



SUSTRAINY PROJECT

ECONOMY

TOPIC N°5 EFFICIENCY AND COMPETITIVENESS





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Introduction to the topic

Competitiveness according to the World Economic Forum, is “the set of institutions, policies and factors that determine the level of productivity of a country”.¹

The aim of **efficiency** is to avoid wasting energy, money, materials and time to do or produce something. Overall, efficiency is the ability to do things well, successfully and without waste.

What is the relationship between competitiveness and efficiency?

Increased labour efficiency means increased competitiveness of the company on the market. Contrary to appearances, it is not only money that encourages employees to perform their duties effectively.

The efficiency can be treated individually. Whether individual employees perform tasks effectively and manage their time well directly affects the productivity of the entire company. Productivity, in turn, can be interpreted as the magnitude of the production effect obtained from a given input, i.e. the relation of goods produced to the input of factors necessary for their production.

The Competitiveness Council ² is working to boost competitiveness and growth in the EU. It deals with 4 important policy areas:

- Internal market - As legislator, the Council is working to remove barriers to the cross-border movement of goods, workers, capital and services.
- Industry - The Council combines a horizontal approach (mainstreaming of industrial concerns into all related EU policies) with a sectoral approach (responding to specific sectoral needs).
- Research - The Council seeks to strengthen the scientific and technical basis of European industry, thereby increasing its international competitiveness and stimulating growth and jobs.
- Innovation and space - Together with the European Space Agency, it is developing a European space policy.

¹ <https://www.weforum.org/agenda/2016/09/what-is-competitiveness/>

² <https://www.consilium.europa.eu/en/council-eu/configurations/compet/>



The Council seeks to improve the business environment, especially for small and medium-sized enterprises. Together with the Parliament, they adopt concrete measures to benefit these enterprises, such as increasing access to finance, cutting red tape and fostering innovation.





Chapter 1 - Competitiveness of the company

1.1 Competitiveness of the company general concept

“In the history of competitiveness, there are 3 stages in which a particular type of activity prevailed: price competitiveness, quality competitiveness and innovation-based competitiveness. At present, there is another stage, i.e. the pro-ecological approach. The first definitions of a company’s competitiveness began to appear in the 1970s. M. Porter, the best-known researcher of the issue dealt with the study of competitiveness in the mezo and macro scale, drawing attention to the role of enterprises in this process.”
(E.Szymanik, Konkurencyjność przedsiębiorstwa - główne aspekty, 2016)

Competitiveness of an enterprise depends on the competitiveness of particular products and services manufactured and sold on the markets, or rather on the competitiveness of their strategic business units. Many factors influence the competitiveness of a company, such as the competitiveness of sectors or the economy in a particular country. A company may have in its offer both competitive and uncompetitive products. Just because your product is competitive in a market does not mean that it will also be competitive in another market, therefore competitiveness is determined for a given product in a given market and over a given period of time.



Source: <https://blog-collector.org/2019/02/13/how-to-improve-business-competitiveness/>

1.2 Competitive advantage

A competitive advantage is a feature which a company possesses and which enables it to gain an advantage over its competitors. It is a factor to which purchasers pay attention when choosing between products on the market. Competitive advantage can be obtained through various factors such as cost structure, branding and quality of product offering, distribution network, intellectual property and customer service.

Two main types of competitive advantage:

- **Comparative Advantage** - the advantage obtained by being able to produce the product at a lower cost than a competitor is able to do. The same applies to the global economy.
- **Differential Advantage** – ability to distinguish our product from others on the market in terms of quality or uniqueness.



1.3 How to improve business competitiveness?

Your company must be competitive, its survival in the market depends on it. Factors that affect the level of competitiveness of an organisation:

- Internal and external analysis - a juxtaposition of the company's strengths and weaknesses, knowledge of the organization and the environment in order to make better decisions and effective strategic planning.
- Pricing - determining what value will be delivered to the customer in exchange for his money
- Customer loyalty - Today's customers want to buy products from companies with which they share values and which are socially and ecologically responsible



- Innovation in product development - finding new ways of doing things is a guarantee of being at the forefront of the market and an opportunity to make savings in the company's operations to increase profit margins.



