

The “Most Competitive Nation” is on the Edge

The United States retained its number one position as the “most competitive economy” in a recently published report. The 520-page “Global Competitiveness Report 2007–2008” was researched and published by the **World Economic Forum** in Geneva, Switzerland. The report stated that of 131 national economies the U.S. “is endowed with a winning combination of highly sophisticated companies... buttressed by an excellent university system and a strong collaboration between the educational and business sectors in research and development... The United States (is) arguably the country with the most productive and innovative potential in the world.”

Impressive? Yes! But, we cannot afford to get comfortable, or complacent, with our past and current competitiveness position. Given the faltering economic conditions, escalating global competitiveness, and the growing shortages of skilled maintenance and manufacturing people we are a nation at risk. Couple this with the decline of the dollar’s value against the Euro and the price of crude oil we are in the midst of an ever intensifying *perfect storm*. Let’s take a look at what the Report tells us about our competitive advantages and disadvantages are and where we stand to the rest of the industrialized and developing nations.

Pillars of Competitiveness: This Competitiveness Report uses an assessment process that is based on 12 “Pillars of Competitiveness.” Here are just a few of the overall rankings based on the 12 Pillars and their 110 competitiveness criteria for 2007-2008:

- 1 – United States (score 5.67 out of 7.00)
- 2 – Switzerland (score 5.62)
- 3 – Denmark (score 5.55)
- 4 – Sweden (score 5.54)
- 5 – Germany (score 5.51)
- 6 – Finland (score 5.49)
- 7 – Singapore (score 5.45)
- 8 – Japan (score 5.43)
- 9 – United Kingdom (score 5.41)
- 10 – Netherlands (score 5.40)
- 13 – Canada (score 5.34)
- 18 – France (score 5.18)
- 34 – China (score 4.57)
- 48 – India (score 4.33)
- 52 – Mexico (score 4.26)
- 98 – Venezuela (score 3.63)

But, to fully understand these competitiveness rankings we should dig deeper into some of the trends and criteria for competitiveness.

Business Competitiveness: Yet another interesting comparison is that of “Business Competitiveness” among 127 countries studied in the Report. The **Business Competitiveness Index (BCI)** looks at the “sustainable underpinnings of the national economy.” This is a very important factor since it addresses **productivity** and **generation of wealth** as the fundamental

underpinning of **prosperity**. The report went on to state that True competitiveness is measured by productivity. Productivity supports high wages, strong currency, and attractive returns on capital – and with them a high standard of living” (underlining is my emphasis). The U.S. businesses rank as the **most productive in the world**. Since 2001 we have ranked at the top of the list for four (4) of the seven (7) years with Finland replacing the U.S. as number one in three of those years (2001, 2003, 2004).

When we look at a number of other countries from this BCI perspective, there are some very interesting comparisons from 2001 through 2007:

- Japan has **risen** from 16th to 10th
- Germany has **risen** from 5th to 2nd
- India has **risen** from 38th to 31st
- Canada has **slipped** from 11th to 14th in the BCI Index
- France has **slipped** from 7th to 17th
- China has **slipped** from 50th to 57th
- Mexico has **slipped** from 52nd to 64th
- Venezuela has **slipped** from 67th to 101st

Despite the claims of low wages that has attracted manufacturers to countries like China and Mexico their overall business productivity and competitiveness has slipped considerably. China’s advantage is the size of its domestic and foreign markets. Its disadvantages are rather serious: unsophisticated financial markets, unsound banks, weak higher education and training.

While Venezuela, a major oil producer, may have the advantage of the lowest gasoline prices in the world they are in a downward spiral in a business competitiveness and productivity perspective slipping from 67th to 101st.

Not so surprising is the rising business competitiveness and productivity of Japan, Germany, India. Among developing nations, India, rising from 31st to 38th has another advantage of very large domestic and foreign markets and ranks 4th in the availability of scientists and engineers and 22nd in the quality of scientific research institutions. This separates India from other developing nations.

Manufacturing returns to the U.S.: Competitiveness of the countries and business competitiveness have an impact on productivity of the local companies. Interestingly enough there are numerous reports of U.S. manufacturers closing their plants, or curtailing production in China and Mexico and returning their production back to the United States. Many foreign-owned manufacturers are also currently expanding their U.S. operations.

