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## TERRITORIAL INNOVATIVENESS: CAN CULTURAL DIFFERENCES BE AN IMPORTANT FACTOR?

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**Summary:** Countries differ significantly in terms of their innovative capacity. Notwithstanding, the magnitude of the innovation gap and the cultural emphasis placed upon it, very little systematic comparative analysis has been carried out on the causes. Both researchers and policy makers agree that the innovation has a critical role in economic and social development. This paper provides a literature overview about the territorial dimension of innovation and factors influencing innovativeness and gaps that exist. Amongst other factors, this paper is focusing on the effect of territorial cultural differences, which are key driving forces to innovation dissemination. The paper looked briefly into some social institutions across European territories such as norms, values; formal and informal that has significant influences on innovation process. What the paper does is to check the European business managers and innovation actors their view point on the European Union project to be “most competitive and dynamic knowledge-based economy in the world”. EU leaders explicitly acknowledge gaps that exist between different territories across the Union. Therefore, the paper would analyze the survey result from the innovation actors and business managers, present the findings that would help policy makers to drive the topic to a better direction in order to get optimal result to benefit people of Europe and the world.

**Keywords:** Territorial Dimension, Innovation, Cultural Differences, Europe 2020

### 1. Introduction

Many social scientists and researchers have been linking national cultures to innovativeness, but so far little emphasis has been made to the territorial integration of countries innovativeness. Cultural differences and innovativeness are multi-faceted social phenomenon with innumerable manifestations. Innovation takes place as an art of exercises routed into cultural view points and attitudes.

With European Union struggling economies and financial crises, territorial integration to create innovation and provide innovative solutions are key driving forces to create jobs and market opportunities. The aim of the paper is to bring to attention that territorial integration within the Union that would enable innovativeness, lead to competitive and comparative advantages of different levels and magnitudes. Across EU territories, disparities were identified, according to Jonathan Michie and John Grieve Smith (1994), the two measures of disparities are per capita GDP, measured in terms of PPS (purchasing power standard) and employment levels. Other levels of territorial disparity measurements are high birth rates, ageing populations and dependency ratios. On employment frontiers, there are disparities in sectoral structure of employment, productivity and wage differentials. There are infrastructure indicators such as the adequacy of water supplies, rail and modal networks. There are also welfare indicators such as the existence of primary health care, including education attainment, etc. Even though Europe experienced significant regional convergence of these indicators, there are very large disparities between EU territories.

In 2000, the conclusions of the presidency of the Lisbon European Council established the goal of making the European Union the “most competitive and dynamic knowledge-based

economy in the world.” In so doing, they explicitly acknowledged the gap that exist between different territories across the Union, and the council decided to put projects in order to narrow the gap and make EU a success story. The Lisbon initiative and policy are supposed to create job opportunities, open new markets and frontiers and help redistribute resources across territories. It is imperative that Europe disconcerting economy would fight out the crisis and be competitive if it integrates the territories different national cultures and elements to achieve innovation. This paper aims to identify the gap by focusing on the ‘territorial innovation and factors of different cultures’ in the EU. The territories across EU are highly characterized by different historical and geographical elements, there are different contemporary institutions, rules and incentives governing the creation and geographical mobility of innovation, however the combination of such inputs therefore creates gap in innovation systems across territories.

## **2. Literature Review - Human Capital Mobility**

Innovation is a science of acquisition of inner abilities, in other words, human capital. These could be the stock of knowledge, habits, social and personality attributes, including creativity, embodied in the ability to perform labor so as to produce economic value. Alternatively, human capital is a collection of resources, all the knowledge, talents, skills, abilities, experience, intelligence, training, judgment and wisdom possessed individually and collectively by individuals in a population. These resources are the total capacity of the people that represents a form of wealth which can be directed to accomplish the goals of the nation or state or a portion thereof.

### **2.1. The Creativity**

There are different phenomenon to describe creative act and art. Creativity as defined by Mullin is an application of imaginative thoughts which results in innovative solutions to many problems. Creativity draws crucially on our ordinary abilities. Actively creative people have a talent for getting to the heart of a problem. This is possible due to stages humans goes through to be creative. Mullins highlighted 4 stages

- Preparation stage: conscious attempt to understand and absorb information.
- Incubation stage: conscious mind is focused elsewhere but below the level of consciousness the ideas are being continually combined.
- Illumination: solution appears suddenly – flash of insight.
- Verification: solution is tested in a conscious and deliberate way.

Many influences of creativity come from personality-learning-capability. Learning means change but changes of a relatively permanent kind. A common definition of learning is ‘a relatively permanent change in behavior or potential behavior, that result from experience’ (Mullins 2010). These temporary changes are of a different nature to those associated with the process of learning that result in knowledge and a change in behavior. There are two main set of factors of learning namely: External factors – internal process

Early classic studies of learning offer explanations for simple learning situations. The principles arising from the laboratory experiments remain applicable to an understanding of materials. Of course, there are more complex forms such as cognitive format that considers different preferences and styles.