1.4 Competitiveness of the company – good practices

Good practice 1 – Future Learn

The Future Learn platform offers online courses. One of them is 'Competitive Advantage: Using Information to Build Business Success'. This course is aimed at people interested in how modern businesses use information to gain a competitive advantage. It is mainly aimed at small and medium-sized enterprises and learners who are developing new business plans.

Link to the course: <https://www.futurelearn.com/courses/competitive-advantage>.



Good practice 2 – INSEAD – Competitive strategy programme

Competitive Strategy programme is an intensive three-day program that equips managers with new skills and tools and practical knowledge to turn strategic ideas into actions for their business or organization. The programme is aimed at managers who currently conduct business or are responsible for profits and losses in a given geographical area. It is also intended for executives or teams that need to quickly acquire skills in strategic thinking, analysis and development.

More on: <https://www.insead.edu/executive-education/strategy/competitive-strategy>



Chapter 2 International competitiveness

2.1 International competitiveness general concept

International competitiveness is a process in which higher levels of competitiveness are achieved at equal levels, i.e. at company, regional and national level, International competitiveness involves two or more countries. (imd.org)

International competitiveness is the ability of a country to sell or produce in foreign markets goods that are better or cheaper than those offered by other countries.

The main measure of international competitiveness is labour productivity, which is largely dependent on technological progress, the competitiveness of enterprises in the internal market, the level of education of the population, economic and social policies, commercial and industrial traditions and natural resources.

During Reagan's presidency in 1995, W Bieńkowski conducted an analysis of the competitiveness of the economy and divided the definition of competitiveness into two components:

- Competitive position (Resultant competitiveness)
- Competitive ability (Factor competitiveness)



2.2 Efficiency and Effectiveness

Buckley and others (1988) developed an overall perspective on strategic choices that emphasize international competitiveness. They believe that competitiveness includes „*efficiency (reaching goals at the lowest possible cost) and effectiveness (having the right goals). It is this choice of industrial goals which is crucial. Competitiveness includes both the ends and the means toward those ends.*”



2.3 Factors that determine international competitiveness

Factors influencing international competitiveness (Tejvan Pettinger,2012):

- Relative Inflation - If the inflation rate in your country is relatively lower than in other countries, you will become more competitive over time.
- Exchange Rate - Exchange rate movements have an impact on competitiveness, for example if there is a sharp depreciation, export is cheaper and more competitive.
- Productivity - Thanks to better technology and education, labour productivity is increased and thus it is possible to produce goods at lower costs.
- Cost of Doing Business - Countries with more regulation in the labour market will have higher costs and less competitiveness.
- Tax Rates - Higher taxes on labour will increase unit labour costs, leading to reduced competitiveness.
- Tariffs and non-tariff barriers - also one of the key factors influencing international competitiveness.
- Infrastructure - The cost of transport is a key factor in determining competitiveness.



2.4 International competitiveness – good practices

Good practice 1 - Programme for promotion of international competitiveness

The main objective of the programme is to facilitate the promotion of competitiveness of sectors by supporting entrepreneurship and entering foreign markets, ensuring the functioning of Latvian foreign economic representations and developing the international competitiveness of Latvia as a tourism destination in priority tourism sectors (business tourism and events, wellness tourism).

More information: <https://en.unesco.org/creativity/policy-monitoring-platform/programme-promotion-international>

Good practice 2 - Competitiveness and Innovation Framework Programme 2007-2013 – CIP

The main objective of the Strategy is to make the European economy the most competitive and dynamic economy in the world, a knowledge-based economy in which a favourable environment for small and medium-sized enterprises is created and there is greater convergence between Member States.

