



SUSTRAINY

Sustainable action Training for Youth



Co-funded by the
Erasmus+ Programme
of the European Union

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SUSTRAINY PROJECT



ECONOMY

TOPIC N°5
EFFICIENCY AND
COMPETITIVENESS

The project has been funded with support from the European Commission. This publication reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein.



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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

Efficiency aims to be as productive as possible and thus to avoid wasting energy, materials, money, and time. Overall, efficiency is the ability to do things well, successfully, and without waste.

What is the relationship between competitiveness and efficiency?

Increased labor productivity results in increased competitiveness of the company on the market. There is a conviction that money is the most attractive way to encourage workers to work as productively as possible, but this is not always true.

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 is also interpreted as the amount of the production effect that is obtained from a given means of production.

The Competitiveness Council 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** - Combining a horizontal approach with a sectoral approach.
- **Research** - The aim is to strengthen both the scientific and technical basis of European industry. This increases international competitiveness and employment.
- **Innovation and space** - a common European space policy is developed.

The Council, together with Parliament, is taking concrete measures aimed at businesses to increase access to finance, cut red tape and promote innovation.





Chapter 1

Competitiveness of the company

1.1 Competitiveness of the company general concept

There are three stages of competitiveness that have been taken into account in history. These are price competitiveness, innovation-based competitiveness, and quality competitiveness. Nowadays, we are dealing with one more stage - the pro-ecological approach.

The first definition of a company's competitiveness was established in the 1970s. At that time, one of the scientists, M. Porter, was involved in studying competitiveness on a mezo and macro scale, while at the same time paying attention to the role of companies in this process¹.

The competitiveness of a company is dependent on the competitiveness of the individual products it offers. Many factors affect a company's competitiveness, such as the competitiveness of sectors or economies in a given country. In its strategy, a company should also take into account the creation of the most competitive products possible. Competitiveness is defined for a particular product, in a particular market and over a certain period, so it is important to remember that a product that is competitive in one market may not be competitive in another and vice versa.



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 in which purchasers pay attention when choosing between products on the market. Various factors influence the competitive advantage, among others: cost structure, quality of the product offer, customer service, etc.

1 E. Szymanik, „Konkurencyjność przedsiębiorstwa – główne aspekty”

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 can do. The same applies to the global economy.
- **Differential Advantage** – our product must be differentiated from other products on the market, both in terms of quality and uniqueness.

1.3 How to improve business competitiveness?

For your company to survive in the market, it must be competitive. Factors that affect the level of competitiveness of an organisation:

- **Internal and external analysis** - For a company to be competitive, it must be aware of its strengths and weaknesses and it must have the necessary knowledge of the organisation and the environment. This will help in better decision-making and effective strategic planning.
- **Pricing** - The company should present in detail the value that the customer will gain by purchasing a given product
- **Customer loyalty** - Customers pay more and more attention to the beliefs and values that the company represents. It often happens that the customer looks at how the company looks at social and environmental issues.
- **Innovation in product development** - The search for innovation and new ways of doing things are factors that affect a company's competitiveness



1.4 How to improve business competitiveness?

Good practice 1 – Future Learn

The Future Learn platform offers online courses. The course 'Competitive Advantage: Using Information to Build Business Success' is aimed at all those who want to learn about: how modern companies use the information to gain a competitive advantage. The programme is intended for small and medium-sized enterprises, and for people who are learning to develop new business plans.

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



Good practice 2 – INSEAD – Competitive strategy programme

This is an intensive programme that trains managers to acquire new skills and provides them with the necessary practical knowledge to turn strategic ideas into action. The programme is aimed at managers who currently conduct business or are responsible for profits and losses in a given geographical area. The programme is also aimed at managers and teams that need to quickly acquire skills in strategic thinking, development and analysis.

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.

International competitiveness refers to a country's capacity to produce or sell on foreign markets. 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.