These 4 ways of learning is reflection of the followings:

- What’s new, I’m game for everything – Activists technique
- I’d like time to think about this - Reflectors technique
- How does this relate to that – Theorists technique
- How can I apply this in practice – Pragmatists technique

## ***2.2. Culture-Personality-Innovation***

Individuals and behaviours differ and are very complex in nature. What make humans different according to Mullins (2010) includes ethnic origin, physique, gender, early family experiences, social and cultural factors, national culture, motivation, attitudes, personality traits and types, intelligence and abilities and perception frontiers. Some of these characteristics are shared with others while some are unique due to inherited and environmental factors. These frontiers lead to understanding of self and others, in other words, personality. Personality is viewed as consisting of stable characteristics that explain why a person behaves in a particular way. However, it is only when we see/hear/observe a person that we can gain an understanding of their personality (Mullins 2010). Personality studies can be divided into two main approaches, labelled as nomothetic and idiographic frontiers. These two main approaches identify our personality characteristics and show our behaviours, attitudes and approach towards nature and creative ability. As a function, culture becomes imminent. This is why, my preference to define culture is “acquisition to learn-ability and believability, = creative-ability”. This definition appears as I understood culture from different frontiers.

In general, learning different things and believing in those things forms a cognitive action known as “culture” and an integral unit to creative act and art. It then becomes the root of our behaviour, attitude and life.

## ***2.3. Essential Determinants of the Innovation Gap***

Innovation signifies the ability to utilize disposable resources and new technologies available. Authors such as Johnson et ca, 2008 wrote that innovation is more complex than just invention. According to him, invention involves the conversion of new knowledge, while innovation adds the critical extra step.

The strategic dilemmas stem from this more complex and extended process. When talking about innovativeness, we are expressing knowledge based conversion that results to creativity. The innovation output gaps between the European territories are most frequently attributed to differences in inputs to innovation production. The quantity and quality of inputs, as well as the broader ‘innovative infrastructure’ in the contexts – by reflecting the cultural, institutional, and economic diversity across the territories of the EU are the key to innovative Europe. Structural characteristics that would make a region more ‘innovation prone’ includes: Education / Life-long learning / Sectoral composition / Use of resources / Demographics.

These characteristics are mainly determined on territorial spending such as research and development, adoption in new technologies, entrepreneurial cultures, density of economic interactions, availability of human capital and high-tech industry and institutional incentives such as labor laws, and taxation modalities and etc. Across the European territories, these characteristics vary significantly. The goal is to narrow these gaps and learn at same time share the best territorial practices.

## **3. Methodology**

The research paper used few population samples to summarize the research. As a result, case study was developed to access the research hypothesis. Jankowicz, A. D. (2005) wrote that survey method draws most of its data from the present. This is surveying people to establish their views of what they think, believe, value or feel through interviews and questionnaires. Survey method will help discover these views for their sake and to support an argument of the

research work and generalize conclusions more widely. Jankowicz views survey method as perfect method to research work at any level.

### ***3.1. Data Collection Procedures and Analysis***

The research draws its framework and analysis mainly theoretical, with numerical analysis to evaluate outcome, conducted inform of interview and rating number 1 – 5 from European expatriates of different nationalities that works in Luxembourg. Since this topic is connected to innovation, private enterprises are the main users of innovative solutions and are more reachable than public servants. Therefore the research was able to get private sector participants rather than public sector due to language difficulties of the researcher, Luxembourgish is the spoken language of public sectors and the researcher does not speak it.

11 persons were reached for interview and to fill the rated questionnaires. Of course, it is a fair representation of the EU nationalities. Thanks to Luxembourg diversity work force, Luxembourg has more expatriates than any other EU countries; the research was able to utilize such opportunity. 5 out of the 11 respondents are on the management level positions, 3 are on mid-level and the rest 3 are staff level. The research paper developed multiple regression and multi-dimensional questionnaires to capture factors that could lead to decision to have a joint and or rotational innovation programs across territories of the EU.

For confidentiality sake, the study would present the company name, but the managers and staff names as anonymous. The name of the company is Performance Fibers Group. The respondents are from different countries of the Union. This is to assure a fair representation of national cultural dimension to their response.

In other word a multi-regression model and analysis of their perspectives, viewpoints and settings, with independent variables, X to predict a numerical dependent variable, Y. For the research paper, the dependent variable, Y is territorial innovation and innovative solutions, while independent variables, X are national cultures, talents, Universities, government finances and market opportunities. The questionnaire assigned priority rating 1 – 5. *Low priority means 1 – 2, high priority means 3 – 5.* Finally the sum total gave the overall importance to the factors that could determine innovation and innovativeness across European territories. In order to simplify matters, the research paper used the United Nations geographical region and composition mapping to categorize the 28 European Union countries.

- National cultural fundamentals: working habit within the territories, masculinity verses femininity, national cultural style.
- Territorial resources: education, skill work force, infrastructures, market accessibility and financial program availability.

There were oral but non-recorded questions and asked to testify the respondents understanding of the research topic:

*Can different territories across Europe Union bring in their different national cultural backgrounds to create innovation and innovative solutions?*

On this question, the 11 participants responded ‘YES’. However 4 responded with conditionality, due to different countries ways and attitudes could create fiasco. However, the research was not interested in country level specific therefore; YES is considered.

