



Bob Williamson, Contributing Editor

Well, we've done it, again. This time, though, it was a veritable squeaker. The 520-page "Global Competitiveness Report 2007-2008" (the Report, by the World Economic Forum in Geneva, Switzerland, states 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 can't afford to get comfortable or complacent with our past and current competitiveness position. Given faltering economic conditions, escalating global competitiveness and growing shortages of skilled maintenance and manufacturing people, we are a nation at risk. Couple this with the decline of the dollar and the price of crude oil and it's easy to see that 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, where we stand in relationship to other industrialized and developing nations and why we're really hanging on the edge.

Pillars of Competitiveness:

The Report uses an assessment process built around 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)

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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)

To fully understand these 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. The Business Competitiveness Index (BCI) looks at the "sustainable underpinnings of the national economy..." This is very important since it addresses productivity and generation of wealth as the fundamental underpinning of prosperity. The Report goes 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.) U.S. businesses rank as the most productive in the world. Since 2001, we have ranked at the top of the list for four out of seven years, with Finland replacing the U.S. as number one 2001, 2003 and 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

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Despite the claims of low wages that have attracted manufacturers to places like China and Mexico, these countries' overall levels of business productivity and competitiveness have slipped considerably. China's advantage simply is the size of its domestic and foreign markets. Its disadvantages, though, are rather serious: unsophisticated financial markets, unsound banks, weak higher education and training. As for Venezuela, while it's a major oil producer and may have the lowest gasoline prices in the world, it still is in a downward spiral from a competitiveness and productivity perspective, slipping from 67th to 101st!

Not so surprising is the rising competitiveness and productivity of Japan, Germany and India. Among developing nations, India has another real advantage—it ranks 4th in the availability of scientists and engineers and 22nd in the quality of scientific research institutions. This clearly separates India from other developing economies.

Manufacturing comes home

Competitiveness (of countries and businesses) has an impact on productivity of local companies. Interestingly, we now are hearing numerous reports of U.S. manufacturers closing their plants or curtailing production in China and Mexico and returning production back to the U.S. Many foreign-owned manufacturers also are beginning to expand their U.S. operations.

Productivity and a national competitiveness environment are closely related. The Report makes the following 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 get closer to global best practices."*

Senior management in many U.S. operations has been acquainted with "global best practices" whether related to general business practices, Lean Manufacturing, Lean Enterprise or maintenance and reliability improvement methodologies. There is, however, a huge difference among those companies that are aware of the best practices, those that take a "program of the month" approach and those that embrace and deploy global best practices in ways that make sustainable gains in their productivity—and, therefore, their competitiveness. *This is where business and work culture changes can hamper or accelerate competitiveness.*

Nation at risk

So, what's 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

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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 are most at risk of losing our competitive edge against other countries:

- Basic Requirements: U.S. ranks 23rd out of 131
- Efficiency Enhancers: U.S. ranks 1st out of 131
- Innovation and Sophistication: U.S. ranks 4th out of 131

The *Basic Requirements* criteria, where the U.S. records the most sizeable competitive disadvantages, include the first four of the 12 "Pillars of Competitiveness." Here is where we stand compared to 130 other nations in the following areas:

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)

Infrastructure: U.S. ranks 6th

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

Macroeconomic Stability: U.S. ranks 75th

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

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) with a rank of 5th. This Pillar notes *"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 disadvantage is in the areas of "Secondary School Enrollments" (where the 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 frustrates me about this 520-page Report are the competitiveness and productivity gaps that exist—*many of which are PREVENTABLE*—right here in the U.S. Remember: *1) the productivity of a country is ultimately set by the productivity of its companies; and 2) productivity rises as companies improve their operational effectiveness and get closer to global best practices.*

that doesn't get the attention of business and government leaders, nothing will!

If

What we know

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 nonessentials 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, who we vote for and how we

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hold them accountable for doing what's right are all crucial to maintaining our life styles and our standards of living. I encourage all of you who are reading this to spend time trying to understand what makes your job productive and your company competitive. Do everything you can do to help improve both. That's how we'll bring our nation back from the edge. **MT**