetts Institute of Technology (MIT) and the University of California at Berkeley. Diploma in Advanced Studies from the Universitat Ramon Llull.

President of the Catalan Network of Science and Technology Parks and vice-president of APTE (Spanish Association of Science and Technology Parks).

The core of his activity is promoting knowledge economy and cities to consolidate 22@ as one of the world's main innovation nodes.

Member of the *Paradigmes* Publishing Council.

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