

WHAT IS COMPETITIVENESS AND WHO COMPETES?

Competitiveness is 'the struggle for existence or gain in industrial and mercantile pursuit' (OED). But, how do we measure competitiveness? And is it individuals, companies or countries that compete?

Some would argue that if a company provides similar goods or services to its competitors, but of a quality, price and delivery timescale more acceptable to its customers; if it meets customer expectations; if it employs appropriately trained, enthusiastic and motivated staff; if all this leads to increased profit levels, which in turn allows for more investment, then the company is more competitive.

But is that increased productivity, or are they offering a higher quality product? And do cheaper, lower quality products mean decreased competitiveness? And, is it quality we are looking for, or standardisation, such as the use of a 'kitemark', ensuring we can rely on the pedigree of a product?

In my view competitiveness is not only about productivity – productivity is a feature of volume. The only way that any organisation can compete is through quality, which establishes reputation, and through marketing and realistic pricing. So, it must be companies and not countries, which form the basis of competition.

Why does one company succeed where another in the same field, fails? Why does one company have a good reputation when another in the same field has a poor one? And, what gives one company a competitive edge over another?

I believe it is value for money, and quality and simplicity of products or services, which help to build company reputations on which the consumer can rely. While innovation is unquestionably vital for the maintenance of market share, complex technological 'gizmos', which all add to the cost of development and production, and which might be fine for technical nerds, do not attract the majority of customers. What most people look for is affordability, reliability and maintainability.

Also vital for company survival is *differentiation* – the ability to compete by meeting the demands of customers in terms of quality, cost, convenience, style, fit and service. This is a significant feature of the highly competitive motor industry, which has come a long way from Henry Ford's dictum of 'any colour as long as it's black'. Now, as well as make and colour, car buyers choose a particular model, engine size, and a host of additional features and optional extras. Competitive products increasingly need to be customised for specific markets.

In the computer industry some companies now design 'packages' to meet the demands of individual customers, and mobile phone purchasers can choose different types of phone, connection packages and even coloured face-fronts. The success of this strategy suggests such differentiation will benefit, for example, other sectors of the electrical and electronics fields and, particularly, the clothing industry.

Investment in research and development is strategically crucial in maintaining the competitive edge, particularly for companies in the high-tech field of information technology, for those who make greater use of IT systems, and those in competition with international companies.

Of course a big influence on any competitive strategy is costs. Overheads, usually labour costs, have to be controlled, but other significant costs that warrant attention are raw materials and utility services such as telecommunications, gas and water.

While sustained increase in competitiveness demands a readiness to pursue global growth and expansion, it also depends on investment in training to maintain levels of efficiency and effectiveness. Performance, productivity and competitiveness can only be improved by investing in people, employees, suppliers and yes, even customers. By developing the skills of employees organizations become more efficient and effective; training suppliers to meet ever-increasing demands for quality, consistency and reliability products and services improve; and, by communicating with customers they gain a greater understanding of what you have to offer. Concentrating on the human element in the

organization will increase performance and productivity and might even increase dividends to shareholders.

It calls for greater use of equipment by running systems on a continuous basis with people working shift patterns, while taking account of inevitable increases in repair and maintenance costs. It requires a reduction in the costs of power supplies, either through greater efficiencies or stringent control over usage, or by having access to company owned power sources. It may necessitate the relocation of offices and factories in areas with lower rent costs, while maintaining access to road, rail and air transport systems.

The rapid growth of world-wide radio and telecommunication computer networks means that multi-nationals can base their operations in countries with cheaper labour markets and lower social costs. Therefore, if governments and politicians fail to exercise a measure of control over political, economic and social conditions, it will be the global companies who will dictate the standard and pace of living, imposing wage levels and working conditions.

Inevitably this will lead to greater insecurity, greater social divide and social unrest. To some extent this process has already begun with successive programmes of delaying and downsizing, which increase the 'bottom-line' in the short term, but do not grow companies.