The CIP, which is centred on SMEs, provides actions to support innovation (including eco-innovation), improve access to finance and improve the provision of business-related services in the regions.

More information: https://ec.europa.eu/cip/files/docs/factsheets_en.pdf



Chapter 3 - The impact of globalisation on international economic competitiveness

3.1 Globalisation

Globalisation describes the ways in which “national and regional economies, societies, and cultures have become integrated through the global network of trade, communication, immigration and transportation”. The beginnings of globalisation are still debated, with some sources placing it as long ago as the bronze age, 4,000 years ago.

Others pin the date more reasonably in the period of global exploration kicked off by Christopher Columbus’ discovery of America in 1592 – this marked the birth of the first global trade networks, pioneered by European powers. This is generally considered the first wave of globalisation, in which business and trade crossed seas, and it lasted more than a century.¹

Modern globalisation is characterised by the mobility of capital and goods. Technological progress is increasing, which results in a sharp drop in transaction costs of economic cooperation with foreign countries. Companies can gain a competitive advantage by introducing internationalisation strategies. Entering foreign markets can significantly improve a company’s competitive position.



¹ <https://www.getsmarter.com/blog/market-trends/the-historical-impact-of-globalisation-on-economies-and-business/>



3.2 Positive impact of globalisation on international economic

Positive impact of globalisation on international economic competitiveness:

- Free trade - reduces barriers such as duties, taxes, subsidies and other barriers between countries, promotes global economic growth, creates jobs, makes businesses more competitive and reduces prices for consumers.
- Falling prices - competition between countries is expected to lead to falling prices.
- Increasing opportunities for poor countries through the inflow of foreign capital and technology, opportunities for economic development, spreading prosperity, promoting democracy and respect for human rights.
- Travel, mass communication and rapid dissemination of information over the Internet
- International companies investing in business in other countries provide employment for people and often lift them out of poverty.



3.3 The disadvantages of globalisation

The disadvantages of globalisation¹:

- Global over-standardization of products. Example: Most computers in the world use the Microsoft Windows operating system. Critics argue that this leads to a lack of product diversity and creates barriers to market entry for small, local manufacturers.
- Difficulties in coordinating the activities of subsidiaries that are based in several countries
- Job losses in domestic markets due to free trade and structural changes resulting from globalisation.

¹ https://www.economicsonline.co.uk/Global_economics/Globalisation_introduction.html



- Risks related to the interdependence of economies
- Globalisation generates winners and losers, and is therefore likely to increase inequalities, as richer countries benefit more than poorer countries. Awareness of growing inequalities, together with job losses, is believed to have contributed to an increase in anti-globalisation movements.
- Increased trade linked to globalisation has increased pollution and contributed to CO2 emissions and global warming. Increased trade has also accelerated the depletion of non-renewable resources such as oil.



3.3 Good practices

Good practice 1 - European Globalisation Adjustment Fund, EGF

The European Globalisation Adjustment Fund (EGF) was created by the European Union in 2006. Its main purpose is to support workers who have been made redundant as a result of trade liberalisation so that they can keep their jobs or find new ones quickly. The EGF's initial objective was to co-finance and help workers affected by the negative effects of globalisation to find new jobs. In 2009, the scope of the EGF programme was extended by the redundancies resulting from the global financial and economic crisis.

More information: <https://www.eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary/european-globalisation-adjustment-fund>



Good practice 2 - Reflection paper on harnessing globalisation

This document opens a debate on how the EU can best harness globalisation and respond to its opportunities and challenges. It focuses on the need to shape a sustainable global order, based on common principles and an agenda. It proposes tools to protect and empower citizens through sound social policies and to provide educational and lifelong learning support.

Download report: <https://gsgii.org/reports/reflection-paper-on-harnessing-globalisation/>





Chapter 4 Human resources as a measure of international competitiveness

4.1 Human resources in international competitiveness

Human resources are one of the basic components that contribute to national income. The quality, efficiency and effectiveness of employees is important here. Indicators such as the rate of economic activity and employment rate play an important role here. Investing in human capital is a prerequisite for long-term economic growth and also affects the international competitiveness of the economy.