In 1995, an international competitiveness analysis was carried out. The definition of competitiveness was divided into two main 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. According to them, competitiveness is based on efficiency and effectiveness. If a company pays attention to these two main aspects, it will achieve its goal.





2.3 Factors that determine international competitiveness

Factors influencing international competitiveness:

- **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** - Some countries have higher costs and less competitiveness. This is due to greater regulation in the labour market.
- **Tax Rates** - Higher taxes on labour will increase unit labour costs, leading to reduced competitiveness.
- **Tariffs and non-tariff barriers** - one of the key factors that affect international competitiveness.
- **Infrastructure** - One of the decisive factors determining a company's competitiveness is transport costs.



2.4 International competitiveness – good practices

Good practice 1 - Programme for promotion of international competitiveness

The programme aims to support entrepreneurship and increase competitiveness, and to ensure the functioning of Latvian foreign economic representations. The programme is also aimed at developing Latvia's international competitiveness.

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

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

This strategy aims to promote competitiveness and innovation. It focuses mainly on SMEs. The aim of the CIP is also to increase the competitiveness of the European economy and make it one of the most dynamic economies in the world.

More:

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





Chapter 3 The impact of globalisation on international economic competitiveness

3.1 Globalisation

According to the definition, globalisation describes how 'national and regional economies, societies and cultures have been integrated through a global network of trade, communication, immigration and transport'. According to some sources, the definition of globalisation was already known in the Bronze Age. Others pin the date more reasonably in the period of global exploration kicked off by Christopher Columbus' discovery of America in 1492 – this marked the birth of the first global trade networks, pioneered by European powers.¹

Nowadays, globalisation is based on the mobility of capital and goods. The sharp drop in transaction costs is due to technological progress. Companies can gain a competitive advantage by introducing internationalisation strategies. Generally speaking, the entry of a company into foreign markets gives a great opportunity to increase the competitiveness of our company.



3.2 Positive impact of globalisation on international economic competitiveness

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 can lead to lower prices for products and services.

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

- **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.
- **Mass population movements, travel** and the rapid dissemination of information via 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

Despite the many advantages of globalisation, it has its disadvantages, including:¹

- **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.
- Companies that are established in several countries may have **difficulties in coordinating** the activities of subsidiaries.
- Free trade and structural change are causing **job losses on national markets**
- **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.

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



3.4 Good practices

Good practice 1 - European Globalisation Adjustment Fund, EGF

In 2006, the EU created the European Globalisation Adjustment Fund (EGF). 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

The document contains information on the use of globalisation in the EU. It focuses mainly on the need to shape a sustainable global order, which will be based on common principles and 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/>



