

A Summit on Competitiveness Was Really A Summit On Culture

Once when former U.S. President Ronald Reagan spoke about the Soviet Union, he falsely stated that in the Russian language, there was no word for 'freedom'. He got away with it because at the time and under the circumstances, it seemed plausible to his audience, though we now know people there crave and want freedom as readily as the next human being. I felt like someone could stand up and say, 'Did you know that in Costa Rica there is no word for *competitiveness*?' (let's pretend Spanish is not so universal). They too might have gotten away with it, but hopefully not for long.

I just went to the recent Costa Rican Competitiveness Summit, hosted by the American Chamber of Commerce, and sponsored by a variety of companies, ranging from multi-nationals like Coca Cola, Delta and HP, to regional or national players like Banco Popular, Pacheco Coto (law), and Cafe Britt. I went because not because I am dialed in to the market and business here, but precisely because I am not. I wanted to learn if there was a cousin to the Asian Tiger lurking somewhere in the Central American jungle.

So I bought my ticket and took my seat, representing no one, and with no other agenda other than my own enlightenment. I had stated at registration that I had some clients who are investors or tech firms (e.g., outsourcing providers) looking for access to new markets or for sources of competitive advantage (labor, intellectual property, etc.), While true, that was not really what put me there. More than anything I just wanted to explore, like a child in a toy store who wants to roam the aisles.

While there has been a write up or two that effectively captures *what* happened at the event (see the June 18 edition of *The Tico Times*) - here's who came, here's what they talked about, here are the goals people set for themselves and the nation - I wanted to talk about what it all means ... for individual businesses and for the Costa Rican market and people. Consider this an editorial, with all the caveats therein. And as Costa Ricans some times say, "Vamos a hablar sin rodeo."

I have one overarching thought to share: Costa Rica is not competitive because it's culture is not competitive. I recognize that I am in a country that does not always value plain speak. So, as a form of apology and so as

not to sound the ugly gringo (is that redundant?), bear in mind that when I make this point, I am reflecting to a large extent the thoughts of those who were there. And they were primarily Costa Rican business movers and shakers, which included Ms. Laura Chinchilla, the nation's new president.

As a point of reference for my observations, I have spent most of the last 20 years working as a market analyst, and have had a lot of exposure to companies in technology, to entrepreneurs, and to venture capital firms. As someone charged with growing a business, I have also been a veteran of two Silicon Valley start ups with successful exits, and served at a F1000 company as the Director of Market & Competitive Intelligence. I have worked at length in countries that run the gamut of development, and competitiveness, including Afghanistan, China, Ireland, Russia, as well as Europe and the U.S. So I feel I have some baseline for what it means to compete. I happen to live in Costa Rica, having arrived four months ago.

When I say the culture is not competitive, this is not the same thing as saying the people are not capable, or that there are not individuals that can and will compete in an international marketplace (they were in the room). However, the irony of the event is that the people who needed to be in the room most (and were not) are those in the middle ... specifically the middle class work force that drives the economy and the middle layer of government bureaucracy that facilitates (or hinders) how things get done here. Adjectives that might more aptly describe Costa Rican business culture are conservative, protective, deliberate, and bureaucratic. And so, at that point, it also becomes very much a matter of leadership, from both government and business, to engage the middle, to demand that it fulfill its potential, and then get out of the way when needed.

Some observations

- *Capital must come from outside the country.* To reach the monicker of "developed" according to conference speakers means raising per capita income from \$7,000 per annum to \$20,000, which requires 8% year-over-over growth. This will require massive investment. Like a bond, the investment grade countries receive helps determine capital flows. The U.S. is Costa Rica's primary investor, responsible for 60% of the country's foreign investment. As someone who works with innovators and capital from the U.S., I would pause before building my plant here ...

roads, taxes, electricity costs ... all are issues, especially when considering other options. As one presenter said, "Competitiveness is a relative thing." If capital comes from outside, then Costa Rican policy makers must work to secure it. Addressing these issues is not the same thing as selling the country out, or throwing public interest aside. Just the opposite. Leaders need to teach that to their people.