*Can this approach lead to competitive and comparative advantage for Europe?*

9 responded YES, 2 responded NO

NO was that some countries has nothing more to offer. Some countries of the Eastern and Southern Europe were mentioned. Again, the research was not interested in country level specific therefore; NO is considered for the 2 respondents.

Can territorial integration across the Union help build competitive and comparative capacities and can it benefit the EU?

5 responded YES, 1 responded NO, and 5 responded DO NOT KNOW.

NO was because of different national cultures mentioning Eastern and Southern Europe.

DO NOT KNOW was because of the politics at the EU and territorial levels.

EU Regions According to United Nations Geographical Region and Composition Mapping

North - North / North - West / North - East / North - South / West - West

West - East / West - South / East - East / East - South / South - South

**Table 3: Analysis of the Questionnaires**

Factors that drives territorial innovation and innovative solutions (Rating: 1 - 5)									
EU	Femi- ninity	Mascu- linity	Culture	Univer- sity	Skill Work force	Regional finance, influence, program	Economic of scale Industry cluster	Infra- structur e	Develop market & accessibility
N - N	18	36	30	48	40	30	24	40	46
N - W	16	28	40	40	46	36	40	48	48
N - E	16	24	36	46	36	40	28	50	40
N - S	14	50	28	50	34	48	50	46	40
W - W	16	28	48	48	28	40	24	48	40
W - E	16	26	40	48	50	34	40	46	48
W - S	12	48	20	50	48	24	48	48	36
E - E	16	46	36	50	48	28	40	48	48
E - S	12	48	28	50	46	32	48	50	48
S - S	10	50	24	48	40	40	24	50	28
<b>Total</b>	<b>146</b>	<b>384</b>	<b>330</b>	<b>478</b>	<b>416</b>	<b>352</b>	<b>366</b>	<b>474</b>	<b>422</b>
N	Den	Est	Fin	Ire	Lat	Lith	Swe	UK	
S	Cro	Cyp	Gre	Ita	Mal	Por	Slov	Spain	
W	Aus	Bel	Fra	Ger	Lux	Neth			
E	Bul	Cze	Hun	Pol	Rom	Slovk			

Source: own creation

### 3.2. Field Results

The respondents were interviewed through a written document; they filled out the questionnaires too. They gave different rating numbers as presented above (*Table 3*). From the answers, respondents rated priorities differently. The rating number of the University showed that top level priority is on education. This is why it received the highest number with 478. In the second place is infrastructure with 474 and third place is develop market and accessibility with 422. Also on top priority is skill workforce with 416.

Territories would achieve competitive and comparative advantages of different levels and magnitude with these top four priorities; of course education gives birth to skill workforce and as a result metamorphosed to competitive and comparative advantages – making the territories attractive to businesses and investors - create opportunities and accessibilities of various nature.

Overall, the result from the interview was successful with highest total mark giving to the top three priorities. Culture and cultural related comes in to the second tier level of the priority matrix. This means that with higher masculinity national culture – a direct correlation to higher risk taking, low power distance, time-matters-a-lot approach, it signifies that innovation is possible. This is atypical approach of entrepreneurial capability.

Low mark was giving to femininity characteristics which are opposite of second tier level priority matrix.

#### **4. Conclusion**

As a crucial part of competitive and comparative advantages and growth, territorial rotational innovation program is the solution EU should ascribe to. However to be innovative requires an integrated efforts across functions and usage of knowledge solutions and technological capabilities.

Many literatures have sourced the best practice for innovativeness by recognizing that it consist a structural formation while to some literatures, it is a cognitive foundations.

Giving the financial crises that is rocketing many countries especially in the EU; the corner stone to scale out of this crisis is for the Union to redirect its policies towards territorial innovativeness approach, in other to utilize all competencies and resources that exist within and outside Europe. As a principle, each EU territories has what they are good at and by rotating these cultural approach and available resources would enhance innovation that would be a comparative and comparative advantages. Of course, integrating different national cultures and other cultural norms and artefacts are very challenging. Many conflicts have element of cultural bias or wrong interpretation of cultural artefacts. As many authors wrote that culture is multi-layered and this means that, what you see on the surface may mask differences below the surface. It is like underground rivers that run through our lives and relationships, giving us messages that shape our perceptions, attributions, judgments, and ideas of self and other. Though cultures are powerful, they are often unconscious, influencing conflict and attempts to resolve conflict in imperceptible ways. However, if the Union top priority were to be competitive, a cogent mechanism would dilute the conflicts and create innovative solutions and spirit of entrepreneurship.

The research tested the notion amongst European Union citizens working in Luxembourg about what could be a driving force to achieve this initiative. They showed significant emphasize on education, infrastructure, market development and skilled workers at the very top and followed by national culture of masculinity. The respondents are expatriates with considerable experience to create innovativeness and entrepreneurship.

Even though the test question was not about countries, it was categorized regional according to UN country classification. The ratings of 1-5 were assigned towards the driving force rather than country specific. The respondent's opinion supports the research which is saying to use different cultures that exist in EU territories to drive innovation and innovative solutions.

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