



Capital system, creative economy and knowledge city transformation: Insights from Bento Gonçalves, Brazil



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ABSTRACT

This study pursues the advancement in the research of the use of the generic capital system as a value-based tool by identifying the complete capital system of a Brazilian city—i.e., Bento Gonçalves. In doing so, it also aims at identifying its unique characteristics and the potential knowledge-leveraging capabilities for planning its development as a knowledge city. The context of the study is the creative economy considering that in Brazil cities are encouraged to embrace and accept its culture as a factor in their development. This paper builds on the points of conceptual convergence between the generic capital system taxonomy and the Brazilian model of creative economy. In doing so, it explores the potential value of this convergence for the development of an emerging knowledge city. This is the first case in Brazil where the generic capital system taxonomy is being applied. This exploratory study, carried out in a southern Brazil city of Bento Gonçalves, found viable economic development alternatives for communities with strong cultural tradition deriving from the Italian immigration of the 19th century. As a result, the case analysis indicates that identity capital could be considered as an inducing factor for development especially in social contexts strongly anchored in local culture.

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1. Introduction

The community studying urban communities around the world from a knowledge-based development (KBD) perspective tends to agree that one of the main difficulties to construct a knowledge city is the acquisition and organization of information in an accountable base allowing for international benchmarking (Gonzalez, 2011; Leal & Garcia, 2012). Even if the knowledge economy and knowledge society are considered signals of our times, the transition from the analysis of the phenomenon to a working framework for the understanding and development of a knowledge city is still at an early stage (Carrillo & Flores, 2012). This process is even more complex when considering that each city has a unique value structure that characterizes its complex social environment. Thus, a systematic and integrative perspective for a city is required to identify the value-based indicators that reveal the singularity of an urban community, a system able to identify what Leal and Garcia (2012) call the knowledge-leveraging capabilities that greatly impact a knowledge city development. The generic capital

system taxonomy is a value-based tool for knowledge cities that systematically attempts to identify and develop its whole (tangible as well as intangible) capital balance (Carrillo, 2006).

Several researchers have shown that the degree of competitiveness of a country, region, or city may be related to their degree of creativity (Florida, 2005a, 2005b; Martin Prosperity Institute, 2011). The United Nations Conference on Trade and Development (UNCTAD, 2010) states that the creative economy transforms the labor market insofar it facilitates employability, encourages productive force qualification, fosters social inclusion and gender balance and strengthens education, culture and art.

Brazilian authors like Reis (2008) state that the creative economy provides a significant potential for the creation of innovative socioeconomic development. She also suggests that current economic models require not only a global update, but also a national and regional application able to capture each specific context. Taking into account the diverse nature of the Brazilian population as a whole, the influential Ministry of Culture (*Secretaria da Economia Criativa do Ministerio da Cultura*) created in 2011 the Creative Economy Department (CED) as an independent unit within the Ministry. The CED purpose is the design and implementation of public policies that support local and regional economic development by monitoring regional environments and prioritizing

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support for independent professionals as well as creative SMEs. This initiative reinforces the public acknowledgement that culture provides a strategic role in the process of economic growth and social inclusion in Brazil. From this perspective, the [Creative Economy Department \(2011\)](#) stated that the current Ministry of Culture mission is to transform Brazilian cultural creativity into innovation that will spur economic, and social wealth. However, for this to happen, indicators and methodologies for producing reliable data become critical. Such requirement is also fundamental for developing the creative skills, and improved infrastructure that enable the production, circulation and consumption of goods and creative services, within and outside the country. [Reis \(2008\)](#) stresses the importance of the measuring ability and the capability of defining what to measure according to the unique characteristics of the creative economy of each country or region. According to him, the capability to measure is what makes it possible to identify the advantages of the creative economy as well as the value networks it may enable leading to an increase in social and economic development.

This work focuses on the conceptual convergence between the generic capital system taxonomy, the Brazilian model of creative economy and the potential value of this convergence for the development of an emerging knowledge city. This is the first case in Brazil where the generic capital system taxonomy is being fully applied. Such development has taken place in the city of Bento Gonçalves that, after hosting the 4th Knowledge City World Summit in 2011 (see www.worldcapitalinstitute.org), deliberately aimed at KBD through the capital system model. Bento Gonçalves is a city rich in culture and with a relative high level of economic prosperity. Located in the state of Rio Grande do Sul, it is an important industrial and touristic center in the Serra Gaucha region, with 108,151 inhabitants. The city, formed by Italian immigrants in the 19th century is today among the 10 largest economies in the Rio Grande do Sul, a state in southern Brazil. The city is ranked first in the IFDM of the state of Rio Grande do Sul in the year 2012. Within a group of approximately 5000 cities in Brazil about which development data are compiled by FIRJAN, Bento Gonçalves is the 15th most developed municipality of Brazil ([Federação das Indústrias do Rio de Janeiro \(FIRJAN\), 2012](#)). The IFDM, FIRJAN Municipal Development Index is an annual study of FIRJAN - Industries Federation of Rio de Janeiro, on the National Industry Confederation accompanying the development of all over 5000 municipalities in three areas: Employment and Income, Education, and Health. It is the base of official government statistics for the Ministries of Labor, Education and Health.

