



30 YEARS OF COMPETITIVENESS RESEARCH

COMPETITIVENESS IS NOT AN END BUT AN EXTREMELY EFFECTIVE TOOL

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"Dear colleague, nations do not compete, only companies do: forget about your idea of competitiveness of nations!" This advice from a renowned professor a little over 30 years ago was a bit unsettling. At the time, Paul Krugman, the future Nobel Prize winner in economics, expressed a similar opinion in a Foreign Affairs article: "This is just another name for productivity." Undoubtedly, my work on the competitiveness of nations was off to a bad start.

Today, a Google search on "World Competitiveness" or "Competitiveness of Nations" produces more than 35 million results. IMD recently successfully published its [30th report on competitiveness](#) as well as its 2nd on [digital competitiveness](#). Each country prides itself on having a competitiveness strategy, a competitiveness council and even for some a competitiveness minister. Few concepts have been so successful in recent years. Why?

In a global world, it became rapidly obvious that countries do compete, and not only with their companies but also with their infrastructure or the quality of their administrations. As for productivity, it is a relatively imprecise term that combines statistics which are somewhat unreliable: GDP and the number of hours worked per employee. Also, can productivity alone explain how a country manages sustainable development or social stability?

The economy cannot be reduced to a few decisions on interest rates, taxation, budgets or debt. Today, no one disputes that the long-term prosperity of a nation and its people are based on economic but also social policies such as the management of education or social consensus. Specifically, competitiveness analyzes, integrates and evaluate the totality of a nation's performance in a global environment.

As a result, one or two criteria do not suffice to explain the success of a country. Lowering taxes is fruitless if the infrastructure collapses or people go on strikes. Like many pixels increase the quality of a photo, many criteria provide a better understanding of the success of a nation. Consequently, rankings of competitiveness are often perceived as an assessment of government effectiveness.

There is no magic formula for competitiveness. Indeed, each country competes with its economic and social infrastructure or its policies. However, it remains unique when it comes to managing the interaction of its resources and skills in connection to its history, culture and value system. Therefore, there is no universal "cooking recipe" for competitiveness but various national achievements that countries can benchmark and adapt.

The strength of competitiveness is also to force nations to think about the longer term, beyond the quarterly fluctuations of GDP or the next elections. For example, Switzerland's competitiveness is based on the diversity of its economy, education, the quality of its SMEs, technology and social stability. These are all long-term competitive advantages that cannot be rapidly overturned. Such sustainability explains in part the strength of the Swiss economy when confronted with economic or monetary crises.

Competitiveness is not an end but an extremely effective tool for achieving the prosperity of a nation. However, this concept, which characterizes the collective success of a country, should lead to a higher goal, one that is more relevant to people's everyday lives: as a sense of economic and social well-being, and even happiness.

This approach was summed up very well by Wen Jiabao, the former Chinese prime minister: "The goal is to enable everyone to live a happy and dignified life, to feel safe, and to have confidence in a society of equality and justice".

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