

Socio-Cultural Factors and International Competitiveness in Small, Open Economies

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Introduction. Socio-cultural factors – shared values, norms and attitudes are significant, but less acknowledged sources of international competitiveness. Previous studies have found socio-cultural factors positively affecting various aspects of international competitiveness – entrepreneurship, innovation, productivity and international cooperation. These factors are more sustainable and less affected by external environment changes in comparison with the traditional factors. Socio-cultural factors provide an opportunity to develop competitiveness strategies based on unique advantages.

Aim, Material and Methods. This research aims to explore the impact of socio-cultural factors on international competitiveness in small, open economies, and to develop recommendations for improving the competitiveness strategy of Latvia. We examined 400 socio-cultural indicators assessed in 37 countries. All cultural indicators were tested for correlation with international competitiveness indicators. As international competitiveness indicators we used the World Economic Forum's Global Competitiveness Index and its sub-indexes, IMD World Competitiveness Index and its sub-indexes.

Results. Analysing relationship between 400 socio-cultural indicators and competitiveness indicators such as productivity, economic development, business and government efficiency, innovation capacity and infrastructure in 37 countries, six socio-cultural factors have emerged: Collectivism and Hierarchy; Future, Cooperation and Performance Orientation, Self-expression, Monochronism and Rationality, Economic Orientation and Social structure. The first factor – Collectivism and Hierarchy – tends to reduce the international competitiveness; the other five affect it positively. We found that Collectivism and Hierarchy, Future, Cooperation and Performance Orientation, Self-expression, Monochronism and Rationality and Social Structure explain 83% of the Global Competitiveness Index change. And that Future, Cooperation and Performance Orientation, Monochronism and Rationality and Economic Orientation explain 77% of the World Competitiveness Index changes. To illustrate the impact of socio-cultural factors, we further look at three small, open economies – Denmark, Chile and Singapore – and assess socio-cultural factors in Latvia. Danes demonstrate a strong equality orientation and high scores in Future, Cooperation and Performance Orientation. Chile stands out with a very high orientation towards Social Structure. Singapore is particularly characterised by Future, Cooperation and Performance Orientation. Latvia demonstrates high Self-expression and Economic Orientation, while extremely low Future, Cooperation and Performance Orientation.

Conclusions. This study provides solid empirical evidence for policy implications on the fact that socio-cultural factors are important and along with the so-called traditional factors have a direct effect on international competitiveness – Collectivism and Hierarchy; Future, Cooperation and Performance Orientation, Self-expression, Monochronism and Rationality, Economic Orientation and Social Structure explaining 81% of the total cultural variance. All of the defined socio-cultural factors except Collectivism and Hierarchy affect international competitiveness positively. The unique competitive advantage of certain socio-cultural factors has been illustrated by equality in Denmark, strong tendency towards social structure in Chile and Future, Cooperation and Performance Orientation in Singapore. Latvia demonstrates high Self-expression and Economic Orientation, yet short-term approach and lack of Future, Cooperation and Performance Orientation undermines its international competitiveness.



Economic transformation, smart growth, governance and the legal framework for the sustainable development of the state and society – new approaches to creation of sustainable knowledge society (EKOSOC-LV) – public involvement in social innovation processes for sustainable development of Latvia 5.2.7.