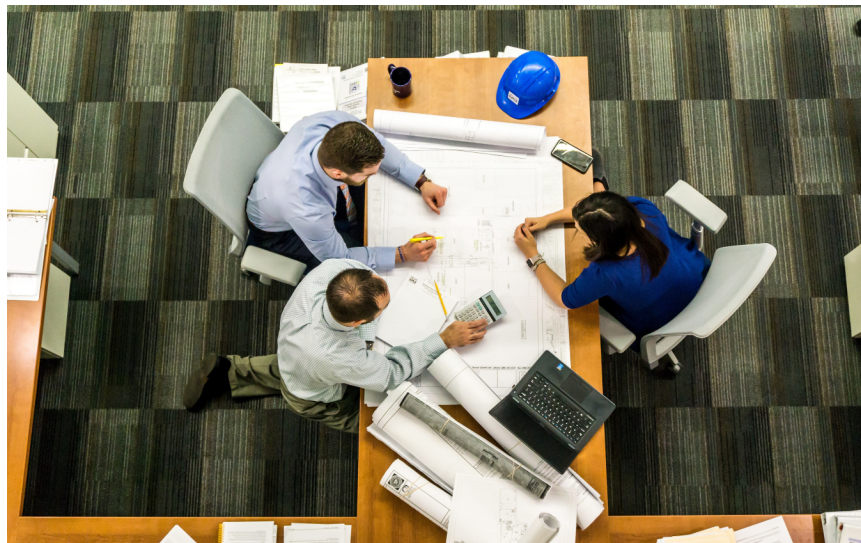


Chapter 4 Human resources as a measure of international competitiveness

4.1 Human resources in international competitiveness

Human resources contribute to national income and are one of its basic components. 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 role of science and knowledge in today's economy has significantly increased and makes the most important factor influencing the country's competitiveness is an investment in human capital. Human capital can also be used as a driving force of economic development due to rapid technological changes and globalization processes. All countries that want to maintain economic growth, prosperity and be competitive in the long term must pay particular attention to issues such as the accumulation of human capital.



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 a business location, the entrepreneur should pay attention to the value of the offered human potential. He needs at least two types of employees:



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

An entrepreneur who wants to set up a company must pay attention to many factors, including the location, which should attract employees with higher qualifications.



4.3 Measuring of human capital

- **Indirect approaches** – estimate human capital residually. The main premise of this approach is to believe that the benefit of the reserve capital will be equal to the current value of the fixed asset.
- **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



4.4 Good practices

Good practice 1 – HR Digital Transformation: Practical Guide

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. This guide will make it much easier for businesses to make the transition to the digital transformation.



Source: 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. This program helps to acquire skills and necessary knowledge to manage human capital. It will help every entrepreneur who wants to increase the competitiveness of his company

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





Chapter 5 Anti-trust Competitiveness

5.1 Antitrust & Competition Policy

Thanks to the 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 the products are cheaper. Companies put pressure on themselves to be more competitive.

The antitrust policy is defined in the Treaty on the Functioning of the European Union. It is based on two main principles:

- *Article 101 of the Treaty covers rules and prohibits agreements between two or more independent market players. This provision covers horizontal agreements as well as vertical agreements.*
- *Article 102 prohibits on abuse of dominant positions in the market.* ¹



5.2 Illegal contacts and agreements

Contacts and illegal agreements are so-called cartels. Cartels are defined as a group of similar companies that merge to control prices and limit market competitiveness. 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

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



Some agreements are not banned if they can be justified as beneficial to consumers and the economy as a whole. Such cases are covered by the **Block Exemption Regulations**.



5.3 Abuse of a dominant position

Companies can achieve a dominant position in the market. A dominant position is the market position of an undertaking which is such as to distort effective competition in the relevant market. Companies with a dominant position tend to have access to technical knowledge and capital that allows them to set prices on the market and control production and distribution

An enterprise that achieves a dominant market position must ensure that it by the rules:

- not to charge excessive prices, which would be an abuse of your position in relation to your customers.
- companies should not reduce the prices of their products to unrealistically low prices in order not to harm other companies in their development.
- not to discriminate against customers



5.4 Antitrust – good practices

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

The main policy objective of the OECD is to find cartels that violate competition law, both within and outside the OECD. The Competition Commission has the task of monitoring and implementing the recommendations and collecting statistical data taking into account the OECD international cartel database.

Following a proposal by the Competition Committee, a recommendation was adopted on 2 July 2019 to counteract established cartels. This is a recommendation that represents a significant change in the enforcement of cartels, including mention of amnesty, leniency, settlements, fines and enforcement actions.¹

Good Practice 2 – ICC Antitrust Compliance Toolkit

The toolkit is free of charge and available for download. It is aimed mainly at the B2B sector and aims to provide practical tools for companies that want to build their businesses by antitrust law.

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

1

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



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 an Examples

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

Recommended good practices:

- Maintaining the company in the right dynamic
- Caring for the quality and quantity of products as well as the reliability of the company
- Having a secure political environment that allows the company to operate legally
- Reacting quickly and effectively and keeping in mind the changing market conditions.¹

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

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 7 TO GO FUTHER

<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:





Conclusion: This is a beginning
- My action

