Multidimensional View of Competitiveness

Meaning

The competitiveness of the national economy is its concentrated expression of economic, scientific, technological, organizational, managerial, marketing and other capabilities. This concept embodies an ability of a state to achieve high rates of economic growth, ensure a steady increase in real wages, promotion of domestic firms on the world market.

In this regard, economies that are more competitive tend to be able to produce higher levels of income for their citizens, thus achieve a higher level of the quality of life. In other words, competitiveness can be described as the ability of an economy to produce, promote and sell goods and services in the global economy.

It can be inferred, that a more competitive economy is the one that is likely to grow faster over the medium to long run.

The term itself came into use in the USA, in 1985. Then it became famous worldwide. Nowadays the principle of competitiveness is one of the most important components of qualitative analysis, trying to assess a country's attractiveness and its engagement in global processes.

Given this importance of maintaining competitiveness, governments of different countries targeted their policies towards becoming more competitive and gaining their niche in this globalized world. Thus, national governments' principal goal is to establish an environment that fosters wellbeing for its citizens by addressing health, safety, environmental issues and laws. Undoubtedly, this goal can be achieved through effective management and allocation of resources, and active political interventions. Therefore, it becomes imperative for governments to coordinate a comprehensive approach towards trade and investment that incorporates a competition orientation. However, governmental bodies and decision makers must be cognizant of the fact that their nation's competitiveness depends upon their ability to sustain trade and attract foreign investment.

Competitiveness is, perhaps, one of the widely discussed, criticized phenomena of international economics. This fact explains existing of many theories discussing features of competitiveness.

Global competitiveness owes its origin to the theory of comparative advantage, which historically was an antithesis to the perspective of the mercantilists. They believed in exports and recommended strict government control of all economic activity with economic nationalistic ideas. Mercantilists' approach became a cornerstone to the many other theories that came into use later. Among them are Ricardo's theory of comparative advantage and Heckscher-Ohlin's factor abundance theory (according to this theory, countries will produce and export those goods and services in which they have a comparative advantage in price or factor cost). Initially Heckscher-Ohlin's theory takes two factors as basic indicators determining competitive advantages. Later some studies went beyond the two-factor analysis.

Another theory is ascribed to the Bank of England. According to this theory, competitiveness should be measured in terms of relative indicators (i.e. relative export prices, relative export productivity, relative unit labor cost, etc.).

Using a slightly different approach, the Economics and Statistics Department of Organization for Economic Cooperation and Development (OECD) measures competitiveness as a sum of export and import competitiveness.

One of the most well-known theories of national competitiveness is Michael Porter's 'National Diamond', which represents a useful grouping of the concepts appropriate to analysis of competitiveness and trade, thus is usually viewed in the context of case studies used to assess the prospects of an industry, product or economic activity. According to prof. Porter, there are four driving factors, cornerstones in the competitiveness, entitled as "diamond";

Many international, national, non-governmental organizations assess the level of competitiveness of various countries.

Historically the first attempt made by the IMD World Competitiveness Center, which publishes its "World competitiveness yearbook" since 1989. One of the most outstanding characteristics of the WCY is that it is the first comprehensive annual report and a worldwide reference pointing on the competitiveness of countries. The yearbook provides benchmarks and trends, statistics and survey data based on extensive research. According to the WCY a country's competitiveness is assessed and ranked according to how they manage their competencies to achieve long-term value creation. According to the methodology report published by the IMD World Competitiveness Center, an economy's GDP and productivity cannot be assesses as the only important indicators for its competitiveness, political, social and cultural dimensions also play a vital role in the process of formatting competitive advantages. Thus, governments need to provide an environment for business enterprises. This environment is to be characterized by efficient infrastructures, institutions and policies that encourage sustainable value creation by these enterprises.

Definitions

- According to Rapkin, et al. competitiveness is "…a political and economic concept that affect military, political and scientific potential of the country and is an integral factor in the relative position of the country in the international political economy."

- Krugman defines competitiveness as a concept equivalent of productivity. On the other hand, he claims that competitiveness is "wrong and dangerous definition" if to apply for the international level.

- According to Porter, this concept deals with the policy and institutions in the state that promotes long-term growth. "National competitiveness" corresponds to the economic structures and institutions of the state for economic growth within the structure of global economy.