There is a link between the quality of human capital and labour productivity. Transnational differences in the level of education explain an important part of observed differences in productivity.

The growing role of science and knowledge in the modern economy makes investments in human capital one of the most important factors influencing the competitiveness of the country. In the case of rapid technological changes and globalization processes that take place in the 21st century, human capital can be used as an accelerator of economic development.

All countries that want to maintain economic growth, prosperity and be competitive in the long term must pay particular attention to issues such as accumulation of human capital.



Source: <http://csquared.io/wp-content/uploads/2017/06/human-resource.jpg>



4.2 Human capital

In a dynamically developing economy, human capital is becoming the basic strategic resource of the organization and the foundation of sustainable competitive advantage. When choosing the place of business location, the entrepreneur should pay attention to the value of the offered human potential. He needs at least two types of employees:

- creators-scientists, managers who will introduce innovative solutions, creative and ambitious
- contractors - employees carrying out routine production and service works.

The place chosen for the location of the activity must have favourable environmental characteristics in order to attract workers with higher qualifications, offering them conditions stimulating their professional activity.



Source:http://www.hardhathr.com/book/linking-human-capital-measurements-to-roi-part-2/attachment/adobestock_79790315-converted/#main



4.3 Measuring of human capital

- **Indirect approaches** – ‘estimate human capital residually. This approach is based on the assumption that the discounted value of the benefits that the capital stock will deliver over its life will be equal to the current monetary value of the capital asset. In the context of discussions on sustainable development, the total capital assets of each country may be thought of as generating a stream of benefits in the form of consumption goods in the future.’¹
- **Direct approaches** - Direct approaches take a measure of human capital resources. There are three direct approaches to measuring human capital resources: the cost-based approach, the lifetime income-based approach and the indicators-based approach



Source: <https://www.masstlc.org/leveraging-human-capital-management-analytics/>

¹ <https://unstats.un.org/unsd/nationalaccount/consultationDocs/HumanCapitalGuide.web.pdf>

4.4 Good practices

HR Digital Transformation:

Practical Guide is a comprehensive and highly practical guide to HR. You will find here 6 stages of Digital Transformation, how they apply to the 6 key components of Digital HR and practical implementation advice. It will help you to lead your organization through digital transformation journey.

More information:

https://www.aihr.com/hr-digital-transformation-practical-guide/?utm_source=dhrt-blog&utm_medium=blog&utm_campaign=resource&utm_content=transformation&ga=2.65844270.1236417756.1591017186-2134212235.1591017186



Good practice 2 – Human resource Program

The program focuses on learning strategies, helping managers who train talent to make a positive impact on business performance through effective corporate training. “A human resource program is a valuable way to gain the necessary skills and knowledge for managing „human capital” - without doubt the key competitive advantage for organizations and companies. Such a program is usually essential for anyone wishing to enter the human resource function.

A human resource program has also become a required part of management training courses and Master Business Administration degrees from good business management schools.”

Source: <https://www.imd.org/imd-reflections/corporate-reflections/human-resource-program/>



Chapter 5 - Anti-trust Competitiveness

5.1 Antitrust & Competition Policy

Thanks to competition, traders are motivated to offer goods and services to consumers on the most advantageous terms. Thanks to it, your company look for new solutions (innovations), are more efficient and products are cheaper. Companies put pressure on themselves to be more competitive.