- *Knowledge workers will be the critical element to competitiveness.* Not pineapple, or bananas, or fishing. This will mean developing more people with technical know-how who can make things that others want. This may translate into a host of industries, including tourism and the export of green products and services, but it will come down to differentiated forms of knowledge. The summit talked about the gap between city and rural (and how many "cities" are there outside of San Jose?) as the human manifestation of this challenge. Also, though I am no fan of government control, if education is funded by government, why can't the government do more to influence the curriculum? As in the first bullet point, 'Them who pays says' is axiomatic for all. If Intel can give advice to universities about what to teach, why can't a pro-development government do the same? Lastly, in his closing remarks, an executive from AmCham said, "The first competitiveness factor is the human factor." This human factor is a product of culture.
- *Institutions and infrastructure should support business but do not.* Correspondingly, rules and regulations must serve a clear end that helps Costa Rica compete in a way that is sustainable. Too many rules and regulations and you stifle business (bureaucracy); not enough and you risk your asset base and resources that make you competitive in the first place. Right now administrative matters are "a disproportionately large expense" for multinationals that operate here, according to the leaders at companies like Intel, Procter & Gamble, and Cafe Britt. Such matters include legal expenses, security, energy, and logistics/transportation - e.g., the last transportation plan for Costa Rica was completed in the 1960's. There are no clear rules of the game and the middle management of government, the legislators and agencies that make and enforce the laws, are not working to solve this fast enough.
- *Opening markets will expedite growth and development.* While this may be a scary thought for a culture that does not like change, such changes should be bold and irreversible. As one of the sponsors from Deloitte &

Touche stated, “For every 10% growth in bandwidth, we can expect a 2-3% in overall economic growth.” A lot of this is just getting out of people’s way. The executive from ICE was a brave soul for being there, and the guy who ran the organization that is supposed to oversee deregulation (but which for some reason seems to always be delayed) was equally so. The ICE guy in particular was pretty fired up (in a good way), which made me wonder what the rest of his organization was doing that day, and why changes had not happened sooner. Again leadership and the mass in the middle come to the forefront as key issues.

- *The average Costa Rican will have to led into a developed economy.* And maybe kicking and screaming, BUT I think it’s fair to say that all would enjoy the fruits of such labor (such is human nature). Some seem unconvinced that the journey is worth it, either because of the costs or because somewhere it upsets the zeitgeist of what it means to be Costa Rican. I think that there is a correct balance between Pura Vida and Pura Nada, and that the etiquette and philosophy of Pura Vida do not exclude the possibility of growth and modern development. As a backhanded index of this belief, I’ll take it by the high crime rate and bars on windows that material goods and moving up in life through such goods are important for most people here. One panelists commented on this fear of change said it very well, “We take too long to decide things that are too obvious ... even in Chile the Communists vote for free trade agreements.”

In most all of these cases, the man (or woman) in the middle will be the deciding factor as to whether investors trust in the capacity of the country, whether there is a sufficiently broad base of talent, whether government and services work to make things happen vs. just sitting and slowing things down.

Some questions

Admittedly I suffer some of the more pedestrian culture shocks that newcomers have when they arrive anywhere. Still through some of my own personal observations as well from listening to those at the summit, questions come to mind about why a competitive economy would accept certain conditions as ‘just the way it is.’

- Why are cell rates so low and cell phone so expensive ... doesn't that defeat the purpose?
- Why does a credit card transaction garner an “added fee” as high as 9% for a consumer (maybe I am shopping in the wrong places!)?
- Why can't Costa Rica finance and build a road that works in shorter period of time - take El Salvador, which is building a 400+ KM road for with 4 lanes in less than 2 years?
- Why isn't there working Internet, both fast and reliable, *everywhere*?
- Why can't ICE rent cell phone towers to other vendors? In fairness, ICE says it has “aggressive plans” to do so but this casts a shadow over such possibility in a nation famous for its plans and infamous for inertia.
- How can SUTE have technical independence but administrative dependence in relation to the very organization it aims to oversee?
- Why can't government explain what the laws are at any given time concerning major issues around trade investment, and other key business drivers? Business seems to be in a constant state of confusion about regulations and policy.
- How can it be the companies operating in free trade zones have to import goods for production because, though available in Costa Rica, such goods are too difficult or expensive to acquire here given the time, cost, paperwork, etc.?
- Where were all the entrepreneurs during this event? I do not doubt that attendees were well-educated and progressive in their own right, but most seemed to come from big companies. It is when the small to mid-sized businesses pony up the \$200 to show up and present that we will know “developed” has arrived.
- Why aren't the people in business the same people (or rather types of people) who are interested in government? They reflect two different cultures, which must move closer together for the Costa Rican market and economy to be more effective.