Productivity and national competitiveness environment are closely related. The Report makes a point about company sophistication and productivity: **The productivity of a country is ultimately set by the productivity of its companies. Productivity rises as companies improve their operational effectiveness and gets closer to global best practices.**

Senior management in many U.S. operations have been acquainted with “global best practices” whether related to general business practices or Lean Manufacturing, Lean Enterprise, or

maintenance and reliability improvement methodologies. However, there is a huge difference between those companies who are aware of the best practices, those who take a “program of the month” approach, and those who embrace and deploy these global best practices in ways that make sustainable gains in their productivity, and therefore competitiveness. This is where business and work culture changes can hamper or accelerate competitiveness.

A Nation at Risk: So, what is holding us back from the brink of un-competitiveness? By all reports we are a nation at risk from a number of perspectives. The Global Competitiveness Report sheds some light on several competitive disadvantages. The 12 “Pillars of Competitiveness” are divided into three (3) main groups: **Basic Requirements**, **Efficiency Enhancers**, and **Innovation and Sophistication Factors**. A review of the U.S. rankings shows areas where we are at a sizeable **competitive disadvantage**. Here is where we find out where we are most at risk of losing our competitive edge:

Basic Requirements: U.S. ranks 23rd out of 131 countries

Efficiency Enhancers: U.S. ranks 1st out of 131 countries

Innovation: U.S. ranks 4th out of 131 countries

The **Basic Requirements** criteria, where the U.S. records the most sizeable competitive disadvantages include the first four (4) of the 12 “Pillars of Competitiveness.” Here is where we stand as compared to 130 other nations in the areas related to **Basic Requirements** for global competitiveness:

1st Pillar – Institutions: U.S. ranks 33rd

- Favoritism of government officials (45th)
- Wastefulness of government spending (53rd)
- Business costs of terrorism (124th)
- Business cost of crime and violence (74th)
- Organized crime (75th)

2nd Pillar – Infrastructure: U.S. ranks 6th

- Quality of railroad infrastructure (14th)
- Quality of port infrastructure (11th)
- Quality of electricity supply (18th)

3rd Pillar – Macroeconomic Stability: U.S. ranks 75th

- Government surplus/deficit (91st) (repeated fiscal deficits & public indebtedness)
- National savings rate (107th)
- Government debt (89th)

4th Pillar – Health and Primary Education: U.S. ranks 34th

- HIV/AIDS business impact (86th)
- Quality of primary education (28th)
- Primary education enrollment (69th)
- Education expenditure (43rd)

Beyond the basics: Among the **Efficiency Enhancer Pillars** we also see some weakness in our Higher Education and Training (the 5th Pillar of Competitiveness) with a rank of 5th. This Pillar includes **the importance of vocational education, continuous on-the-job training for assuring the constant upgrading of workers’ skills to the changing needs of the production system**. The most penalizing competitive disadvantage is in the areas of “Secondary School

Enrollments” (U.S. ranks 42nd) and “Quality of Math and Science Education” (U.S. ranks 45th). In the “Quality of Educational System” we rank 17th and in “Extent of Staff Training” we rank 11th.

As one studies the remaining **Education and Training** criteria it is frightening how low our country ranks. Businesses and public education have missed the mark when it comes to providing the fundamental skills and knowledge for companies to be competitive and the workers to be productive.

What strikes me most about this 520 page Report is the detailed comparisons that can easily be understood by spending time reviewing our strengths and weaknesses. What frustrates me are the competitiveness and productivity gaps that exist and many of which are preventable right here in the U.S. A key comment in the Report that should get our business and governmental leaders’ attention: **The productivity of a country is ultimately set by the productivity of its companies. Productivity rises as companies improve their operational effectiveness and gets closer to global best practices.**

We know what it takes to improve the efficiency and effectiveness of our manufacturing plants and facilities, our utilities, our transportation systems, and our infrastructure. But for the sake of saving money here and there, spending on un-essentials, and cutting budgets to make quarterly financial reports look better we undermine the productivity of our workforce and hurt the competitiveness of our businesses and our country.

What we learn and how we learn it, how we work and earn a living, the elected officials we vote for and how we hold them accountable for doing what’s right are all crucial to maintaining our life styles, our standards of living. I urge our readers to spend time trying to understand what makes your job productive and your company competitive. Do everything you can do to help improve our nation’s competitiveness.

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