“European antitrust policy is developed from two central rules set out in the Treaty on the Functioning of the European Union:

- First, Article 101 of the Treaty prohibits agreements between two or more independent market operators which restrict competition. This provision covers both horizontal agreements (between actual or potential competitors operating at the same level of the supply chain) and vertical agreements (between firms operating at different levels, i.e. agreement between a manufacturer and its distributor). Only limited exceptions are provided for in the general prohibition. The most flagrant example of illegal conduct infringing Article 101 is the creation of a cartel between competitors, which may involve price-fixing and/or market sharing.
- Second, Article 102 of the Treaty prohibits firms that hold a dominant position on a given market to abuse that position, for example by charging unfair prices, by limiting production, or by refusing to innovate to the prejudice of consumers.”¹



¹https://ec.europa.eu/competition/antitrust/overview_en.html



5.2 Illegal contacts and agreements

Contacts and illegal agreements are so-called cartels. Cartel definition: “a group of similar independent companies who join together to control prices and limit competition”.¹

They are not legal because they restrict competition. Examples:

- price fixing
- agreements on customer allocation
- market sharing
- distribution agreements between suppliers and vendors, whereby prices offered to customers are imposed by the supplier
- agreements on the right to limit production volumes

Some agreements are not banned if they can be justified as beneficial to consumers and the economy as a whole. Examples of this are research and development and technology transfer agreements. Such cases are covered by the [Block Exemption Regulations](#).



¹ <https://dictionary.cambridge.org/pl/dictionary/english/cartel>



5.3 Abuse of a dominant position

Some companies have a dominant position on the market. A dominant position is the market position of an undertaking which is such as to distort effective competition in the relevant market.

Such a company usually has access to technical knowledge, raw materials and capital which allows it to set prices and control the production or distribution of other products.

In order to operate according to the rules, an undertaking with a dominant position on the market must take care

- not to charge excessive prices, which would be an abuse of your position in relation to your customers.
- not to charge unrealistically low prices, which could serve to drive competitors out of the market
- not to discriminate against customers
- not to impose certain commercial conditions on contractors.



5.4 Antitrust – good practices

Good Practice 1 - Recommendation concerning Effective Action against Hard Core Cartels

The objective of OECD policy is to detect, investigate and prosecute cartels that violate competition laws within and outside the OECD area. The Competition Commission has the task of monitoring and implementing the recommendations and collecting statistical data taking into account the OECD international cartel database.

“On 2 July 2019, the Council adopted the Recommendation concerning Effective Action against Hard Core Cartels on the proposal of the Competition Committee. The Recommendation replaces the 1998 Recommendation [OECD/LEGAL/0294] and reflects the most salient developments in cartel enforcement of the last 20 years, including amnesty/leniency programmes, proactive investigation tools and investigation powers, settlements, effective fines and private enforcement actions.”

More information: <https://www.oecd.org/daf/competition/recommendationconcerningeffectiveactionagainsthardcorecartels.htm>

Good Practice 2 – ICC Antitrust Compliance Toolkit

The ICC Antitrust Compliance Toolkit was launched on 22 April 2013 during the ICC’s 5th Competition Policy Roundtable in Warsaw and can be downloaded free of charge below. It was designed for B2B. It is based on the extensive knowledge of lawyers who specialise in antitrust law in larger companies. The toolkit is designed to provide practical tools for companies that want to build a robust antitrust compliance programme.

More information : <https://iccwbo.org/publication/icc-antitrust-compliance-toolkit/>





Chapter 6 – JOIN THE MOVE

Existing networks and supporting programmes

- <https://www.oecd.org> - founded in 1960 in Paris, its aim is to promote sustainable economic growth as well as to remove barriers to trade. The OECD also coordinates trade and economic policy towards countries outside the organisation. It is considered to be a club of the rich, which includes the wealthiest countries in the world (about 30), including Poland since 1996.
- <https://www.imf.org/external/index.htm> - was established in 1944 to coordinate Member States' financial policies. The Fund also acts as a centre for consultation and information on, for example, international monetary relations.

The IMF finances its activities from contributions from Member States where the beneficiaries are poorer countries or countries in economic difficulties.

