



Revisiting the competitiveness concept

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Concepts and ideas “travel” (Said, 1983). These building blocks of intellectual activity reflect existing societal conditions. Initial circumstances, however, evolve, and thus concepts and ideas come under scrutiny—what was an appropriate understanding of specific historical conditions enters a reinterpretation phase. In the process, they are transformed to reflect the reality of changing contexts. Cultural and intellectual life is thus nourished and sustained. Such is the evolution experienced by the concept of competitiveness.

The World Competitiveness Yearbook adopts an understanding of competitiveness that “... analyzes how nations and enterprises manage the totality of their competencies to achieve prosperity or profit.” The latter interpretation is supplemented by an academic definition which states that competitiveness “... analyzes the facts and policies that shape the ability of a nation to create and

maintain an environment that sustains more value creation for its enterprises and more prosperity for its people.”

We are in the process of revisiting such understanding. Our objective is to strengthen the operationalization of our ranking and all of its components. We note for example that observers highlight the difficulties in fitting “prosperity” into the competitiveness conceptual framework. They point out that national prosperity seems difficult to link directly to enterprise performance. Seemingly the main objection lies in what the outcome of competitiveness is. We thus endeavor to reconsider the crucial components of our conceptualization of competitiveness.

We observe that countries do shape the environment in which enterprises create value. Legislation and the institutional framework (i.e., government efficiency factor) are channels through which governments influence competitiveness. At the same time, the availability of contextual elements such as the technological infrastructure (i.e., infrastructure factor) sets limitations on competitiveness. Business efficiency greatly contributes to competitiveness while economic performance also plays a determinant role. There is not, however, linear causality among these elements.

Our task is nevertheless to identify an effective outcome of the interactions among the competitiveness factors.

Revisiting our definition of competitiveness to read as “the ability of a country to facilitate an environment in which enterprises can generate sustainable value” allows us to fulfill that task. To operationalize this definition, we propose to measure sustainable or long-term value creation through two elements: the long-term profitability of companies and their employment levels during the same period. Of course, positive and negative feedback can be put forward. We welcome such dialectical process so as to further our understanding of competitiveness.

Factor Breakdown