So, how can a company, based in an advanced industrial nation, compete with a company based in an emerging country where labour costs are much lower, where land and housing costs tend to be minimal, where power sources are cheaper or are subsidised, where much greater use is made of cheap public transport systems, and, where there is no social security safety net ?

The simple, and obvious, answer is that it cannot, because all companies seek to maximise their return on investment in order to pay greater shareholder dividends, and thus attract greater investment. Inevitably they tend to look mainly for short-term opportunities, rather than go for growth. Second, if a company tries to compete head-on over costs with emerging areas, it will force down wages, which will impact on conditions and the general living standards of its own workforce.

This is where government's fit in the competitiveness equation. Governments can prompt action, but they cannot force it. They can help to make their countries more competitive by:

- Investing in all forms of education and training programmes, to deliver improved literacy and numeracy;
- Delivering optimum living standards, through the concept of minimum wages, to raise the level of the poorest paid;
- Investment in a national transport infrastructure, which allows for the freer and easier movement of people and goods;
- Promoting economic stability to encourage investment for the longer-term, thus increasing the level of stability; and
- Encouraging companies, through tax breaks, to invest in the latest technology, increasing national competitiveness.

How do UK companies rate on competitiveness? A recent analysis, by the UK Department of Trade and Industry (DTI), covering areas such as steel, chemicals, pharmaceuticals, office machinery and automotive components, suggests that, apart from a few star performers who match their continental rivals, the majority of British companies have lower productivity than their European competitors, despite lower wages and social contributions. So the lack of competitiveness cannot possibly be labour costs.

But economists agree that it is very difficult, perhaps even impossible, to measure productivity, let alone competitiveness. The only measure I can think of is national and international reputation, based on perceived and actual quality, marketing and sales and turnover.

However, the latest figures show a gap of around 20 per cent between UK and French companies, 30 per cent against German companies, and a staggering gap of 40 per cent compared with American companies. Clearly this productivity gap cannot all be put down to financial instability, and boom and bust cycles. However, it would seem that the

strategies of senior management in UK Plc is, rather than invest in new technology, new equipment and manufacturing processes, and in training manpower, to invest in themselves by boosting the bottom line and the share price.

In consumer terms, competitiveness means allowing price comparisons of similar products offered by competing manufacturers or suppliers. It helps when product pricing is transparent and free from marketing hype such as 'two for the price of one', 'buy one, get a second at half price', or, 'three for the price of two', which only serve to disguise the real cost or price of products or services.

The introduction of electronic or on-line shopping, via the Internet, allows consumers to 'browse' the pages at their leisure, and compare the costs of goods from a variety of sources. It is already happening in the fields of computers and associated peripheral equipment, and in the publishing and music industries. There is vast scope, too, for the clothing retail trade, particularly for firms who run catalogue services.

So, who has got the best economic strategy model to support competitiveness? Is it:

The Anglo-American model of 'laissez-faire'; The German and French model, which places greater emphasis on consensus, employment rights and public investment in major infrastructure projects; The Japanese model which, as well as being based on consensus between major businesses, the financial institutions and government, makes every effort to keep people in employment? Or, is there a fourth way, a process that takes the best of every model?

Competitiveness cannot simply be about working longer and harder, because that is slanting all the effort and responsibility onto the human element. We must focus instead on every aspect of corporate strategy that impinges on effort, efficiency, and effectiveness and, yes, profits.

Corporate strategy must address other areas of business, such as information technology and automation, research and development and training. As well as concentrating on improving and growing the core business companies must constantly look for new opportunities in associated areas of business in order to grow, either through expansion or acquisition, all of which demand capital spending.

Competitive organisations are those which do their utmost to meet customer demands for the simple reason that, with choice, the consumer will return to those companies who respond to them positively, promptly and politely and ignore those who are remote, rude or reticent. In order to become a competitive organisation companies must pay a lesser amount of their profits as dividends to shareholders and invest more in people, products and supporting plant. Somehow I do not believe the City will allow that to happen.

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KENNETH P ARMITAGE

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