Tools of reference to develop actions

<https://www.marketlinks.org/good-practice-center/value-chain-wiki/competitiveness-assessment-tools> - A Comparison of Competitiveness Assessment Tools

<https://www.marketlinks.org/good-practice-center/value-chain-wiki/developing-industry-competitiveness-strategy-tools-and-examp> - Developing an Industry Competitiveness Strategy: Tools and Examples

Tips to taking action / recommendations / quotes from entrepreneurs or youth having taken relevant actions

Recommended good practices¹:

- Engage buyers and suppliers to reduce time and costs for upgrades
- It is important to have a secure political environment that encourages legitimate business activity and competitiveness
- Take care of the quality, quantity and reliability of your company

¹ <https://www.marketlinks.org/good-practice-center/value-chain-wiki/competitiveness-strategy>

- Respond quickly and efficiently, anticipate and respond to changing market conditions
- Keep your business dynamic.

Quotes

“Competition is always a good thing. It forces us to do our best. A monopoly renders people complacent and satisfied with mediocrity.” – Nancy Pearcy

“World trade means competition from anywhere; advancing technology encourages cross-industry competition. Consequently, strategic planning must consider who our future competitors will be, not only who is here today.” - Eric Allison

„If you’re not making mistakes, you’re not taking risks, and that means you’re not going anywhere. The key is to make mistakes faster than the competition, so you have more changes to learn and win.” - John W. Holt, Jr., Xochi manufacturing

„The ability to learn faster than your competitors may be only sustainable competitive advantage.” - Arie de Geus, Shell Oil

„There is a tendency among some businesses to criticize and belittle their competitors. This is a bad procedure. Praise them. Learn from them. There are times when you can co-operate with them to their advantage and to yours! Speak well of them and they will speak well of you. You can’t destroy good ideas. Take advantage of them.” - George Matthew Adams, columnist

“Whenever I may be tempted to slack up and let the business run for awhile on its own impetus, I picture my competitor sitting at a desk in his opposition house, thinking and thinking with the most devilish intensity and clearness, and I ask myself what I can do to be prepared for his next brilliant move.” - H. Gordon Selfridge

“Competition, as the life of trade, surely is a tremendous spur to progress. Is it not the pursued man or business that advances through persistent effort to keep ahead? The constant striving to maintain leadership ever involves new ways and means of accomplishing more efficiently and thus it is the pursued is the progressive man. Put your pursuers on the pay roll.” - W.D. Toland



Chapter 6 – TO GO FURTHER

<https://hbr.org/1980/07/strategic-management-for-competitive-advantage> - Strategic Management for Competitive Advantage

<https://www.gb-advisors.com/business-competitiveness/> - Business Competitiveness: How to make the company more competitive?

<https://www.imd.org/wcc/world-competitiveness-reflections/international-competitiveness/> - Defining International Competitiveness

<https://econ.economicshelp.org/2007/06/what-determines-international.html> - Factors that determine international competitiveness

<https://www.weforum.org/reports/how-to-end-a-decade-of-lost-productivity-growth> - Global Competitiveness Report 2019

<https://www.theglobalist.com/globalization-the-globalist-top-10-features/> - The Globalist's Top 10 Features

http://www.mikroekonomia.net/system/publication_files/282/original/4.pdf?1314950374 – Human capital and international competitiveness of OECD Countries

https://ec.europa.eu/competition/antitrust/overview_en.html - Antitrust: Overview



Chapter 8 - PRACTICAL ACTIVITIES

Activity 1: SWOT Analysis

Make a SWOT analysis of your company. List the strengths, weaknesses, opportunities and threats.

SWOT ANALYSIS			
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS

Activity 2: Competitor analysis

1. Identify Competitors
2. Research Competitor Websites and Marketing Channels
3. Compare Products and Prices
4. Speak with Competitor Customers
5. Create Alerts and Check in Frequently



Source: <https://infographicworld.com/do-competitor-marketing-analysis/>



Conclusion: This is a beginning - My action

We've given you some advice; now it is time to turn this info into action... your action! Write here your own remarks:



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