Strategies to Gain a Competitive Edge

1. Charge More

While many businesses think of slashing their prices to stand out, there's value in going the other direction. Think about it with this apocryphal quote: "You don't buy a Rolex to tell time."

Charging more is what's referred to as "prestige pricing." It's used not just to boost margins but to increase a brand's image and social capital by appealing to buyers who don't take cheaper products seriously.

The only caution here is that your products or services need to be able to justify the higher pricing you want to command. Don't be the next Fyre Festival, promising luxury and delivering a bare bones experience.

2. Become an Online Influencer

"Influencer" is a nebulous term these days, but its function as a competitive edge is simple to understand: The more people who know and respect your company, the more customers you'll acquire when these same people have a problem you can solve.

Hubspot's certification programs are totally free, and when combined with the site's other helpful resources, cement its position as a leader in digital marketing services and support.

3. Speak at Events In Your Industry

Speaking at conferences, meetings and other events has a similar impact on expanding your company's perceived authority.

Know Your Company's CEO Claire Lew shares both the monetary and intangible benefits of pursuing this type of competitive edge:

"Of all the channels we've tried, I've found speaking at events and conferences to have been the most interesting experiment for us. While speaking wasn't the biggest source of sales for us last year (we saw 47% of our sales come from inbound marketing, while 38% came from speaking opportunities) — it's where our greatest learnings have come for me as a CEO, and for our business."

4. Create Your Own Data

Businesses are often encouraged to use data points and statistics in the marketing content they create, as doing so gives the appearance of authority and credibility.

You can be the business they cite.

While you'll want to adhere to proper surveying and sampling protocols, gathering market data can be done easily with tools like Google's Consumer Surveys and Survey Monkey. Package your results in a neat format for distribution, and your industry presence will grow.

5. Niche Down

Trying to be everything to everybody only means you'll be nothing to nobody.

6. Leverage New Technology

Another way to stand out in your space is to use new technology that nobody else is using.

Take live chat, for example. According to Econsultancy, "79% of customers say that they prefer live chat because of the immediacy it provides," yet live chat adoption has been uneven across industries.

Adding technologies like this to your digital repertoire gives customers a great reason to shop with you, rather than your competitor.

7. Delight Your Customers

This one is kind of a no-brainer. After all, who wouldn't want to work with a company that's dedicated to delighting them?

Take the example of real estate agent Naomi Hattaway, who gives kids a "Let's go look for houses" goodie bag to keep them occupied while their parents are looking at homes.

It's a simple, inexpensive option, but it's one that's sure to delight the families she works with, leading to more satisfied customers and more future referrals.

Make customer delight your competitive advantage with a similar approach by giving out (or mailing out, if your customers are remote) swag in recognition of major client milestones – the way Freshbooks sent giant cookies to those celebrating 10 years of account usage.

8. Invest in Deeper Customer Relationships

Advocacy marketing is a hot topic these days, yet so many advocacy programs stop at auto-generating referral codes to top spenders.

What if you took things one or two steps further? What if you invested time and energy into forming real relationships with your best customers – maybe by grabbing a beer together or by renting a suite at a local sports stadium for a small gathering?

The business world is impersonal enough already. Real relationships stand out and create a powerful competitive edge.

9. Create a Killer Culture

As many people talk about Zappo's infamous work culture as they do its shoes. And yes, the company has hit some road bumps in its growth, but consistently investing in creating a killer culture has driven a number of business benefits.

Customers want to buy from companies that treat their workers well. At the same time, these companies can attract the best talent, who – in turn – go on to provide great service for the company's customers.

It's a win-win cycle that leads to positive growth and the development of a compelling competitive edge.

Policies to improve International Competitiveness

1. Improving functioning of Labor Markets

- Investment in all levels of education and training
- Encouraging inward migration of skilled workers
- Improvements in management quality

2. Infrastructure Investment

- Better motorways, ports, hi- speed rail

- Northern Powerhouse project
- Communications e.g. super- fast broadband, 4G

3. Supporting Enterprise / Entrepreneurship

- Improved access to business finance e.g. for start- ups
- Incentives for business innovation and invention
- Reductions in business and tape

4. Macroeconomic Stability

- Maintaining low inflation / price stability
- A sustainable and more competitive banking system
- A competitive exchange rate v major trading partners