These are all huge questions for consumers, business, and government. They are also related in that there is a culture that makes it difficult to address and resolve many of these issues. A easy prediction: when these questions go away or cease to matter, then Costa Rica will have become more competitive.

Some recommendations

There are some concrete steps that leap out as to how a country can encourage growth and innovation, while still protecting resources and serving citizens. For example, Panama seems to be a shining example of opening telecoms markets where providers pay a small tax (around 1%) into a fund that helps modernize and universalize the telco infrastructure in that country. The people at the Summit had a lot of good ideas too. What they lacked was an audience, primarily the legislative assembly that could enact changes, not to mention mass of middle-class that need to understand and be a part of such changes. Without them, it won't work and they (and the government) seem to be sitting on their hands.

There are market development detractors. The habits and attitudes around 1st world motivation, innovation, and entrepreneurialism are not part of the way most Costa Ricans generally like to do business. The differences between a developing and developed economy are many but the one X factor that will determine Costa Rica's future is the culture it chooses to develop among its own people. This matters most at the level of the individual, family, and educational institutions ... and the government leaders who support them. From the top, it looks promising. For example, hopefully President Chinchilla's National Council on Competitiveness will invite business in to collaborate on what to do, but only time will tell. At the same time people value "laid back". It's why many expats come here and what also attracts many tourists. It's part of what brought me here. But the choices are not simply an Imperial in a hammock or working on Main Street. There is a balance that must be struck by all between "Pura Vida" and "Pura Nada."

Opportunities are like living organisms. They have a life span. They roam, and look to survive and to thrive where best they can. Costa Rica risks missing the boat. Well-worn habits of endless debate and decision by consensus will, ironically, undermine pluralistic government and democratic

processes in the end if Costa Rica cannot continue to improve the economic circumstances of its population as a whole. And, with all due respect to my host country, I want to say that there's a difference between reality and self-image... between basic literacy and advanced education ... between a paved road and a highway. In short, it's the difference between 'developing' and 'developed'.

A recent and telling article in *The New York Times* laments the decline of innovation and intelligent risk taking in U.S. society. It reads, "If your policies undermine personal responsibility by separating the link between effort and reward..." then you are in trouble. The U.S. may or may not be waning as the empire of the day, a separate topic but something that has led corporations and individuals alike to places like Costa Rica. However, for Costa Rica, I think and believe that its star is rising, not falling.

As I looked around the room, I noticed that I was one of the few that needed a head set for what was a bi-lingual conference (I am learning Spanish). There was a passion and directness with which successful Costa Rican business leaders made their case. Foreigners in the room included not only North Americans but also Chinese, who have taken a keen interest in this country and who hail from arguably one of the most economically competitive cultures on the planet - witness 1st generation Chinese who come to the Americas as shopkeepers and raise their children to be doctors and lawyers.

One panelist said, with some exasperation, "The table is set, the money is there ... we just need to execute." This is a lot more than can be said for many developed wanna be's. Yet as another panelist said, we face the challenge of culture: "Ticos don't want to be more successful than they already are ...it's what we teach our children." Well, I say to that, try not to send your kids to that school.

Still there is a reservoir of untapped energy, talent, and potential in this country that is there for the making and taking, by Costa Ricans and for Costa Ricans and to the benefit of all ... individuals, companies, governments ... foreign and domestic. Costa Ricans and expats alike should not accept mediocrity, or lack of accountability, or vague answers from people who are responsible for addressing problems, whether it be the customer service rep at the ICE counter or the nation's president. And when those two get on the same page, this country will be developed. So

let's all agree that "Time is money," and "Let's close the deal" are to be part of the national lexicon. What are we waiting for?