2. Theoretical foundations

2.1. Creative economy and social innovation

[Jeffcutt \(2004\)](#) states that the creative economy resets old borders, by allowing businesses to flourish by means of their own defined business cultures. Through this process the creative economy prompts new perspectives on value creation thus leading the transformation of creative ideas into the tangible production of products and services ([Tarani, 2011](#)). Such process can be related to social innovation as conceived by [Pol and Ville \(2009\)](#), i.e., the creative economy can generate new ideas bringing positive impact on the quality and/or quantity of life of members of society. [Manzini \(2008\)](#) also addresses the need to follow unconventional courses of action in a society in order to make social innovation and creativity sustainable. The creative economy can be regarded as social innovation insofar overall creativity, culture, and knowledge start to be seen as fundamental to economic and social development ([Moraes, 2011](#)). The creative economy incorporates and

reciprocally causes profound changes within social, organizational, political, educational and economic life. According to [Manzini \(2008\)](#), social innovation requires people capable to rearranging existing elements in new and meaningful combinations. Thus, the creative economy involves activities of intense dynamism. It is a topic that has received attention in various parts of world from researchers and governments seeking to change their development model. Several themes around the creative economy have been widely studied such as creative cities, creative class and creative workers ([Florida, 2002, 2005a, 2005b](#)), creative cluster ([Reis, 2008](#)), creative industries, ([Howkins, 2001; UNCTAD, 2010](#)), creative ecosystem and creative ecology ([Florida, 2005a; Florida, 2005b; Jeffcutt, 2004](#)), as well as *hard* and *soft* infrastructure to the creative economy ([Jeffcutt, 2004](#)). More recent works point to the creative economy as a strategy for sustainable development through a shift in mental model ([Deheinzeln, 2011](#)) as well as the fostering of regional development. Additionally, some authors ([Abankina, 2013; Shuaib & Enoch, 2012](#)) acknowledge that the creative economy can guide public policies aiming to the historic town quality development and conservation, while also bringing prosperity to the community. Such studies regard the work of [Howkins \(2001\)](#) as pioneering research, by linking creativity and the economic dynamics of a region. Under this perspective, creativity subverts traditional notions of economy by providing a new form of perceived value.

Creativity is neither a new concept nor an economic term; however, what is new is the nature and extent of the relationship between economics and creativity, and how the two combine to generate value and wealth. [Florida \(2002, 2005a, Florida 2005b\)](#) has carried out a research program on the creative workers, and their impact on public policies that drive the creative economy. During 2011, Florida launched the study “Creativity and Prosperity: The Global Creativity Index”. This study attempts to grasp sustainable prosperity in 82 countries, according to a combination of economic, social, and cultural rights, such as the “3Ts” of economic development: Technology, Talent, and Tolerance. Furthermore, UNCTAD has stressed that the creative economy contributes to the growth and prosperity of countries; especially the developing ones that want to diversify their economies and build resistance to future economic crises.

The importance of the creative economy for the economic and KBD of Brazil had not been acknowledged until recently. In 2011, the Brazilian government, through the Ministry of Culture, created the Creative Economy Department. The CED is charged with a mission to manage the formulation, implementation, and monitoring of public policies for the support of local and regional development. These policies include the prioritizing of support and encouragement to professionals in Brazilian creative SMEs. According to [De Marchi \(2012\)](#), the creation of the Creative Economy Department under the Culture Ministry (MINC), is a turning point in Brazil's history as it indicates a shift of the country's cultural and economic policies. The SED plan argues that Brazil should provide a sustainable economic development model based on the creative economy and states that culture plays a key role in both economic growth and national social inclusion. The guiding principles of the plan are: social inclusion (access to goods and creative services), innovation, cultural diversity, and sustainability (social, cultural, environmental and economic). In this sense, it also indicates the convergence in Brazil between creative economy and Social Innovation. Furthermore, it seeks changes in society for a more sustainable and inclusive development through Brazilian cultural diversity. The [Creative Economy Department \(2011\)](#) defines creative economy as the dynamic cultural, social and economic activity that leads to the cycle of creation, production, distribution/circulation/dissemination and use/enjoyment of goods and services from creative sectors, characterized by the prevalence of their symbolic

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